

**The Mexican Ethnic Economy in Los Angeles:
Capitalist Accumulation, Class Restructuring,
and the Transnationalization of Migration¹**

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Abstract

This article discusses some of the theoretical and practical implications of self-employment and the ethnic economy, its consequences for the Mexican immigrant population and migratory process as a whole, and its impact on the larger societies involved. More generally, it examines the social processes that underlie this form of incorporation of migrants, more particularly, the role of class, identity, and the nation state. The analysis is based on both official, aggregate data, and first-hand information gathered on Mexican entrepreneurs in the Los Angeles metropolitan area. Results point out the limitations of dominant economics-centered analysis and suggest that gender, class, internal ethnicity, and the transnationalization of migration, facilitated by the Mexican State, are more powerful predictors of entrepreneurial participation and success than individual human capital endowments.

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Introduction

Over the past three decades, theories about international migration to the United States have become increasingly sophisticated and nuanced. Nevertheless, our understanding of the phenomenon continues to be fragmented and uneven, due not only to methodological and disciplinary divergences (see Massey et al., 1993, 1994), but also due to the ways that specialists have approached the study of diverse immigrant groups. The study of different groups has generated the production of separate literatures, with diverse foci. Thus, for example, research on Asian immigrants (in particular Koreans, Chinese, and Japanese) tends to privilege the study of self-employment and the ethnic economy, while investigations of Latin American immigrants concentrate on an analysis of wage labor, giving little or no attention to self-employment. The unintended, rather than deliberate result of such research has been to create distorted, totalizing images in which each group is represented as a homogenous social entity. Thus Asians are conceived of as model immigrants: good workers, industrious, and entrepreneurial; while Latin Americans are portrayed as vulnerable, cheap, unskilled laborers, lacking entrepreneurial initiative.

Most literature on Mexican migration to the United States illustrates this tendency in at least two ways. First, with rare exceptions, the literature centers exclusively on an analysis of manual, wage labor, and especially farm laborers. Second, this analysis is based on a dichotomous model that identifies migrants as either "settlers" (those who leave their country of origin in a definitive manner) or "sojourners" (those who travel abroad only to return again, once their initial economic goals have been met). These emphases have led to the dominant conception of Mexican migrants as forming a homogenous group of manual laborers who leave their country for short periods of time to work in the most poorly paid positions in the North American labor market.

Not all migrants are manual laborers, however. Nor is wage labor the only way that Mexican migrants are economically incorporated in the United States. Indeed, the validity of the dominant analytical model is cast in doubt by migrant spatial mobility patterns and by the multiple relations that migrants establish on both sides of the border. Recent studies indicate that the social composition of migrant groups, their forms of labor incorporation and spatial mobility have diversified with the historical expansion of the migratory process (Durand and Massey, 1992; Massey et al., 1993; Hondagneu-Sotelo, 1994). The dense web of social, economic and cultural relationships forged across national borders during the process of migration is often referred to as the transnationalization of migration. According to this emerging conception, migration is no longer defined as a process of either definitive or temporary spatial mobility. Rather, it is understood as the creation of social fields through which persons, information, ideas and goods are continually exchanged across national borders (Basch, Glick Schiller, and Szanton Blanc, 1994; Massey, Goldring and Durand, 1994a; Goldring, 1992; Rouse, 1989, 1992; Massey et al., in press).

Despite the recognition of the diversity of modes of Mexican labor incorporation, the phenomenon of self-employment and the formation of a Mexican ethnic economy has not been studied in detail until now. One of the objectives of this paper is to help remedy this omission.¹ In this article, I discuss some of the theoretical and practical implications of self-employment and the ethnic economy, its consequences for the migrant population and migratory process as a whole, and its impact on the larger societies involved. More generally, I want to examine the social processes that underlie this form of incorporation of migrants, more particularly, the role of class, identity, and the nation state.² The analysis that follows is based on both

official, aggregate data, and first-hand information gathered on Mexican entrepreneurs in the Los Angeles metropolitan area (see methodological appendix at the end of the article).

I will first present a brief, critical sketch of theoretical approaches to the ethnic economy which inform most current analysis. After describing some of my research findings on the Los Angeles Mexican community, I will analyze some of the theoretical and practical implications of the study.

The ethnic economy and existing theoretical understandings

With the exception of the Cuban example in South Florida, the economies created by recently arrived Latin American immigrants in many of the most important U.S. metropolitan areas have escaped researchers' attention, or have been considered insignificant or marginal phenomena (Portes and Bach, 1985; Borjas, 1990; Portes and Rumbaut, 1990; Grasmuck and Pessar, 1991; Bustamante, et al., 1992).³ Nevertheless, according to the U.S. Census, in 1990 one out of every 20 economically active Latin American immigrants worked for themselves.⁴ In the same year, 108 thousand Mexican nationals (4.5% of the employed Mexican immigrant population) were reported as self-employed, compared to only 32 thousand Cubans--thus far considered the most entrepreneurial Latin immigrant group. That is, by 1990 there were 3.4 self-employed Mexican immigrants per one self-employed Cuban immigrant in the country (Bureau of the Census, 1993).

The economic and political relevance of these entrepreneurs has reached such a high level that they are now courted by politicians from both the U.S. and Mexico. During the 1994 gubernatorial campaign in California, for example, some candidates explicitly included them among the potential beneficiaries of their electoral promises (Brown, 1994).⁵ Meanwhile, tours and visits by Mexican political figures (as much from the governing party as from the opposition) to immigrant neighborhoods in the U.S. are no longer sporadic events. Gaining the support of immigrant entrepreneurs and civic leaders (who often are one and the same) and the support of their communities has become a major objective of politicians.

The efficacy of self-employment as a mode of incorporation has been highly debated by proponents of the principal theoretical perspectives which dominate migration studies in the United States. These interpretations, based fundamentally on the experiences of Asian and Cuban immigrants, form a continuum that ranges from a highly optimistic stance, to a critical evaluation that completely dismisses self-employment and the ethnic economy as viable means of incorporation. At one extreme it is argued that the ethnic economy is a positive form of incorporation and a vehicle for upward social mobility, both for the entrepreneurs and for their employees. The best known version of this argument was introduced by Alejandro Portes and his associates, and concerns the model of the ethnic economic enclave, based on studies of Cuban entrepreneurs in the metropolitan area of Miami (Portes and Bach, 1985; Portes and Manning, 1986; Portes and Jensen, 1989; Wilson and Portes, 1980) and Chinese in New York city (Portes and Zhou, 1992; Zhou, 1992).

At the opposite extreme are arguments that conceive of the ethnic economy as a trap in which immigrants perpetuate their poverty and marginalization within the dominant society. Interestingly enough, this latter perspective is shared by neoliberals and historical structuralist alike (Borjas, 1990; Bonacich, 1980, 1994; Light and Bonacich, 1987; Bonacich and Modell, 1980). The best known argument of the structuralist approaches is that of the "middleman minority". Based on studies of Korean and Japanese immigrants on the west coast of the U.S., this view holds that ethnic entrepreneurs are intermediaries who facilitate the exploitation by corporate capital of both immigrant workers (through low-paid employment) and of their low-income working-class, native minority customers in inner city areas (by virtue of a lack of competition, which gives them virtual monopoly of these markets). However, this perspective also states

that to gain their position, ethnic entrepreneurs pay a high price as well, in terms of the time and energy required of them and their families to offset the disadvantages that they experience as immigrants and minorities (Light and Bonacich, 1987). For neoliberals, on the other hand, the immigrant economy is criticized for constraining the potential for upward social mobility of its participants, by restricting them to a limited ethnic market with no opportunities for growth. Workers in these firms are prevented from learning skills that are marketable in the open economy, where higher salaries are paid (Borjas, 1990). Besides these fairly polarized perspectives (the beneficial "ethnic enclave" vs the exploitative "middleman minority" or the concern about constricted growth) there is another approach which recognizes that the ethnic economy does produce positive effects, but maintains that its rewards are monopolized by employers who exploit their fellow compatriots in the name of ethnic solidarity (Sanders and Nee 1987; 1994; Ong et al., 1993).

As theoretical arguments, these perspectives have contributed enormously to understanding the phenomena of self-employment and the ethnic economy. Still, they share significant limitations. First, they tacitly assume that the so-called ethnic economy is formed by a conglomeration of homogenous businesses. There seems to be an assumption that the common nationality of employers and employees means that all ethnic businesses operate and perform in the same way, regardless of such factors as class, gender, business size, economic viability, and market orientation.

A second common denominator of the existing analyses is a focus on strictly economic concerns. At the center of many such studies is an interest in measuring the economic rewards that employees and employers receive in the ethnic economy from their investments in human capital, as compared to those offered migrants by wage work in the open economy (in other words, in the secondary sector of the U.S. labor market).⁶ The role of the ethnic economy in extra-economic phenomena--such as class relations, cultural reproduction, identity formation of the immigrant group, or in the mediation between the group and the sending and receiving societies--has not received much attention.

In general, existing theoretical frameworks tend toward either individualist analyses or structuralist visions of migrant participation in entrepreneurial activities. The first type of approach leaves out structural effects, and conceives of entrepreneurial immigrants as atomized beings seeking to optimize returns for their human capital and competing autonomously in the open market, where individual decisions are the only ones that count. They are seen as undersocialized beings. The second set of perspectives views such immigrants as overdetermined by structural social forces beyond their control (such as familial obligations, expectations of ethnic solidarity and reciprocity, institutional regulations, and so forth) defining them as oversocialized beings, lacking all capacity for independent action. Their actions are scripted. They become characters from a libretto not of their own making devised by social scientists.⁷

In migration studies, a new perspective informed by the reemergent field of economic sociology is currently being developed. Linked to concerns defined by economic anthropology, and taking elements from a structural historical perspective, economic sociology offers a meso-structural approach that integrates micro- and macro-structures. In short, the central theoretical concerns of economic sociology establish that (1) the economy cannot be taken as an analytical category separate from the social sphere; (2) all economic action is socially located and cannot be explained only with reference to individual or personal motives (economic action is a particular form of social action) and that because of this, (3) human beings seek not only to obtain pecuniary gains, but also to earn status, social acceptance and power; and (4) economic institutions, such as entrepreneurial businesses, are social constructions whose functions go beyond the merely economic sphere (Block, 1990; Granovetter, 1985, 1992; Swedberg and Granovetter, 1992).

In light of the theoretical perspectives described above, and with the guidance of the postulates of

economic sociology, I will now turn to discussing the Mexican ethnic economy in Los Angeles. The discussion consists of four major parts. First is a description of the sociodemographic characteristics of sampled entrepreneurs, which is followed by a detailed analysis of the internal characteristics of sampled firms. The last two sections of the article present an examination of the extra-economic dimensions of the ethnic economy and an exploration of the transnational relations built between migrant entrepreneurs and their country of origin, most especially with the Mexican state. The conclusions presented at the end address the implications of the findings presented for the literature on migration and ethnicity.

