The Formation of Ethnic Resources and Social Capital in Immigrant Neighborhoods: Chinatown and Koreatown in Los Angeles

Min Zhou
Tan Lark Sye Chair Professor of Sociology, Nanyang Technological University, Singapore
Wang Endowed Chair in US-China Relations & Communications, UCLA, USA

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Abstract
Why does ethnicity have varied effects on socioeconomic outcomes, such as educational achievement, for different national-origin groups, even after holding constant key socioeconomic and contextual factors? Why do the children of Chinese and Korean immigrants in the United States, regardless of socioeconomic backgrounds, excel and succeed in the educational arena in disproportionately large numbers? This paper draws on my prior ethnographic studies of the Chinese and Korean immigrant communities in Los Angeles to develop a community perspective for explaining how neighborhoods are shaped by ethnicity and how ethnic communities generate resources conducive to social mobility that benefit coethnic members to the exclusion of non-coethnic members sharing the same physical space.

Why does ethnicity have varied effects on socioeconomic outcomes, such as educational achievement, for different national-origin groups, even after holding constant key socioeconomic and contextual factors? Specifically, why do the children of Chinese and Korean immigrants in the United States, regardless of socioeconomic backgrounds, excel and succeed in the educational arena in disproportionately large numbers? Much of the intellectual debate on ethnic differences in socioeconomic outcomes is between the cultural perspective, which emphasizes the role of internal agency and the extent to which ethnic cultures fit the requirements of the mainstream society, and the structural perspective, which emphasizes the role of social structure and the extent to which ethnic groups are constrained by the broader stratification system and networks of social relations within it.
Social scientists from both perspectives have attempted to develop statistical models to quantitatively measure the effects of “culture” and “structure” for the upward social mobility of immigrant groups. Under ideal circumstances, these models would include indicators illuminating pre-migration situations. But because of data limitations, many social scientists typically attempt to control for “structure” by documenting specific contexts of exit, identifying aspects of post-migration social structures, and operationalizing those components for which they have data. This is not only a conventional practice but also a reasonable approach, since many post-migration social structural differences (in the socioeconomic status of persons who came to the United States as adults) are likely to either reflect, or be carryovers from, pre-migration differences. However, even the most sophisticated statistical model accounts for only some of the variance, leaving a large residual unexplained. More intractable are questions of how to conceptualize and measure ethnicity. Given the constraints of the data, many social scientists have tried valiantly to make progress on this front and have come up with measures that are ingenious, though not fully convincing. In the end, they have had to place much weight on the effect of a dummy variable for ethnicity, the exact meaning or contents of which remains a black box.

I argue that ethnicity cannot be simply viewed as either a structural or a cultural measure; rather it encompasses specific cultural values and behavioral patterns that are constantly interacting with both internal and external structural exigencies. Unpacking ethnicity, however, necessitates a conceptual framework from a community perspective. Informed by the abundance of multidisciplinary research on international migration and ethnicity, I aim to sketch a community perspective for explaining how neighborhoods are shaped by ethnicity and how ethnic communities generate resources conducive to social mobility that benefit coethnic
members to the exclusion of non-coethnic members sharing the same physical space. I illustrate this theoretical perspective with two case studies.

**The Ethnic Community Revisited**

Ethnicity is not lodged in the individual but in a socially identifiable group, and more generally, in a community. What then is a community? In the broadest sense, a community is defined by a group of interacting people sharing a common physical or social space, similar beliefs, values, norms, and meanings, and a considerable degree of social cohesiveness. As a sociological construct, a community entails meaning making, interaction, and action among members of a group with shared identity, goals, expectations, and behavioral patterns. An ethnic community by the same token is a group of people identified with one another by a common heritage that is real or imagined. To understand ethnicity in a community context, the concepts of ethnic enclaves, institutional completeness, and social capital are most helpful.

**Ethnic Enclaves as Communities**

The idea that ethnic enclaves are significant contexts for immigrant adaptation stems from classical assimilation theories. The classical assimilation perspective suggests that ethnic enclaves are not permanent settling grounds and that they are beneficial only to the extent that they meet immigrants’ survival needs, reorganize their economic and social lives, and ease resettlement problems in the new land. Classical assimilation theories predict that ethnic enclaves will eventually decline and even disappear as coethnic members become socioeconomically and residentially assimilated, or as fewer coethnic members arrive to replenish and support ethnic institutions. Indeed, old Jewish, Polish, Italian, and Irish enclaves in
America’s major gateway cities have gradually been succeeded by native or immigrant minorities. Here, ethnic enclaves in this sense overlap with communities defined by common heritages or national origins. However, the term “ethnic enclave” is often vaguely and loosely defined and used interchangeably with that of “immigrant neighborhood” to refer to a place where foreign-born and native-born racial/ethnic minorities predominate. Urban America has witnessed rapid neighborhood transition: some old immigrant neighborhoods are declining into ghettos or “super-ghettos” where poverty trumps ethnicity to become a defining characteristic, while others have remained vibrant and resilient enclaves where certain ethnicity dominates despite increasing ethnic diversity.

Classical assimilation theories fail to explain why such ethnic succession transpires, much less why patterns of neighborhood change differ by race/ethnicity or national origin. Recent research, generally cites economic restructuring and white flight as principal causes of inner city ghettoization (Massey and Denton 1995; Wilson 1978). However, today’s immigrant neighborhoods in urban America are quite different from past and present native-minority neighborhoods. Among the distinctive characteristics are: a large share of non-citizen immigrants, both legal and undocumented; the diverse national origins and social class backgrounds; and the significance of immigrant entrepreneurship, which transcends ethnic and national boundaries. Today’s immigrant neighborhoods encompass multiple ethnic communities and thus may not be easily dichotomized as either a springboard or a trap for upward social mobility. Rather, they may contain a wider spectrum of both resources and constraints which vary by ethnicity leading to vast interethnic differences in social mobility outcomes.
Institutional Completeness

