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ETHNIC ECONOMIES, CULTURAL RESOURCES, AND THE AFRICAN AMERICAN QUESTION

*Lan Cao**

Ethnic economies are complex. Scholars have debated their many facets, starting with basic questions like how and why they are formed to the thornier philosophical issues surrounding their establishment and functioning.¹ At its core, ethnic economies depend on the creation of an in-group, which conversely, means drawing a line that distinguishes between insiders and outsiders. Because culture constitutes a core element of the ethnic economy, one of the major controversies revolves around cultural issues – cultural inclusion, cultural exclusion, the existence of cultural resources, and the group’s ability to marshal social or cultural capital for individual and community advancement

Scholars in many fields have debated the role of law and institutions versus that of cultural norms conducive to economic development.² With respect to ethnic economies, sociologists have dominated the literature which has only recently captured the interest of economists and law and development scholars. The sociological literature has focused on ethnic minorities and immigrants who turned economically inward due to external hostility;³ and as discussed in this article, paradoxically, has not paid much attention to African Americans, a group historically subjected to intense discrimination in the United States. The reason for this neglect, this article argues, could be found in assumptions about lack of African American cultural norms or absence of cultural cohesion needed to support the establishment of African American ethnic economies. To the extent that scholars have addressed African American entrepreneurship, the question “has been about the causes of apparent [B]lack under-representation in self-employment, an implicit racialization in scholarly discourse which arguably parallels prevalent common-sense notions about cultural pathology.”⁴

* The author would like to thank Professor Felix Chang for his invitation to participate in the symposium and the editors of the Cincinnati Law Review for their hard work and insightful edit of this article.

1. See generally Antoine Pecoud, *Thinking and Rethinking Ethnic Economies*, 9 DIASPORA J. TRANSNAT’L STUDS. 439 (2000).

2. See generally LAN CAO, *CULTURE IN LAW AND DEVELOPMENT: NURTURING POSITIVE CHANGE* 1-68 (2015)

3. See generally Antoine Pecoud, *What is Ethnic in an Ethnic Economy?*, 20 INT’L REV. SOCIO. 59 (2010).

4. Dipannita Basu & Prina Werbner, *Bootstrap Capitalism and the Culture Industries: A Critique of Invidious Comparisons In The Study of Ethnic Entrepreneurship*, 24 ETHNIC & RACIAL STUDS. 236, 236 (2001).

This article disputes those assumptions and is a step towards filling the gap in the ethnic economy literature concerning the African American experience.

Simply put, ethnic economies are economies that are made up of ethnics who are either self-employed or employ other co-ethnics. These are also referred to as ethnic ownership economies,⁵ although there are variants discussed below. They are a job-creating mechanism that relies on the ethnic community for labor and capital instead of on the general labor force or the wider society. Ethnic economies operate more like traditional or primitive capitalism because exchanges are based on in-group co-ethnic relationships or “communalism.”⁶ Hence, a key feature of traditional capitalism is its personalistic foundation placing it outside the norm of modern capitalism, which functions in an impersonalistic manner because transactions are not dependent on in-group exchanges but rather, on the mechanisms of contract law for the formation and enforcement of the deal.⁷

Historically, marginal traders, such as middlemen minorities living in the diasporas and facing hostility, had little choice but to rely on personalistic resources to establish ethnic economies.⁸ Although hostility, exclusion, and discrimination faced in the host country are catalyzing factors in the formation of ethnic economies, scholarship on ethnic economies focuses on the second part of the equation (the development of ethnic enterprises and their characteristics), and leaves the first part of the equation (racism and discrimination) unexplored. Jews were considered the quintessential middlemen minorities, but there were also other middlemen minorities historically, such as the overseas Chinese, the Sikhs in East Africa, the Parsees or Marwaris of India, Ismaili Muslims, Hausas of Nigeria.⁹ It was also assumed that middlemen minorities and their ethnic economies thrived only in “backward” societies devoid of modern rules and that they would dwindle away as precapitalist societies

5. IVAN LIGHT & STEPHEN J. GOLD, *ETHNIC ECONOMIES* 4, 27 (2000); *see also* EDNA BONACICH & JOHN MODELL, *THE ECONOMIC BASIS OF ETHNIC SOLIDARITY* (1980).

6. BONACICH & MODELL, *supra* note 5, at 1; LIGHT & GOLD, *supra* note 5, at 4-5.

7. Lan Cao, *Looking At Communities and Markets*, 74 NOTRE DAME L. REV. 841, 858 n 53 and n. 54 (1999); Kevin Davis et al., *Ethnically Homogeneous Commercial Elites in Developing Countries*, 32 LAW & POL’Y OF INT’L BUS. 332-33 (2001); H.H. GERTH & C. WRIGHT MILLS, *FROM MAX WEBER: ESSAYS IN SOCIOLOGY* 189, 215 (1958); WERNER SOMBART, *THE JEWS AND MODERN CAPITALISM* 33 (1953). MAX WEBER, *BASIC CONCEPTS IN SOCIOLOGY* 109, 251-52 (1969).

8. BONACICH & MODELL, *supra* note 5, at 19, 13-14. Bonacich & Modell describe the three ways middleman minorities can be conceptualized – (1) as buffers between elites and non-elites; (2) as economic middlemen concentrated in trade and commerce who are go-betweens between producers and consumers; and (3) as traders in small business often referred to as petit bourgeois as opposed to capitalist major entrepreneurs; *see also* LIGHT & GOLD, *supra* note 5, at 6.

9. BONACICH & MODELL, *supra* note 5, at 14 (1980); LIGHT & GOLD, *supra* note 5, at 6.

give way to modern capitalist ones.¹⁰ Indeed, eminent sociologist Clifford Geertz characterized certain institutions that are vital for capital and credit needed to establish ethnic economies, such as the rotating credit association, as but a mere “middle rung in development” that would presumably phase out when modernity (in the form of financial institutions such as banks) is achieved in development’s higher rungs.¹¹

Yet, ethnic economies, whose theoretical underpinnings are rooted in the Third World context, have remained an established presence in Western developed countries. Moreover, not only are modes of traditional capitalism found in modern capitalist economies, but they have also expanded beyond the historically dominant ethnic trading groups mentioned above. Thus, the emergence of ethnic economies established by Cubans, Koreans, Vietnamese, West Indians and others who do not have a middleman tradition is not expected by ethnic economy scholars.

Two principal features characterize today’s ethnic economies. First, as this article demonstrates, primitive capitalism has not died out but rather, has continued in various pockets in advanced capitalist countries. Second, ethnic economies are not confined only to those formed by middlemen minorities but have expanded to include those with no such middlemen connection. This means that ethnic economies are now associated in developed countries such as the United States with ethnic minorities who are also immigrants with no historical middleman predilection. Consequently, underlying the complexity is one of the central issues of ethnic economies that this article returns to – the issue of the ethnic boundary. Because ethnic economies in the United States are associated with immigrants and ethnic minorities, they evoke questions about identity itself; that is, immigrant and outsider, relegated to separate economic spheres or American and insider, incorporated into the mainstream labor force.

In other words, intrinsic within ethnic economies are the notions of boundaries and separateness. Immigrant separateness from the mainstream society is a particularly distinctive type of separateness; separateness from the country of emigration, causing them to be

10. See generally Amy Chua, *Markets, Democracy, and Ethnicity: Towards A New Paradigm for Law and Development*, 108 YALE L. J. 1, 12 (1998) (describing the assumption in law and development that Western rules would supplant Third World “localism.”); Lan Cao, *The Ethnic Question in Law and Development*, 102 Mich. L. Rev. 1044, 1060 (2004) (discussing ethnic economies and traditional capitalism). The German sociologist Ferdinand Tonnies discussed the transition towards modernity as one that involved the transformation of communities, *Gemeinschaft*, entrenched in traditional norms and personal relationships, to societies, *Gesellschaft*, defined by a weakening of personal bonds and a strengthening of impersonal rules. *Gemeinschaft and Gesellschaft*, BRITANNICA, <https://www.britannica.com/topic/Gemeinschaft-and-Gesellschaft>. See also EDNA BONACICH & JOHN MODELL, *THE ECONOMIC BASIS OF ETHNIC SOLIDARITY* 1 (1980).

11. Clifford Geertz, *The Rotating Credit Association: A “Middle Rung” in Development*, 10 ECON. DEV. & CULTURAL CHANGE 241, 241(1962).

uninterested in local politics¹² and “highly solidary within their own ethnic group”¹³ and at the same time retaining connection with the homeland for some period of time. This “tie to the homeland is expressed in a number of ways, including the leaving behind of family members, the sending of remittances, and occasional visits.”¹⁴ This separateness element is also often expressed in the provision of goods distinctly associated with the ethnic or immigrant group’s identity; consequently, the associated ethnic economy is likely to be engaged in “selling packaged culture.”¹⁵

Consequently, ethnic economies implicate a number of contested issues that continue to dominate the political and economic development debate such as economic self-help through ethnic solidarity and cultural cohesion. Ethnic economies thus represent a path starkly different from the path of integration, equality, and civil rights. In other words, ethnic economies involve, by definition, a clustering of economic activities centered on ethnic commonalities as a buffer against wider external hostility. In the United States, for example, despite being a professed country of immigrants, certain immigrant groups such as Asian and Arab Americans have suffered from a history of “de-Americanization,” that is, being deemed foreign and not-American regardless of their own identity.¹⁶ Ethnic economies preach ethnic inclusion as a reaction against the wider society and also ethnic exclusion of non-co-ethnics.

As a result, a discussion of ethnic economies, at least in the United States, tends to evoke a powerful undercurrent or subtext and that is: where are African Americans in ethnic economies? In other words, because the scholarship on ethnic economies has excluded African Americans, one is left with the impression that African Americans had no ethnic economies when the contrary is true, as this article will show. While this might be a perfectly fine inquiry if asked in a scholarly rather than a politically or ideologically motivated way; there is a subtext, a self-congratulatory undertone which purports to celebrate ethnic pluralism and ethnic self-help while simultaneously condemning African Americans for not replicating the same “formula for success” that other ethnic minority immigrants have adhered to.¹⁷ For example, “[B]lacks in America are said

12. BONACICH & MODELL, *supra* note 5, at 16.

13. *Id.* at 15.

14. *Id.*

15. Basu & Werbner, *supra* note 4, at 241. Immigrants have specialized in selling their home country products especially in the food and garment industries; African Americans in recent years have been spectacularly successful in the creation of a niche that specializes in culture industries. *Id.*

16. Bill Ong Hing, *Vigilante Racism: The De-Americanization of Immigrant America*, 7 MICH. J. RACE & L. 441, 443-45 (2002).

17. As some critics have noted, when discussion touched on African American business history, comparisons are usually made to immigrants and the “results are invariably invidious, compounding as

to lack distinct cultural resources that might constitute the springboard for the creation of a [B]lack ethnic economy.”¹⁸ By contrast, the depiction of Asian Americans as the “model minority” emerged out of a particular historical context to serve a political agenda whereby the United States can be viewed as being free or relatively free of structural racism and as a result, racial minorities who remain at the bottom rungs of the economic ladder are to blame. This depiction also pits one minority group against another whereby one is deemed to have the right cultural traits, in this case, for economic self-help and the other is not. This subtext has become even more pronounced in recent years given the economic successes of African immigrants who are both outsider immigrant and African in origin. Yet, as this article argues, African Americans have also had their version of ethnic economies which has been overlooked for various reasons.¹⁹

Section I of this article discusses the primary features of ethnic economies, whether established by middleman minorities or by recent immigrants and minorities. Because one of the key features is cultural or social capital and how it is leveraged for in-group benefits, the culture argument has been rippling beneath the surface of the discussion, leaving open the cultural question as it applies to African Americans. This Section also connects the use of ethnic economies as a weapon to artificially inflate immigrants, especially Asians, as the “model minority” as a wedge issue against other racial minorities. There is a disturbing cultural subtext which operates to suggest that immigrant groups (but not African Americans) have cultural resources that support their ethnic economies for in-group success.

Section II examines African American attempts to establish their own separate economies, following the model favored by Booker T. Washington, to achieve self-help. Here, parallels can be drawn between the immigrant and African American ethnic economy experience – outsider and separateness on the one hand as well as preservation and marshalling of cultural resources and solidarity for individual and group self-help on the other hand. Section II demonstrates that despite the glaring omission of the African American experience from much of the literature on ethnic economies, African Americans have a long history in the United States of entrepreneurship emerging from and supported by

they do multiple descriptions by negation.” Basu & Werbner, *supra* note 4, at 238 (“black business achievements are defined negatively,” whereas immigrant businesses, of “Jews, Italians, Greeks, Japanese, Chinese, Cubans, [and] Koreans . . . have elicited a lively debate on the causes of their success”).

18. *Id.* at 237.

19. Some have argued that “arguments about black failure stem from the fallacy of invisibility. Black ethnic enclave economies are not marked by spatial concentrations. This is partly because African American entrepreneurs have been less inclined than other groups to enter conventional ethnic industries such as clothing or food.” *Id.* at 241.

community cultural resources akin to that of ethnic immigrants and their ethnic economies. It is all the more curious, therefore, that the literature on ethnic entrepreneurship either ignores the Black experience or “stresses the failure of African Americans to enhance their status and wealth through self-employment and their under-representation in the ranks of small businessmen.”²⁰

I. ETHNIC ECONOMIES AND THEIR VARIANTS

Historically, certain immigrants have excelled in the small trade business when they emigrated from their homeland. The conundrum of why some have excelled more than others caused Max Weber to ponder why Catholics in Germany have a lower rate of business and entrepreneurial activities than others, especially given the reality that subordinated and excluded minorities tend to turn to economic enterprises given the dearth of choice in the mainstream.²¹ For Weber, the explanation lies in the Protestant ethic which encourages engagement with the secular world, including trade, leading to the accumulation of wealth through business. Werner Sombart later replaced Protestantism with Judaism, attributing the ethics of modern capitalism to the teachings of Judaism.²²

Over time, an area of scholarship that centers around entrepreneurship, ethnicity, and group attributes developed. How do minority ethnic immigrants overcome hostility to create businesses for themselves and the group and “create success out of hate?”²³ Such immigrants are commonly referred to as middleman minorities²⁴ who ensure economic stability for themselves by occupying the middleman position within capitalism, ensconced as they usually are as money lender, rent collector, broker, or by being the bridge between producer and consumer, owner and renter, elites and masses, etc.²⁵ They tend to maintain strong ties to their homeland, through return visits and monetary remittances, even as they position themselves separately from the mainstream society, partly due to differences in culture and ethnicity and even race.²⁶ They are sojourners, whose migration is intended, at least initially, to be temporary, and therefore their objective is to save the capital they generate, instead of

20. *Id.* at 236-37.

