

# 1 Introduction

FOLLOWING THE PASSAGE of the 1986 Immigration Reform and Control Act, which made it illegal for employers to knowingly hire unauthorized workers, Doña Toña's husband lost his job.<sup>1</sup> The next day, she sent him to the grocery store and with their last \$10 instructed him to buy a bag of flour, sugar, lard, and two packets of yeast. Although Doña Toña's husband resisted, arguing that he needed the money to buy gas and find a new job, she convinced him after a few tears to do what she asked. She used the ingredients to bake her mother's *conchas*, *empanadas*, and *cuernos* in her kitchen from memory. Like the fragrance of a freshly baked apple pie on the windowsill, the smell of *pan mexicano* wafted through the Mexican neighborhood, and the people came. "Out of those ten dollars I made eighty at the end of the day." Doña Toña made sweet breads the next day and the day after that, until she earned enough to file her husband's legal papers and then her own. During those desperate months, she kept her job of two years at the Port of Houston, where she washed Toyotas as they were being unloaded from Japanese ships. Her combined income from bread making and car washing was just enough to cover their expenses. After her husband returned to work, Doña Toña found a better-paying job as a janitor at Exxon, and she continued to bake and sell sweet bread and tacos to fellow employees. It was there that she got the idea to open a restaurant:

The [White] American<sup>2</sup> who owned half of the business started talking about wanting some Mexican food and asked me to make him some. . . . I told him I could make them some chicken mole. After that I started making more and more meals, including tamales. The owner of the company said that I could

really cook just about anything and that I should open up my own business. I told him I didn't have the cash for it. He told me I was in a country where I could do anything. . . . I decided that when I finished paying off my house I would [start] a restaurant.

In the late 1980s Doña Toña, then a thirty-six-year-old Mexican immigrant with a fourth-grade education, used the equity in her house to secure a bank loan. With that \$62,000 and her children's unpaid labor she opened her restaurant, El Pambazo. El Pambazo is located in her neighborhood, Little Mexico, a historic Mexican enclave in eastern Houston. The restaurant is one of several businesses on Main Street, a four-lane, pot-hole-riddled road that is flanked by parking lots, liquor stores, car repair shops, taco trucks, and other restaurants. El Pambazo's large glass windows are painted to advertise *aguas frescas* and homemade tortillas. Inside there are posters of Emiliano Zapata, La Virgen de Guadalupe, and other Mexican iconography taped to yellow walls. Two televisions tuned to Spanish-language channels and a jukebox entertain the customers. On any given day the breakfast and lunch crowd is generally made up of dusty, paint-splattered Mexican men who work in the construction or service industry. At dinnertime, the restaurant caters to Mexican families from the neighborhood. A young Mexican waitress, two if it's busy, takes orders in Spanish. Today as in the past, Doña Toña does all the cooking and works twelve hours a day, every day. She earns \$30,000 a year, or just over \$7 an hour. She considers herself to be a success, which she attributes to her drive, ambition, hard work, and positive attitude. "I always had an idea that I was going to be someone when I grew up."

**ROB ALFARO** IS a thirty-seven-year-old naturalized U.S. citizen from El Salvador who self-identifies as Hispanic Italian (he was born in El Salvador, his mother is Salvadoran and his father is Italian). He speaks fluent English, Spanish, and Italian and holds an associate's degree in business. Rob<sup>3</sup> comes from an upper-middle-class family of business owners. His dream of owning a restaurant started when he was just nine years old, after spending the first of many summers working in his grandparents' restaurant. With ample sources of economic and social support, Rob left his job as a manager of his brother's successful restaurant in Boston to start his own business two years ago. He financed A Taste of Venice with resources from several different sources. He used his personal savings first (\$250,000), noting that his financial status was strong

enough that he “didn’t need to borrow from a bank.” Nevertheless, he accepted additional investment capital from his brother and sister-in-law (\$215,000). Finally, he applied and qualified for a credit line of \$100,000 from a national bank. A Taste of Venice, an elegantly styled Italian restaurant in an upscale business district located in Greater Houston, broke even the first year and generated \$90,000 in profit the next year. Rob attributes his financial success to his experience in and knowledge of running a business from the ground up, as well as patience, faith, timing, and “having the guts” to work hard and fight.

DOÑA TOÑA AND MR. ALFARO share a common group identity as Latino/a immigrants and a common occupation as self-employed restaurateurs. The similarities between them end there, however. Doña Toña is a lower-class Mexican immigrant woman who lives and works in a poor Mexican enclave. Rob is a middle-class, self-identified Hispanic Italian man whose upscale restaurant and home are located in a predominately White planned community in Greater Houston. Doña Toña has been in business for more than twenty years, a phenomenal achievement in an industry in which 90 percent of businesses fail within the first six months of opening. Yet, Doña Toña earns only \$7 an hour, or just below minimum wage; she earned more when she was employed as a janitor for Exxon. In contrast, Rob’s brief but impressive stint as a business owner has garnered him substantial profits.