To analytically distinguish between an immigrant neighborhood and an ethnic enclave is important in that local social structures, namely, all observable establishments that are located in a spatially bounded neighborhood, ranging from social service and human service organizations, civic organizations, religious organizations to ethnic organizations (family, kin, clan, or hometown associations and mutual aid societies, professional associations, homeland high school or college alumni associations). The concept of “institutional completeness” is particularly relevant for examining the interaction between local institutions and ethnicity in immigrant neighborhoods. Breton examined the conditions under which immigrants became interpersonally integrated into the host society (Breton 1964). Defining “institutional completeness” in terms of complex neighborhood-based formal institutions that sufficiently satisfied members’ needs, Breton measured the degree of social organization in an ethnic community on a continuum. By focusing on the organizational structure and the interaction between individuals interacting in this structure, two concepts—that of the ethnic enclave and that of the ethnic community—becomes overlapped. At one extreme, the ethnic community consisted of essentially an informal network of interpersonal relations, such as kinship, friendship, or companionship groups and cliques, without formal organization. Towards the other extreme, the community consisted of both informal and formal organizations ranging from welfare and mutual aid societies to commercial, religious, educational, political, professional, and recreational organizations and ethnic media (radio or television stations and newspapers). The higher the organizational density within a given ethnic community, the more likely was the formation of ethnic social networks, and the higher the level of institutional completeness. Breton found that the presence of a wide range of formal institutions in an ethnic community (i.e., a high degree of institutional
completeness) had a powerful effect on keeping group members’ social relations within ethnic boundaries and minimizing out-group contacts. However, ethnic institutions affected social relations not only for those who participated in them but also for those who did not, and the ethnic community did not prevent its members from establishing out-group contacts. Like classical assimilation theorists, Breton concluded that the ethnic community would fade progressively given low levels of international migration because even a high degree of institutional completeness would not block members’ eventual integration into the host society.

In the U.S. context, ethnic communities vary in the density and complexity of organizational structures but few showed full institutional completeness. In my approach to the ethnic community, I borrow Breton’s concept of “institutional completeness” and measure it in terms of density and diversity of local institutions. I add two additional dimensions: coethnicity and mixed-class status (Zhou 2009). The coethnic dominance of an institution’s ownership, leadership, and membership strengthens within-group interpersonal interaction. Diverse class statuses of participants in local institutions alleviate the negative effects of social isolation. In an ethnic community where there is a high degree of institutional completeness, those who have residentially out-migrated are likely to maintain communal ties through routine participation in its institutions and thus promote interpersonal relationships across class lines. In my view, an ethnic community’s institutional completeness, along with a significant presence of the coethnic middle class, positively influences immigrant adaptation through tangible resources provided by ethnic institutions and intangible resources, such as social capital, formed by institutional involvement.
Social Capital

Although the concept of “social capital” has come into wide use in recent years, there has been considerable debate over how to define and measure it and at what level of analysis to locate it. Coleman defines social capital as consisting of closed systems of social networks inherent in the structure of relations between persons and among persons within a group—essentially a “dense set of associations” within a social group promoting cooperative behavior that is advantageous to group members (Coleman 1988). Portes and Julia Sensenbrenner define it as “expectations for action within a collectivity that affect the economic goals and goal-seeking behavior of its members,” even if these expectations are not oriented toward the economic sphere (Portes and Sensenbrenner 1993). Sampson describes it as having variable utility values, arguing that not all social networks are created equal and that many lie dormant, contributing little to effective social action, social support, or social control (Sampson 2004). Putnam treats civic organizations as the main source of social capital because these organizations provide a dense network of secondary associations, trust, and norms, thereby creating and sustaining “civieness,” or a sense of civic community that facilitates the workings of the society as a whole (Putnam 1993). Demographic characteristics, such as socioeconomic status (SES) or race and ethnicity, can also be part of the social capital process. For example, family educational background, family occupational status, and income are usually considered forms of human or financial capital. However, family SES can also connect individuals to advantageous networks and is thus related to social capital (Bourdieu 1985). As Loury suggests, social connections associated with different class status and different levels of human capital give rise to differential access to opportunities (Loury 1977).
Despite the lack of a uniform definition, scholars seem to agree that social capital is embedded not in the individual but in the structure of social organizations, patterns of social relations, or processes of interaction between individuals and organizations. That is, social capital does not consist of resources that are held by individuals or groups but of processes of goal-directed social relations embedded in particular social structures. In the case of immigrants, social capital often inheres in the social relations among coethnic members; it is also embedded in the formal organizations and institutions within a definable ethnic community that structure and guide these social relations. Because of the variability, contextuality, and conditionality of the process, social relations that produce desirable outcomes for one ethnic group or in one situation may not translate to another ethnic group or situation. Thus, social capital is embedded in and arises from institutions in a particular community, one in which the organizational structure and member identification are based on a shared ancestry and cultural heritage: the ethnic community.

Analyzing the formation of social capital in institutional and ethnic contexts is important in two respects. First, former social relations in families, friendship or kinship groups, and other social networks are often disrupted through the migration process. Many newcomers today experience difficulty in connecting to the larger host society and institutions because of their lack of English-language proficiency and cultural familiarity. Among coethnics in their own ethnic community, however, even as total strangers, they can reconnect and rebuild networks through involvement in ethnic institutions because of their shared cultural and language skills. Second, ethnic institutions differ from pan-ethnic, multi-ethnic, and mainstream institutions at the local level in that they operate under similar cultural parameters, such as values and norms, codes of conduct, and, mostly importantly, language. In theory, immigrants can participate in and benefit...
from any local institutions in their new homeland. But many are excluded from participation in mainstream institutions, such as local government and “old boy” networks or schools and parent-teacher associations, because of language and cultural barriers. Ethnic institutions, in contrast, are not only more accessible but also more sensitive than other local institutions to group-specific needs and particularistic ways of coping. Further, they are more effective in resolving cultural problems. Thus, ethnicity interacts with local institutions to affect the formation of social capital and other forms of resources.