21. MAX WEBER, *THE PROTESTANT ETHIC AND THE SPIRIT OF CAPITALISM* 43 (Charles Scribner's Sons, 1930).

22. WERNER SOMBART, *THE JEWS AND MODERN CAPITALISM* 11-21 (1951).

23. Edna Bonacich, *A Theory of Middleman Minorities*, 38 *AM. SOCIO. REV.* 583, 584 (1972).

24. Jonathan H. Turner & Edna Bonacich, *Toward a Composite Theory of Middleman Minorities*, 7 *ETHNICITY* 144 (1980).

25. Bonacich, *supra* note 23, at 583.

26. BONACICH & MODELL, *supra* note 5, at 15.

enjoying the good life in the new country.²⁷

Separateness is solidified through the retention of home country cultural practices and tradition, such as ancestor worship, insistence on in-group marriage, the establishment of their own schools for offspring, voluntary associations based on common clan groups, and self-help organizations to insulate themselves from having to resort to outside charity.²⁸ For purposes of this article, separateness is possible economically through thriving ethnic economies.²⁹ Faced with hostility in the new country, newcomers turn inward, reinforcing separation and exclusion from the mainstream. Middleman minorities create their own economies, relying on family members or co-ethnics for labor, thus reducing their own labor costs, creating friction with the host labor force concerned with depressed wages in the process.³⁰ For example, Japanese cobblers, restaurateurs, and farmers were attacked because other laborers were resentful of Japanese competition in the market.³¹ Staying with the Japanese model, even after WWII internment, the Japanese regrouped and achieved remarkable economic success.

As a journalist commented,

Barely more than 20 years after the end of the wartime camps, this is a minority that has risen above even prejudiced criticism. By any criterion of good citizenship that we choose, the Japanese Americans are better than any other group in our society, including native-born whites. They have established this remarkable record, moreover, by their own almost totally unaided effort. Every attempt to hamper their progress resulted only in enhancing their determination to succeed. Even in a country whose patron saint is the Horatio Alger hero, there is no parallel to this success story.³²

The middleman minority theory explains Japanese economic success as the Japanese ethnic economy constitutes the classic example of middleman minority – one whose historical experience shows strong group solidarity, discrimination and exclusion and a strong homeland

27. Bonacich, *supra* note 23, at 584.

28. BONACICH & MODELL, *supra* note 5, at 15-16.

29. An ethnic economy is an economy of “co-ethnic self-employed and employers and their co-ethnic employees.” LIGHT & GOLD, *supra* note 5, at 4. Whether buyers and sellers are of the same ethnicity is not relevant for the definition. *Id.* at 10.

30. Bonacich, *supra* note 23, at 591; *see also* John Modell, *Class or Ethnic Solidarity: The Japanese American Company Union*, 38 PAC. HIST. REV. 193, 193-206 (1969). For a discussion of systemic hostility and discrimination against the Japanese in the West Coast of the United States by European laborers, *see* JOHN SIBLEY BUTLER, *ENTREPRENEURSHIP AND SELF-HELP AMONG BLACK AMERICANS: A RECONSIDERATION OF RACE AND ECONOMICS* 11 (2005).

31. BUTLER, *supra* note 30, at 11.

32. William Peterson, *Success Story, Japanese American Style*, N.Y. TIMES (Jan. 9, 1966), <https://www.nytimes.com/1966/01/09/archives/success-story-japaneseamerican-style-success-story-japaneseamerican.html>.

orientation.³³

The success of ethnic economies for certain immigrant groups has certainly upended longstanding assumptions. For example, it had been assumed, given the prevalence of assimilation as the preferred route for newcomers, that wage-earning work in the economic mainstream provides better opportunities than work in the ethnic economy.³⁴ Dual labor market theory, which was developed in the 1960s to explain continued pattern of unemployment inequality in women and minorities, posits that those marginal groups remain economically marginalized because they were stuck in segregated, secondary markets with fewer avenues for advancement.³⁵ Compare the secondary market with the primary market: the former is characterized by stable working conditions, high wages, higher skills requirements, higher returns on investment and the latter is characterized by instability and high turnover rates, low skills and wages and lower returns.³⁶ While that characterization is indeed accurate, the analysis provided by dual labor market theory did not take into account self-employment in general or self-employment in ethnic economies where it is quite prevalent.³⁷ Some ethnic groups, such as the Japanese, relied heavily on ethnic economies for their livelihood. For example, in 1941, 56.2% of Japanese American men and 44.4% of Japanese American women worked in the Japanese ethnic economy.³⁸ In the more recent past, 80% of Israelis and 47.5% of Koreans in Los Angeles were self-employed, with 27.6% of Koreans being employees of the Korean business owners.³⁹ For Iranians, 56.7% were self-employed; however, if this group were further disaggregated, the percentage is even higher, with 81.9% of Iranian Jews and 46.1% of Iranian Muslims being self-employed, each employing 3.9% and 3.3% of co-ethnics, respectively.⁴⁰ While dual labor market theory is correct for identifying the existence of multiple segmented markets, it only captures part of the picture because it did not take into account ethnic economies.

But immigrants also have other escape valves besides self-employment. Scholars espousing what is referred to as the immigrant, or ethnic enclave, theory, which studies the employment of immigrant

33. BONACICH & MODELL, *supra* note 5, at 34.

34. LIGHT & GOLD, *supra* note 5, at 11.

35. William T. Dickens and Kevin Lang, *A Test of Dual Labor Market Theory*, 75 AM. ECON. REV. 792, 802 (1985); Robert L. Kaufman, *A Structural Decomposition of Black-White Earnings Differentials*, 89 AM J. SOC. 585, 601-03 (1983). Christine Siegwath Meyer and Swati Mukerjee, *Investigating Dual Labor Market Theory for Women*, 33 EASTERN ECON. J. 301 (2007).

36. *Id.* at 12; *see generally* ROBERT T. AVERITT, *THE DUAL ECONOMY: THE DYNAMICS OF AMERICAN INDUSTRY STRUCTURE* (1968).

37. LIGHT & GOLD, *supra* note 5, at 11.

38. *Id.* at 28-29.

39. *Id.* at 29.

40. *Id.* at 29-30.

workers in the enclave labor market explains how immigrant workers have managed to escape the secondary market to find employment in the alternative immigrant enclave.⁴¹ Succinctly stated, “[e]thnic enclave theory introduces the idea of labor markets when studying ethnic communities.”⁴² Thus, immigrant workers working in the secondary market are not trapped (as presumably mainstream workers are) but have an escape valve in the sub-economy of immigrant enclave. Indeed, one of the benefits of enclaves is a safeguard against discrimination in the mainstream labor market.⁴³ Although there are critics who, for example, argue that enclaves are exploitative and rely on coercive sweatshop-like conditions, or that they consist of mostly entrepreneurs and owners who benefit rather than their workers who are additionally overwhelmed by the web of obligations and duties owed to co-ethnics;⁴⁴ for the most part, there is sufficient evidence that for many immigrants, the enclave is an aid rather than an impediment.⁴⁵ Indeed, other studies have found that focusing primarily on employee wages misses the whole picture; for example, what might be viewed as “exploitative” and “sweatshop” conditions can also be viewed as an apprenticeship where ethnics learn the trade before setting up their own ventures.⁴⁶

As the enclave labor market theory was later expanded to include not just ethnic workers but also the self-employed,⁴⁷ proponents of the theory also studied how the enclave maximized economic benefits for co-ethnics. The discourse on ethnic economies has begun to emphasize the organizational structure of ethnic businesses.⁴⁸ Wilson and Portes found that superior advantages along co-ethnic lines are possible through vertical and horizontal integration so that “co-ethnic firms could suck value out of each stage of a product’s movement toward the market, losing

41. *Id.* at 12-13. See generally Kenneth L. Wilson & Alejandro Portes, *Immigrant Enclaves: An Analysis of the Labor Market Experiences of Cubans in Miami*, 86 AM. J. SOCIO. 295 (1980).

42. BUTLER, *supra* note 30, at 39.

43. Wilson & Portes, *supra* note 41, at 295.

44. Jimmy M. Sanders & Victor Nee, *Limits of Ethnic Solidarity in the Enclave Economy*, 52 AM. SOCIO. REV. 745 (1987); see also *Ethnic Enclave*, ENCYCLOPEDIA.COM, <https://www.encyclopedia.com/social-sciences/applied-and-social-sciences-magazines/ethnic-enclave> (last visited Nov. 21, 2022).

45. See generally Yu Xi & Margaret Geogh, *Ethnic Enclaves and the Earnings of Immigrants*, 48 DEMOGRAPHY 1293 (2011), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3226926/>.

46. Roger Waldinger, *The Ethnic Enclave Debate Revisited*, 17 INT’L J. URB. & REG’L RSCH. 444 (1993). Furthermore,

[w]hereas in the secondary, casual labour market wages and job satisfaction were low, this was not the case for employees in the ethnic enclave, even when their jobs were unskilled and menial, and their initial wages relatively low, and even if the firms they worked for could be classed as part of the secondary sector.

Prina Webner, *Metaphors of Spatiality and Networks in the Plural City: A Critique of the Ethnic Enclave Economy Debate*, 35 SOCIOLOGY 671, 676 (2001).

47. LIGHT & GOLD, *supra* note 5, at 13.

48. Basu & Werbner, *supra* note 4, at 239.

little to no value to non-co-ethnic firms.”⁴⁹ Because the enclave is “spatially bounded from the main economy so that it can function internally as a labor market”⁵⁰ and because such internal labor market is itself interconnected through common “human capital skills, such as ethnic language, cultural knowledge, and social network ties to the place of origin,”⁵¹ ethnic linkages make it possible to keep as much of the capital used as possible within the enclave. For example, studies have shown that Cuban firms in Miami bought from and sold to each other, purchasing semi-finished products from Cuban firms, worked on them, resold the reworked products to other Cuban firms which then sold them to retail customers.⁵² The high level of vertical integration in the Cuban construction industry in Miami allows such firms to draw on their co-ethnic service sector.⁵³ A similar phenomenon can be found among Italian firms operating in or near Fisherman’s Wharf area of San Francisco, with Italian fishermen selling their fish to Italian restaurants which then sell them to tourist customers.⁵⁴ Japanese market gardeners in California also act as suppliers for Japanese vegetable market wholesalers, who rely on Japanese truckers to ship their products to a distribution network of Japanese greengrocers.⁵⁵ Because “[e]thnic entrepreneurs follow each other into an economic enclave in entrepreneurial chains”⁵⁶ and because “the enterprise of one creates a foothold for the other, [so] that ladders are constructed which enable small enterprises to climb and grow,”⁵⁷ the network effect among manufacturers, wholesalers, and retailers is high as profits stay in the enclave economy rather than outside it.

The enclave economy⁵⁸ can be both economically efficient and

49. LIGHT & GOLD, *supra* note 5, at 12-13.

50. Xi & Geogh, *supra* note 45, at 1293. Note that the term “enclave” does not necessarily require physical proximity. Some scholars such as Roger Waldinger recognizes that agglomeration may provide an extra boost for ethnic businesses but also stresses that ethnic networks provide a similar advantage as ethnic enclaves even without proximity. Korean networks, for example, provide coethnic advantages even when they sell to non-Korean customers in non-Korean neighborhoods. *See generally* Waldinger, *supra* note 46 (1993).

51. Xi & Geogh, *supra* note 45, at 1293.

52. LIGHT & GOLD, *supra* note 5, at 13.

53. Webner, *supra* note 46, at 676.

54. LIGHT & GOLD, *supra* note 5, at 13.

55. *See generally* Robert M. Jiobu, *Ethnic Hegemony and the Japanese of California*, 53 AM. REV. 353 (1988); *see also* Webner, *supra* note 46, at 676 n.12. A similar level of integration is found in the New York apparel industry where Italian and Jewish contractors and manufacturers are interconnected in ancillary industries. Webner, *supra* note 46.

56. Webner, *supra* note 46, at 675.

57. *Id.*

58. Once again, as mentioned *supra* note 22, there is some dispute among scholars about whether the enclave economy requires locational clustering or spatial proximity. Some insist that there is a difference between the general ethnic economy and the more particular subcategory of ethnic enclave, which does assume additional advantages due to locational clustering. LIGHT & GOLD, *supra* note 5, at 15.

psychologically protective for several reasons.⁵⁹ First, it does not require knowledge of English, only knowledge of the native language. Second, the ethnic boundary protects against discrimination and hostility on the outside and is simultaneously a space of co-ethnic solidarity and trust. Third, cultural differences that could be an impediment to mainstream jobs are not an issue in the enclave. Fourth, because the enclave may tend to trade in ethnic goods, goods that are likely imported from the homeland, co-ethnics are best positioned to have knowledge in such goods and thus their goods would be in high demand.

This separateness of the ethnic boundary from the main economy does not result in detriment but in advantages, precisely because of ethnic linkages – among employers and employees and co-ethnics creating a multiplier effect along the different rungs and ladders of the ethnic economy – that are themselves oiled by a common reservoir of social capital, social network, and trust. If one focuses on the core issue, the boundary between ethnics and co-ethnics on the one hand and non-ethnics on the other, then it is clear that this boundary is a common thread running through the different variants of the ethnic economy. For example, this article has discussed the ethnic ownership economy, consisting of business owners and their co-ethnic helpers and employees. Variations include the enclave economy which some scholars believe is an ethnic economy that is also territorially clustered, and what some have called the ethnic-controlled economy which constitutes “industries, occupations, and organizations of the general labor market in which co-ethnic *employees* exert appreciable and persistent economic power. This power usually results from their numerical clustering, their numerical preponderance, their organization, government mandates, or all four.”⁶⁰

This difference is not important for the purposes of this Article. The literature also recognizes what is called the ethnic niche, which does not require the existence of ethnic employers hiring co-ethnics. For example, where government employees have controlled hiring in government jobs and have favored co-ethnics, an ethnic niche can be formed. Italian, Irish, and Jewish immigrants in the United States dominated municipal employment through such networks. *Id.* at 21.