Who are Mexican immigrant entrepreneurs?

The 102 Mexican entrepreneurs I studied in Los Angeles did not differ much from the average United States small entrepreneur, at least in terms of basic sociodemographic characteristics. Most are married men who are older than the average population, of urban origin, and who have resided in the U.S. for some 15 years before they started up their own businesses. Their enterprises include a wide range of activities, from street vending, small grocery stores, restaurants and home sewing shops, to supermarket chains and high-technology firms with national operations.

The average age of these entrepreneurs is 43 years, with the youngest entrepreneur as young as 20 years old and the oldest 86. Women, one fourth of the sample, tend to be older (average age 45.5) and have a lower education level (7.2 years of formal education) than men (who are 42 years old and have 9.1 years of formal education on average). On average, these immigrants arrived in the United States 21 and a half years ago, at the height of their productivity (at 21 years of age). Only one sixth of them have resided in the United States since 1980. This profile suggests that the entrepreneurs interviewed represent a select group vis-à-vis the general immigrant population in terms of their age, gender, and work and migratory experiences (Table 1). Furthermore, the relatively prolonged period of residency in the United States prior to opening businesses suggests that these entrepreneurs not only had acquired a good knowledge of the society and local market before initiating their entrepreneurial activities, but also had accumulated social capital indispensable to the initiation and functioning of these activities.

- Table 1 -

At first glance, the low level of education of the entrepreneurs interviewed would appear to confirm neoliberal predictions suggesting that self-employment is a refuge of the least skilled immigrants (Borjas, 1990:174-75). Indeed, their average level of education is lower than that of Mexican immigrants in general. However, it must be emphasized that the proportion of university-educated persons is much higher among entrepreneurs than among Mexican immigrants in general (14.% versus 3.5%). But even more important is the fact that, statistically speaking, the education level of this entrepreneurial group is not related to its economic performance (measured both in terms of the firm's net worth and by owner's total income). This lack of correlation between education and economic achievement has also been reported by other studies of immigrant entrepreneurs (Portes and Jensen, 1989; Guarnizo, 1993, 1994) and wage-earning immigrant workers (Taylor 1991). This is due in part to the fact that education acquired in the society of origin is not always recognized abroad--something that is particularly true in the case of professional and academic titles.

Ethnographic evidence illustrates this phenomenon. Take the case of José Galán, an immigrant from a semi-rural Jaliscan locality, with only five years of primary education. He had his first experience with urban life and manufacturing work when he worked in the furniture industry in L.A., in the beginning of the 1980s. Despite his inexperience, after 12 years in the city, Mr. Galán became a wealthy real estate businessman, with assets totaling some 40 million dollars and a net worth of some \$4 million. His business currently involves the buying, remodeling and renting of housing, especially in South Central L.A.; his

clientele is made up exclusively by Mexican and Central American immigrants. Meanwhile, immigrants with more education, such as the civil engineer Juan Montes, live off small commercial activities with limited--and in many cases marginal--economic profits.

Some of the most intriguing findings of this study are the extra-economic factors that many of the subjects identified as motivating their decisions to emigrate, as well as the notable overrepresentation of entrepreneurs originating from just a few specific regions of Mexico. In contrast to what might be expected from this type of immigrant, a significant proportion of them (40%) emigrated because of non-economic reasons, such as to reunite with their families, or to follow the example of friends or fellow members of the same place who had emigrated earlier (Table 1). The case of José Galán illustrates this phenomenon as well. He originally emigrated to Los Angeles from his rural community in the state of Jalisco. Guadalajara, the economically vigorous Jalisco capital, at first appears to be a highly viable migratory alternative to the unknown and distant California metropolis. I asked Mr. Galán why he had not emigrated to this city instead of going abroad. He reacted to my question with complete surprise: "Do you know that it never occurred to me to go to Guadalajara?" he asked. "In my community everyone went to California, especially Los Angeles: almost all of my friends would leave and return each December, and during the patron holidays, with very nice clothes and a lot of money. All the young men in my community dreamed of going North." In fact, Mr. Galán moved to Los Angeles following his older brother's steps. A short time after his departure, Mr. Galán's younger brother and other members of his family reunited in Los Angeles. This evidence underscores the social embeddedness of the migratory process, and the fact that even among the most economically-oriented (i.e., those who eventually become entrepreneurs) the decision to leave the society of origin is not governed by cold, individualistic calculations about economic success alone, but rather is strongly influenced by family and social obligations, loyalties, and rituals of acceptance.

Meanwhile, the places of origin of the entrepreneurs studied make clear the relevance of regionalism as an explanatory category of immigrant performance. The skewed distribution of entrepreneurial participation by state of origin in Mexico makes it seem meaningless to refer to the Mexican economy in Los Angeles without discussing its internal ethnicity. As the data from Table 2 indicate, entrepreneurs coming from only four areas represent 70% of the total sample. Although the design of the investigation precludes generalizing from these data (in the sense that it cannot be proven that they represent a true reflection of the Mexican immigrant entrepreneurial universe), there is no doubt that there exists certain regional stratification. The direct observations and in-depth interviews conducted confirm this assertion. In Los Angeles, migrants from Jalisco, Michoacan, Zacatecas (three of the Republic's most traditional immigrant sending areas) and Mexico City tend to have better access to self-employment and the ownership of businesses than do their fellow compatriots from other regions. This pattern of entrepreneurial participation suggests that the more developed the home state is, and the greater its migratory tradition, the more likely it is that immigrants from that state will exhibit high levels of entrepreneurial participation once in the U.S. However those coming from Mexico City, new participants in the migratory flow, obviously stand apart from this tendency.

It is likely that, rather than being due to the presence of particular cultural values in some regions and not in others, this pattern of participation results from the interaction of at least two contingent factors: first, the effect of migratory social networks and second, the maturation of the migratory process itself. Just like any other mode of incorporation, entrepreneurial participation is transmitted through social networks, which permit access only to those coming from certain communities or regions. This type of social structuring excludes strangers, limiting the transmission of its benefits to members of certain migratory circuits. This regional lock out does not imply that the exclusion or inclusion is absolute (i.e., that all members are included, or that all strangers are excluded). Nevertheless, its weight is sufficient to create

identifiable social patterns that, with the passage of time and the maturation of the process, bring about a distinctive group character--as for example, when people from a particular region become identified as "innate" masters in a particular activity.

Thus we seem to be facing a process in which differences in entrepreneurial participation represent a stratification of Mexican immigration at the regional level; in which migration actually reproduces historical Mexican regionalism in its unequal distribution of opportunities and development. Studies concerned with the analysis of other aspects of migration have detected indications of a similar process, in which new immigrants, particularly those from locations with higher indices of poverty and indigenous populations, are beginning to occupy the lowest and most poorly paying positions previously occupied by migrants from regions that have traditionally produced the greatest number of migrants (see Alarcón, 1994, 1995). This suggests that the ethnic economy, as an alternative form of incorporation which can increase possibilities of social mobility for migrants, may not be attainable to those who come from regions more recently joining the migratory process. Although the findings of this study, as will be seen later, tend to confirm this hypothesis, its final corroboration should be validated with comparative studies that examine entrepreneurial participation and performance, controlling for place of origin and time of immigration.

- Table 2 -

What are their enterprises like?

Almost 60% of the businesses studied are commercial establishments, and only 13% are manufacturing plants (Table 3). Although sampled women own fewer of the latter and more of the former, the difference is not statistically significant. The low rate of participation in manufacturing activities coincides with the observed pattern of other ethnic groups, and with aggregated statistical information (see Logan, Alba, and McNulty, 1994). Only 14.6% of Hispanic-owned businesses in the metropolitan area of Los Angeles are manufacturers (Bureau of the Census, 1993). A general profile of the average Mexican enterprise studied (a theoretical construction in itself), would depict a small, relatively new business, that pays salaries only slightly above the minimum wage, while yielding a generous income for its owners--which, albeit not statistically comparable to Census data, happens to be five times higher than the average income of Mexican immigrant households (Table 4). At the time of the interview, the 102 Mexican entrepreneurs studied reported 758 employees--81% of whom were Mexican immigrants, 17% Latin immigrants and Chicanos, and 2% from other ethnicities including U.S. citizens of European descent. The total net worth, owners' annual income, and monthly sales of sampled firms, reported by only 88 of the respondents, reached some \$17 million, \$7.9 million, and \$21.7 million, respectively. Yet this impressive image, based on average and aggregate statistics, does not stand up under more detailed scrutiny, as we will see in the following section.

- Table 3 and Table 4 -

Economic viability of Mexican enterprises: If one generalization can be made with respect to the economic viability of Mexican immigrant enterprises in Los Angeles, it is that their heterogeneity resists exhaustive generalizations. To be sure, Mexican-owned enterprises form a highly dynamic economy closely linked to, and not isolated from, the open economy and society. The economic potential of these ventures is mostly dependent on both the activity in which they are involved, and the social networks in which the owner is embedded. The linkages that these enterprises have with the society at large include extra-economic dimensions, some of which are discussed in the next subsection. In the economic realm, Mexican enterprises are not all the kind of precarious, unproductive, and marginal small-scale operations predicted by neoliberal perspectives. Neither are they all growing and highly productive enterprises that unequivocally guarantee

the social mobility of their owners and employees, as the most optimistic accounts assert. Indeed, one of the most remarkable characteristics of the sample is a striking unequal distribution of assets and returns among owners (Table 5). For example, the top quartile commands over three-fourths of the total net worth, income, and workers reported by all respondents. In contrast, the net worth, income, and workers accrued by the two lowest quartiles reach a mere one-tenth of the total. Upon examining some of their economic dimensions (such as monthly sales, number of workers, and owners' income), I developed a typology that serves as a heuristic device to analyze the economic heterogeneity of these businesses. According to this typology, sampled establishments fall into at least three clearly discernable types.

- Table 5 -

At one extreme we encounter a subgroup of small operations which, rather than being a means of mobility for their owners, are fundamentally a means of subsistence. These activities coincide with the most pessimistic neoliberal assertions about the ethnic economy. Some 43% of the enterprises in the sample fall into this category, which I refer to as the ethnic economy of subsistence.⁸ At the opposite extreme, 21% of the enterprises surveyed prove to be effective vehicles for capitalist accumulation and social mobility--at least for their owners. Classified as the ethnic economy of growth, this subgroup of enterprises approaches the positive image presented by scholars who expect ethnic firms to be dependable vehicles for upward mobility.⁹ In between these two groups of enterprises, is the ethnic economy in transition, formed by establishments whose features place them at a point where they face both the likelihood of expanding to become capitalist enterprises and the risk of falling among those firms viable only as shields against absolute destitution. Of the sampled firms, some 36% fall into this category.