The objective of this book is to explain the collective experience and divergent life chances of Latino/a immigrant entrepreneurs, like Doña Toña and Rob, in America. Against the classic theory of “ethnic entrepreneurship,” which emphasizes the essential role of ethnicity in facilitating immigrant business ownership through social capital, or economic and social resources generated by co-ethnic social networks (Light 1972; Portes and Rumbaut 2001, 2006; Waldinger et al. 1990), the book considers how multiple dimensions of identity and belonging affect the entrepreneurial outcomes of a diverse group of Latino/a immigrant men and women from different class backgrounds.

The intersection of class, gender, race, and (not *only*) ethnicity conditions the unequal starting position of Latinos/as within the highly stratified American society, a society that is comprised of three interlocking systems of power and oppression: capitalism, patriarchy, and White supremacy (Browne and Misra 2003; Collins 2000). In this unequal structural context, Latinos/as are differently positioned within hierarchically organized class, gender, racial,

and ethnic group classifications.<sup>4</sup> These distinct yet intersecting classifications combine to determine the social location of groups of individual Latinos/as that share similar positions within the American social structure. By *social location*, I refer to Patricia Zavella's (1991:75) conception of the ways in which socially constructed categories such as race, class, and gender reflect structures of oppression (and privilege) that combine to produce a diversity of Latino/a identities and experiences.<sup>5</sup>

While structure may condition the social location of Latinos/as, it alone does not determine their life chances; Latinos'/as' life chances are shaped by the integration of structure and agency.<sup>6</sup> In other words, those same multiple dimensions of intersectionality that indicate Latinos'/as' social location also provide the basis for agency among group members in the form of *social capital*: the capacity to mobilize resources based on the recognition of shared group affiliations (Coleman 1988; Portes and Sensenbrenner 1993). The accumulation of social capital by affiliated members of a given group generates economic and noneconomic resources and support that may compensate for structural inequality. In this way, social capital may facilitate Latinos'/as' social and economic incorporation, or socioeconomic assimilation, thereby advancing the group as a whole. Accordingly, the intersection of class, gender, race, and ethnicity conditions the unequal starting position *and* the compensatory social capital that groups of individual Latinos/as bring to the market. Thus, it is through the integration of structure and agency that Latino/a life chances are realized. In the *embedded market*,<sup>7</sup> a term I use to capture the integration of structure and agency within the American economy, structural inequality and group-based resource-mobilization strategies converge to shape the entrepreneurial life chances of Latinos/as. Importantly, whether the social capital that is generated is ultimately sufficient to offset or overcome structural inequality is influenced primarily by Latinos'/as' stratified position within the social structure.

The aim of this book is to demonstrate that through the integration of structure and agency, class, gender, race, and ethnicity intersect to create, maintain, transform, and reproduce the work lives of Latino/a immigrant entrepreneurs in America. For a more complete picture of their socioeconomic incorporation, the entrepreneurial outcomes of Latino/a business owners are compared to those of U.S.-born, non-Hispanic White and Black entrepreneurs.<sup>8</sup> The first half of the book investigates the relationship between structural inequality and agency, in terms of Latinos'/as' individual and collective resource-mobilization

strategies, in the context of a highly stratified American social structure. This analysis is guided by two central questions. First, how does structural inequality rooted in the intersection of class, gender, race, and ethnicity shape Latino/a entrepreneurs' capacity to mobilize group-based resources and support? Second, what is the relationship between Latino/a entrepreneurs' access to and use of such resources, which may help or hinder enterprise, and their consequent entrepreneurial success?

The dominant approach to "ethnic entrepreneurship" employs a monolithic, homogenous treatment of ethnicity and underscores its primacy in explaining the entrepreneurial activity of different ethnic groups. In particular, it presumes that members of the same ethnic group possess the same ethnic-based resources and support, or social capital, and consequently share the same entrepreneurial outcomes. Yet, a closer look at individual ethnic group members exposes differences across class, gender, and race, which may lead to a variety of entrepreneurial experiences and outcomes among a diverse group of co-ethnics. For example, middle-class Latinos/as are more likely to possess resources that are highly valued in the modern market economy, such as substantial schooling and skills, and economic resources such as personal savings, inheritance, or the creditworthiness needed to access financial capital through market-based institutions, such as a national bank or investment firm (Valdez 2008b). Since a strong class position is generally equated with a strong market position, it stands to reason that middle-class Latinos/as are favorably predisposed to successful business ownership, when compared to working-class or poor Latinos/as.