59. Benefits of an ethnic enclave can include a “sense of safe haven for culture, language, religion, and community.” Caitlin Ziegert McCombs, *The Role of Ethnic Enclaves on the Integration Process of Modern Immigrants: Case Studies in Columbus, Ohio and France 2* (2017), Senior Independent Theses. <https://openworks.wooster.edu/independentstudy/7680>. Ethnic enclaves can also be “[s]paces for shared cultural practices and celebrations.” Bethany Li, “*We Are Already Back*”: *The Post-Katrina Struggle for Survival and Community Control in New Orleans East’s Vietnamese Community of Versailles*, 18 *ASIAN AM. L.J.* 25, 47 (2011). Those studying the benefits of the enclave have also noted that it can “provide a “warm embrace,” especially for newly arrived immigrants, with the ethnic network” and function as a “buffer” which reduces the cost of cultural or language assimilation” Simone Schuller and Tanika Chakraborty, *Ethnic Enclave and Immigrant Economic Integration*, *IZA WORLD OF LABOR* 2 (March 2022), at <https://wol.iza.org/uploads/articles/601/pdfs/ethnic-enclaves-and-immigrant-economic-integration.pdf?v=1>.

60. LIGHT & GOLD, *supra* note 5, at 25.

As noted,⁶¹ the ethnic controlled economy is undergirded by de facto control, instead of ownership control, and has itself produced ethnic niches such as those in municipal employment. Any group's ethnic ownership economy and ethnic controlled economy constitute the share of its labor force that exists outside the general labor force.

A. *Culture and Social Capital*

In addition to middleman theory and ethnic enclave theory, there is another body of scholarship that studies the relationship between collectivism, immigrant cultural attributes, and immigrant business. This collectivist approach differs from the more individualist stance endemic in Weber's theory and opens the door to an examination of collectivist self-help measures.⁶² Small businesses rely on savings rather than bank loans for financing,⁶³ as "bankers have historically ignored the capital needs of small business owners of every ethnoracial background."⁶⁴ Different cultural groups, such as the Chinese and the Amish have norms that encourage lending among family members, more than the general population.⁶⁵ In addition, rotating credit associations as well as various ethnic self-help institutions such as the Hebrew Free Loan Associations, are also used by some groups to finance their businesses.⁶⁶ Inability to get loans from the formal banking sector has resulted in many ethnic groups having no choice but to rely on something else, social capital. For example, immigrant and ethnic groups that have been excluded from the credit market have turned inward to create alternative mechanisms for accessing capital. Thus, rotating credit associations are not just economic institutions but rather, for law and development scholars, are emblematic and part of a broader framework of informal arrangements that reflect norms and practices, such as trust and ethnic solidarity that lower transaction costs and facilitate personalistic economic exchanges and ethnic economies.

Immigrant groups have also resorted to other kinds of collectivist measures to raise capital. For example, the Pakistanis have developed what is referred to as the incubator approach.⁶⁷ For example, it is not uncommon for a Pakistani immigrant community to rely on an appointed coordinator who matches the new immigrant with someone already

61. *See supra* note 30.

62. BUTLER, *supra* note 30, at 23-24.

63. LIGHT & GOLD, *supra* note 5, at 85.

64. *Id.* at 86.

65. *Id.* at 86-87.

66. *Id.* at 87.

67. This paragraph is drawn from BUTLER, *supra* note 30, at 27-28.

anchored within the community. The anchor connects the newcomer with various employment possibilities, usually in an area the Pakistanis already have a foothold in, for example, convenience stores. The community expects the new person to work and save for two years and learn the business. At the end of the apprenticeship, the community helps the immigrant with business opportunities, including scouting for locations where opportunities may exist. Individual savings, along with capital from the community capital investment fund provided by the Pakistani community, help the new immigrant take on the new business.

There are different areas of scholarship that have examined how social capital is leveraged for the purpose of economic development. Ethnicity, market, and culture have been studied as factors explaining how certain ethnic groups have been able to produce or make use of ethnic resources to better themselves economically. Thomas Sowell is a proponent of the cultural question, that is, the idea that a certain bundle of cultural traits facilitates entrepreneurship in certain trading-inclined ethnic groups.⁶⁸ Amy Chua has similarly written about the cultural predispositions that facilitated the market dominance of “market-dominant ethnic minorities.”⁶⁹ Barak Richman has studied how Jewish diamond merchants in New York rely on private, community, intra-ethnic institutions, and law to ensure that agreements are enforced.⁷⁰ It is important to note that although law and development scholars have traditionally used the word “institutions” to mean the formal legal system encompassing laws, legal rules, courts, and judges,⁷¹ the term is now understood, especially in the new institutional economics literature, to include formal as well as informal arrangements, such as norms and beliefs.⁷² This scholarship with its emphasis on social and cultural capital and ethnic cohesion supplements and even challenges the standard law and development menu with its emphasis on formal laws and formal rules.

But institutional economics has added a different dimension to the conventional rule of law template. As Douglass North explains, institutions “consist of both informal constraints (sanctions, taboos,

68. See generally THOMAS SOWELL, *RACE AND CULTURE: A WORLD VIEW* (1994).

69. See generally Amy L. Chua, *Markets, Democracy, and Ethnicity: Toward a New Paradigm for Law and Development*, 108 *YALE L.J.* 1 (1998).

70. See generally Barak D. Richman, *How Community Institutions Create Economic Advantage: Jewish Diamond Merchants in New York*, 31 *L. & SOC. INQUIRY* 383 (2006).

71. Tom Ginsburg, *Does Law Matter for Economic Development? Evidence from East Asia*, 34 *L. & SOC'Y REV.* 829, 832–34 (2000) (book review).

72. See Claude Ménard & Mary M. Shirley, *The Contribution of Douglass North to New Institutional Economics*, in *INSTITUTIONS, PROPERTY RIGHTS, AND ECONOMIC GROWTH: THE LEGACY OF DOUGLASS NORTH* 11, 27–28 (Sebastian Galiani & Itai Sened eds., 2014). Avner Greif has similarly studied informal systems of enforcement. See AVNER GREIF, *INSTITUTIONS AND THE PATH TO THE MODERN ECONOMY: LESSONS FROM MEDIEVAL TRADE* 12–13 (2006).

customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights).⁷³ These informal norms which provide “order without law”⁷⁴ are a crucial form of resources relied upon by ethnic groups that are excluded from the mainstream and/or not able to count on formal institutions and formal laws. Noncompliance with informal, community norms subjects norm breakers to ostracism, a severe penalty if in-group belonging is crucial for one’s identity and livelihood.⁷⁵

At the same time, emphasis on informal norms and institutions does not necessarily entail rejection of the need ⁷⁶for formal institutions. This is not an either/or proposition. Both formal and informal institutions can facilitate exchanges and constrain bad behaviors. But at some point, as societies evolve beyond the small, clan-based, or ethnic-based group, they “need effective, impersonal contract enforcement, because personal ties, voluntaristic constraints, and ostracism are no longer effective as more complex and impersonal forms of exchange emerge. It is not that these personal and social alternatives are unimportant; they are still significant even in today’s interdependent world.”⁷⁷ Scholars have shown that countries that have legal systems that enforce contract and property rights are, predictably and unsurprisingly, better equipped to maximize economic performance.⁷⁸ The role of legal institutions in the economic sphere is, as stated by Max Weber, of primary importance: “[M]odern rational capitalism has need, not only of the technical means of production, but of a calculable legal system and of administration in terms of formal rules.”⁷⁹ Douglass North states that “impersonal exchange with third-party enforcement . . . [through an impartial judiciary] has been the crucial underpinning of successful modern economies involved in the complex contracting necessary for modern economic growth”⁸⁰ and that “the inability of societies to develop effective, low-cost enforcement of contracts is the most important source of both historical stagnation and

73. Douglass C. North, *Institutions*, 5 J. ECON. PERSPS. 97, 97 (1991).

74. ROBERT C. ELLICKSON, *ORDER WITHOUT LAW: HOW NEIGHBORS SETTLE DISPUTES* 284 (1991).

75. Lan Cao, *Looking at Communities and Market*, 74 NOTRE DAME L. REV. 841, 864-74 (1999). See Avner Greif, *Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders’ Coalition*, 83 AM. ECON. REV. 525, 527-31 (1993); Avner Greif, *Reputation and Coalitions in Medieval Trade: Evidence on the Maghribi Traders*, 49 J. ECON. HIST. 857, 860-82 (1989).

76. LAN CAO, *CULTURE IN LAW AND DEVELOPMENT: NURTURING POSITIVE CHANGE* 69-70 (2016).

77. North, *supra* note 73, at 100.

78. See generally MAX WEBER ON LAW IN ECONOMY AND SOCIETY (Max Rheinstein ed., 1954); David M. Trubek, *Max Weber on Law and the Rise of Capitalism*, 1972 WISC. L. REV. 720 (1972).

79. WEBER, *supra* note 21, at 25.

80. DOUGLASS C. NORTH, *INSTITUTIONS, INSTITUTIONAL CHANGE AND ECONOMIC PERFORMANCE* 35 (1990).

contemporary underdevelopment in the Third World.”⁸¹ It is virtually uncontested among scholars that a formal legal system of secure property and contract rights constitute a necessary foundation for market development.⁸² Law and development scholars and practitioners have been busy studying and implementing rule of law projects that have been widely accepted as facilitating the establishment of laws and institutions necessary to support a functional market economy.

Therefore, there are two primary schools of thought on the question of what drives economic development – culture on the one hand and law on the other hand, and both schools are in an ideological power struggle regarding the ultimate cause of underdevelopment of various countries.⁸³ It is understandable that ethnic economies would trigger, whether explicitly or implicitly, the same ongoing tug of war surrounding the debate on economic development. While the law versus culture debate has been taking place in law and development circles concerning which laws and which cultural package best catalyze and sustain development for developing countries,⁸⁴ the same debate exists with respect to cultural or ethnic groups *within* countries.

So, the question that persists in standard law and development queries – why are some countries so poor⁸⁵ – can also operate as a subtext in the scholarship on ethnic economies. Why are some out, excluded groups able to engage in self-help via ethnic economies and not others? Not everyone avoids or evades the issue, as some scholars have teased the subtext out of text, observing that while it is one thing to ask why some countries are poor, it is another to ask “about a culture of wealth acquisition compared between different ethnic and racial groups,”⁸⁶ which uncomfortably suggests in effect that some cultures can create wealth and others cannot.

81. *Id.* at 54.

82. “Thriving markets require not only the appropriate property rights system, an unfettered price mechanism, and a law of contracts . . .” Barry R. Weingast, *Constitution As Governance Structures: The Political Foundations of Secure Markets*, 149 J. INST’L & THEORETICAL ECON. 286, 287 (1993).

83. Eleanor Marie Lawrence Brown, *An Alternative View of Immigrant Exceptionalism, Particularly As It Relates to Blacks: A Response to Chua and Rubinfeld*, 103 CAL. L. REV. 989, 994 (2015) (describing the “long-running skirmish between the ‘culture’ and ‘law and institutions’ schools”).

84. FRANCIS FUKUYAMA, TRUST: THE SOCIAL VIRTUES AND THE CREATION OF PROSPERITY 34-35 (1995); Lawrence E. Harrison, *Introduction: Why Culture Matters*, in CULTURE MATTERS: HOW VALUES SHAPE HUMAN PROGRESS xvii, xxx (Lawrence E. Harrison & Samuel P. Huntington eds., 2000).

85. *See generally* DAVID LANDES, THE WEALTH AND POVERTY OF NATIONS: WHY SOME ARE SO RICH AND SOME SO POOR (1995); Daron Acemoglu & James A. Robinson, *Political Losers as a Barrier to Economic Development*, 90 AM. ECON. REV. 126 (2000); Daron Acemoglu, Simon Johnson & James A. Robinson, *Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution*, 117 Q. J. ECON. 1241 (2002); Paul G. Mahoney, *The Common Law and Economic Growth: Hayek Might Be Right*, 30 J. LEGAL STUDS. 503 (2001); HERNANDO DE SOTO, THE MYSTERY OF CAPITAL: WHY CAPITALISM TRIUMPHS IN THE WEST AND FAILS EVERYWHERE ELSE (2000).

86. Brown, *supra* note 83, at 995-96.

While Amy Chua has explored this issue head-on, her inquiries are situated in the context of Third World, developing countries.⁸⁷ First, Chua noted that there are ethnic minorities who, despite minority status, have managed to become economically dominant and second, that they have also utilized ethnically based resources to create wealth.⁸⁸ For example, she observed that “[t]hrough a robust nationwide network of interest-bearing tontines, or local lending associations, the Bamiléké operate an informal capital market so efficient it constantly threatens to put government-owned banks out of business.”⁸⁹ Thus, the question of why the ethnic Chinese minority has managed to become so market-dominant in Southeast Asia; or why Indians and the Kikuyu tribe have been so successful in Kenya and other parts of East Africa; or the Tutsis in Rwanda; or the Ibos and Bamiléké in Nigeria and Cameroon⁹⁰ may raise questions about how ethnic minorities are able to convert cultural resources into economic ones. At the same time, because this cultural landscape is embedded in “dysfunctional,” relatively “backward,” non-Western countries where collusion, cronyism, corruption and dysfunctional or predatory capitalism are prevalent, the cultural question is blurred. In that context, the implication may be that ethnic minorities are market-dominant not necessarily because of superior culture but because of favoritism from corrupt rulers or as in the case of post-Soviet Russia, leveraged alliances with elites to plunder wealth from state-owned enterprises as they underwent massive fire sales through so-called privatization.⁹¹ The right set of legal institutions – commercial laws, property, contracts, anti-bribery, antitrust – could alleviate the problem by correcting or minimizing market dysfunction and market distortion.⁹² Chua and other scholars recognize that if a group got rich through predatory practices and cronyism, for example, being given illicit preferences for the purchase of state-owned shares, then one possible

87. AMY CHUA, *WORLD ON FIRE: HOW EXPORTING FREE MARKET DEMOCRACY BREEDS ETHNIC HATRED AND GLOBAL INSTABILITY* 111 (Anchor Books 2004).

88. Amy L. Chua, *Markets, Democracy, and Ethnicity: Toward a New Paradigm for Law and Development*, 108 *Yale L. J.* 1, 21-22 (1998); CHUA, *supra* note 87.

89. AMY CHUA, *WORLD ON FIRE: HOW EXPORTING FREE MARKET DEMOCRACY BREEDS ETHNIC HATRED AND GLOBAL INSTABILITY* 111 (Anchor Books 2004).

90. *Id.* at 18, 35-36, 105-07, 111. The Ibos are even referred to as the “Jews of Nigeria” and the Bamiléké as the “Ibo of Cameroon.” *Id.*

91. *Id.* at 77-79, 105, 157-58.