The ethnic economy of subsistence includes many small businesses (such as street vending, personal service provision, and home needlework) that generate such meager incomes for their owners that working in the secondary sector of the open economy (the traditional employer of immigrants) would be more attractive, despite the low salaries offered. In spite of their scanty economic returns and possibilities, entrepreneurs at this level remain in business either because their only alternative is unemployment, or because of an ideological conviction that if they persevere, they will eventually "make it." This entrepreneurial ideology is being reproduced and reinforced to some extent by the growing number of Mexican-owned firms, but most especially by the existence of a few, unusually successful Mexican entrepreneurs--whose stories have been told and retold until reaching the status of legends. While some of these subsistence endeavors do indeed grow to more sustainable levels, many are swept away by their own economic limitations and redundancy in a crowding microenterprise market, and some others remain as shelters from indigence--in many cases supplemented by intermittent wage earnings of owners and their relatives.

Enterprises in the ethnic economy of growth are operations which command large amounts of assets and sales, serve markets that often expand to the metropolitan area and beyond, and which more recently are even expanding to Mexico. Food processing and distribution (such as large tortilla factories, restaurant chains, supermarket chains, fresh wholesale produce), furniture manufacturing, real estate, financial, and other business service activities (such as construction site cleaning) are common ventures in the economy of growth. Small restaurants and corner grocery stores are the most typical operations among firms in the transition economy. While enterprises in both the ethnic economy of growth and of transition enjoy greater economic viability than subsistence ventures, their stability cannot be taken for granted. Their growth brings along the uncertainties and risks inherent to any other, nonethnic business. As we will see later, given the vicissitudes of capitalist competition, for larger ethnic firms ethnic solidarity becomes a crucial, albeit contradictory resource for success.

The question remains, though, as to what factors in general determine the pattern of economic stratification found in the sample. To respond to this question, multiple regression analyses were conducted to examine three economic dimensions of the enterprises studied, including enterprises' net worth, owners' income, and employees' average salary. Given the size and design of the sample, the results should be taken cautiously. Thus, rather than being construed as final and irrefutable conclusions, the following should be taken as evidence of the existence or absence of relationships among the variables considered, the extent and validity of which are to be corroborated or refuted by future investigations.¹⁰

Determinants of firms' net worth, owners' income, and employees' salaries: The analysis regressed five clusters of variables (owners' characteristics, social capital, migratory experience, internal ethnicity, and enterprise characteristics) on the natural logarithm of each of the three above-mentioned dimensions (net worth, owners' monthly income, and employees' salary). Definitions and coding of included variables are presented in the methodological appendix at the end of the article. Tables 6, 7, and 8, respectively, present the results.

The coefficients predicting the log of the firm's net worth (Table 6) confirm some accepted aspects of the ethnic economy, negate others, and illuminate new dimensions, previously omitted by existing studies.¹¹ In the first place, the importance of the entrepreneurs' gender, occupational experience, and time of immigration stand out as primary explanatory factors affecting the size differential of the businesses examined. Consistent with conventional expectations and earlier findings (Portes and Jensen, 1989), women, recent immigrants (i.e., those who arrived after 1980), and those whose occupational history has been dominated by low-skilled wage work, are more likely to own smaller enterprises (measured as total net worth), than their counterparts (i.e., males, older immigrants, whose occupational history has not been dominated by low-skilled wage toiling). And as would also be expected, total net worth appears to be positively related to the volume of monthly sales, type, and age of the firm in such a way that older firms, with larger sales, and owned by corporations (in contrast to individual ownership), accrue a larger net worth.

In another vein, the results of Table 6 cast in doubt the effect of certain variables that until now have been taken as axiomatically positive for the performance of this type of enterprises. For example, the coefficients indicate that neither knowledge of English nor the use of family labor has statistically significant effects on enterprise size. The unimportance of the use of English may result from the fact that most firms studied (78%) serve a Spanish speaking or partially-Spanish speaking clientele (i.e., Chicanos), eliminating whatever comparative advantage that fluency in English would offer in the Anglophone market. Similarly, the lack of effect of unpaid family labor, measured by a dummy variable, on entrepreneurial performance (with reference not only to net worth, but also to owners' income and salaries paid) is inconclusive. For this absence of statistical significance seems to be due to the fact that most of the firms (67%) have relatives among their workers. This redundancy eradicates, at least in this type of analysis, any possible effect of family labor on entrepreneurial involvement.

Finally, the significance of certain variables which have been omitted until now from earlier studies of the ethnic economy, should be emphasized. Of particular relevance are variables measuring internal ethnicity and the transnationalization of the entrepreneurs. Business net worth is highly correlated with internal ethnicity (measured by owner's state of birth) and with owners' transnationalism (measured by whether the owner maintains connections over time with Mexico). In contrast to the significant effect of these two variables on firms' net worth, becoming a U.S. citizen (a decision commonly used as an indicator of migrants' "Americanization," and therefore implying greater chances for socioeconomic improvement) has no significant effects on enterprise size--nor on owners' income or employees' wages.¹² From the results presented, a generalized description of the owners of the larger firms in the sample would show them to be

men who immigrated to the U.S. before the 1980's from the state of Jalisco, who are partners or sole owners of corporations, travel to Mexico frequently, and whose work histories have not been dominated by low-skilled wage labor.

- Table 6 -

The regression coefficients of the natural log of owners' annual income (Table 7) confirm the importance of gender, social capital, and transnationalism as determining factors of migration, and help elucidate the contradictory effect of these variables on entrepreneurial performance.¹³ The disadvantages that confront the entrepreneurial woman are confirmed once again: *ceteris paribus*, she receives an average income 28% lower than that of the average male entrepreneur. As expected, older firms, and firms with larger monthly sales provide higher yearly incomes to their owners. Also confirmed is the positive correlation between the intensity of the entrepreneur's workload (in terms of number of hours worked per week) and the level of returns he or she receives from the business. This last relationship confirms reports made regarding other immigrant entrepreneurs, that the disadvantages they experience from being immigrants are partially offset by prolonged work days--to a degree that might better be termed self-exploitation, in which the physical and psychological well-being of the entrepreneur and his or her family may be compromised (for a discussion of this subject in the case of Korean entrepreneurs, see Min, 1990 and Light and Bonacich, 1988). The entrepreneurs interviewed for this study reported an average of 6-day, 58.2-hour workweeks (compared with an average of 5 days and 40 hours for their workers, which coincides with the legal work week in the U.S.); one out of every 10 reported working at least 80 hours a week, (that is, twice the legal work week), while merely 6 spoke of working less than 40 hours a week.

Meanwhile, it is important to note the counterintuitive correlation between owners' social capital and their yearly income. Owners of incorporated firms (which typically are larger ventures) and those who are members of business associations (most commonly regionally based) actually receive less income (19%) than the owners of individually owned operations who do not belong to any trade organization. This finding underscores the fact that, at least in this sample, no correlation exists between the firm's net worth and its owner's income (for example, a service sector firm with a pair of employees can produce much greater profits for its owner than a manufacturing enterprise with a costly payroll and a large production plant). This cannot be construed as though there are no individual cases in which such a relationship does indeed exist. In addition, while internal ethnicity partially explains the uneven distribution of firms' net worth, it has no effect on owners' income.

The effects of indicators of transnationalism are especially intriguing for their uneven and contradictory character. On the one hand, *ceteris paribus*, migrants who would like to return to Mexico for good and have investments there, have higher incomes than those who have ruled out the possibility of returning and, thus, have made no investments in their country of origin.¹⁴ On the other hand, keeping commercial export ties with Mexico exercises a negative effect on income. The latter can be explained by the reduced scale and type of exports reported for the period prior to the signing of the North American Free Trade Agreement (NAFTA) between the United States, Mexico, and Canada; it remains to be seen if the effect has been reversed or sharpened since NAFTA has been in place.

It should be emphasized that despite the enormous time and commitment required by entrepreneurial ventures, involvement in this mode of incorporation does not imply the total social and economic disconnection of the immigrant from his or her country of origin. On the contrary, such connections survive and exercise a significant effect on the fortunes of the migrant entrepreneurs--and on their communities of origin, as well. The evidence presented questions the usefulness of debating whether migrants' plans to

settle or not in the U.S. have a positive effect on their economic chances. What should be explored, I submit, is the effect that transnational practices have on the socioeconomic transformation and adaptation of migrants to the dual world in which they live. Later, the transnational dimension of migration will be discussed in further detail.

- Table 7 -

Table 8 presents the regression coefficients predicting the natural log of salaries paid to employees of the businesses studied.¹⁵ These findings again contradict predictions based on the capitalist paradigm of economies of scale, showing instead that salary size moves in the opposite direction from business size. Thus corporations with a higher net worth, owned by Mexicans with greater labor experience who are members of business associations, pay lower salaries. Reflecting the disadvantaged position that women occupy in the ethnic economy (i.e., they own smaller and less profitable businesses), the salaries they pay turn out to be inferior to those paid by male entrepreneurs. As in the case of firms' net worth, internal ethnicity has a significant effect on the salaries sampled entrepreneurs pay their workers. After controlling for owners' and firm's characteristics, being hired by a Zacatecan or a Michoacan increases employees' salaries by 26% and 17%, respectively. For employees working for entrepreneurs coming from other Mexican states, however, their boss' place of origin has no effect on their earnings. These results lead to the conclusion that, on average, the best co-ethnic employer would be a male small-business owner from Zacatecas, with little labor experience. Incidentally, Zacatecans as a group have gained the reputation of professing a stronger allegiance to and solidarity with their communities of origin than any other group in Los Angeles. The oldest, largest, and most successful grassroots organization supporting community development projects in Mexico is the Federación de Clubes Zacatecanos Unidos de Los Angeles (González, 1994; see also endnote 18 below).

Some of the conclusions drawn from the regression analyses above, seem illogical from a neoclassical economic viewpoint (that is, from the vantage point of an isolated, profit maximizer entrepreneur) and may call for an explanation. The principles put forward by economic sociology can provide such an explanation. Thus, I will turn now to examining in closer detail the social processes in which business success and labor relations are embedded.

The social embeddedness of economic success: A business enterprise is a highly complex social organization. It is affected by and involves a variety of factors and resources, many of which are not readily available to the immigrant entrepreneur (i.e., access to such resources as specific trade skills, information about market conditions, seed and operating capital, and affordable, appropriate, and especially reliable labor). Access to these resources is socially patterned. The entrepreneur's individual effort by itself, no matter how hard it is, cannot explain capitalist entrepreneurship, let alone successful capitalist ethnic entrepreneurship. Thus, the analysis of how immigrant enterprises become successful capitalist ventures, should take into account the social relations and structure of opportunities in which both entrepreneurs and their firms are embedded. To illustrate the social character of this economic process, the experiences of two distinct entrepreneurs are presented next. These two cases also depict a type of migrant-owned enterprise never before presented in the literature on Mexican migration. While several studies have already documented the central characteristics of the abundant subsistence and transition type of activities among Latin entrepreneurs (Pessar, 1995; Villar, 1994; Guarnizo, 1993; Chinchilla and Hamilton, 1989), almost no studies exist of larger Latin-owned capitalist enterprises in the United States (for an exception see, Portes and Stepick, 1993).