As the existing literature suggests, immigrant neighborhoods are constantly changing. Out-migration of upwardly mobile residents negatively affects social organization, social networking, and social life at the local level. However, contemporary immigration and immigrant selectivity have shaped immigrant neighborhoods in diverse ways that both reinforce old constraints and create new opportunities. To explain inter-group differences in community development, we need to consider a dual-level framework. One is at the level of institutions—how neighborhood-based institutions generate resources—and the other at the level of ethnicity—how local social structures are organized around ethnicity which in turn shape interpersonal relationships to give access to local and non-local resources in a given neighborhood. From this community perspective, we can begin to see the complexity of group processes as opposed to individual processes, and the interplay between cultural and structural factors determining immigrant adaptation with varied outcomes by ethnic groups sharing the same physical space. I elaborate on this perspective by two case studies: my comparative analysis of the creation of ethnic resources in old Chinatown and new Chinese ethnoburbs and a study of non-economic effects of ethnic entrepreneurship in the Chinese and Korean immigrant communities.
The Dynamics of Ethnic Capital for Community Building:

Old Chinatowns v. New Chinese Ethnoburbs

In 21st century, urban America, many immigrant neighborhoods encompass multiple ethnic communities, some are more resourceful than others. To explain the inter-ethnic variations in community development at the local level, the idea of “ethnic capital” is useful (Zhou and Lin 2005). Ethnic capital involves the interplay of financial capital, human capital, and social capital within an identifiable ethnic group. Financial capital simply refers to tangible economic resources, such as money and liquidable assets. Human capital is generally measured by education, English proficiency, and job skills. While financial and human capital may be held by individual group members, social capital is more complex, entailing social relations, processes, and access to resources and opportunities. Old Chinatowns and new Chinese ethnoburbs are two ideal types to illustrate the ethnic capital dynamics.

Ethnic Capital in Old Chinatowns

The Chinese are the oldest and largest ethnic group of Asian ancestry in the United States. These earlier immigrants were uneducated peasants and came almost entirely from the Pearl River Delta region in South China as contract labor, working at first in the plantation economy in Hawaii and in the mining industry on the West Coast and later on the transcontinental railroads west of the Rocky Mountains. Most intended to stay for only a short time to “dig” gold to take home, but few realized their gold dreams. In fact, many found themselves easy targets of discrimination and exclusion. In the 1870s, white workers’ frustration with economic distress, labor market uncertainty, and capitalist exploitation turned into anti-Chinese sentiment and racist
attacks against the Chinese. In 1882, the U.S. Congress passed the Chinese Exclusion Act, which was renewed in 1892 and later extended to exclude all Asian immigrants until World War II.

Legal exclusion, augmented by extralegal persecution and anti-Chinese violence drove the Chinese out of the mines, farms, woolen mills, and factories on the West Coast. As a result, Chinese laborers already in the United States lost hope of ever fulfilling their dreams and returned permanently to China. Many gravitated toward San Francisco’s Chinatown for self-protection. Others traveled eastward to look for alternative means of livelihood. Chinatowns in the mid-West and on the East Coast grew to absorb those fleeing the extreme persecution in California. From the passage of the Chinese Exclusion Act of 1882 to its repeal in 1943, Chinese immigrants in the United States were largely segregated in Chinatowns in major urban centers, such as San Francisco, Los Angeles, New York, and Chicago. In this sense, Chinatown is an American creation, a direct outcome of racial exclusion.

When an ethnic group is legally excluded from participating in mainstream host society, effective community organizing can mobilize ethnic resources to counter the negative effects of adversarial conditions. Old Chinatowns displayed several distinctive features: (1) a small merchant class established a firm foothold at the outset of the enclave’s formation; (2) interpersonal relations were based primarily on blood, kin, and place of origin; (3) economic organizations were interconnected to a range of interlocking ethnic institutions that guided and controlled interpersonal and interorganizational relations; and (4) the ethnic enclave as a whole operated on the basis of ethnic solidarity internally and interethnic exclusivity externally.

In old Chinatown, despite a severe lack of financial and human capital, social capital was relatively abundant. Social capital, formed through the same origin, a common language, and a shared fate, along with intimate face-to-face interaction and reciprocity within the enclave,
provided uniformed support for economic and social organization, which in turn facilitated the accumulation of human capital in job training (and also, to a lesser extent, children’s education) on the one hand, and the accumulation of financial capital through ethnic entrepreneurship and family savings on the other. Figure 1 reveals the interactive processes of ethnic capital in old Chinatowns.

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Figure 1. Interactive Processes of Ethnic Capital in Old Chinatowns

The process of financial and human capital accumulation based on strong social capital in old Chinatown heightens the significance of ethnic businesses and institutions. During the exclusion era, old Chinatown experienced parallel developments in the ethnic enclave economy and social structures. Facing external hostility, the lack of financial and human capital combined with a sojourning orientation would constrain community development. But ethnic businesses in the enclave grew under certain conditions. First, an ethnic merchant class was formed prior to Chinese exclusion. Second, legal exclusion prohibited the Chinese from being hired in the mainstream economy and thus pushed them into pursuing small businesses in their own enclave and seeking occupational niches unwanted by natives, such as the laundry business in the pre-World War II era. Third, ethnic segregation created a tremendous demand for ethnic-specific goods and services on the one hand and the availability of low-wage labor to supply to the enclave economy on the other. Chinese entrepreneurs were able to raise financial capital and
mobilize other economic resources to establish businesses not simply through family savings or overseas investment, but also through coethnic members’ sentimental and instrumental ties to the social structures of Chinatown. The access to low-cost coethnic labor gave ethnic entrepreneurs a competitive edge. Although ethnic businesses within the enclave were often short-lived and lasted only one generation, they nonetheless opened up a unique structure of opportunities that corresponded to the sojourning goals of early Chinese immigrants (Zhou 1992).

Regarding institutional building, ethnic concentration led to the consolidation of Chinatown’s social structures. Various neighborhood-based organizations emerged to organize economic activities, meet the basic needs of sojourners, such as helping them obtain housing and employment, and mediate social relations at the individual and organizational levels. The most visible and influential of these organizations included family, clan or kinship associations, district associations, and merchants’ associations, also called “tongs” (Zhou and Kim 2001). The Chinese Consolidated Benevolent Association (CCBA) was an apex organization, also referred to as Chinatown’s unofficial government. The relationships between the elite and masses, between individuals and associations, and between associations and the CCBA in old Chinatowns were interdependent. The power structure was vertical and relatively unified for several reasons. First, the early Chinese immigrants came from a few tightly-knit rural communities in South China. Although there were variations in dialects and bases of networks, most of them were Cantonese, came from similar socioeconomic backgrounds, arrived in America in groups as contract laborers, and had similar jobs. They lacked human capital, English language proficiency and information on employment, and thus were dependent on a small group of coethnic labor brokers or merchants, and later on coethnic organizations. Second, most of them were sojourners who did not intend to settle in the United States. Without their families,
they were highly dependent on one another for social support and companionship. Third, the hostility of the host society and legal exclusion from the larger society meant that only a few were able to venture beyond their own ethnic enclaves.