92. Rosa Ehrenreich Brooks, *The New Imperialism: Violence, Norms, and the “Rule of Law,”* 101 *MICH. L. REV.* 2275, 2284-85 (2003) (quoting the “Rule-of-Law Assistance Standard Menu” in at THOMAS CAROTHERS, *AIDING DEMOCRACY ABROAD: THE LEARNING CURVE* 168 (1999).

Lan Cao, *The Ethnic Question in Law and Development* (Book Review), 102 *Mich. L. Rev.* 1044, 1086-1100 (2004); LAN CAO, *CULTURE IN LAW AND DEVELOPMENT: NURTURING POSITIVE CHANGE* 70-85 (2016). For a discussion of the failures of law and development, see LAN CAO, *CULTURE IN LAW AND DEVELOPMENT: NURTURING POSITIVE CHANGE* 80-103 (2016)

response is a better set of laws that would monitor and constrain or correct such practices.⁹³ In other words, there is a confluence of remedies that combine or include law and cultural resources. If a minority ethnic group can become economically dominant through illicit predatory transactions with state elites, institutions and laws “can act as constraints on bad behavior (a classic instance of law).”⁹⁴ Again, these recommendations are within the standard law and development prescriptions.⁹⁵

The other question that is not fully explored is the cultural question, although Chua alludes to it throughout her book. In other words, when the inquiry into whether the culture question is a factor in economic development is confined to developing countries, the issue can be left in a gray zone of ambiguity. Indeed, perhaps to avoid having to attribute the ethnic resources as a factor in the market-dominant minority groups’ success, Chua makes no attempt to identify the causes underlying a minority group’s market dominance.⁹⁶ To the contrary, she disclaimed any such effort, stating that “[e]xplaining the market dominance of various ethnic groups is not the focus of this book.”⁹⁷ The willingness to observe market dominance and its effect but the unwillingness to theorize about its cause reflects perhaps her own reluctance to wade into the thorny cultural causation question and her own conflicted sense about the extent to which collusion is a significant factor in market dominance.

While Chua provided many examples of corrupt alliances between market-dominant minorities,⁹⁸ she also cast doubt on whether market dominance was achieved via such alliances. For example, she cautioned, “[T]he suggestion that political cronyism is the sole or even principal explanation of Indian economic dominance in Kenya overstates the case.”⁹⁹ Chua further noted,

93. Brown, *supra* note 83, at 995-998; *see also* Chua, *supra* note 88, at 103-105 (acknowledging the benefits for South and Vietnam of market reforms but touting the need to disperse such benefits beyond the market dominant ethnic minorities like white South Africans in South Africa and Chinese ethnic minorities in Vietnam); Tom Ginsburg, *Democracy, Markets and Doomsaying: Is Ethnic Conflict Inevitable*, 22 *Berkeley J. Int’l L.* 310, 318-319 (2004) (Book review) (arguing that more market liberalization and allowing more market actors, including foreign investors, is needed to forestall cronyism or klepto privatization).

94. Brown, *supra* note 83, at 998. As Eleanor Brown observed, such “narrative of wealth acquisition is largely about law.” *Id.*

95. CAO, *supra* note 92, at 98-103.

96. CHUA, *supra* note 88, at 42.

97. CHUA, *supra* note 88, at 42.

98. *See, e.g., id.* at 28, 30 (discussing the wealth of the Sino-Burmese and the handsome payoffs made to Burma’s ruling political elite); *id.* at 43-44, 151-52 (discussing Chinese alliances with the Suharto regime in Indonesia); *id.* at 153-57 (discussing Chinese alliances with the Marcos regime in the Philippines); *id.* at 148-51 (discussing Lebanese alliances with the government officials of Sierra Leone); *id.* at 113-15, 157-58 (discussing Asian Indians’ alliances with the Moi regime in Kenya).

99. *Id.* at 113.

While political favoritism is a frequent, exacerbating problem in societies with a market-dominant minority, such favoritism tends to be more the consequence than the cause of market dominance. Most market-dominant minorities, whether the Bamiléké in Cameroon or Indians in Fiji, are disproportionately economically successful at every level of society, including small traders, retailers, and shopkeepers with no political connections whatsoever.¹⁰⁰

It is quite conceivable, in fact, that members of a minority ethnic group could, by skill and hard work or even clever scheming, become wealthy and then, to cope with majority resentment and hatred, turn to corrupt alliances with government officials for political cover. Collusion could be an effect, not a cause, of wealth. For example, the fact that, according to Chua, elites in Russia are primarily Jewish and those in Burma are overwhelmingly Chinese – both groups historically resented in their respective regions – it would not be surprising that both would turn to the state for protection by whatever means. Given widespread resentment against them from the outside world, it would not be surprising either that they would turn further inward, doing business within, relying on internal resources and networks.¹⁰¹

The next Section of this article looks at two glaring omissions in the culture and market debate which result from a continuing unwillingness to bring to the forefront the subtext about cultural resources in the United States and whether African Americans, and not just ethnic immigrants, can access them. As previously noted, studies of ethnic economies in the United States have looked at those established by immigrants and in recent years, African American immigrants.¹⁰² More on point to this article is the subtext identified in the introduction, which is the looming question about African Americans and wealth-creation.¹⁰³ Sometimes the question is not a subtext but asked outright. As Eleanor Brown asked, given the emphasis on “Nigerian economic success, a comparison to African American economic success (or lack thereof) is foreseeable.”¹⁰⁴ Bonacich wondered: “How can we explain the closing of ranks reaction of these particular groups, and their peculiar ability to create success out of hatred? (Or to cite cases, why have Japanese Americans been able to overcome racism, while [B]lack have not?)”¹⁰⁵ Ivan Light asked, “[W]hy should the foreign-born in general have much higher rates of business

100. *Id.* at 265.

101. Brown, *supra* note 83, at 998, 1001.

102. See, e.g., Monte Williams, *Hair Stylists From Africa Arrive, Driving Down Prices*, N.Y. TIMES (May 19, 2001), <https://www.nytimes.com/2001/05/19/nyregion/bargain-braiders-battle-for-heads-hair-stylists-africa-arrive-driving-down.html>.

103. *Id.*

104. Brown, *supra* note 83, at 990.

105. BUTLER, *supra* note 30, at 42; Bonacich, *supra* note 23, at 583-94.

proprietorship than Mexicans and especially [B]lacks, the more disadvantaged of all?”¹⁰⁶

Wealth creation or acquisition has been different among countries but also among ethnic groups. Translated back into the context of this article, how have some groups done it via the creation of ethnic economies and not others? Is the explanation based on law or on culture?

II. LAW, CULTURE, AND ETHNIC ECONOMIES: AFRICAN AMERICANS

In examining the path immigrants, particular Black immigrants either from the West Indies or from Africa, have forged upon arrival in the United States, some commentators and scholars have objected to the way scholarship on this subject have omitted crucial elements endemic to the ethnic economies of those immigrants.¹⁰⁷ Such omission, it has been said, ignored the role law and institutions have played in the establishment of ethnic economies by such groups, in essence creating the impression that it is “superior culture” that accounts for such African immigrant market activities.¹⁰⁸ The point of such critique is to call into question the notion that culture accounts for economic success and to argue instead for an institutional or legal inquiry, one that recognizes that, at least in some instances, immigrant groups succeed in business because they bring with them “communal rules . . . [that] replicate historical market practices that began outside the United States and across borders.”¹⁰⁹ Eleanor Brown, for example, is concerned that by ignoring institutional advantages that voluntary Black migrants bring with them, such scholars too quickly turn to cultural explanations, which then leads us back to the subtext: “What is wrong with African Americans?”¹¹⁰ Brown is correct that there is in fact a lurking subtext, regardless of the intention of scholars, whereby implicit comparisons are made between, for example, Nigerian migrants and African Americans.¹¹¹

Brown’s critique centers on what is omitted from the story – the legal and institutional advantages that Black immigrants, like those from

106. BUTLER, *supra* note 30, at 42; Ivan Light, *Asian Enterprise in America*, in SELF-HELP IN URBAN AMERICA 33 (Scott Cummings ed., 1980).

107. Ta-Nehisi Coates, *Why Do Black Immigrants Do Better Than Native Blacks*, THE ATLANTIC, March 23, 2009, <https://www.theatlantic.com/entertainment/archive/2009/03/why-do-black-immigrants-do-better-than-native-blacks/6891/>; SUZANNE MODEL, WEST INDIAN IMMIGRANTS: A BLACK SUCCESS STORY 49-70 (2008).

108. Eleanor Marie Lawrence Brown, *On Black South Africans, Black Americans, and Black West Indians*” *Some Thoughts On We Want What’s Ours*, 114 Mich. L. Rev. 1037, 1040, 1053-1059 (2016)

109. Brown, *supra* note 83, at 1003.

110. *Id.*

111. *Id.* at 1004.

Nigeria and the West Indies, bring to the United States when they arrive. If there is any comparison to be made with African Americans, the comparison should be not on cultural differences but on the different institutional environment faced by immigrants, even Black immigrants, versus African Americans.¹¹² Instead of pointing to cultural differences to explain the different economic conditions of Black West Indies immigrants versus African Americans, Brown attributes this difference to the latter's early exposure to property and contract rights as landholders in the Caribbean.¹¹³ Market advantages accrued to Black slaves, due to the various arrangements of slave holdings in the West Indies made it possible for Black slaves to own property and enter into contracts, even as slaves. Thereafter, land sales and other commercial activities provided the financing of emigration to the United States, whereupon West Indians were able to engage in wealth acquisition and market domination via ethnic economies at a greater proportion than African American descendants of slaves.¹¹⁴ Institutional conditions in the home country affect how such immigrants parlay opportunities created here to become or be dubbed "model minorities." Indeed, Brown emphasized a very important point and that calls into question the assumption that "the very same institutional environment within a single country"¹¹⁵ would dictate the same outcome. Institutional framework pre-arrival and post-arrival will affect the economic trajectory of the new group.

Although the subtext in the scholarship on ethnic economies is concerning, this Section of the article takes a different approach. While Brown urges a focus on institutions and laws,¹¹⁶ including preexisting ethnic resources that many ethnic, including Black, immigrants bring with them, this article focuses on the cultural aspects of ethnic economies, but this time, not those established by immigrants, but by African Americans. The objective is to correct the historical misperception that African Americans went from "slavery to freedom to the ghettos of American cities"¹¹⁷ and to highlight the tremendous African American culture of self-help and solidarity that has not received sufficient attention in legal scholarship. This Section looks at African American ethnic economies and the cultural resources marshalled to construct them. It illustrates that African Americans, like other ethnic and/or immigrant groups, have used many strategies to address their economic and political plight. One of the

112. *Id.*

113. Eleanor Marie Lawrence Brown, *The Blacks Who "Got Their Forty Acres": A Theory of Black West Indian Migrant Asset Acquisition*, 89 N.Y.U. L. REV. 27, 41-42 (2014).

114. See generally Brown, *supra* note 102.

115. Brown, *supra* note 83, at 1004.

116. Felix Chang refers to this approach as one that emphasized "structural explanations." Felix B. Chang, *Ethnically Segmented Markets: Korean-Owned Black Hair Stores*, 97 IND. L.J. 1, 3 (2022).

117. BUTLER, *supra* note 30, at 85.

strategies has been what Booker T. Washington himself advocated, separate economies and self-help.¹¹⁸ That this strategy has not been continued on a large scale is a result of factors beyond the scope of this article, for example, of white destruction of African American economies¹¹⁹ and the subsequent pursuit by African Americans of political integration and civil rights.¹²⁰

A. African American Ethnic Economies

In a landmark book *An American Dilemma* published in 1944, Gunnar Myrdal described the American dilemma as a moral dilemma, grounded in the antithesis between the professed values of America versus the reality of how those values were not extended to African Americans.¹²¹ Myrdal also introduced his principle of cumulative causation,¹²² whereby “[w]hite prejudice and discrimination keep the Negro low in standards of living, health, education, manners, and morals. This, in turn, gives support to white prejudice.”¹²³ Thus, as commentators have noted, “when a number of different debilitating factors, such as discrimination, poor housing, poor health care, and poor schooling affect one another, an equilibrium of sorts can develop that either locks those most severely affected into their predicament or shifts into a downward spiral, a ‘vicious circle.’”¹²⁴ The dynamic Myrdal observed is one of “action and

118. Booker T. Washington, *The Awakening of the Negro*, THE ATLANTIC, Sept. 1896, at <https://www.theatlantic.com/magazine/archive/1896/09/the-awakening-of-the-negro/305449/>. See also infra notes 28-30 and accompanying text.

119. The ethnic enclave Hayti in Durham, North Carolina was founded after the Civil War as an independent Black community by freed slaves who came to work at tobacco warehouses and ended up owning more than 200 businesses. Hayti was a self-sufficient enclave with a library, hotel, theater, hospital and other businesses and declined when a freeway project razed down houses and businesses and split the community in two. See generally Booker T. Washington, *Durham, North Carolina, A City of Negro Enterprises*, in THE BOOKER T. WASHINGTON PAPERS VOL. 11, 1911-1912 at 56-64 (Louis R. Harlan and Raymond W. Smock eds. 1981). Tulsa, Oklahoma, like Durham, North Carolina, also had a black ethnic enclave called Greenwood, which was destroyed by whites in 1921. The neighborhood constituted one of the most prosperous for African Americans and was also referred to as Black Wall Street. During the course of white attacks, 10,000 Black people were injured and 35 square blocks destroyed. Those who were killed were buried in mass graves and many survivors were put into internment camps. See Amna Nawaz, *How A Racist White Mob Ruined Black Wall Street 100 Years Ago*, PBS NEWS HOUR (May 31, 2021), <https://www.pbs.org/newshour/show/how-a-racist-white-mob-ruined-black-wall-street-100-years-ago>.

120. For a continuing debate on assimilation versus cultural pluralism among African Americans, see Alphonso Pinkney, *The Assimilation of Afro-Americans*, 1 BLACK SCHOLAR 36 (1969).