In 1952, Ernesto Díaz joined his parents in Arizona, soon after his father was contracted to work as

part of the U.S.-Mexico Bracero Program. With the unremitting support of his family, he was able to pursue his education, went on to college and graduated in 1961 in electronic engineering. Due to the conditions of the high-tech labor market at the time, immediately upon graduation he landed a job in a large defense corporation based in California. He was laid off in 1978, in the middle of one of the defense industry's restructuring cycles. Using his previous connections with executives of the corporation, by 1979 Mr. Díaz had secured a subcontract with his former employer as part of this firm's space program. He started up his independent operation working at home, with his \$100 thousand severance pay as a reserve to support his family in case his first entrepreneurial undertaking were to fail. Fifteen years later, his initial venture had become a multimillion dollar, high-tech corporation specializing in the design and development of custom-made software systems for government agencies and corporate clients. It had a net worth of some \$15 million, registered sales for \$125 million in 1992, and had a payroll of some 700 people in 10 different locations across the United States. At the time of our interview, Mr. Díaz was the current CEO and principal partner, possessing 65% of the corporation.

The experience of Bartolomé and María de la Cuadra, owners of a furniture manufacturing plant, illustrates a less conventional avenue to entrepreneurial success, than that followed by Mr. Díaz. Like Mr. Díaz' father, Mr. de la Cuadra came to the United States in 1954 as a bracero laborer. Having left his native rancho--village--in the state of Sinaloa at the age of 18, he worked as a farm worker in Riverside County until 1958 when, after legalizing his immigration status, he moved to Los Angeles. There, he toiled as low-skilled blue-collar worker in several manufacturing plants. In 1961, he married María Ramírez, a young woman from his home village, and settled with her in Los Angeles. Their venture in the furniture industry started out of sheer need. After they married, the de la Cuadras went through a very hard period. Mr. de la Cuadra, given his low earnings, usually had to work two jobs simultaneously to support the family, while Ms. de la Cuadra took care of their two young children. Their lack of any disposable income forced the de la Cuadras to become neophyte furniture makers. "We were so poor that we couldn't afford to buy anything; not even a table, or a single chair," he states. Without any formal training in the trade, in order to provide furniture for his family, Mr. de la Cuadra used the rudimentary carpentry skills that he had learned at the rural school he attended for five years in his native village. He soon became known among the neighbors, most of whom were Mexican immigrants, as el carpintero, and many of these neighbors became their first clients. Meanwhile, Ms. de la Cuadra took charge of the needlework for the furniture and did their business accounting.

The wife-husband partnership and the close-knit neighborhood in which they lived became the key to their future entrepreneurial success. Through recommendations and connections made by some of their female neighbors who worked at the time as domestics for wealthy families, the de la Cuadras ended up expanding their informal furniture repair trade to upscale clients in exclusive West Los Angeles neighborhoods. Eventually, one of these new clients introduced them to a well-known furniture designer for whom they started manufacturing: first single, small custom-made pieces, and later complete sets of home furnishing and decoration--including beddings, linens, draperies, and so forth. At the time of the interview, they had contracts on a regular basis with some 100 designers and interior decorators and a couple of exclusive, by-appointment-only stores. While the bulk of their production was contracted by award-winning designers (who normally charge a 35%-40% markup to their clients), the de la Cuadras have also a few clients who order directly from them. Among their clients they proudly included the names of many Hollywood celebrities, politicians, and several Arab millionaires.

In addition to having access to a well-established network of designers and suppliers, and a reliable and cheap pool of immigrant workers, the de la Cuadras were also connected to a wide, steady, and trustworthy network of specialized Latin American immigrant craftspeople (cabinetmakers, woodcarvers,

ironworkers, metal casters, and so forth) with whom they customarily subcontracted parts of the work they were not able to make at their plant. Their close relationship with this network of specialized craftspeople had come to be one of the most valuable resources for their business success, since it gave them the power to accept any kind of work requested. Their business relations were thus bound by their perceived membership in two social groups: that of an exclusive, close-knit guild of craftspeople, and that of a largely fictive "Latino" ethnicity. By 1993, the de la Cuadras had amassed a small fortune in the custom-built furniture industry, including ownership of a \$500 thousand manufacturing plant showing annual sales of over \$1 million in 1992, and a payroll of 25 workers--21 Mexicans and 4 Central Americans. In addition to this business, they had acquired a ranch in southern California where they grew limes (sold to bars and hotels in Las Vegas, San Francisco, and Los Angeles), several housing rental units in South Central, and various economic concerns in their home state in Mexico.

However different, these two cases of immigrant entrepreneurial success illustrate the social embeddedness of high-growth, Mexican-owned enterprises. Clearly, rather than resulting from individual efforts alone, their successes were made possible by the timely convergence of several factors. At a particular historical juncture, these migrants encountered favorable structural opportunities in Los Angeles that fostered their entrepreneurial initiatives. The restructuring of the defense industry created subcontracting opportunities that allowed Mr. Díaz to start his own firm. Likewise, due to a growing demand by an economic elite to preserve its life style, the de la Cuadras were able to expand their furniture business beyond a precarious coethnic, neighborhood market. In both cases, these migrants were in a position from which it was relatively easy to carve a niche in this emergent economic opportunity structure. For Mr. Díaz, working for one of the lead corporations in the defense industry provided him with sophisticated technical skills and, most importantly, with the right kind of connections to secure subcontracts and reliable suppliers to start his own venture. For the de la Cuadras, their conational clients' particular mode of labor incorporation allowed them to serve as a bridge connecting the furniture business to an affluent clientele. Other factors have also been crucial to the impressive growth of these firms, especially family support and access to an apparently endless pool of coethnic labor, as well as, in the case of the de la Cuadras, a reliable network of highly-skilled, Latin immigrant craftspeople. But if hard work and favorable ethnic and nonethnic external factors have facilitated the prosperous expansion of these firms, the support of their coethnic workers has constituted a crucial internal force keeping these ethnic firms afloat and expanding in a highly competitive market.

Ethnicity and labor relations: By and large, existing studies of contemporary migration concur in conceptualizing ethnic solidarity as though it were an irrefutable, fixed fact inherent to the immigrant experience. So construed, ethnic solidarity is understood as a 'resource' amenable to be mobilized, as it were, to advance personal or group interests. More specifically, most sociological research on the ethnic economy assumes that ethnic solidarity is the main vector guiding labor relations in ethnic-owned firms. Some scholars assert that ethnic solidarity mostly benefits employers because it legitimizes the exploitation of their coethnic labor force (Bonacich, 1973; Sanders and Nee, 1987). Others insist that the solidarity between coethnics guarantees a full quid pro quo, which equally benefits both parties (Portes and Bach, 1985; Portes and Manning, 1986; Zhou, 1992). In brief, existing studies take ethnic solidarity as an unproblematic category. I submit that such uncritical construction of ethnic solidarity is highly questionable. Ethnicity, and its most conspicuous manifestation, ethnic solidarity, are socially constructed. Thus, they should be taken as neither given nor fixed, but rather as contextual relations. This is particularly true in the case of ethnic entrepreneurship, and relations between employers and employees, who, while belonging to the same ethnic group, occupy different class and status positions. In other words, ethnic solidarity should be contextualized not only in relation to the larger environment, but also in relation to the internal power differences within the group. To demonstrate this, let's examine what I found among sampled Mexican

firms in Los Angeles.

Labor relations in sampled firms appear to be mediated by the owner's characteristics and the size and market orientation of the firm. I will focus my analysis on the latter factors. As was indicated in the regression analysis above, the salaries paid by sampled firms decreased as the firms grew in size and complexity (i.e., corporations affiliated to business associations). In the same manner that salaries tend to go down when the firm's capital goes up, labor relations based merely on what Portes and Sensenbrenner (1993), called bounded solidarity and enforceable trust is greatly altered with capital accumulation as well. Thus, smaller businesses tend to be more sensitive to, and dependent on "explicit" ethnic solidarity and reciprocity bonds, than larger firms. As long as these smaller enterprises are oriented toward serving a local market (formed primarily by fellow immigrants, who in many cases are paisanos--coming from the same Mexican community/state), their owners are subject to constant scrutiny and the implicit threat of losing their prestige and, thus, business and access to coethnic labor, if they abuse or exploit their employees--especially if the affected workers are from the same community. A discourse of ethnic allegiance and solidarity permits the immigrant entrepreneur to hire a coethnic labor force that usually toils under informal and flexible labor relations. Ethnic-based hiring, done mostly by word of mouth, comes with corresponding expectations of a mutually beneficial reciprocity and informality (for example, the expectation of time off for family obligations, and the commitment to work longer hours when needed).

Meanwhile, larger establishments incorporated into wider markets are less exposed to group social control, while being more vulnerable to the pressures imposed by open market competition. In these circumstances, ethnic solidarity ceases to be the driving force guiding labor relations. This cannot be construed as though larger migrant-owned firms stop hiring coethnic labor. Larger ethnic firms do indeed need, and use, low-wage coethnic workers. What changes is the type of labor relations that dominate in larger ethnic operations. Larger operations cannot afford the uncertainties built into informal, personalized labor arrangements; the formalization of labor relations to guarantee a disciplined and reliable labor force competitive with that in the open labor market, is sine qua non for economic survival and success. For larger firms, production must take precedence over workers' personal affairs. Because of this, the labor relations within firms in the ethnic economy of growth are less personal, more formalized, and based more on business requirements (i.e., skills, costs, productivity), than on friendship, kinship, or paisanaje (ethnicity).¹⁶ Their position in a competitive market forces them to have wage scales on par with the compensation offer to immigrant workers in the open economy, which in general tends to be lower than that offered by small ethnic enterprises. In short, labor arrangements in larger Mexican-owned enterprises are closer to those of nonethnic, capitalist enterprises, than to the ones prevalent among smaller ethnic operations. It is thus plausible to conclude that the accumulation of material capital among ethnic businesses moves counter to that of ethnic social capital, such that the more a business has of the former, the less it will have of the latter. Ethnographic data collected help us to further understand this process.