Moreover, *social capital* may provide additional economic and non-economic resources and support that, though not always essential, may improve Latino/as' market position even further. Middle-class Latinos, for example, benefit disproportionately from social relationships rooted in their racial, ethnic, and gender group affiliations, which create the conditions for social capital resources to emerge, such as co-ethnic, co-racial, or male-dominated business information networks, or some combination of the three, or opportunities for informal or semiformal lending. In Rob's case, a strong class position and family history of business ownership provided him with ample resources in the form of education, skills, work experience, business networks, financial resources, and support to start a successful and lucrative business. Middle-class Latinas also benefit from greater access and use of market capital and social capital than their lower-class counterparts, although gender inequality

is observed when middle-class Latinas' resources are compared to those of middle-class Latinos.

In contrast, lower-class Latinos/as are likely to possess fewer resources that are valued in the market economy, and thus confront greater market uncertainty. Although disadvantaged Latinos'/as' gender, racial, and ethnic ties generate social capital, its compensatory effect is constrained by their social location, as their position within the unequal social structure circumscribes the social capital that is ultimately produced. Because they have fewer market and social capital resources from which to draw, the path to economic integration through business ownership is far from easy. Disadvantaged Latinos/as frequently engage in business ownership with insufficient resources and support. Often the impetus for this activity is rooted in a vulnerable labor market situation (for example, job dissatisfaction, unemployment or underemployment, blocked mobility based on ethnic, racial, or gender discrimination, or a combination thereof). Moreover, there is no guarantee that, once established, the business will prosper. Although Doña Toña's modest bank loan and family support were sufficient to start and maintain her business, her stagnant, below-minimum-wage income is less than desirable and, frankly, less than she expected.

What is clear from an intersectional approach to enterprise is that although Doña Toña and Rob can both be characterized as Latino/a immigrant entrepreneurs, their common Latino/a identity and entrepreneurial activity do not explain their divergent life chances. Against the traditional approach to "ethnic entrepreneurship," Latinos'/as' combined race, class, gender, and ethnic identities influence their ability to access and use market and social capital differently; these multiple dimensions shape the entrepreneurial outcomes of Latino/a entrepreneurs because they matter in a society that is stratified not only by ethnicity, but by the complex intersection of race, class, and gender as well. Ultimately, Latino/a business ownership is conditioned and inequality reproduced by the integration of structure and agency in the embedded American economy.

The second half of the book investigates the social aspect of Latino/a entrepreneurs' socioeconomic incorporation. After all, Latino/a entrepreneurs do not only work in the American economy; they live in American society as individuals and as collective members of distinct groups. How they identify themselves and others—ethnically, racially, or both—represents the recognition of membership in privileged or oppressed groups, or both. These multiple and

simultaneous memberships influence Latinos/as' social location as well as their social capital resources and, ultimately, their entrepreneurial outcomes.

Counter to the assumptions of the ethnic entrepreneurship approach, which characterizes specific ethnic groups as fostering strong communities that engender social capital and thus entrepreneurialism, all Latino/a ethnic group members, regardless of ethnicity (Salvadoran, Mexican American, Cuban, and so on), report the use of ethnic-based social capital, such as co-ethnic moneylending or co-ethnic business networks. Moreover, White and Black entrepreneurs who self-identify ethnically (for example, as Greek American or Caribbean, respectively) *also* report the use of ethnic-based social capital. The ubiquity of ethnic-based social capital regardless of a specific ethnic group classification or rate of entrepreneurial participation suggests that it is not relegated to distinct, entrepreneurially oriented ethnic groups only; rather, ethnicity is always associated with the mobilization of social capital resources among co-ethnics. At the same time, ethnicity is one of multiple dimensions of intersectionality that combine to affect the accumulation of resources in positive, neutral, and sometimes negative ways.

For example, Latinos/as may self-identify racially as Latino/a or Hispanic in an effort to mobilize social capital rooted in racial group affiliation. At other times, ethnic-identified Latinos/as may invoke a racial classification to label non-co-ethnic Latinos/as; in this process of racialization, racial identity may be imposed to stereotype or express prejudice or bias against other (non-co-ethnic) Latinos/as. This race-making process is endemic to racially structured societies and effectively decreases resource mobilization between self-identified ethnic group members and their non-co-ethnic Latino/a counterparts. Overall, the contingent use of ethnic and racial identities among Latinos/as reinforces existing ethnic and racial hierarchies that are externally imposed from *within*, that is, by the members themselves. This process of racialization, in turn, reproduces ethnic and racial inequality in American enterprise. In contrast, Black and White business owners are more likely to self-identify racially than ethnically and are more likely to use these terms interchangeably. The emphasis on racial group membership underscores the salience of race among these U.S.-born groups. These observations pose a challenge to the assumptions and predictions of the ethnic entrepreneurship approach, calling into question the presumed essential role of ethnicity in facilitating business ownership, as gender and race combine with ethnicity to condition the social capital that is generated, and its capacity to offset structural inequality.