121. See generally GUNNAR MYRDAL, *AN AMERICAN DILEMMA: THE NEGRO PROBLEM AND AMERICAN DEMOCRACY* (1962).

122. *Id.* at 75. Myrdal viewed this principle as “a main theoretical tool in studying social change.” *Id.*

123. *Id.* Myrdal viewed this principle as “a main theoretical tool in studying social change.” *Id.*

124. Sissela Bok, *Foreword*, in *AN AMERICAN DILEMMA REVISITED* xvii (Obie Clayton, Jr. ed., 1996).

interaction”¹²⁵ whereby a positive change in one factor – a decrease in white prejudice, for example – would lead to a virtuous change in other indicators of discrimination and conversely, a positive change in African American standards of living or health, or education, etc. would yield a similarly responsive change in white prejudice. Consequently, as commentators have noted, “[i]mprovement in any one variable should lead to gains in other areas as well. But where to start?”¹²⁶

It is not surprising that Myrdal would have recommended a multi-pronged approach to improving the condition of African Americans, proposing that institutional problems could be remedied by institutional solutions. His recommendations included turning to churches, schools, trade unions, and government organizations to ensure African American voting and civil rights which can play key roles in improving the conditions of African Americans and catalyzing the beginning of the virtuous cycle.¹²⁷ Despite the fact that many of Myrdal’s proposed policies, even when implemented, did not yield the desired result,¹²⁸ the book “stands today as a baseline for the analysis of race relations in America.”¹²⁹ In many ways, Myrdal’s cumulative causation principle required a multi-pronged approach. And throughout the years, African Americans have indeed pursued multiple solutions to the multiple problems they faced – economic separateness because of segregation and political inclusion/assimilation through desegregation or integration. One approach is the establishment of their own separate ethnic economies, which is discussed below.

Myrdal’s observation about African Americans’ exclusion from the white economy is, in many essential ways, similar to that faced by immigrants who, because of exclusion, turn to their own ethnic economies:

The exclusion from the larger white economy means a severe restriction of the opportunities for Negroes to reach an upper- or middle-class status. It represents one of the main social mechanisms by which the Negro upper- and middle-classes are kept small. . . . The latter have to work in the white economy which does not want Negroes in such positions.¹³⁰

As commentators have noted, Myrdal’s data supported his observation, that “Blacks were numerous among professional workers because of the segregated Southern school system and the segregated churches; teachers

125. MYRDAL, *supra* note 121, at 76.

126. Steven Pressman, *An American Dilemma: Fifty Years Later*, 28 J. ECON. ISSUES 577, 579 (1994).

127. *Id.* at 579-80.

128. *Id.*

129. John Sibley Butler, *Myrdal Revisited: The Negro in Business*, 124 DAEDALUS 199, 199 (1995).

130. *Id.* at 200 (quoting MYRDAL, *supra* note 121, at 304 (Harper & Brothers 1944)).

and ministers accounted for about two-thirds of all [B]lack professional workers.”¹³¹

A strategy of leveraging separateness of course is the typical middleman minority strategy as further developed in the sociology of entrepreneurship. It is a strategy of self-help and solidarity that African Americans have pursued, similar to that of other ethnic immigrant minorities, although the sociology literature on the subject has essentially neglected this tradition of entrepreneurship and group self-help of African Americans which began in the 1700s and continued even through slavery.¹³² During the pre-Civil War period, and as early as the 1700s, free Blacks made a living as independent shop keepers, tailors, owners of restaurants, even of brick factories, and engineering companies, in many cities throughout the Union, such as New York City, Philadelphia, Baltimore, and Cincinnati.¹³³ During the Colonial period, it is estimated that there were about 60,000 free African Americans¹³⁴ in a wide variety of different businesses, such as merchandising, real estate, manufacturing, construction, and transportation.¹³⁵ The development of enterprises by free Blacks in the North was especially impressive in Cincinnati. Although 48% of Blacks in the city were slaves in 1835, by 1840, free Blacks had an impressive combined holding valued at \$19,000 in personal and \$209,000 in real property, which by 1852, had increased to more than \$500,000.¹³⁶

Philadelphia was a thriving community of economic enterprises, large and small, that were owned by African Americans. This is not surprising because Pennsylvania’s legislature was the first to emancipate slaves in 1780, with free slaves making a living for themselves in fifty-seven different trades, ranging from bakers and blacksmiths to caulkers and cabinetmakers.¹³⁷ Several prominent businesspeople came from Philadelphia, such as James Forten, who owned a sail making business that employed many Blacks as well as whites,¹³⁸ along with other notable Black business owners such as Moses Beach and Robert Mogle.¹³⁹

131. *Id.* at 202.

132. BUTLER, *supra* note 30, at 83.

133. Butler, *supra* note 129, at 202.

134. BUTLER, *supra* note 30, at 43; ROBERT H. KINZER & EDWARD SAGARIN, *THE NEGRO IN AMERICAN BUSINESS* 27 (1950).

135. See generally Juliet E. K. Walker, *Racism, Slavery, and Free Enterprise: Black Entrepreneurship in the United States Before the Civil War*, 60 *BUS. HIST. REV.* 333 (1986).

136. BUTLER, *supra* note 30, at 49; see also ABRAM H. HARRIS, *THE NEGRO AS CAPITALIST* 6-7 (1936).

137. HENRY M. MINTON, M.D., *EARLY HISTORY OF NEGROES IN BUSINESS IN PHILADELPHIA* 8-10 (1913).

138. Walker, *supra* note 135, at 352; BUTLER, *supra* note 30, at 46.

139. BUTLER, *supra* note 30 at 46-47.

Following in the middleman minority trajectory, free Blacks in Philadelphia had a concentrated presence in the service sector.

In personal service enterprises the free Negroes had practically no competition . . . And the fact that white persons tended to avoid enterprises of this character because of their servile status gave free Negroes an advantage in this sphere. Hence, personal service occupations were open freely to [B]lack enterprisers and constituted a source of considerable income. Their success in these lines has been looked upon as a shrewd capitalization of social proscription.¹⁴⁰

The historical record also shows, unsurprisingly, that Blacks faced barriers borrowing money from banks¹⁴¹ and turned to self-help and community solidarity for mutual assistance, like immigrants. Blacks in Philadelphia formed mutual aid societies that took in, through capital contribution, funds for mutual improvement and assistance in formation of new businesses.¹⁴² In addition, there was also a money lending business for Blacks without access to credit in both the North and the South, a parallel that could be found in immigrant efforts to engage in the extension of credit among co-ethnics.¹⁴³ In New Orleans, for example, in the 1840s, “there were eight free Negro brokers who speculated in cotton futures and, at times, performed many of the services of the commercial bank.”¹⁴⁴

In Southern cities, free Blacks were able to create what sociologists now call ethnic niches, as they had almost monopolistic advantages in certain areas, such as catering.¹⁴⁵ For women who went North as part of the Great Migration¹⁴⁶ and faced a rise in hostility against Blacks in the North, due to the increase in Black population, many had to turn inward to establish ethnic niches.¹⁴⁷ As segregation and discrimination against Blacks in the North increased, Black merchants who had had white clientele found themselves increasingly isolated and “restricted to a racially segregated consumer market.”¹⁴⁸ At the same time, it became

140. HARRIS, *supra* note 136, at 9-10.

141. BUTLER, *supra* note 30, at 47.

142. HARRIS, *supra* note 136, at 20-21.

143. Basu & Werbner, *supra* note 4, at 240.

144. HARRIS, *supra* note 136, at 21-22.

145. Butler, *supra* note 129, at 205.

146. Before the Great Migration, race relations in the North were mild due to the small number of African Americans who were thus allowed to market their goods and services to whites. Robert L. Boyd, *The Great Migration to the North and the Rise of Ethnic Niches for African American Women in Beauty Culture and Hairdressing, 1910-1920*, 29 SOCIO. FOCUS 33, 34 (1996).

147. See *supra* notes 58-61 and accompanying text for a discussion of ethnic niches. Boyd, *supra* note 146, at 34 (relying on ethnic niche and ethnic enclave economy scholarship to demonstrate that “both ethnicity and gender formed the basis of this occupational niche for African American women in the urban North during the Great Migration”).

148. Boyd, *supra* note 146, at 36.

obvious to both white and Black merchants that the influx of several hundred thousand people would result in an increase in Black purchasing power, that is, a “Negro market” in a relatively concentrated geographic community.¹⁴⁹ In Chicago, for example, the number of Black-owned businesses rose almost 240%, not in retailing or wholesaling but rather in the provision of intimate, personal services, such as hairdressing and funeral undertaking, for Blacks because whites either did not know how to do Black hair or, in the latter case, refused to take care of Black bodies.¹⁵⁰

Thus in hairdressing and other beauty industries, African American hair stylists had inside knowledge that whites lacked, creating a segregated, protected ethnic niche that was also relatively easy to enter, especially because African Americans had established beauty schools to train beauticians.¹⁵¹ “The tightening of the color line during this time relegated many African Americans to the secondary labor market, and the segregation of occupations by gender further restricted many African American to the lowest-status jobs of this segment of the work force.”¹⁵² Thus, the hairdressing niche remained an especially significant niche for African American women even during World War I when African American men had access to industrial jobs that opened up for them due to labor shortages.¹⁵³ In addition, this niche spurred other cross-pollination businesses for African Americans, leading to the establishment of small-scale production of cosmetic products in the early twentieth century such as “High Brown Face Powder” by the Overton Hygienic Company providing employment to more than thirty people serving the cosmetic needs of African Americans.¹⁵⁴

“An ethnic niche in an entrepreneurial occupation (that is, an occupation that lends itself to self-employment) can be a foundation for

149. *Id.* at 36-37.

150. *Id.* at 37. A Black man sued a white-owned funeral home in Louisiana in 1971 when it refused to hold a wake for his mother on its premises. A federal court granted summary judgment in a class action suit which alleged that mortuaries in the area refused “to handle black bodies.” <https://www.splcenter.org/seeking-justice/case-docket/wilbert-oliver-et-al-vs-escude-funeral-homes-inc-et-al>.

151. *Id.*

152. *Id.* at 40.

153. *Id.*

154. *Id.* at 41-42. The company was founded by Anthony Overton who also used proceeds from his Black beauty business to establish the Victory Life Insurance Company and the Douglass National Bank. *Id.* Madame C. J. Walker developed a popular hair relaxer and later founded a cosmetic company for African Americans, becoming the first woman self-made millionaire in the United States. However, note that this “these niches were based upon an impecunious clientele that was residentially and socially segregated from the larger society. The cash-flow generated by this ghettoized clientele was simply insufficient to support a sizable number of successful African American entrepreneurs.” *Id.* at 43.

an ethnic enclave economy for a particular ethnic minority group.”¹⁵⁵ As mentioned, ethnic niches can arise as a response to prejudicial exclusion and hostility from the mainstream society as well as a leveraging of ethnic resources and skills that are unique to the ethnic group, in which case merchants from the group benefit from a protected market not available to non-ethnic merchants. An example of an ethnic niche formed in response to hostility and exclusion is that of undertaking, resulting from the refusal of white undertakers to touch Black corpses.¹⁵⁶ Conversely, there are also instances in which ethnicity can be equated with market power whereby ethnic sellers of certain ethnic products, such as kosher pickles or wonton soup, derive a market advantage from common ethnic identity.¹⁵⁷

Waldinger and Aldrich, however, argued that Blacks were able to create more economic opportunities for themselves in the South than in the North and that by mid-nineteenth century, a staggering two thirds of free slaves were self-employed or owned their own business.¹⁵⁸ Although free Blacks engaged in entrepreneurship, it is important to recognize that despite their so-called free status, they were under draconian restrictions by the state, making their success in launching any business at all quite remarkable. For example, “[b]y 1835 the right of assembly had been taken away from all free Negroes in the South[.] . . . Benevolent societies and similar organizations were not allowed to convene. . . . A number of proscriptions made it especially difficult for free Negroes to make a living.”¹⁵⁹ Blacks who made money found it difficult to invest their capital, for example, because banks “denied Afro-Americans the opportunity to become investors.”¹⁶⁰ Blacks were also excluded from participation in the stock market.¹⁶¹

Historians have ample documentation of Black entrepreneurship and enterprise.¹⁶² In both the North and South, African Americans established what we would now call ethnic economies and gained the strongest foothold in areas where whites did not want to operate, in labor-intensive

155. *Id.* at 34.

156. *Id.* at 35.

157. *Id.* at 34.

158. Roger Waldinger & Howard Aldrich, *Trends In Ethnic Business in the United States*, in *ETHNIC ENTREPRENEURS: IMMIGRANT BUSINESS IN INDUSTRIAL SOCIETY* 58 (Roger Waldinger, Howard Aldrich & Robin Ward eds., 1990).

159. BUTLER, *supra* note 30, at 45 (quoting Bonacich, *supra* note 23, at 583-94); KINZER & SAGARIN, *supra* note 134, at 32.

160. BUTLER, *supra* note 30, at 49.

161. *Id.*

162. *See e.g.*, JULIET E. K. WALKER, *FREE FRANK: A BLACK PIONEER ON THE ANTEBELLUM FRONTIER* (1983); GARY B. MILLS, *THE FORGOTTEN PEOPLE: CANE RIVER’S CREOLES OF COLOR* (1977); LEONARD P. CURRY, *THE FREE BLACK IN URBAN AMERICA, 1880–1850: THE SHADOW OF A DREAM* (1981).

and service-oriented businesses¹⁶³ in which Blacks had more expertise than whites, such as craftsmanship, where literacy and education were not a prerequisite and where, especially in the South, there was a general contempt for certain kinds of laboring.¹⁶⁴ Historians observed that “[b]efore the Civil War, then, expressions of [B]lack entrepreneurs were shaped by the [B]lack community, both slave and free, for the promotion of [B]lack economic interests rather than for the profits of slave owners or white employers.”¹⁶⁵

Like other immigrant groups who placed great weight on the education of their children, Black Americans were able to establish Black schools as early as the 1800s, prompting W.E.B. Dubois to take note of the “upper class” Blacks who were presumably descendants of the entrepreneurial class.¹⁶⁶ After the Civil War, Booker T. Washington was a well-known adherent of the entrepreneurship route, but it’s important to keep in mind that he was simply advocating an already preexisting entrepreneurship tradition.¹⁶⁷ Due to the high-profile conflict with W.E.B. Dubois, misperceptions about Washington have continued, causing some to view him as a “cowardly Uncle Tom, financed and controlled by white money, leading his people into a new form of slavery.”¹⁶⁸ Washington, in fact, developed a deliberate strategy of Black self-help, using a tradition that had taken hold since the early days of Black history in America, based on his understanding “of the importance of business development for survival, change, resistance, advancement, and, ultimately, real freedom, empowerment, and equality.”¹⁶⁹ In the ethnic economy tradition, his was a strategy in which African Americans could be “economic producers” rather than just “consumers.”¹⁷⁰ Scholarship that evaluates the historical contribution of Washington characterizes his work as one that continues to have great significance and relevance in today’s world:

The new civil rights revolution of today is about economic development. How is that different from what Booker T. Washington was advocating a

163. JOSEPH A. PIERCE, NEGRO BUSINESS AND BUSINESS EDUCATION 6 (1947).

164. KINZER & SAGARIN, *supra* note 134, at 35-37.

165. Walker, *supra* note 135, at 375.

166. Butler, *supra* note 129, at 205.

167. BUTLER, *supra* note 30, at 72. “Washington drew ideas from the experiences of Afro-American businessmen who had already attained a certain degree of success. Stories of successful businesses run by the free Afro-Americans in both the North and South since the 1700s had been passed down through the decades.” *Id.*

168. MICHAEL B. BOSTON, THE BUSINESS STRATEGY OF BOOKER T. WASHINGTON: ITS DEVELOPMENT AND IMPLEMENTATION xi (2010). “To date, volumes of scholarly materials have been written and published on Washington’s educational philosophy and his supposed accommodationist leadership strategy, but little has been written about his entrepreneurial ideas and practices.” *Id.* at xiv.