Resulting from the developments of the enclave economy and ethnic social structures was a high level of institutional completeness in old Chinatown. The structural constraints strengthened immigrant networks, created opportunities for community organization, and gave rise to an interdependent organizational structure. Personal and organizational interdependence, in turn, allowed social capital to emerge by virtue of the immigrants’ shared cultural bonds and shared experiences of exclusion—bounded solidarity—and their heightened awareness of common values, norms, and obligations—enforceable trust. Bounded solidarity and enforceable trust, however, did not inhere in the moral conviction of the individual or the culture of origin; rather, they were interacted with structural factors in the host society to help immigrants organize their social and economic lives in disadvantaged or adverse situations (Portes and Zhou 1992).

*Ethnic Capital in New Chinese Ethnoburbs*

Contemporary Chinese immigration drives much of ethnic population growth and reshapes patterns of community development. Between 1960 and 2000, the number of Chinese Americans grew more than ten-fold — from 237,292 in 1960 to 2,879,636 in 2000, and to nearly 3.6 million in 2006. Unlike their earlier counterparts, contemporary Chinese immigrants come from diverse origins. The three main sources of Chinese immigration are mainland China, Taiwan, and Hong Kong, as well as the greater Chinese Diaspora in Southeast Asia and the Americas. Chinese immigrants from different origins or different regions of the same origin do not necessarily share the same culture or lived experiences.
Contemporary Chinese immigrants also come from diverse socioeconomic backgrounds. They now constitute not only “the tired, the poor, and the huddled masses yearning to breathe free,” as is inscribed in the Statue of Liberty, but also the affluent, the highly skilled, and the entrepreneurial. The 2000 Census showed that young foreign-born Chinese (aged 25 to 34) with four or more years of college education were more than twice as common as young U.S.-born non-Hispanic whites (65% vs. 30%). The influx of large numbers of resource-rich immigrants creates new modes of settlement, the most remarkable of which being the detour from inner-city ethnic enclaves to white middleclass suburbia as well as the newly emerged ethnoburbs (Li 1997).4 Residential patterns of the Chinese are now characterized by concentration as well as dispersion. Geographical concentration, to some extent, follows a historical pattern: Chinese Americans continue to concentrate in the West and in urban areas. One state, California, by itself, accounts for 40% of all Chinese Americans (1.1 million). New York accounts for 16%, second only to California, and Hawaii accounts for 6%. However, other states that historically received fewer Chinese immigrants have witnessed phenomenal growth.

At the local level, traditional Chinatowns continue to exist to receive newcomers and attract economic investments from coethnics, but they no longer serve as primary centers of initial settlement as the majority of new immigrants, especially the affluent and highly skilled, are bypassing inner cities to settle into suburbs immediately after arrival. As of 2000, less than 3% of Chinese in Los Angeles, 8% of Chinese in San Francisco, and 14% of Chinese in New York lived in old Chinatowns. However, demographic changes impacted by international migration do not appear to be associated with the disappearance or significant decline of old Chinatowns, which have actually grown and expanded. In New York City’s Chinatown, for example, all 10 out of 14 census tracts contained 25% or more Chinese, and five of these tracts
had a Chinese majority as of 2000. Likewise, all four census tracts in L.A.’s Chinatown contained 25% or more Chinese, and two tracts had a Chinese majority.

The majority of the Chinese American population is spreading out into the suburbs outside of traditional immigrant gateway cities as well as in new urban centers of Asian settlement across the country. As of 2000, half of all Chinese Americans live in suburbs. There are few new urban Chinatowns in the country where more than half of the residents are coethnics. For example, in New York City’s Flushing, known as the “second [urban] Chinatown,” only two of the 11 census tracts contained 25% or more Chinese and none had a Chinese majority. In Los Angeles’ Monterey Park, known as “the first suburban Chinatown,” 10 of the 13 tracts contained 25% or more Chinese but only one tract had a Chinese majority. Suburbs in Los Angeles, San Francisco, San Jose, Chicago, Houston, Washington DC have witnessed extraordinarily high proportions of the Chinese Americans in the general population and the emergence of a new and distinct phenomenon—“ethnoburbs” (Zhou et al. 2008).

The pattern of ethnoburb development is distinct from that of old Chinatown. Rather than an ethnic minority being pushed into an urban for mere self-protection and survive, it involves an incoming ethnic minority that arrives with higher than average education and economic resources and with the capability of creating its own economy. The new Chinese ethnoburbs share certain common characteristics with old Chinatowns, but are distinct from Chinatowns in many ways (and they also differ from one another). Like old Chinatowns, new middle-class immigrant communities serve the needs of new arrivals unmet in the mainstream society and provide opportunities for self-employment and employment. But unlike Chinatowns, they are better connected to the host society, the homeland, and the global on economic, social, and political terms. Moreover, they can no longer be narrowly defined as the “ethnic enclave” or
“staging places” just for the poor and the unacculturated. While they start out by affluent and educated immigrants, investors, and professionals, however, ethoburbs gradually become magnets for coethnic members from lower socioeconomic background who arrive either to reunite with families or to feed the labor demand of the growing enclave economy.

The processes of ethnic capital formation in new Chinese ethnoburbs are quite different. Compared with old Chinatowns, contemporary Chinese ethnoburbs have several distinct features: (1) there is a significant entrepreneurial class equipped with foreign capital; (2) interpersonal relations are less likely to be based on strong ties defined by blood, kin, and place of origin, and more likely to be based on secondary, weak ties defined by common SES or other economic and professional characteristics; (3) economic organizations are less interconnected to local ethnic social structure and more diversified in type and more connected to the mainstream and global economies; and (4) even though the enclave as a whole continues to operate on the basis of bounded solidarity and enforceable trust defined by a common ethnicity, it does not necessarily preclude interethnic cooperation and social integration. Figure 2 reveals the interactive processes of ethnic capital in new Chinese ethnoburbs.

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Figure 2. Interactive Processes of Ethnic Capital in New Chinese Ethnoburbs

As shown, the interactive processes of ethnic capital in new Chinese ethnoburbs are initially not based on social capital because it is relatively weak. Instead, the enclave is built on
strong financial and human capital. Social capital formation through ethnic interaction and organization comes after the formation of ethnoburbs.