Approximately, 40% of Mr. Díaz' employees were Mexicans or Mexican Americans, with a higher proportion in his Los Angeles headquarters. All of these employees work in managerial, administrative, and support positions, such as secretarial, accounting, security, cleaning, and so forth. At the time of the interview, however, there were no Mexican-origin engineering or technical personnel working in the company. Mr. Díaz explained this segregated ethnic division of labor as a result of current conditions in the labor market. He believed that given affirmative action policies and due to the small number of Mexican workers with this kind of expertise, "there is not a single highly-skilled Mexican who [currently] has a bad job, or that is unemployed in the United States." Besides, he added, "I can't offer anything specially attractive to [this kind of worker] to work for me. They have plenty of possibilities elsewhere." On the other hand, he said, his firm offered a very friendly, family-like environment to his administrative staff. He said

that this conflict-free environment was based on the fact that "I've Mexicanized labor relations [here]. I use a flexible Latin management style. It's a better management style than the old corporate management [style]. People, including our technical personnel, trabaja muy a gusto aquí"--here, they work [very comfortably,] with zest. This, according to him, had led to a workplace in which "We understand each other, we trust each other, we're like family." In informal conversations with two of his Mexican clerical employees, I could confirm Mr. Díaz' assertions. However, these employees identified the work environment as the only factor retaining them in their jobs, since the current salaries, benefits, and work load, they concurred, were not different, if not slightly lower, from those they could enjoy elsewhere.

For the de la Cuadras' furniture operation, the inverse relationship between firm size and workers compensation is more evident. In their interview, the de la Cuadras acknowledged the fact that the salaries they pay to their workers are rapidly deteriorating, although their firm is larger and doing better than ever before. Evidently, such deterioration is in part due to the firm's expansion into a more competitive market and to the presence of a new pool of skilled, Spanish-speaking labor, namely Central American immigrants. For example, Mr. de la Cuadra said that: "five years ago we used to pay \$15 per hour to a Mexican worker to do the same type of work that a Guatemalan is doing now for just \$7." "I feel bad about this," he said, but "because of the hard competition we now face from other Mexicans and Koreans, we can't pay more than our competitors pay for the same kind of work." Their business viability and the ready access to alternative, equally qualified workers are taking precedence over any sense of ethnic solidarity they used to have before with their workers. "The times when we used to hire paisanos out of friendship or just to help them, even if they didn't have any experience in the trade, is history. We can't do that anymore. [Hiring people that way] would be deadly for our business."

The implications for those working for conational employers are more complicated than the above analysis implies, though. While larger ethnic firms can be less accommodating places to work for, paradoxically, they may offer the best possibilities for workers' socioeconomic mobility. Because of their higher internal organizational complexity, division of labor, and size, larger operations develop internal labor ladders, which however simple, give workers more chances of mobility within the firm, not only along authority lines (i.e., production, supervisory, administrative and management positions), but also according to skills. Smaller enterprises, on the other hand, can provide a relaxed and amicable working environment in which employer and employees have a closer, more personal relationship, and where, on average, higher salaries are paid. Ironically, however, while this kind of labor relations may impede the open exploitation of workers and thus retard or stunt capital accumulation, such relations often carry hidden, high costs for workers as well. For example, the jobs that smaller firms offer tend to be less stable, less predictable, offering less, if any, internal mobility, and demanding more from the worker. The latter is true not only in terms of the tasks the worker is expected to perform as part of a reciprocal relation, but also regarding the time he or she is expected to devote to the firm without expecting any extra pecuniary retribution. Thus, possibilities of internal mobility, job stability, fringe benefits, and the like, are less likely to be found in the more abundant ethnic microenterprises than in the larger, capitalist ones.

Unlike the representation of the ethnic economy submitted by previous sociological studies, the previous analysis paints a more nuanced, complex picture of its internal dynamics. However, the significance and effects of the ethnic economy for the migrant population and the societies involved extend far beyond the economic sphere.

- Table 8 -

Extra-economic dimensions of the ethnic economy

The Mexican economy helps reproduce a "Mexican" labor force in Los Angeles, through a multilayered process which includes economic, cultural, social, regionalistic, and gender dimensions. Mexican-owned businesses that cater to conationals support the creation and recreation of Mexican folkways, social and cultural symbols, and practices associated with the socially constructed idea of what it means to be Mexican. The spatial agglomeration of ethnic businesses represent the social appropriation of fragments of the urban space in which Mexicans are concentrated. These spatial concentrations of businesses reconstruct anew the vibrancy of a town square, where migrants go to mingle, to be seen, to shop, and in general, to participate in the social reproduction of Mexican civic life. Ethnic businesses create the arena in which Mexican immigrants reconstitute and practice their identity, including their regionalist identities, without the concern of being negatively labeled by the dominant society. The very process of reproducing Mexicanness, generates income and capital accumulation opportunities, which are, in turn, intrinsically linked to economic processes in the larger economies of the United States and Mexico. By providing goods and services typical of the society of origin, and by doing so using accepted ethnic patterns of commercial interaction (for example, granting credit according to the reputation of the borrower), immigrant enterprises contribute to the maintenance and reproduction of a viable, immigrant Mexican labor force--not only as a sociocultural group, but also help to maintain a dominant image of Mexican workers, most especially among their employers.

A recent account by a journalist reporting on a Los Angeles area where numerous immigrant-owned enterprises are concentrated, aptly captures the sociocultural dynamics that these businesses generate. The reporter describes the intense activity that takes place along one of the major commercial thoroughfares in the Huntington Park District, which, according to the 1990 Census, is 96% Hispanic:

From as far as Riverside and Lancaster, Mexican American and Central American customers throng the 580 shops along a mile-long stretch of Pacific [Boulevard . . .]. They come to sample posole and churros at El Gallo Giro, [. . .] and price bouffant satin wedding gowns and communion dresses at the boulevard's bridal shops. "Some people go to [the traditionally Mexican] Olvera Street, but that's for tourists," said Joe Jimenez, president of the Huntington Park Chamber of Commerce. "This is for the genuine Hispanic." [. . .] Today, the boulevard pulses to a Latino beat. The shopping courtyards bear names such as Fiesta Plaza and Margarita Plaza. Street vendors peddle cucumber spears and coconut slices down the street [. . .] Salsa and ranchera music blare from stereo shops and clothing stores. The language of business is Spanish [. . .] Alberto Arellano [. . .] strolled the boulevard on a recent Sunday with his pregnant wife, Marta, and their two sons. The visit meant a three-hour, round-trip bus ride, but Arellano said the family's monthly visits are worth it to savor the street's atmosphere (Torres, 1995).

Another extra-economic effect of the ethnic economy is its role as a source of pride and elevation of group self-esteem. Entrepreneurial success, especially that which is achieved in the open market beyond the primarily Mexican sphere, is cause for celebration among all Mexicans in California, and especially for those coming from the same region as the entrepreneur in question. Perhaps the most well-known example of such success is that of the fast-food chain known as Pollo Loco. Founded by a Mexican immigrant from Sinaloa, after various years of successful functioning and expansion Pollo Loco was bought by Denny's, one of the largest U.S. fast-food corporations, for approximately 7 million dollars. The radiant pride with which Mexicans tell this story--with multiple variations in terms of the total amount of the transaction, the buyer, the state of origin of the founder, etc--is inconceivable. But this story is told not only as an example of the success of its owner (resembling the typical rags to riches through hard work tale, dominant in U.S. ideology), but also because it fundamentally contradicts the stereotype of the Mexican immigrant as

vulnerable, poorly paid, and without any entrepreneurial or creative impetus. Such narratives show that Mexicans are as good as or better entrepreneurs than the gabachos (white Americans), in their own land.

The social reproduction of similar anecdotes about becoming rich through self-employment is part of the extra-economic fodder that supports the expansion of the ethnic economy. Such stories of entrepreneurial success continually strengthen the notion that self sufficiency and independent entrepreneurial initiative are the best alternatives to intermittent unemployment and the unfavorable conditions of poorly paid employment in the open market. Helped by, and mirroring global economic changes affecting the North American region, the relevance of the Mexican economy in Los Angeles has extended beyond the city and regional boundaries. With the hardly disinterested aid of the Mexican government, segments of this economy are surreptitiously stretching across the southern border of the United States. The workings and implications of this process are outlined next.

Transnationalization and the Mexican state

Since the administration of Miguel de la Madrid (1982-1988), the Mexican state has renewed its interest in maintaining close ties with Mexican and Mexican American populations in the U.S.¹⁷ Officially formalized during the presidency of Carlos Salinas de Gortari (1988-1994), this interest has been further expanded by the current president, Ernesto Zedillo. In its renewed form, the state's interest in their nationals abroad departs from previous policies, for it possesses a greater reach than ever before and a historically unique perspective. Such an interest has led to initiatives which are shaped by a combination of global and hemispheric changes (taking form in new regional institutions such as NAFTA), on the one hand, and internal political struggles which are transcending the country's northern border, (especially through the active work of the opposition Cardenist movement among migrants in Southern California since the end of the last decade), on the other.

The centerpiece of this reapproachment by the Salinas administration was the Program for Mexican Communities Abroad--a new division of the Mexican Ministry of Foreign Affairs created in February 1990. The Program has aimed at building and strengthening ties between the government and Mexicans in the United States in a variety of ways, including social, cultural, commercial, educational, health, and social welfare ties (see Bi-Weekly News Brief, 1995, 1996; Gonzalez Gutierrez, 1991). This multifaceted task is advanced by consuls and consular attaches for community affairs in selected Mexican consulates in areas of high concentration of migrants, such as Los Angeles, San Francisco, Fresno, and Sacramento. The Program has played a fundamental role in capturing the political favor of many migrant community leaders. Given the migrants' influential power in their communities of origin back in Mexico, it is clearly in the interest of the ruling party to (re)gain and keep the political allegiance of the migrant population away from its opposition adversaries. Meanwhile, the campaign is also intended to serve in the repositioning of Mexico within the global economy, especially in relation to its powerful neighbor to the North. The Mexican government thus officially recognized the momentous transnational significance of migrants. On the one hand, the state shows an appreciation for migrants' unflagging contribution to the development of their communities of origin. On the other, it expresses the belief that migrants can be motivated by their nationalism to exert pressure on the powers that be in the United States to favor decisions affecting "Mexican interests" (such as supporting the signing of NAFTA).

The promotion of, and interaction with almost 200 popular clubs (grassroots organizations created by natives of the same place), has become key for the success of the Mexican state's campaign (Consulado General de México, 1995). Not surprisingly, the leaders of these organizations are, with very few exceptions, the most affluent, and often among the most prosperous entrepreneurs. This has meant that in addition to possessing economic power, these persons come to wield a substantial political, transnational

power as well, through their newly woven ties to Mexican governmental authorities. Formal agreements to undertake community projects in the migrants' place of origin, signed between U.S.-based migrant organizations and state and/or local governments constitute the thread of this emerging web of transnational power brokerage. It has become fairly commonplace to see Mexican governors and mayors periodically visiting their constituent communities in Los Angeles to discuss with their representatives the progress of ongoing projects and plans for future ones.¹⁸ In other words, the solidarity and sociocultural allegiance of migrants to their places of origin, traditionally expressed by their informal and limited contributions to support local initiatives, have now been formalized and multiplied by the Mexican government. The political leverage that migrant leaders secure over local political processes cannot be exaggerated. While their economic power in Los Angeles first led them to positions of political influence and leadership, the new political capital that many entrepreneurs have come to have with the Mexican government have in turn helped them to expand their economic capital and ventures to Mexico. A couple of examples will illustrate this process.