169. BUTLER, *supra* note 30, at 70; BOSTON, *supra* note 168, at xiii.

170. BOSTON, *supra* note 168, at xii.

century ago? Whether or not we are where we should be or want to be with economic development in the [B]lack community, there has always been a strong emphasis throughout on business and entrepreneurship as well as on education. These themes started with Booker T. Washington.¹⁷¹

Similarly, in the ethnic economy tradition whereby ethnic immigrants tend to remain within their insular communities to avoid mainstream hostility and forego political activism or even participation,¹⁷² Washington also saw the limit of political participation for Blacks¹⁷³ and opted for an economic route instead, stating that any “race that has anything to contribute to the markets of the world is long in any degree ostracized. It is important and right that all privileges of law be ours, but it is vastly more important that we be prepared for the exercise of these privileges.”¹⁷⁴ Although there were Black leaders who chose protest to achieve civil and political rights, those like Washington who pursued economics as a different route tend to eschew politics.¹⁷⁵

Given the context of the times, the Reconstruction period could be characterized as a historical nadir for Blacks because it showed that despite the end of slavery, there was no real hope for Blacks to achieve equality, even in voting rights where white Southern Democrats, using violence and other presumably legal means, were vociferous in preventing Blacks from exercising their political rights.¹⁷⁶ In addition, the 1877 Compromise was itself a severe setback for Black rights. Pursuant to this informal compromise settling the disputed 1876 Presidential elections, the Republican Party candidate Rutherford Hayes would be President in exchange for the promise to remove federal troops from South Carolina, Florida, and Louisiana.¹⁷⁷ In another devastating setback,

171. *Id.* at 143.

172. BONACICH & MODELL, *supra* note 5, at 16:

[M]iddleman groups are noted for not participating in local politics except as they impinge on the affairs of their own groups. . . . The core of the community . . . tends to focus its political energies internally and to deal with the surrounding polity as a corporate entity, its main concern being the way in which that polity is treating the minority.

Id.

173. BOSTON, *supra* note 168, at 108.

174. Booker T. Washington, *The Atlanta Exposition Address*, in JOHN HOPE FRANKLIN & ISIDORE STARR, *THE NEGRO IN TWENTIETH CENTURY AMERICA: A READER ON THE STRUGGLE FOR CIVIL RIGHTS* 88 (1967).

175. WILLIAM Z. FOSTER, *THE NEGRO PEOPLE IN AMERICAN HISTORY* 286-87 (1954); Also consider:

Many of Washington’s most vehement critics promoted such a strategy and were angered and frustrated that Washington did not overtly do the same. However, most of these critics lived in cities or in the North where brutal retaliation for such protesting was not an imminent threat as it was in the rural South where Washington and most African Americans lived.

BOSTON, *supra* note 168, at 147.

176. BOSTON, *supra* note 168, at 2.

177. *Compromise of 1877*, HISTORY (Nov. 27, 2019), <https://www.history.com/topics/us->

the Supreme Court in 1883 declared the Civil Rights Act of 1875 unconstitutional.¹⁷⁸ The Act stated that

all persons within the jurisdiction of the United States shall be entitled to the full and equal enjoyment of the accommodations, advantages, facilities, and privileges of inns, public conveyances on land or water, theaters, and other places of public amusement; subject only to the conditions and limitations established by law, and applicable alike to citizens of every race and color, regardless of any previous condition of servitude.¹⁷⁹

General William Sherman's 1865 order to set aside, for freed Black slaves, forty-acre tracts of land between Charleston, South Carolina, and Jacksonville, Florida, also turned out to be an illusion.

The story behind "40 acres and a slave" was that when General Sherman asked Garrison Frazier, an African American Baptist minister, whether Blacks would rather live "scattered among the whites, or in colonies by yourselves," Frazier picked the latter.¹⁸⁰ Sherman was convinced that freed Blacks believed that the way to be free from white domination was through education and ownership of land, give and take some additional leftover Army mules.¹⁸¹ As it turned out, President Andrew Jackson reversed General Sherman's order, decreeing that the land would be returned to its former Confederate owners.¹⁸² By 1890, African Americans in the South had lost challenges to Jim Crow laws and the fight for civil and political rights was at its nadir.¹⁸³

Given this backdrop of both political and economic "gotchas" comprising of unfulfilled promises and dashed hopes, combined with a protracted history of lynching and mob violence,¹⁸⁴ Booker T. Washington's response was again quite similar to that of ethnic immigrants confronted with hostility. Faced with the passage of the Chinese Exclusion Act, federal, state, municipal and other organizations imposed unparalleled restrictions on the Chinese in America. They were not eligible for naturalization, forbidden to marry outside their group, encountered housing and labor discrimination and licensing laws that kept

presidents/compromise-of-1877. BUTLER, *supra* note 30, at 69.

178. DeNeen L. Brown, *Landmark Legislation: Civil Rights Act of 1875*, U.S. SENATE, <https://www.senate.gov/artandhistory/history/common/generic/CivilRightsAct1875.htm> (last visited Nov. 22, 2022).

179. *Id.*

180. Sarah McCammon, *The Story Behind 40 Acres and a Mule*, NPR (Jan. 12, 2015), <https://www.npr.org/sections/codeswitch/2015/01/12/376781165/the-story-behind-40-acres-and-a-mule>.

181. *Id.*

182. DeNeen L. Brown, *40 Acres And A Mule: How The First Reparations for Slavery Ended in Betrayal*, WASH. POST, Apr. 15, 2021, at <https://www.washingtonpost.com/history/2021/04/15/40-acres-mule-slavery-reparations/>.

183. BUTLER, *supra* note 30, at 69; C. VANN WOODWARD, *THE STRANGE CAREER OF JIM CROW* (1955).

184. BOSTON, *supra* note 168, at 22-26.

them out of fields like law, accounting, and medicine, and subject to vigilant violence; their children were excluded from public schools.¹⁸⁵ In response, Chinese Americans formed Chinatowns and ethnic economies that were responsive to demand for personal services, such as laundry and restaurants.¹⁸⁶ “Self-employment offered an alternative to wage work where customers rather than bosses or fellow workers decided who was acceptable. . . ,” drawing the Chinese into businesses that had low capital requirements and that could employ other co-ethnics.¹⁸⁷

“Chinese Americans began to embrace self-employment even before the Chinese Exclusion Act, but after the law’s passage self-employment became the norm.”¹⁸⁸ A parallel development could be seen in Washington’s response to the declining political situation for Blacks after the Civil War, including the overturning of the 1875 Civil Rights Act by the Supreme Court: “Good school teachers and plenty of money to pay them will be more potent in settling the race question than many civil rights bills and investigating committees.”¹⁸⁹

Black Americans were primarily confined to agricultural and domestic work. According to economist Jay Mandle,

four mechanisms have been identified that tended to confine [B]lack laborers to plantation work. Within the South, [B]lacks had little access to land ownership, and industrial employment grew but slowly. Outside of the South, discriminatory hiring practices probably worked to the detriment of [B]lacks, and northern employers were legally discouraged from recruiting [B]lack workers. Each of these tends to work in the same direction: to deny southern [B]lacks access to alternative employment opportunities to plantation labor.¹⁹⁰

Blacks faced the same bleak conditions when they moved to urban areas. Although the American Federation of Labor itself was against racial discrimination, it succumbed to the racial exclusionary policies of local unions which meant that more often than not, manufacturing jobs in cities were not made available to Blacks.¹⁹¹

Political and economic exclusion, either by law or by social custom, from the wider society meant many Blacks had no choice but to turn to self-help measures, becoming entrepreneurs who catered mostly to

185. Susan B. Carter, *Embracing Isolation: Chinese American Migration to Small-Town America, 1882-1943* 4-6, 8 (2011) (unpublished draft), <https://paa2012.princeton.edu/papers/121668>.

186. *Id.* at 4-6.

187. *Id.* at 8.

188. *Id.* at 9.

189. BOSTON, *supra* note 168, at 3.

190. *See generally* JAY R. MANDLE, *THE ROOTS OF BLACK POVERTY* (1978); BOSTON, *supra* note 168, at 12.

191. *See generally* MANDLE, *supra* note 190; *see also* BOSTON, *supra* note 168, at 13.

African American consumers. This stands in stark contrast to Black businesses before the Civil War who operated in the “open market” of New York City, Chicago, Philadelphia and Cleveland.¹⁹² In other words, “[i]t was only after slavery that they slowly began to be forced to engage in business strictly amongst themselves, ultimately limiting their revenues and profits. Despite the obstacles, African Americans did form businesses, mainly in urban locales where their market was largest.”¹⁹³ Because Washington saw that “political participation alone, without a solid economic foundation, left his race at the mercy of their enemies,”¹⁹⁴ he advocated an economic emphasis to make “African Americans an economic force to be reckoned with. In his mind, he equated economic power with true freedom and equality.”¹⁹⁵

It is important to keep in mind that an examination of African American entrepreneurship has to take into account not only slavery but Jim Crow laws in the South and even segregation in the North after the Civil War. Despite the tradition of Black entrepreneurship, albeit restricted, as early as the 1700s, as discussed above, Black business development became even more disadvantaged because “the complete separation of the races was defined in concrete.”¹⁹⁶ In the words of the governor of North Carolina after the Civil War,

[t]he law that separates you from the white people of the state socially always has been and always will be inexorable, and it need not concern you or me whether the law is violated elsewhere. It will never be violated in the South. . . . [I]t is absolutely necessary that the race should remain distinct and have a society of its own.¹⁹⁷

This is in stark contrast to other ethnic groups who, despite facing discrimination and exclusion, were allowed to have customers or clientele from the mainstream society, as discussed further in the latter part of this Section.

It is thus an utter conundrum that the record of African ethnic economies has been sidelined in sociological entrepreneurship literature. As noted by Margaret Levenstein who authored one of the most comprehensive books about the history of African American businesses in the United States,

One of the most striking findings of this study is that in 1910 African-Americans were more likely than white Americans to be employers, and

192. See *supra* notes 133-141 and accompanying text.

193. BOSTON, *supra* note 168, at 14.

194. *Id.* at 27.

195. *Id.*

196. BUTLER, *supra* note 30, at 153.

197. ARCHIBALD HENDERSON, NORTH CAROLINA: THE OLD NORTH STATE AND THE NEW 440-41 (1941).

almost as likely as whites to be self-employed. This contrasts with the current period in which African-Americans are only a third as likely as whites to work in their own businesses. This raises questions about claims that African-American culture is unsupportive of entrepreneurial activity, or that “cultural differences may explain [B]lack white differentials in self-employment.” If cultural differences are to explain the 20th century differentials in self-employment, they must be a twentieth century development.¹⁹⁸

In other words, if African American rate of business ownership was higher historically than it was in modern times such as the twentieth century, then developments in the later years, rather than something more intrinsic like African American culture, would explain the shift.¹⁹⁹

Although not a scholar of the sociology of entrepreneurship, Levenstein nevertheless understood the role networks play in economic development. She observed that

[s]uccessful entrepreneurs often rely on networks for the provision of information and resources which give them a competitive advantage - privileged access to information about product markets, sources of labor or capital, production technology, and management organization. Sometimes these networks are based on family and extended kinship. Other networks are based on common racial, ethnic, or religious identification. Historians and sociologists have focused on these ‘non-economic’ networks to explain ethnic and racial differences in patterns of entrepreneurship.²⁰⁰

There was a definite network of African American businesses which was disrupted only by the migration up north. There was also a significant proportion of African American men in agriculture and African American women in services who were employers and self-employed respectively. For both, “the proportions were higher than their white counterparts.”²⁰¹ Nonetheless, although African Americans were highly concentrated in agriculture, Levenstein’s data also show that the number of African Americans employers outside of agriculture was 19,000, double the number estimated by Booker T. Washington.²⁰²

Moreover, Levenstein found that there was a vibrant African American community in the South that supported the “buy [B]lack” movement

198. Margaret Levenstein, *African-American Entrepreneurship: The View from the 1910 Census*, 24 BUS. & ECON. HIST. 106, 107-08 (1995) (citations omitted) (quoting Bruce Meyer, *Why Are There So Few Black Entrepreneurs?* 26 (Nat’l Bureau of Econ. Rsch., Working Paper No. 4791, 1994)).

199. “Fully 92% of all African-American male entrepreneurs, and over 97% of African American male employers were in agriculture.” *Id.* at 109. One of the reasons the African American entrepreneurship rate changes could very well be a result of the transition from an agricultural economy to a more industrialized one, for example.

200. *Id.* at 106.

201. *Id.* at 109.