The comparative analysis of the dynamics of ethnic capital in old Chinatowns and New Chinese ethnoburbs suggest an alternative way to unpack ethnicity from a community perspective. While all ethnic groups are capable of developing their own communities, development outcomes vary depending largely on the interaction between individual- and group-level socioeconomic characteristics and larger structure forces pertaining to globalization, immigration selectivity, culture, and host society reception.

**Non-Economic Effects of Ethnic Entrepreneurship**

My study of the non-economic effects of ethnic entrepreneurship makes another case for unpacking ethnicity from the community perspective. Past studies have shown that contemporary entrepreneurial activities among ethnic and immigrant groups in the United States have grown exponentially and have produced desirable outcomes for group members. While findings about the effects of ethnic entrepreneurship are mixed and often hotly contested, four arguments seem to dominate the scholarship promoting entrepreneurship. First, ethnic entrepreneurship creates job opportunities for the self-employed as well as for ethnic workers who would otherwise be excluded by the mainstream labor market. Second, ethnic entrepreneurship yields a significant earnings advantage over other forms of employment net observable human capital and demographic characteristics, affecting social mobility of the family and the group as a whole. Third, ethnic entrepreneurship buffers its impact on the mainstream labor market, relieving the sources of potential competition with native-born workers and enhancing the economic prospects of group members as well as out-group members. Fourth, ethnic entrepreneurship not only
fosters entrepreneurial spirit and sets up role models among coethnic members but also trains prospective entrepreneurs (Zhou 2004).

While all of the above arguments suggest that ethnic entrepreneurship brings about positive economic outcomes for the individual as well as for the ethnic group, the fourth argument alludes to the non-economic effects of entrepreneurship, such as nurturing entrepreneurial spirit among group members, providing role modeling and informal training for aspiring entrepreneurs, serving as an alternative means to social status recognition, and reinforcing social ties locally and internationally. However, much understudied are the mechanisms through which and conditions under which these non-economic effects are produced to affect outcomes of immigrant adaptation at the local level and community building. Shifting attention to examining the relationship between entrepreneurship and community building can help fill this gap.

The Social Embeddedness of Ethnic Entrepreneurship

Ethnic entrepreneurs are not isolated individuals but are intrinsically constrained by particular social structures and social relations. It is important to make an analytically distinction between two types of entrepreneurs—middleman-minority and enclave entrepreneurs. Middleman minorities are those ethnic entrepreneurs who trade between a society’s elite and the masses. Historically, they were sojourners, interested in making a quick profit from their portable and liquefiable businesses and then reinvesting their money elsewhere, often implying a return home (Bonacich 1973). They most commonly established business niches in poor immigrant or minority urban neighborhoods deserted by mainstream retail and service industries or by business owners of a society’s dominant group. Since they are not members of the communities
in which they operate their businesses, they do not identify with the communities and do not necessarily invest in these communities. Moreover, they are not bounded by social relations with those they serve because their businesses often perform a singular function—trade or commerce—with little symbolic or emotional attachment to their clientele and to local social structures. As a result, they are often caught in intense interracial conflicts and made scapegoats for the economic and social problems experienced by local residents. The highly publicized Korean-black conflicts demonstrate the vulnerability of middleman-minority entrepreneurs and social risks of their economic action (Min 1996).

Enclave entrepreneurs, in contrast, include mainly those who conduct business in their own ethnic communities. In the past, they typically operate businesses in immigrant neighborhoods where their coethnic group members dominate and are themselves intertwined in an intricate system of coethnic social relations within a self-sustaining enclave. At present times, as many ethnic enclaves evolve into multiethnic neighborhoods and new ones develop in affluent middleclass suburbs, those who run business in a particular location may simultaneous play double roles—as middleman-minority entrepreneurs and as enclave entrepreneurs. For example, a Chinese immigrant who runs a fast food takeout restaurant in a Hispanic neighborhood is a middleman-minority entrepreneur, but s/he would become an enclave entrepreneur when returning to his or her other restaurant in Chinatown. Likewise, a Korean immigrant who runs his or her business in Los Angeles’ Koreatown may be an enclave entrepreneur to Korean coethnics, but to the Hispanic residents who make up the majority of that neighborhood, s/he would just be one of many middleman-minority entrepreneurs.

The analytical distinction is sociologically meaningful because the economic transactions of these two types of ethnic entrepreneurs are conditioned by different social structures and...
social relations embedded in different ethnic communities, or ethnic enclaves. To examine the non-economic effects of ethnic entrepreneurship, I use the dual-level framework and draw on Breton’s concept of “institutional completeness” discussed previously. I first count the number and variety of institutions, including local business establishments and sociocultural organizations, in a given neighborhood. I then observe the coethnicity of the institution’s ownership and leadership and its membership or participants and the level of middle-class participation in these local institutions. I argue that ethnic entrepreneurship affects a high degree of institutional completeness by promoting the development of the enclave economy and ethnic social structures. High degree of institutional completeness in turn gives rise to a unique ethnic social environment for interpersonal interaction and social capital formation within the ethnic group. However, such ethnic closure does not necessarily reinforce social isolation or block social integration as predicted by Breton, because of the strengthened ethnic social structures and the active participation of suburban middle-class coethnics. This way, we can begin to imagine a possible link between ethnic entrepreneurship and community building and, more specifically, to examine non-economic effects.

Entrepreneurial Development in the Chinese and Korean Immigrant Communities

There are entrepreneurs in every ethnic group, but not every group’s ethnic economy can be called an enclave economy. The group’s higher than average levels of self-employment, geographic clustering of economic activities, and the diversification of ethnic businesses are some of the most salient characteristics of an enclave economy. Chinese and Korean immigrants are known for their high self-employment rates and significant geographic concentration of their businesses which are as diverse in number
and type as they are in size and scale. Since the 1970s, unprecedented Chinese and Korean immigrations, accompanied by drastic economic marketization in China and rapid economic growth in South Korea, has set off a tremendous influx of human capital and financial capital, unveiling a new stage of economic developments in the Chinese and Korean immigrant communities in the United States. From 1977 to 2002, the U.S. Census reported that the number of Chinese-owned firms grew more than 11-fold (from 23,270 to 286,041) and Korean-owned firms, nearly 18-fold (from 8,504 to 157,688). As of 2002, there was approximately one Chinese-owned firm for every 9 Chinese and one Korean-owned firm for every 8 Koreans, but only one co-ethnic firm for every 22 Hispanics and one for every 28 blacks. Chinese- and Korean-owned businesses are also extremely diverse and vary greatly in scale. As of 2002, 31 percent of Chinese-owned firms and 36 percent of Korean-owned firms had paid employees, compared to 13 percent Hispanic-owned firms and 8 percent black-owned firms. More than one-fifth of Chinese-owned firms and about a quarter of Korean-owned firms were concentrated in Los Angeles metropolitan area.