Carlos Piedra, owner of a real estate agency, a commercial services company, and other entrepreneurial activities, had gained direct access to the governor of his native state and other high ranked Mexican officials due to his position as president of his state's federation of clubs in Los Angeles. These connections enabled Mr. Piedra to obtain importation licenses for certain electronic equipment which, he said, permitted him to expand his commercial operations to Mexico. According to his own assessment, he would never have had these kinds of entrepreneurial possibilities without the renewed interest expressed by the Mexican federal government toward migrants. Ironically, Mr. Piedra expanded his political and economic power south of the border thanks to policies of the Mexican state aimed at reincorporating its national citizens abroad, despite the fact that he is a naturalized U.S. citizen. This kind of formal relationships and political position of Mexicans, who are naturalized U.S. citizens, vis-à-vis the Mexican (and U.S.) government and society, are thus a challenge to both the traditional conception of the nation state (as an institution whose jurisdiction is limited to a determined territory), and to the accepted conception of the institution of citizenship (as a set of exclusive rights and duties linked to a territorially bounded nation state).

Like Mr. Piedra, Mr. Díaz has also benefitted from the new inclusive policies of the Mexican state. Mr. Díaz had always cultivated his bonds with Mexico. Notwithstanding his long residence and social and economic involvement in the United States, including being a naturalized U.S. citizen, Mr. Díaz still identifies himself as a Mexican. He is married to a woman from his home state, he regularly visits relatives in Mexico with his wife and three daughters, he owns a summer house there, and keeps abreast of developments in what he considers "mi país"--his own country. For the past ten years or so, he had fruitlessly attempted to expand his high-tech business to Mexico. However, it was not until the Mexican government began to reassert its ties with migrants that he could act upon his wish. In 1991, Mr. Díaz reluctantly accepted an invitation by consulate officials to travel to Mexico to explore once again business possibilities there. The government organized his itinerary, which included meetings with influential investors and industrialists in the Mexican capital. "This was enormously different to what I'd experienced ten years back. At that time there was no interest in working with Mexicans in the United States," he says. Regardless of the economic and social position he had already achieved abroad, Mr. Díaz stresses, that before, "everybody in Mexico saw me just as another cholo"--a pejorative label affixed to migrant people. This time, however, things were different. Literally, in one single afternoon in November 1991, he was able to hammer out a deal with several Mexican investors and to start a \$4 million joint venture. The joint venture has since then acquired a couple of small Mexican operations which have become the launching pad of a long-term, transnational, multimillion business, which Mr. Díaz expects would become a major player in the country's high-tech sector and in the region's economic integration.

Bearing in mind the differences in scale and complexity between Mr. Díaz' and Mr. Piedra's ventures, these businesses irrefutably illustrate a new, deep, and still uncertain effect of migrant entrepreneurship. While connections between immigrant entrepreneurs and their countries of origin are not new (Guarnizo, 1993), what is new in this case is that these connections are mediated and formalized by the migrants' State of origin. Undoubtedly, migrant entrepreneurship's spatial and economic milieu has become transnational. Thus, it is misleading to limit the analysis of this mode of incorporation of migrants to the space in which migrant businesses are physically located abroad (i.e., the U.S.).

The transnational dimensions of Mexican migration are reasonably clear in the case of entrepreneurs. Transnationalism is a multi-dimensional process which produces unequal effects both on different regions and social segments of the sending society, and on different types of immigrants. In fact, the heterogeneity of the ethnic economy results in the uneven distribution of transnational opportunities and practices among entrepreneurs. Consequently, not all migrant business owners become transnational entrepreneurs, and not all transnational business practices are equally used by all transnational entrepreneurs. Thus, transnationalism cannot be reduced to merely one of its many dimensions, namely the intermittent physical mobility of migrants across borders. With transnational migration, the interests and social interactions of migrants take place in more than one country, and migrants' sociocultural identity oscillates between that of their country of origin and that of the receiving country. But even more importantly, in contrast to both academic interpretations and popular belief, this sense of identity does not always coincide with legal identity. In the case of Mr. Piedra, Mr. Díaz, and the de la Cuadra family, despite the fact that all of them are naturalized U.S. citizens, they still identify themselves as authentic Mexicans. Their family and social ties, investments, political and economic interests, and frequency of visits all testify to their resilient Mexicanness--which, ironically, is not acknowledged as such by most non-migrant Mexicans who consider migrants as non-authentic Mexicans.

This sociocultural duality, a well-known characteristic of U.S.-bound Mexican migration, has been not only exacerbated, but also "formalized" by changes in global conditions. These conditions are reflected in the Mexican State's new approach toward migrants. The latest phase of this approach was launched last year by President Zedillo, as part of the Mexican National Development Plan 1995-2000. A vital priority of this five-year plan is the creation of an initiative entitled the "Mexican Nation." According to this initiative, the "Mexican Nation exists beyond its physical borders." The President has already announced the introduction of the "constitutional and legal reforms needed in order for Mexicans to preserve their nationality, regardless of the citizenship or residency they decide to adopt" (Pescador, 1995). The ruling party has submitted a bill to the Mexican Congress whereby a double nationality clause will be introduced into the national constitution. In keeping with this new Mexican "nationalism," the Consulate General of Mexico's periodic bulletin bears the capitalized epigraph "POR EL ORGULLO DE SER MEXICANO . . . Y AMERICANO TAMBIEN"--proud of being Mexican . . . and American too (Consulate General of Mexico, 1995). The consequences of this initiative for the for Mexican migration in general, and more specifically for the structure and possibilities of the Mexican ethnic economy in the United States are still an open question.

Conclusions

One of the primary objectives of this study was to open the Pandora's box of the ethnic economy to try to analyze, at close range, its significance beyond purely economic dimensions. The results presented support the economic sociology principle that the (ethnic) economy is a social institution whose role and effects transcend a purely economic sphere--which, until now has been the central focus of most existing studies. The plurality of effects generated by the Mexican ethnic economy in Los Angeles mirrors the heterogeneous array of economic concerns owned by Mexicans in the city. The Mexican ethnic economy is formed by a heterogeneous range of firms (in terms of size, market orientation, profitability, and the firms'

formed by a heterogeneous range of firms (in terms of size, market orientation, profitability, and the firms' level of influence beyond their immediate surroundings): from subsistence endeavors, many of which barely provide for the entrepreneur's survival, to large-scale capitalist operations, some of which have become transnational enterprises. Under these circumstances, it is erroneous to assume that the common national origin of owners and workers eliminates class and other socially constructed differences among migrants--i.e., between workers and employers.

Moreover, the fragmentation of the Mexican ethnic economy is giving rise to various class factions among Mexican immigrant entrepreneurs. These include a small economic elite of capitalist entrepreneurs, an intermediate group of small owners struggling to survive in the competitive Los Angeles market (an ethnic *petite bourgeoisie*, in Marxist terms), and a large proportion of small business owners without greater prospects for growth. Contrary to commonly held assumptions about the equalizing effect of migration, social and regional inequalities in Mexico are reproduced through the migratory process, and more particularly through ethnic entrepreneurship. More specifically, an emergent economic and political elite among the Mexican immigrant population has significant implications not only for the very processes of migration, especially in terms of the possibilities for social mobility of the immigrant group as a whole, but also for the legitimation of the Mexican State's control of the migrant population abroad and their communities of origin in Mexico. To be sure, the preeminent role that the migrant entrepreneurial elite occupies in the Mexican State's rapprochement toward its migrant population abroad signals to more, rather than less inequality in the distribution of entrepreneurial and upward mobility opportunities among the Mexican migrant population, as a whole. This is not surprising, however. After all, immigrant entrepreneurship is part and parcel of a capitalist economy that inherently reproduces social unevenness.

In addition to class, gender is clearly a central factor determining--asymmetric--access to migration itself, and to entrepreneurial possibilities once over the border. The pivotal role of gender in the Mexican ethnic economy in Los Angeles coincides with Portes and Jensen's (1989:943) findings in the Cuban enclave in Miami, such that "the most ascriptive of factors--gender--is the most powerful predictor of ethnic entrepreneurship."¹⁹ But data collected also indicate that just as women and men do not enter into the entrepreneurial process under equal conditions (not only in absolute terms of quantity, but also in relative terms of condition), neither do people coming from different regions (i.e., Mexican internal ethnicity). The same social institutions that structure the migratory process (social networks and social capital) and determine the unequal access of men and women to entrepreneurship, also operate in the process of including and excluding of people from different regions. This manifests itself not only in terms of disparate rates of entrepreneurial participation, but also in the growth potential of enterprises established by people from different regions.²⁰ However, this role of regionalism is not exclusive to Mexican migration: in a recent study of the Dominican economy in New York City, similar effects of internal ethnicity on the selection and performance of enterprises were found (Guarnizo, 1993). In brief, contrary to neoliberal predictions, socially patterned factors, such as gender and internal ethnicity, appear to be stronger predictors of entrepreneurship participation and success than individual human capital indicators, such as educational attainment and English proficiency.

Parenthetically, regional, class, and gender disparity has also generated transformations in the general labor market in which Mexican immigrants normally work, causing further internal ethnic stratification according to the migrants' regions of origin and their amount of time spent in the United States. This regional or ethnic stratification guides much of the distribution of opportunities among immigrants, such that the newest immigrants from regions that have not sent many migrants in the past (especially those of indigenous origin), are condemned to the lowest positions in the labor and entrepreneurial markets. Such a patterned distribution of opportunities among Mexicans questions accepted sociological assumptions about

A premise common to most existing studies of the ethnic economy (whether informed by a neoliberal, world systems, or Marxist perspective) is that migrants from a given country form a single, homogeneous ethnic group, have a singular national ethnic identity, and share a well defined national monoculture. In contrast to this assumption, among Mexican entrepreneurs studied, ethnicity was far from being primordial, homogeneous, clearly bounded, and static. The plasticity of ethnicity to contextual conditions is manifested in the way sampled entrepreneurs use national ethnicity to support their economic endeavors, more specifically in relation to their coethnic labor force. First, as indicated earlier, these entrepreneurs were divided and organized along regional rather than national lines. Their associations, as well as their relations with the Mexican State, for example, are chiefly defined by regional affiliation, rather than by a general sense of national belonging.