202. *Id.* at 107.

which in turn led to “a considerable increase in the number of African American businesses”²⁰³ Levenstein concluded that her findings should cast doubt on claims “that African-American culture is unsupportive of entrepreneurial activity, or that ‘cultural differences may explain [B]lack white differentials in self-employment.’”²⁰⁴

Group consciousness exhibited by African Americans, especially within the agricultural network, was also something that Washington spent his life advocating, following the tradition of ethnic minorities in the United States.²⁰⁵ Interestingly, both ethnic immigrants and Washington tend to reject individualism even in the age of laissez faire capitalism. Washington was not alone in stressing racial solidarity. In fact, African American leaders after Reconstruction were relatively united in their belief in “self-help, racial solidarity, and looking inward as opposed to placing emphasis on governmental or philanthropic aid.”²⁰⁶ Rather than protesting in favor of political rights and against wrongs and trying to get white liberals to join in the struggle, this sentiment of self-help was reflected in a letter written to the editors of a prominent newspaper in which the writer exhorted his group to mimic the Jews.²⁰⁷ Washington himself urged that African Americans emulate Jews in order to achieve economic success: “They had a certain amount of unity, pride, and love of race; and, as the years go on, they will be more and more influential in this country, a country where they were once despised, and looked upon with scorn and derision.”²⁰⁸

John Hope, the first African American President of Morehouse College, wrote, “We must take in some, if not all, of the wages, turn it into capital, hold it, increase it. This must be done as a means of employment for the thousands who cannot get work from old sources.”²⁰⁹ Washington favored the conduct of business through the open market, not only because such transactions would yield more profit, but also because Blacks would have a greater opportunity to “display their worth to the surrounding community of [B]lacks and whites.”²¹⁰ He also saw the benefits of a niche, that is, one that could be formed by seizing a specific economic opportunity and excelling at it.²¹¹

203. *Id.*

204. *Id.* (quoting Meyer, *supra* note 198, at 26).

205. BOSTON, *supra* note 168, at 29.

206. *Id.* at 40.

207. *Id.* at 41.

208. *Id.* at 69.

209. *Id.* at 41.

210. *Id.* at 61.

211. *Id.* at 61, 141, 145.

Like ethnic immigrants who relied on community associations, such as the Chinese immigrants who established Chinese Benevolent Associations all over the United States for self-help,²¹² Washington formed the Negro Farmers' Conference, an improvement association, to encourage farmers to be free of debt, to purchase land, and to be entrepreneurs.²¹³ Through the conference, farm families were brought to the Tuskegee Institute for instructions on ways to improve farming and home life through self-improvement, self-sufficiency, and agricultural diversification.²¹⁴ Washington's purpose was "to find out the actual industrial, moral, and educational condition of the masses" to assist "the masses of the colored people to lift themselves."²¹⁵ Sessions were devoted to issues that were crucial to the livelihood and wellbeing of the Black farmers in the South, including those dealing with "owning and renting land, living in one-room log cabins, mortgaging crops, paying debts, educating children, and living a moral and religious life."²¹⁶ These sessions could be described as consciousness-raising sessions where both problems and success stories were shared, such as reports about "their self-denial practices in order to buy land and livestock and to build dwellings, schools and churches. They told how four or five years ago they had mortgaged their crops, and then how they had gotten out of debt and purchased land."²¹⁷ Farmers were taught how to avoid debt or urged not to mortgage their crops for expenses that could be avoided, such as luxury goods like clocks and pianos, or those that they could grow themselves, like fruits and vegetables in order to free themselves from tenant farming and achieve economic independence.²¹⁸ For Washington, his community self-help work was meant to aid Blacks "advance[] from slavery to wage earner to tenant farmer to landowner and finally to entrepreneur"²¹⁹

Given the centrality of agriculture in the economic life of African Americans in the South especially, African American leaders and organizations emphasized Black agricultural development. For example, the National Negro Business League ("NNBL") which was founded by Washington to encourage and support Black entrepreneurship, included a

212. *Huiguan*, ENCYC. BRITANNICA, <https://www.britannica.com/topic/huiguan> (last visited Nov. 22, 2022); SUCHENG CHAN, *ASIAN AMERICANS: AN INTERPRETIVE HISTORY* 63-65 (1991).

213. BOSTON, *supra* note 168, at 76.

214. See generally Allen Jones, *Improving Rural Life for Blacks: The Tuskegee Negro Farmers' Conference, 1892-1915*, 65 *AGRIC. HIST.* 105 (1991).

215. *Id.* at 107.

216. *Id.* at 107-08.

217. *Id.* at 111.

218. BOSTON, *supra* note 168, at 86-88.

219. *Id.* at 89.

multitude of agricultural subjects at its 1911 national convention²²⁰; some of the topics included “Raising and Shipping Fruits and Poultry,” the “Pickle King,” and “My Success as a Horticulturist.”²²¹ To ensure that community self-help was accessible to as many as possible, Washington took steps to bring agricultural techniques to the farmers themselves, by sending agricultural agents with agricultural wagons to bring farming equipment, milk separators, churners, information on soil building, stock raising, and other farming operations to the farmers themselves.²²² Local conferences were also held. Many of the local conferences met monthly “to spread the doctrine of rural uplift to neighboring [B]lack farmers and to send delegates to the annual conference at Tuskegee each winter.”²²³ A local self-help conference held in 1898

resolved (1) that we make renewed efforts to accumulate property, which . . . will inspire confidence not only in one another, but win that of other races as well; (2) we condemn the mortgage system as practiced by our people; (3) we strive to acquire land, and build houses of more than one room; (4) we plant less cotton and more food products . . . ; (5) we extend our school sessions by uniting our schools and taxing ourselves as far as possible; (6) we greatly improve our school houses; (7) we employ better teachers and preachers and pay them more; (8) to improve our morals, we draw strict lines between good people and bad people and that we denounce immorality in all, high or low; (9) we treat our women better; (10) we use no whiskey; (11) we practice our religion in our everyday life and have less strife in our churches; (12) we decide more of our differences outside of courts.²²⁴

The result, according to scholars, was “real improvement in thrift, land ownership, and self-respect for [B]lack farmers”²²⁵

Through the NNBL, Washington

[p]romoted his entrepreneurial ideas and values, telling delegates and nondelegates to get practical education, to find an economic niche, to start small in business and grow large, to pay the price of business success, to put the attention of religious faith into their business activities, to learn all they could within their occupations and never become complacent, to not be afraid to take risks, and to pioneer businesses.²²⁶

220. The founding of the NNBL is a historically significant event. Before its establishment, African American businesses could only seek help from ad hoc self-help organizations and did not have a systematic, institutionalized national organization to help nurture their businesses. BUTLER, *supra* note 30, at 157.

221. Levenstein, *supra* note 198, at 114.

222. BOSTON, *supra* note 168, at 82.

223. Jones, *supra* note 214, at 112.

224. *Id.* at 112-13.

225. *Id.* at 113.

226. BOSTON, *supra* note 168, at 97; *see also* BUTLER, *supra* note 30, at 72.

In one of his more well-known but contested speeches, Washington passionately argued for group consciousness in business, with some interpreting the speech to mean that Washington was in favor of separate markets for Blacks, although others vehemently disagreed. As Washington put it,

[e]xperience has shown, I believe, even in the North, that the largest opportunities for the Negro in business are in providing for those needs of other members of his race, which the white business man, either through neglect, or lack of knowledge, has failed or been unable to provide. The Negro knows the members of his own race. He knows the Negro people of his neighborhood, in their church, and in their family life, and is able to discriminate in his dealings with them. This superiority in the matter of credits is in itself a business advantage, of which competition cannot easily deprive the Negro, and one which, with the extension of the modern methods of business, is likely to become of increasing importance.²²⁷

Whether this meant he was urging African Americans to cater only to other African Americans is not important for the purpose of this article. As noted in Section I, ethnic economies may mean consumers and owners are co-ethnics, but that is not a necessary component of such economies.

Whether or not Washington called for Black businesses to operate in an integrated, as opposed to segregated, market, other Black leaders were comfortable with ethnic economies that were separate from the mainstream market. At the 1904 NNBL Convention, when it became clear that African American enterprises were faced with insurmountable structural barriers – prohibition from operating in the open economy and hence an inability to serve clients outside their own ethnic economies – the NNBL began a concerted campaign to promote racial solidarity as a necessity for success, requiring members to pledge support of businesses owned by other African Americans.²²⁸ Fred Moore, one of the leaders of the Negro Business League urged Blacks to support other Blacks.

Jews support Jews; Germans support Germans; Italians support Italians until they get strong enough to compete with their brother in the professions and trades; Negroes should now begin to support Negroes. . . . The white man . . . would respect Negroes if they were organized in support of each other and thus, demonstrated faith in the capacity of the race. Instead of constantly appealing to whites, Negroes should create their own opportunities.²²⁹

This call within the NNBL for a Black economy reinforced by racial solidarity created controversy within the organization, as those who were

227. BOSTON, *supra* note 168, at 103.

228. AUGUST MEIER, *NEGRO THOUGHT IN AMERICA: 1880–1915* 114 (1966).

229. *Id.* at 125-26.

dependent on white customers were opposed.²³⁰

One of the most serious barriers facing the establishment of the Black ethnic economy is economic segregation enforced by law. In an ironic twist, while ethnic economies are indeed established as a reaction to hostility from the wider society, most are not forcibly and legally segregated from it. In other words, ethnic entrepreneurs are not forced to transact only with co-ethnics whereas “Afro-Americans, especially in the period following the Civil War, were restricted by law from operating their business enterprises in an open market.”²³¹ Mehra Steven Stuart noted the discrepancy in treatment African Americans had to endure despite the group’s long and entwined history with the United States as compared to the experience of more recent newcomers: Segregation

is an economic detour which no other racial group in this country is required to travel. Any type of foreigner, Oriental or ‘what not,’ can usually attract to his business a surviving degree of patronage of the native American. No matter that he may be fresh from foreign shores with no contribution to the national welfare of his credit; no matter that he sends every dollar of his America-earned profit back to his foreign home and uses it to help finance organizations dedicated to the destruction of the government that furnishes him his new golden opportunity; yet he can find a welcome place on the economic Broadway to America. But the Negro, despite centuries of unrequited toil to help build and maintain that highway, must turn to a detour that leads he knows not where. Following this doubtful economic trail, he knows that he will have to find most of his customers within his own race in any enterprise he attempts.²³²

In a landmark book on African businesses, Joseph Pierce made a similar observation about the unique nature of African American ethnic economies.

Restricted patronage does not permit the enterprises owned and operated by Negroes to capitalize on the recognized advantages of normal commercial expansion. It tends to stifle business ingenuity and imagination, because it limits the variety of needs and demands to those of one racial group—a race that is kept in a lower bracket of purchasing power largely because of this limitation. The practice of Negro business in catering almost entirely to Negroes has contributed to the development of an attitude that the Negro consumer is obligated, as a matter of racial loyalty, to trade with enterprises owned and operated by Negroes.²³³

This phenomenon is in sharp contrast to the middleman minority experience – the Chinese in Mississippi, the Jews in the South, and the

230. *Id.* at 125-57.

231. BUTLER, *supra* note 30, at 77.

232. MEHRA STEVEN STUART, AN ECONOMIC DETOUR xxiii (1940).

233. PIERCE, *supra* note 163, at 31.

Japanese all had ethnic economies that included non-co-ethnic consumers.²³⁴ While it is true that middleman minorities did indeed face outright hostility, “[h]ostility from the host society, which is so much a part of the middleman theory, fades in comparison to being excluded from the overall economic marketplace.”²³⁵ “[M]arketplace exclusion is the most powerful form of hostility in which questions of racial and ethnic discrimination are concerned.”²³⁶ Before the Civil War, when African American businesses were not so hampered, they had a respectable record of success.²³⁷ But the institution of segregation laws and the prevention of Blacks from conducting business in the open market constitute “interference of government into the normal operation of the marketplace.”²³⁸ Moreover, African Americans were the only group to which this policy of enforced market segregation applied.²³⁹ This is an important historical fact to acknowledge, given the propensity for the subtext – “if other immigrants succeed in business, why not Blacks?” Not even the Japanese who did in fact face a high level of hostility and discrimination were restricted from operating in the open market; clientele for the Japanese ethnic economy came from white society.²⁴⁰ On occasions when they were prohibited from transacting with those outside their ethnic economies, they did not succeed.²⁴¹

Washington’s emphasis on the belief that the “dollar is colorblind” may be correct, but not when the open economy is racialized and designed to exclude Black participation.²⁴² It is also important to note that Washington consciously set out to instill or facilitate an entrepreneurial spirit among African Americans even though there was an absence of middleman-type business tradition.²⁴³ He took some unorthodox steps for the time that he was operating in, such as recognizing that women’s advancement was a part of African American advancement. He encouraged and nurtured women to become business owners who would join the NNBL, many of whom became restaurant owners, caterers, tailors, manicurists, and hairstylists.²⁴⁴ One of the most famous members of the NNBL was Sarah Breedlove Walker, also known as Madame C. J. Walker, a millionaire who developed hair products sold in the United

234. BUTLER, *supra* note 30, at 79.

235. *Id.* at 81.

236. *Id.*

237. *Id.* at 77-78.

238. *Id.* at 77.

239. *Id.*

240. BONACICH & MODELL, *supra* note 5, at 111.

241. *Id.* at 81.

242. BUTLER, *supra* note 30, at 77-78.

243. BOSTON, *supra* note 168, at 108.

244. *Id.* at 109-111.

States and abroad.²⁴⁵

During the period of 1903 to 1913 when the NNBL was most active, although causation can't be proven, there was a 60% increase in Black businesses – 15,000 additional businesses were formed; in 1900, 20,000 African American businesses existed compared with 65,000 in 1924.²⁴⁶ Between 1867 and 1917, the number of Afro-American businesses went from 4,000 to 50,000, with the largest presence in restaurants and cafes and lunchroom keepers; however, during this time period, unlike the 1700s, these restaurants could only serve African American clients.²⁴⁷

In 1904, Philip Payton, a member of the NNBL, founded the Afro American Realty Company which rented Harlem properties mainly to African Americans, creating one of the most cosmopolitan African American communities in the United States in the process.²⁴⁸ Washington's message of uplifting the Black race, racial solidarity, and engaging in self-help had a salubrious impact on the influential Dr. Ezekiel Nelson who exhorted the philosophy of cooperative economics to improve the condition of African Americans in Buffalo; he believed that they should work together, pool their resources and support cooperative enterprises, which would also create jobs for Black youths.²⁴⁹ Others inspired by the call for racial solidarity included Arthur Gaston, who formed a life insurance company (the Booker T. Washington Burial Insurance Company) serving African American clients; the Booker T. Washington Business College that teaches business to African Americans; a realty company that specialized in the Birmingham market; a motel and restaurant that served Blacks victimized by Jim Crow laws; and a bank for Blacks discriminated against by white banks.²⁵⁰ Inspired by Washington's entrepreneurial spirit,²⁵¹ John Johnson founded "African-American-owned and -operated publishing company in the world and launched *Ebony* and *Jet*, two very successful magazines that gave a voice to millions of black Americans."²⁵²

Unfortunately, despite efforts to instill racial consciousness to provide an extra boost to African American ethnic economies, for a

245. See supra note 154. See also Henry Louis Gates, Jr. *Madame Walker, The First Black American Woman To Be A Self-Made Millionaire*, Pbs, at <https://www.pbs.org/wnet/african-americans-many-rivers-to-cross/history/100-amazing-facts/madam-walker-the-first-black-american-woman-to-be-a-self-made-millionaire/>.