In Los Angeles, the Chinese and Korean immigrant communities have multiple geographic centers, and so are their respective enclave economies. While Chinatown has lost its anchoring position in the Chinese community to thriving Chinese ethnoburbs in the San Gabriel Valley, Koreatown has continued to serve as the most important and the largest center of the Korean community (Min 1996; Zhou 2009). In any case, we should consider the Chinese and Korean enclave economies beyond Chinatown and Koreatown as these enclaves are interconnected with each group’s respective ethnoburbs in the larger metropolitan region.
The Chinatown neighborhood is located to the northeast of Los Angeles’ downtown. As a publicly recognized historic site, Chinatown preserves the demographic characteristics of a long-standing ethnic enclave: predominantly non-white (96%) and the foreign born (72%). Chinese comprise of a numerical majority. However, this immigrant neighborhood is multiethnic with 17 percent other Asian (mostly Vietnamese and Cambodian) and 22 percent Hispanic (mostly Mexican).

Koreatown is just five miles west of Chinatown and west of downtown Los Angeles. Like Chinatown, Koreatown is a typical immigrant neighborhood with a high concentration of non-whites (94%) and the foreign born (69%). But unlike Chinatown, the neighborhood has a relatively low proportion of Korean residents. Although Koreans are one of the fastest growing immigrant groups in Los Angeles (increased by 238 percent from 1980 to 2000), they make up less than one-fifth of the neighborhood’s population. In contrast, 57 percent of the residents are Hispanic (mostly Mexicans, Salvadorans, and Guatemalans). There is not a single national-origin group that constitutes a numerical majority. Rather, it is a truly multiethnic neighborhood shared by Koreans, Mexicans, Salvadorans, Guatemalans, and other Asians (mostly Filipinos, along with some Chinese and Southeast Asians).

The multiethnic makeup in Chinatown and Koreatown suggest that these immigrant neighborhoods constitute multiple ethnic communities. What makes Chinatown and Koreatown stand out as resourceful ethnic communities is the remarkable development of each ethnic group’s enclave economy. In both enclaves, the commercial corridors are filled with various types of co-ethnic-owned businesses in bilingual and Chinese-only or Korean-only signs. In sharp contrast, the dominance of co-ethnic
businesses is less common in other immigrant or racial minority neighborhoods in which local businesses are mostly owned by middleman-minority entrepreneurs of diverse national origins.

The restaurant/retail scene is most compelling. Fancy and pricy restaurants including smaller but trendy cafés are visibly present in both Chinatown and Koreatown (with a much higher density in Koreatown). These upscale restaurants are rarely found in other inner-city racial-minority neighborhoods. Also visible is the variety of retail establishments (e.g., groceries, gift shops, jewelry stores, ethnic bookstores with homeland music, videos, periodicals, and newspapers, and other specialty stores), personal services (e.g., barbers, beauty salons, and health spas), and professional services (e.g., doctors’ and dentists’ clinics, herbal doctors’ and acupuncturists’ clinics, herbal medicine stores, legal offices, accounting offices, financial institutions, real estate companies, travel agencies, employment referral services, and training and learning centers). Similar to restaurants, retail establishments are unique: rather than the clustering of small businesses such as mom-and-pop stores and family businesses, the ethnic retail industry consists of a wide range of businesses varying in size, type, and scale which resembles a transplanted cosmopolitan city from contemporary Asia rather than a transplanted rural village from pre-World-War-II Asia. Koreatown’s retail scene, in particular, is combined with a recreational entertainment industry featuring, a colorful nightlife, a range of health spas, and a focus on golfing. There are also numerous trendy, stylish, and neon-lit nightclubs, karaoke bars, pool halls, and video game stores. The economic developments in the Chinese and Korean enclaves clearly target a middleclass clientele who does not live there, while serving the needs of local residents.
Moreover, a relatively recent development in the Chinese and Korean enclave economies has been in an unconventional area—education. The education enterprise in the United States is normally considered a public good and rarely seen in ethnic entrepreneurship. However, in the past two decades, the proliferation of private institutions serving children and youth is increasingly noticeable in the Chinese and Korean immigrant communities in Los Angeles. These institutions include *buxiban*, *hagwon*, *kumon*, early childhood educational programs, college preparatory centers, cram schools, as well as music, dance, arts, *karate*, *kungfu* studios, and sports clubs. The core curricula of these various ethnic institutions are supplementary to, rather than competing with, public school education. These private institutions combine with the local nonprofits to form an elaborate ethnic system of supplementary education (Zhou and Kim 2006).

The development varies between the two enclave economies, however. The Chinese system of supplementary education tends to grow away from Chinatown and outwardly into the Chinese ethnoburbs in the San Gabriel Valley. Driving around the commercial core of Monterey Park, one can see flashy bilingual signs of these educational establishments, such as “Little Harvard,” “Ivy League School,” “Little Ph.D. Early Learning Center” (a preschool), “Stanford-to-Be Prep School,” “IQ180,” and “Hope *Buxiban*.” Students enrolled in these after-school institutions are almost exclusively Chinese from immigrant families of varied socioeconomic backgrounds. Daily programs tend to draw students who live nearby while weekend programs tend to draw students from the local community and other locations in greater Los Angeles.
Chinatown children have easy access to these ethnic resources in their own neighborhood as well as in Chinese ethnoburbs nearby.

In comparison, the Korean system of supplementary education has established its stronghold in Koreatown from the onset because Koreatown has served as the single most important anchor for the sprawling immigrant community. The levels of diversity and density of private institutions serving children or youth are exceptionally high in Koreatown. In the commercial core, for example, there are visibly a range of Korean language schools, *hagwon*, college preparation institutions, music, dance, and arts studios, and karate and sports clubs. Korean children who live in or out of Koreatown have easy access to a wide variety of *hagwon*, afterschools, college preparation classes, enrichment and recreational facilities, and vocational training offered by Korean private businesses.