Second, the principles of ethnic solidarity and control (i.e., bounded solidarity and enforceable trust) are not static or immune to either firm characteristics or contextual changes. Indeed, the evidence suggests that the smaller the firm, the more likely it will be to have explicit, less formalized and hierarchical coethnic labor relations. In other words, the smaller and more ethnic-market oriented the firm, the higher its (use and dependency on) ethnic social capital. Conversely, the larger and more open-market oriented the firm is, the smaller its ethnic social capital. In addition, contextual changes in the migrant labor market are also affecting ethnic solidarity and control. Specifically, the increasing presence of other Latin American immigrants in Los Angeles, most especially Central Americans, is now providing Mexican entrepreneurs with an alternative pool of cheap laborers who possess similar sociocultural characteristics as those of their conational workers (i.e., Spanish speakers, mostly undocumented, shared cultural understandings of authority, and most importantly a common fictive “Latino” identity). The major comparative advantage of this labor force over Mexican workers is that by not sharing an identical national/regional ethnicity, Central Americans liberate Mexican employers from costs associated with conational solidarity and control. Given the processes above, the principles of bounded solidarity and enforceable trust among migrant entrepreneurs should be qualified by a sense of temporariness determined by changes in the characteristics and position of ethnic businesses and the context in which they are embedded.

By steering away from a narrowly economic analysis, the present study discloses the significance of expanding the exploration of the ethnic economy beyond its internal dynamics, and points to the importance of contextualizing this mode of immigrant incorporation. For example, in addition to being an alternative mode of labor incorporation for migrants, the ethnic economy plays a crucial role in the reproduction of immigrants’ cultural identities and folkways. By doing so, the ethnic economy facilitates the continuous process of immigration by providing a more amicable environment for the newcomers, which makes more bearable for immigrants in general to endure the harsh conditions they face as foreigners in a hostile society. This role of the ethnic economy is more than symbolic and psychological. The spatial concentration of Mexican immigrant enterprises are transforming the urban texture and life of these areas where they are located. As a result, a burgeoning archipelago of Mexican businesses dots the vast Los Angeles metropolitan region, an expression of the immigrants presence and appropriation of public space. However vibrant, the activity observed in those Mexicanized slices of urban space should not distract the analyst from the intense processes of inclusion-exclusion and social heterogeneity boiling underneath the ethnic economy.

Finally, the present study questions the validity of the dominant bipolar analytical model of migration according to which a) migrants’ spatial mobility is either permanent or temporary, and b) their relation with the dominant cultural is one of either assimilation or ethnic reaffirmation. Despite having resided for long periods of time in the United States and even having naturalized as U.S. citizens, Mexican entrepreneurs, especially the most successful ones, remain very much attached to their place of origin both

physically (through frequent trips, investments, remittances, and so forth) and symbolically (by identifying themselves as Mexicans). This transnational dimension of migrant entrepreneurship is being formalized and accelerated by the Mexican State. The consequences of the neonationalist ideology that the Mexican government is now introducing is exacerbating the internal asymmetries and transnational connections of the ethnic economy. Incidentally, changes in the relationship with the migrant population such as those introduced by the Mexican State are part of a larger global process. Nation-states such as the Dominican Republic, Colombia, Peru and others, are also taking similar steps to guarantee their control and closer relationship with their migrant population in core, migrant receiving countries. Future research should examine not only the non-economic local dimensions of the ethnic economy, but also its transnational interconnections in a more systematic and comparative manner. While this study attempts to move the discussion beyond an economic-centered agenda and into a more sociological terrain, its conclusions invite further comparative inquiry about class, gender, and internal ethnic relations within the ethnic economy in different settings as well as among different groups.

Methodological Appendix

This study combines officially gathered data with first-hand information collected in the Los Angeles Metropolitan area. In 1993 a survey of 102 Mexican entrepreneurs was conducted, investigating the sociodemographic features, labor and migratory histories of the entrepreneurs, and specific characteristics of their enterprises (such as origin, size, labor relations and clientele). In addition, 30 in-depth interviews were carried out with key informants (Mexican and non-Mexican entrepreneurial leaders, immigrants, local authorities, academics, public officials of the Mexican consulate), and the performance of businesses owned by Mexican nationals was observed. Given the absence of reliable estimates of the total number of Mexican entrepreneurs involved in the entrepreneurial universe in the area, the sample was based, at least in part, on matters of convenience. To gain access to those to be surveyed, one of the most powerful resources of migrants was appealed to: that is, their social networks. Using references, what is referred to as a snow ball effect was generated, in which interviewees recommended other possible informants, and so on, successively. To minimize inherent biases of this sampling method, particularly when using only one point of entry, multiple initial contacts were made in diverse localities within the metropolitan area.

It can be said with certainty that the sample is reliable though not scientifically representative. While small samples, such as this one, may not provide a basis for valid generalizations, they can be used to prove null hypotheses about the existence of determined categories, and also to furnish estimates of the general magnitude of the categories under study. This type of sampling can respond with some authority to the question of whether zero cases exist or not in a specific cell of a given theoretical matrix, because the presence of one lone case, irrespective of sample size, is testimony to its existence. Moreover, such sampling establishes in a preliminary manner the frequency of similar categories in the corresponding universe--subject, of course, to future empirical corroboration.²¹

Table A1. Names and Measurement of Variables Used in the Regression Analysis.

Label	Description	Coding
Owner's characteristics		
SEX	Owner's gender	1=masculine, 0=feminine
HRSWRKOW	Owner's weekly workhours	
ENGLISH	Owner's English proficiency	1=good or excellent; 0=else
OCCUPLO	Owner's work history dominated by low-status occup.	1=yes; 0=else
WORKAGE	Years of work experience	
WORK2	Quadratic term of WORKAGE	
Social Capital		
ROLEMODL	Owner has relatives or close friends who own businesses	1=yes; 0=else
FMLWRKR	Firm hires family workers	1=yes; 0=else
SSOWNER	Firm is a corporation	1=yes; 0=else
MARSTAT	Owner's marital status	1=married; 0=else
ASSOMEMB	Owner is member of a business association	1=yes; 0=else
Migration and Transnationalism		
IMM70	Owner immigrated before 1980	1=yes; 0=else
VISANOW	Owner is a naturalized US citizen	1=yes; 0=else
TRVLMX	Owner traveled to Mexico during previous year	1=yes; 0=else
RETURNNG	Owner would like to return to Mexico	1=yes; 0=else
INVESTMX	Owner has investments in Mexico	1=yes; 0=else
EXPORT	Firm exports to Mexico	1=yes; 0=else
Internal Ethnicity		
JALISCO	Owner was born in Jalisco	1=yes; 0=else
MICHO	Owner was born in Michoacan	1=yes; 0=else
ZACA	Owner was born in Zacatecas	1=yes; 0=else
Firm characteristics		
FIRMAGE	Age of firm	
LNNOW	Log of current firm's net worth	
LNSALES	Log of monthly sales	
LNPAY	Log of firm's payroll	

Endnotes

1. The two concepts of self-employed person and entrepreneur are used as interchangeable categories in this paper. Entrepreneur and "entrepreneurship" are used here in accordance with Schumpeter's definition: The entrepreneur is fundamentally an innovator; someone who produces or provides things in a unique and novel manner as compared to the way they were produced or provided earlier. This category is not interchangeable with that of the owner of the means of production. An entrepreneur may not always be the owner of the means of production, given that he or she may, for example, also be employed by a corporation. In the same way, every owner of the means of production may not be an entrepreneur (see Schumpeter, 1946; Light and Rosenstein, in press). Discussions abound over what does and does not constitute an innovation, and over which types of innovations can be considered to be entrepreneurial activities. Nevertheless, my use of the term does not distinguish between types of innovation (whether they are original, significant and durable, or imitative, insignificant and temporal). The reason behind this decision is that no matter how small or imitative it may be, every innovation has the potential to generate new social and economic processes with a significant impact. In the case of the migrant population, to become self-employed, regardless of the scale and type of activity involved, in itself constitutes an innovative process with respect to the dominant and traditional way in which immigrants have been and are incorporated into the receiving society. As this paper demonstrates, the social and economic effects of entrepreneurship are often enormous.

An ethnic economy is formed by the agglomeration of business enterprises owned and staffed by people of the same ethnic (national) group. This economy consists of "the ethnic self-employed and employers, and their coethnic employees" (Light and Karageorgis, 1994:647) These businesses can be oriented to the provision of goods and services to either an exclusively co-ethnic clientele, or to the open, non-coethnic market.

2. As will be seen, this article challenges the commonly made distinction between migrants (those who return to settle in their country of origin) and immigrants (those who settle in their country of destination). Therefore, the two terms will be used interchangeably.

3. To be sure, some quantitative studies of self-employment have included Latin American-origin peoples other than Cubans (see, for example, Light and Rosenstein, forthcoming; Logan, Alba, and McNulty, 1994). However, these studies are focused on macro processes and, thus, use aggregate units of analysis, an approach that prevents finer analyses of the dynamics of Latin, let alone, Mexican immigrant ethnic economies. There are a few ethnographic accounts of Mexican entrepreneurship, which are limited either to the analysis of a minute number of entrepreneurs (Villar, 1994), or to a specific market activity, such as wholesale of produce in Los Angeles (Alvarez, 1990).

4. The U.S. Department of Labor's Bureau of Labor Statistics defines self-employment as "those who work for profit or fees in their own business, profession, trade or operate a farm." This definition refers essentially to sole owners and partners of unincorporated businesses. However, several groups that closely fit this description are excluded by the Census. Among the excluded are owners of incorporated businesses who report earning a salary from their businesses (thus are enumerated as employees); unpaid family workers; and people who hold a job and are simultaneously engaged in self-employment, but whose primary income is from wage work (i.e., owners of a side business).

5. The Democratic party candidate, Kathleen Brown, for example, explicitly stated during her electoral campaign that "The Latinos deserve the same opportunities as other Californians to own their own business [...] my promise as gubernatorial candidate is that I will make an effort to assure that [these entrepreneurs]

receive what corresponds to them" (Brown, 1994:8).