Noteworthy also is the ethnic language media, which may be considered a unique type of ethnic business. The Chinese or Korean language media is not necessarily based in Chinatown or Koreatown but makes its strong presence and high-volume circulation there. The Chinese or Korean language media is unique in that it is directly tied to the enclave economy, strictly coethnic, and mostly owned by Chinese or Korean transnational media corporations or by coethnic entrepreneurs. Chinese and Koreans have their own cable companies and satellite networks that offer all day access to major networks in China, Hong Kong, Taiwan, and Korea, as well as ethnic networks in the United States. Comparatively, the Spanish language media is much larger in size with pan-ethnic readership or viewership and is more likely to be owned by larger US-based corporations, to mimic mainstream media, and to be more highly commercialized and entertainment-orientated than the Chinese or Korean language media. Ethnic business
development also perpetuates ethnic media development as demands for advertising increase.

Ethnic Entrepreneurship and Community Building

The Chinese and Korean enclave economies reveal some important non-economic effects on community building. First, local businesses consolidate local social structures, serving as a crucial material basis for community development. In immigrant neighborhoods where language and cultural barriers stand in the way, however, coethnicity often dominates the ownership or leadership and memberships of businesses and social structures as well as the patterns of participation and interpersonal interaction in these local sites. For example, the dominance of Chinese-owned businesses in Chinatown and Koreatown-owned businesses in Koreatown consolidates each community’s social structures, leading to a high degree of institutional completeness while heightening the significance of ethnicity. Because multiple ethnic communities may simultaneously exist in an immigrant neighborhood, the one with a sizeable enclave economy tend to gain the upper hand in asserting its prominence and ethnic identity in the neighborhood. When ethnic businesses are intertwined with ethnic social structures in a given neighborhood, the ethnic community’s identity becomes highly visible. For example, Koeatown owes its name by the dominance of Korean-owned businesses and ethnic social structures, not by the number of Koreans living there. For Korean entrepreneurs and residents, they would naturally identify their neighborhoods as their own communities. This is not only because they are exposed to what their own enclave economies offer them, such as the convenient access to entrepreneurial or employment
opportunities and ethnic goods and services, but also because they have access to a variety of services provided by neighborhood-based social, cultural, and educational institutions and actively participate in them. In contrast, the social structures of other ethnic or racial minority communities located in the same neighborhood, such as Mexican and Central American communities, show a much lower level of institutional completeness and appear weaker despite a much larger number of Hispanic residents. To Mexicans and Central American residents, Koreatown is just a typical urban neighborhood.

Second, local businesses create important social spaces for institutions and individuals to interact. In Chinatown and Koreatown, coethnic members converge in their enclave on a regular basis to patronize ethnic businesses and turn these businesses into unique spaces in which they meet and socialize with one another to rebuild social ties. Large and upscale restaurants, for example, are often used for social activities, such as wedding banquets, community fund-raising events, and meetings run by ethnic institutions and non-profit organizations. Many new ethnic institutions—professional organizations, alumni associations, and political and civil rights organizations—are founded in the virtual space and not rooted in any particular locale. These ethnic institutions can utilize the social spaces offered by ethnic businesses to conduct some of their organizational activities in the ethnic enclave.

However, the social spaces created by local businesses are not equally accessible to all residents living in the neighborhood. Hispanic residents living Chinatown or Koreatown are unlikely to have the same access to the tangible resources and opportunities for participation generated in the Chinese and Korean enclave economies.
To Hispanic residents, Chinatown or Koreatown is nothing more than the name of a place where they live, and Chinese or Korean entrepreneurs, as well as other ethnic (including Hispanic) entrepreneurs are merely middleman-minority entrepreneurs.

Third, ethnic businesses, intertwined with ethnic social structures, constitute a magnet for attracting the return and organizational involvement of suburban middleclass coethnics. In immigrant or racial minority neighborhoods in the inner city, many viable local social structures are gone with the out-migration of the middleclass to suburbs, leaving the “truly disadvantaged” trapped in economic distress, social isolation, and ghettoization (Wilson 1978). However, not all inner-city immigrant neighborhoods are predestined to ghettoization. In Chinatown and Koreatown, the presence of non-resident middleclass coethnics is significant because a large segment of the enclave economy caters to the middleclass rather than merely to local residents who live there. The combination of dense and diverse businesses creates a unique site that draws a middleclass clientele—suburban middleclass coethnics, as well as professionals of multiethnic backgrounds, urban yuppies, and tourists. The return of the middle class, in turn, creates new consumer demands that stimulate new entrepreneurial investments in businesses of varying types and scales as well as new further developments in local social structures.

It should be noted that the participation of middleclass non-coethnics and that of middleclass coethnics are different. While the former participate in the enclave economy for the sole purpose of consumption with exotic flavor, the latter do so for multiple purposes, including gaining access to ethnic-specific resources not available in the larger society. The ethnic system of supplementary education is a case in point. In many
immigrant or racial minority neighborhoods, especially those in the inner city, local institutions serving families and children are mostly nonprofit organizations or community-based organizations (CBO). Many of these nonprofits CBOs depend primarily on public funds, funds from private foundations, and individual or organizational donations and provide service to meet the survival needs of immigrant or socioeconomic disadvantaged families and individuals. The functions and services of nonprofit CBOs are similar across urban immigrant or racial minority neighborhoods, offering English language classes, job training, employment referrals, crime/gang prevention programs, family consulting, tutoring and tutor referrals, youth volunteer opportunities, cultural and recreational activities, and special cultural events. The CBOs in Los Angeles’s inner city form the most important source of institutional support for immigrant families. However, given the overwhelmingly high demand for services, these nonprofits are often under-funded and under-staffed, and their ability to provide quality services for those in need is severely constrained. Moreover, due to mandates from funding agencies and limited operating funds, nonprofits can only serve those identified as low-income or “at risk,” indicating that these CBOs have few participants from middleclass families. As a result, inner-city nonprofits inadvertently reinforce class segregation and social isolation.

Private afterschools and other related educational services are not visible in conventional ethnic entrepreneurship but they nonetheless open up a unique opportunity for prospective immigrant entrepreneurs, especially those who are highly educated but lack proficient English language ability. In Chinatown and Koreatown, the development of private afterschools and a range of children and youth-targeted private institutions not
only fills the service void in the inner city, but also gives suburban middleclass coethnics an additional reason to return because they believe that the ethnic system of supplementary education is effective in assisting their children to do well in school. When the middleclass suburbanites come to their enclave, they come for multiple purposes—sending their children to afterschools, going to church, eating real ethnic food, shopping, and even for a facial, massage or health spa. The frequent participation of the coethnic middle class increases cross-class interaction, making the enclave less socially isolated.

In sharp contrast, there are few such private institutions present in neighboring Hispanic neighborhoods in the downtown area. In fact, few inner-city immigrant or racial minority neighborhoods have witnessed such high level of ethnic economic development as that in Chinatown or Koreatown. The ample ethnic resources lodged in Chinatown and Koreatown do not appear accessible to Hispanic families who live there. As a result, Hispanic children share the same neighborhood but are often kept out of these local resources because of language and cultural barriers and because of the lack the human capital and group-level economic resources needed to develop a similar enclave economy and an ethnic system of supplementary education.

Fourth, the Chinese and Korean enclave economies structure inter-organizational and interpersonal relations in a number of unique ways: coethnic, cross-class, and multiple. Interaction among coethnics is most common because of shared language and culture. Cross-class and cross-organizational participation in the ethnic community not only strengthens the interconnectedness of local institutions, but also broadens the basis for interaction with both coethnic residents living in the enclave and coethnic suburbanites.
Although social relations may be more secondary and instrumental than primary and intimate, they create effective channels for information flow and exchange and thus ease the negative consequences of social isolation associated with inner-city living. Take education as an example. Chinese and Korean immigrant parents, often non-English speaking, are able to obtain detailed information about high school and college requirements, school and college rankings, scholarship and financial aid, and other education-related matters through their casual contacts with a more informed group of coethnics in churches, supermarkets, restaurants, beauty salons, and other ethnic institutions and also through the ethnic language media. They can find tutors and afterschool programs from a range of options offered by for-profit businesses which are advertised in ethnic language newspapers. The ethnic media routinely announces and honors children and youths who win national or regional awards and competitive fellowships, get accepted into prestigious colleges, and score exceptionally well on SAT and other scholastic standardized tests.

In sum, an ethnic community’s high institutional completeness may lead to high coethnic closure but not social isolation. In fact, Chinese and Korean immigrants and their children benefit from opportunities and resources generated by their respective enclave economies and ethnic institutions. However, ample tangible or intangible benefits within the easy reach of Chinese and Korean residents in Chinatown and Koreatown are not equally accessible to Hispanic residents sharing the same neighborhood.
Conclusion

In the existing literature, ethnicity is conceptually treated as a structural construct and a cultural construct, depending on the theoretical orientation of the researcher. The structural perspective emphasizes immigrant selectivity, group socioeconomic status and host-society’s macro social structures, i.e., the extent to which racial/ethnic minority groups are constrained by the broader stratification systems and networks of social relations within it. The cultural perspective emphasizes the influence of ethnic cultures and community forces. The above two case analyses suggest that social organization in immigrant neighborhoods varies by ethnicity and that the vitality of an ethnic community and its ability to generate resources conducive to social mobility depend largely on the development of the enclave economy and local social structures. In other words, both structural forces—immigrant selectivity and group-level SES—and cultural forces—norms and behavioral patterns prescribed and practiced by a particular ethnic community in the process of adaptation—interact to shape varied levels of community development, which produce diverse local social environments and unequal availability of and access to neighborhood-based resources for ethnic group members. I believe that this community perspective offers a more nuanced and precise explanation of how social resources are produced and reproduced in the ethnic community and why ethnicity may positively affect outcome for some groups but negatively do so for others.
References


About the Author:

Dr. Min ZHOU is currently Tan Lark Sye Chair Professor of Sociology, Head of the Division of Sociology, and Director of the Chinese Heritage Centre at Nanyang Technological University, Singapore. She is also Professor of Sociology & Asian American Studies and Walter and Shirley Wang Endowed Chair in U.S.-China Relations and Communications at the University of California, Los Angeles, USA (on leave 2013-15). Her main areas of research include international migration, ethnic and racial relations, immigrant entrepreneurship, identity and social mobility of the children of contemporary immigrants, Asia and Asian America, and urban sociology. Her recent books include: *Contemporary Chinese America: Immigration, Ethnicity, and Community Transformation* (Temple University Press 2009) and *The Accidental Sociologist in Asian American Studies* (UCLA Asian American Studies Center Press 2011). She is currently working on three major projects: African migration to China; highly-skilled Chinese immigration; and Los Angeles’ new second generation.
Notes

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1 I use ‘institution’ and ‘organization’ interchangeably to refer to registered (formal) and non-registered (informal) establishments that exist in a given neighborhood.

2 This is the basic argument I am developing in Zhou, forthcoming.

3 This section is rewritten from Zhou and Lin 2005.

4 “Ethnoburbs” are a relatively recent vantage, referring to multiethnic middleclass suburbs.

5 This section is rewritten from Min Zhou and Myungduk Cho 2010.

6 But in recent years, middleman minority entrepreneurs have been found to open up businesses in affluent urban neighborhoods and middleclass suburbs and show up in the both secondary and primary sectors of the host society’s mainstream economy.

7 Black-owned firms increased by 418 percent and Hispanic-owned firms, by 617 percent during the same period, according to the U.S. Census Bureau.

8 According to the U.S. Census Bureau, on average, Asian owned firms with paid employees are smaller than black and Hispanic firms (the average number of workers per firm was 7.3 for Chinese, 5.6 for Korean, 7.4 for black, and 7.7 for Hispanic). However, controlled for education and immigration status, Asian firms are more likely to be larger and knowledge-intensive businesses.

9 Refers to Los Angeles-Long Beach-Riverside Metropolitan area.

10 The neighborhood characteristics described here are based on 2000 U.S. census.

11 Buxiban (tutoring in Chinese) and hagwon (“study place” in Korean) are generally referred to as afterschool academic tutoring. Kumon is a Japanese learning method and a sort of supplemental afterschool program, aiming to make school-based learning easier but not to substitute regular school learning.