6. Such rewards are typically calculated in terms of the total salary or income received by the immigrant as a function of his or her human capital--which is measured as years of formal education and of work experience, level of English proficiency, and length of residence in the U.S. (see Portes and Zhou, 1996; Sanders and Nee, 1996; Portes and Jensen, 1989; Sanders and Nee, 1987).
7. For further discussion of these concepts, see Granovetter, 1985 and 1992.
8. The net worth of subsistence ethnic firms is under \$30,000; they provide their owners with an annual income of less than \$20,000; and employ up to four workers, with many having no workers at all.
9. These are firms with a net worth of at least \$100 thousand, have at least 50 employees, and in which owners earn at least \$50 thousand yearly.
10. The final equations presented here were derived from initial equations containing a larger number of independent variables. To obtain the final model, a backward elimination procedure was used. The backward solution started with the multiple correlation of all independent variables with the dependent variable. The independent variables were deleted from the regression equation one at a time, and the loss to R^2 due to the deletion of the variable was studied. Since each variable is treated as if were entered last in the equation, it was thus possible to observe which variable added the least when entered last. Variables with an F test greater than .10 were removed from the equation (see Pedhazur, 1982:158-60).
11. The initial equation predicting firms' net worth included the following independent variables: Owner's characteristics (SEX, HRSWRKOW, ENGLISH, OCCUPLO, WORKAGE, WORK2), Social Capital (ROLEMODL, FMILWRKR, SSOWNER, MARSTAT, ASSOMEMB), Migration (IMM70, VISANOW, TRVLMX, RETURNNG, INVESTMX), Internal Ethnicity (JALISCO, MICHO, ZACA), Firm characteristics (FIRMAGE, LNSALES). See Table A1 in the Methodological Appendix at the end of the paper for definition of variables.
12. For arguments supporting the view that "settler" immigrants are more entrepreneurial and do better than "sojourner" migrants see Roberts, 1995; Waldinger et al., 1990; Piore, 1979.
13. The initial equation predicting the log of owner's yearly income included the following independent variables: Owner's characteristics (SEX, HRSWRKOW, ENGLISH, OCCUPLO, WORKAGE, WORK2), Social Capital (ROLEMODL, FMILWRKR, SSOWNER, MARSTAT, ASSOMEMB), Migration (IMM70, VISANOW, TRVLMX, RETURNNG, INVESTMX, EXPORT), Internal Ethnicity (JALISCO, MICHO, ZACA), Firm characteristics (FIRMAGE, LNNOW, LNSALES). See Table A1 in the Methodological Appendix at the end of the paper for definition of variables.
14. This would appear to support the assertion by Bonacich (1973), in the sense that the migrants more likely to enter into entrepreneurial activities are temporary migrants, because, her argument goes, this type of incorporation would make their return more expeditious, due to the greater income that self-employment generates. Nevertheless, a more detailed analysis refutes Bonacich's hypothesis. In fact, these immigrants have remained abroad for a period of time (21.5 years) that places in doubt their supposed character as "sojourners," and while the majority of them (64%) wish to return to Mexico, only an insignificant minority (5%) plans to do so in the next three years. I argue that such a dual frame of reference among most sampled entrepreneurs is evidence of their transnational character, rather than of their supposedly settler or sojourner

condition.

15. The initial equation predicting the log of employee's yearly income included the following independent variables: Owner's characteristics (SEX, HRSWRKOW, ENGLISH, OCCUPLO, WORKAGE, WORK2), Social Capital (ROLEMODL, FMILWRKR, SSOWNER, MARSTAT, ASSOMEMB), Migration (IMM70, VISANOW, TRVLMX, RETURNING, INVESTMX, EXPORT), Internal Ethnicity (JALISCO, MICHO, ZACA), Firm characteristics (FIRMAGE, LNNOW, LNSALES, LNPAY). See Table A1 in the Methodological Appendix at the end of the paper for definition of variables.

16. In Los Angeles, for example, larger Mexican firms are becoming more fond of hiring Central American over Mexican immigrant workers. Some of the entrepreneurs interviewed for this study concurred in their assessment of Central American workers as preferable workers because, supposedly, they complain less, work harder, and are more reliable than Mexican workers. A common complaint against hiring Central Americans by larger Mexican firms was expressed by the owner of a small supermarket chain who argued that "the majority of the Mexican [workers that] I've hired believe that they don't need supervision, and expect to be well paid just because they are paisanos [Mexicans]."

17. The state's concern with Mexicans abroad is not new, for it dates back to the post-1848 Mexican-American War when the U.S. annexed about half of the Mexican territory (see Gutiérrez, 1995; Griswold del Castillo, 1979). However, the policy of the Mexican government until now had been to foster Mexican patriotism, as a means of encouraging return migration. After 1917, Mexican consuls in the United States came to represent this ideology among the migrant population. In Los Angeles, the consul emerged as the central force defending migrant workers' rights and promoting their organization (Sánchez, 1993).

18. One of the most significant results of this transnational process is the emergence of a lively participatory democracy, a force for empowerment new to migrants in Los Angeles. For example, as a matter of course, migrant organizations summon local and state officials to come to Los Angeles to address problems raised by their relatives back in Mexico about joint projects. The notable political power accrued by migrants, or more precisely by their leaders, is increased even further by the economic power that the Program has given them. Through a matching grant procedure, migrant organizations' monetary contributions to finance local development initiatives are matched by equal contributions from the federal and the state governments. Following this model, for example, the total contributions of the Federación de Clubes Zacatecanos Unidos of Los Angeles to support social projects in the state of Zacatecas, including the official matching funds, reached \$2 million in 1994--an amount that does not include private transfers for family support which reached an estimated \$500 million for the same period (Program for Mexican Communities Abroad, 1995:3). While this figure may seem small from a U.S. perspective, at the local level it represented a very significant amount of money--which in many areas is several times higher than regular official investments in public projects.

19. Variation in entrepreneurial success according to the proprietor's gender is not a characteristic exclusive to the ethnic economy. Studies of nonethnic enterprises in the United States, even in the case of high technology firms, have found similar patterns (Loscoco and Robinson, 1991; Loscoco et al., 1991).

20. In her recent book, *Gendered Transitions*, Pierrette Hondagneu-Sotelo (1994) presents an excellent discussion on the effect of gender on migration.

21. It remains to be pointed out that this investigative design was initially devised to study the Dominican ethnic economy in New York City (see Guarnizo, 1993, 1994). In Los Angeles, not only were

the same sampling techniques, but also the same investigative instruments that were used in New York employed.

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Table 1. Sociodemographic profile of sampled Mexican entrepreneurs in Los Angeles, 1993 - Percentages.

Variables	Mexicans interviewed 1993	Mexican immigrants 1990 ¹
Women entrepreneurs	25.5	29.7
Persons with college or master's degrees	30.7	35.0
Median age (years)	43	29.9
Married	75.3	59.2
Immigrated before 1980	83.3	49.6
Median time period in the U.S. (years)	21.5	--
Immigrated due to family reasons	20.6	--
Immigrated due to demonstration effect	18.6	--

¹ These numbers refer to the Mexican immigrant population in the United States.

Sources: Author's survey in Los Angeles; U.S. Department of Commerce, Bureau of the Census, *1990 Census Population - Persons of Hispanic Origin in the United States*, 1993.

Table 2. Regions of origin and last residence of sampled Mexican entrepreneurs in Los Angeles - Percentages.

Region	Birth	Last location of residency
Western	70.8	58.3
Jalisco	32.4	31.0
Michoacán	16.8	11.7
Zacatecas	10.8	8.7
Other locations	10.8	6.9
Mexico City	9.8	12.6
Border states	6.0	15.7
Other states¹	13.3	13.4
Total	100.0	100.0
(N)	(102)	(102)

¹ Includes 7 states.

Table 3. Distribution of sampled firms by activity and owner's gender - Percentages.

Activity	Men	Women	Total
Manufacturing	14.7	7.7	12.9
Commercial	57.3	65.4	59.4
Service	28.0	26.9	27.7
Total	100.0	100.0	100.0

Table 4. Profile of sampled enterprises - 1993

Variables	Average*
Capital	US\$ 190,680.00
Monthly sales**	20875.4
Monthly sales per employee	2,851.00
Age of the enterprise (years)	6.00
Percentage of enterprises with employees	93.00
Number of employees per enterprise	7.50
Employee's hourly wage	5.14
Employee's monthly wage	808.00
Owner's hourly income	39.30
Owner's monthly income	9,148.00
Monthly income of Mexican immigrant households ¹	1,826.00

* Figures of wages and owners' income are limited to 88 cases in which data was reported by respondents.

** This figure excludes two outliers (\$16 million and \$4 million). If included average monthly sales will be \$258,970.

¹ U.S. Department of Commerce, Bureau of the Census, *1990 Census Population - Persons of Hispanic Origin in the United States*, 1993.

Table 5. Distribution of owners' income, firms' net worth, and number of hired workers of sampled Mexican enterprises by quartiles - Percentages

	Owners' Annual Income	Firms' Net Worth	Number of Workers
Top quartile	78.8	78.8	77.7
Third quartile	11.5	14.5	10.7
Second quartile	6.7	4.9	8.2
Bottom quartile	3.0	1.8	3.4
Total	100.0	100.0	100.0

Table 6. OLS regression predicting natural log of sampled Mexican enterprises' net worth in 1993 dollars.^a

Independent Variables ^b	β	p
Characteristics of Owner		
SEX	.1623	(.03)
HRSWRKOW	.4223	(.00)
ENGLISH	-.1411	(.06)
OCCUPLO	-.1620	(.03)
Social Capital		
ROLEMODL	-.1453	(.05)
FAMILWRKER	.0034	(.96)
SSOWNER	.1403	(.05)
Migration and transnationality		
IMM70	.1430	(.05)
VISANOW	.1517	(.06)
TRVLMX	.2251	(.00)
Internal ethnicity		
JALISCO	.3232	(.00)
MICHO	.2337	(.00)
ZACA	.1368	(.07)
Characteristics of the Firm		
FIRMAGE	.1786	(.03)
LNSALES	.3326	(.00)
Constant	4.5774	(.00)
Adjusted R ²	.5787	
F	8.5409	(.00)
N	88	

^a Coefficients are standardized. For definition and measurement of variables see Table A1 at the end of the article.

^b This model was derived using a backward elimination procedure from an initial regression equation containing 21 independent variables. For a list of variables included in the initial equation see footnote 20.

Table 7. OLS regression predicting natural log of sampled Mexican owners' annual income - 1993.^a

Independent variables	B	p
Characteristics of owner		
SEX	.2848	(.00)
HRSWRKOW	.1857	(.02)
WORKAGE	-.3681	(.00)
Social capital		
SSOWNER	-.1884	(.01)
ASSOMEMB	-.2127	(.01)
Migration and transnationality		
TRVLMX	-.0829	(.29)
INVESTMX	.2246	(.01)
RETURNNG	.1890	(.02)
EXPORT	-.2808	(.00)
Internal ethnicity		
ZACA	-.1292	(.09)
Characteristics of the firms		
FIRMAGE	.3978	(.00)
LNSALES	.5302	(.00)
Constant	1.6016	(.06)
Adjusted R ²	.4795	
F	8.8311	(.00)
N	88	

^a Coefficients are standardized. For definition and measurement of variables see Table A1 at the end of the article.

^b This model was derived using a backward elimination procedure from an initial regression equation containing 23 independent variables. For a list of variables included in the initial equation see footnote 21.

Table 8. OLS regression predicting natural log of employee's annual salary - 1993.^a

Independent variables	B	p
Characteristics of Owner		
SEX	.2139	(.01)
WORKAGE	-.2093	(.01)
Characteristics of firms		
LNNOW	-.3914	(.00)
LNPAY	.2354	(.01)
Social Capital		
SSOWNER	-.2091	(.01)
ASSOMEMB	-.1823	(.03)
Internal ethnicity		
MICHO	.1672	(.04)
ZACA	.2632	(.00)
Constant	68.0533	(.00)
Adjusted R ²	.3504	
F	7.8790	(.00)
N	88	

^a Coefficients are standardized. For definition and measurement of variables see Table A1 at the end of the article.

^b This model was derived using a backward elimination procedure from an initial regression equation containing 17 independent variables. For a list of variables included in the initial equation see footnote 23.