246. *Id.* at 112.

247. BUTLER, *supra* note 30, at 156-57.

248. BOSTON, *supra* note 168, at 131.

249. *Id.* at 132.

250. *Id.* at 134-35.

251. *Id.* at 136.

252. Encyclopedia of Arkansas, John Harold Johnson (1918-2005), at <https://encyclopediaofarkansas.net/entries/john-harold-johnson-2354/>.

variety of reasons, “data revealed that Afro-American consumers purchased most goods at white-owned stores. . . .”²⁵³ An overwhelming percentage of African American patronage was directed towards grocery stores, clothing, shoes, furniture, hardware, and household supply stores owned by whites, with the exception of tailoring and servicing businesses, like cleaning and pressing services with tailoring, perhaps “reflecting less competition from white businesses.”²⁵⁴ According to a noted historian on African American businesses, “[t]he variation in purchasing was explained by quality of goods, proximity to home, good styles, courteous service, and low prices.”²⁵⁵

In sum, there were multiple impediments to Black entrepreneurship, most of which were structural (as opposed to cultural or lack of cultural resources). First, as noted previously, in the early 1900s, African Americans were highly concentrated in agriculture, and

the relative lack of entrepreneurial behavior . . . today may have little to do with cultural attitudes toward risk-taking or the desire for the independence, authority, and responsibility associated with owning one’s own business. Rather, it may reflect the extreme concentration of African-American’s [sic] entrepreneurial resources, and the networks of African-American entrepreneurs, in a sector which was undergoing long term decline.²⁵⁶

With respect to African American women, 74% of the entrepreneurs and 87% of the self-employed were in the personal service sector; and like African American men, the women were heavily concentrated in agriculture, with 93% of African American female employers being in agriculture.²⁵⁷ Like immigrants excluded from opportunities in the wider mainstream economy, African American women turned to the business sectors where they had the necessary skill set and where they could seek customers. Unfortunately, both the agriculture and service sectors were, economically speaking, declining sectors, which in turn had a detrimental impact on African American ethnic economies.²⁵⁸

Second, given the continued, if not exacerbating, condition of segregation, businesses owned by African Americans for the most part ended up operating in a segregated as opposed to open market, whether intentional or not. Increasingly Black entrepreneurs advocated a form of Black nationalism through Black schools, organizations, buy Black

253. PIERCE, *supra* note 163, at 52-53.

254. *Id.*

255. *Id.* at 53.

256. Levenstein, *supra* note 198, at 114.

257. *Id.* at 115.

258. *Id.*

campaigns which created a parallel ethnic economy for Blacks not much different from those operated by ethnic minority immigrants.²⁵⁹ The idea of a separate economy for Blacks – that is, an ethnic economy that not only has Black owners and workers but also serves Black consumers predominantly – gained momentum through the work of Marcus Garvey, who, like Washington, pushed for self-reliance of the kind espoused by the Protestant ethic, and that of Elijah Muhammed as leader of the Nation of Islam.²⁶⁰ Muhammad's philosophy, solidarity, is akin to the solidarity that undergirded the ethnic economies of immigrants. Business by racial outsiders needs business strategies and also strategies that unite the race through a consciousness of solidarity and commonality of culture. As Muhammed explained,

[i]t is a great job trying to change the so-called Negroes from the ways of their slave masters and to unite them. It may take much suffering but I say that it CAN be done. Islam will unite us all. . . . The religion of Islam makes one think in terms of self and one's own kind. Thus this kind of thinking produces an industrious people who are self-independent.²⁶¹

As some have observed, except for his adoption of Islam, Muhammed's strategy is similar to Washington's, with its emphasis on self-help, Black unity, hard work, self-reliance, and strategic avoidance of politics and civil rights, which is in turn similar to the cultural values that animate immigrant ethnic economies.²⁶²

Despite the economic detour forced upon African Americans, their large numbers in the South and in some cities in the North nonetheless allowed them, against all odds, to develop economic activities²⁶³ very much in the middleman minority/ethnic economy trajectory of self-help and ethnic solidarity discussed in Section I. The next Part examines community institutions developed to engage in mutual self-help throughout African American history in the United States.

B. Self-Help Institutions and African American Economic Enclaves

African Americans have been assiduous in organizing and establishing an array of self-help institutions throughout the group's history. Two of the more important ones were the church and insurance companies. The church has functioned as both a religious institution and a sanctuary of self-help for African Americans. Slaves attended churches of their own

259. BOSTON, *supra* note 168, at 133 (2010).

260. *Id.* at 139-40.

261. *Id.* at 140.

262. *Id.*

263. BUTLER, *supra* note 30, at 81.

creation in secrecy and even used church meetings to organize insurrections.²⁶⁴ Because churches were so foundational in the lives of slaves, Blacks formed their own formal churches when they faced discrimination within white ones.²⁶⁵ Despite hostility and threats from white churches when African Americans established the African Methodist Episcopal (“AME”) Church in the 1770s, the founders even created a slogan “To Seek For Ourselves”²⁶⁶ in various campaigns to fight slavery and nurture education, self-help, morality, and solidarity in the Black community.²⁶⁷ The AME church developed a relationship with the African American community, creating a Department of Extension from church funds used to capitalize small businesses as well as fund higher institutions of learning.²⁶⁸ Between 1847 and 1904, the church gave more than one million dollars to educational efforts. It also had over a million dollars in connectional or general operating funds. By 1907, with over a million dollars in funds, the AME Church supported twenty-two schools.²⁶⁹

Given the dearth of schools, for both Blacks and whites in the South, white Northerners made the construction of a public school system one of the major goals in the South during Reconstruction.²⁷⁰ Universal education was not available and was not deemed a state function until Reconstruction.²⁷¹ There was tremendous attention placed on education within the African American community, as noted by Dubois. Referring to “Negroes,” Dubois stated,

They are not only supplementing the public funds and lengthening the school term, but are establishing private schools and consolidating with the public schools nearby; they are rebuilding independent private schools; and they are supporting in larger measure the great schools established by Northern philanthropy. One of the most conspicuous cases of consolidating with the public school is furnished by the Keyesville Industrial School in Charlotte County [Virginia]. This is an industrial school, founded in 1898 and supported almost entirely by Negroes, through the Baptist organizations of that neighborhood.²⁷²

The first African American lodge, Lightfoot Lodge No.1, dedicated to community self-help and “employed in the work of uplifting the

264. *Id.* at 86; FOSTER, *supra* note 175, at 97-98 (1954).

265. KAPLAN SIDNEY, THE BLACK PRESENCE IN THE ERA OF THE AMERICAN REVOLUTION 81 (1973).

266. *Id.* at 85.

267. MEIER, *supra* note 228, at 44-45.

268. BUTLER, *supra* note 30, at 90.

269. *Id.* at 93.

270. LOUIS R. HARLAN, SEPARATE AND UNEQUAL 3 (1969).

271. BUTLER, *supra* note 30, at 100.

272. W. E. B. DU BOIS, ECONOMIC CO-OPERATION AMONG NEGRO AMERICANS 78-81 (1907)

race . . . ,”²⁷³ was originally in Mississippi²⁷⁴ but grew into twenty-six grand Lodges, 1,536 subordinate lodges consisting of almost 70,000 members and more than \$200,000 in various treasuries. Many fraternal and beneficial societies served Afro-Americans from the 1700s to early 1900s.²⁷⁵ Although there were failures due to bad management or general economic downturn, through these institutions, members learned finances and

[t]he techniques of salesmanship and canvassing campaigns Indeed, these organizations were the only places where leaders could come in contact with very large sums of money. This experience helped them to develop financial institutions in connection with some of the organizations. The budding legal talent of the race was also utilized and given experience. Given the amount of money involved, most of the organizations retained lawyers. Perhaps more important, as a result of the millions of dollars collected, thousands of young Afro-American families were helped in getting an education, hundreds of homes were paid for, and mortgages were satisfied in places where these societies operated.²⁷⁶

Although these societies succeeded in their purpose of “uplifting” the race, they were not businesses but did, however, lay “the groundwork for one of the first successful business enterprises among Afro-American entrepreneurs—the insurance business.”²⁷⁷

The insurance business originated in Black churches in the North and was part of the self-help apparatus that was established in the 1700s to provide relief to African Americans struck by illness, family deaths, or other tragedies.²⁷⁸ The major benevolent societies of the 1800s were the Free African Society, the New York Society, the Clarkson, the Wilberforce Benevolent, the Union Society of Brooklyn and the Woolman Society of Brooklyn.²⁷⁹ As historians have noted, “As soon as the colored man became free he formed all kinds of associations for mutual protection, many of which exist today though in somewhat modified forms. These organizations were founded for the purpose of caring for the sick and furnishing decent burial at death.”²⁸⁰

In the South, after the Emancipation Proclamation, benevolent societies from the North went South, and even with the establishment of the governmental agency, the Freedmen’s Bureau, became, along

273. *Id.* at 122.

274. *Id.* at 121-22.

275. BUTLER, *supra* note 30, at 115.

276. *Id.* at __; *see also* STUART, *supra* note 232, at 12-13.

277. BUTLER, *supra* note 30, at 117.

278. *Id.*

279. STUART, *supra* note 232, at 4.

280. REPORT OF THE HAMPTON CONFERENCE NO. 8, 15-16, 18, *in* W. E. B. DU BOIS, ECONOMIC CO-OPERATION AMONG NEGRO AMERICANS 99 (1907).

with the Black churches, one of the most influential and effective institutions for Black mutual assistance.²⁸¹ Due to race discrimination by white insurance companies, Black ones were formed, paying death and sickness benefits to members. Their objective was generally to

raise a fund to be appropriated exclusively toward the support of such of the members of said society as shall by reason of sickness or infirmity, or either, be incapable of attending to their usual vocation or employment, and also toward the relief of the widows and orphans of deceased members.²⁸²

The first Black insurance company was founded in Philadelphia in 1810 and survived until its collapse in 1833.²⁸³ After the Civil War, segregation ironically helped African American insurance business develop and thrive because given the dearth of opportunities in white insurance companies, Blacks worked exclusively for Black-owned companies.²⁸⁴ By 1937, there were more than 9,000 persons employed by the industry;²⁸⁵ ten years later, the number of insurance companies owned by African Americans exclusively was 211.²⁸⁶ Indeed, African American insurance enterprises even “came through the Depression in much better economic shape than did the white companies.”²⁸⁷

Besides insurance companies, banks were also an established presence in the African American community. During the Civil War, the Free Labor Bank was formed with the encouragement of the Union to help African American troops deposit their pay.²⁸⁸ Other such banks were established in proximity to wherever Black soldiers were stationed.²⁸⁹ After the war, the federal government formed the Freedmen’s Savings and Trust Company with the following objective:

And be it further enacted, that the general business and object of the corporation hereby created shall be received on deposit such sums of money as may, from time to time, be offered therefore by or on behalf of persons heretofore held in slavery in the United States, or their descendants, and investing the same in the stocks, bonds, treasury notes or

281. STUART, *supra* note 232, at 7-8.

282. DU BOIS, *supra* note 272, at 96-97.

283. J. H. HARMON, JR., ARNETT G. LINDSAY & CARTER G. WOODSON, *THE NEGRO AS A BUSINESS MAN* 97 (1929).

284. BUTLER, *supra* note 30, at 124.

285. STUART, *supra* note 232, at 49.

286. KINZER & SAGARIN, *supra* note 134, at 93.

287. BUTLER, *supra* note 30, at 131.

288. Partnership for Progress, *Minority Banking Timeline, 1864 Free Labor Bank*, at <https://www.fedpartnership.gov/minority-banking-timeline/free-labor-bank>.

289. *Id.* at 135; WALTER L. FLEMING, *THE FREEDMEN’S SAVINGS BANK* 20 (1927).

other securities of the United States.²⁹⁰

With branches mostly in Southern states, the Freedmen Bank served recently freed Black slaves who deposited almost four million dollars, demonstrating that Blacks not only understood the need to save but also did manage to save to ensure economic stability; and had trust in economic institutions such as banks.²⁹¹ As a testament to Black ability to save, records show that more than 70,000 African Americans deposited their money with the bank and by 1874, deposits reached \$55 million, partly encouraged by the misperception that their money was backed by the government.²⁹² When the Freedmen Bank failed,²⁹³ African Americans quickly began to set up their own private banking system. The first bank opened in 1888 with an initial capitalization of \$6,000 which increased to \$50,000 during its sixteen years of operation.²⁹⁴ Many other banks were subsequently established – in fact, no fewer than 134, not including credit unions, industrial loan associations or loan societies, were formed from 1888 to 1934 by African Americans.²⁹⁵ Even ethnic groups that have been the focus of studies on entrepreneurship, such as the Chinese, Japanese, and West Indians, do not have a record on community banking that matches that of African Americans, perhaps because no other group has been subject to an equivalent degree of market exclusion and discrimination,²⁹⁶ making the relative omission of the African American experience from this area even more confounding.

The NNBL, already discussed, can also be considered a self-help institution.²⁹⁷ Because the national organization was aware of the need to reach out to local groups, it sent a national organizer to local leagues to help educate the latter on new business practices and business promotion.²⁹⁸ The NNBL also promoted the National Negro Trade Week, using existing media like newspapers and advertisements to promote Black businesses to both white and Black customers.²⁹⁹ The organization sought to facilitate and maintain connections among Black enterprises by keeping a list of names and addresses of workers for hire, open employment positions, businesses that are willing to hire African

290. DU BOIS, *supra* note 272, at 137.

291. BUTLER, *supra* note 30, at 135.

292. *Id.* at 136.

293. HARRIS, *supra* note 136, at 26-33, 38-39, 45 (discussing Bank and reasons for failure); DU BOIS, *supra* note 272, at 137 (referring to Bank's failure as one of the worst "disgraceful swindles perpetrated on a struggling people").

294. BUTLER, *supra* note 30, at 137.

295. *Id.* at 139; *see also generally* HARRIS, *supra* note 136.

296. BUTLER, *supra* note 30, at 149.

297. *See supra* notes 224-229 and accompanying text.

298. BUTLER, *supra* note 30, at 160-62.

299. *Id.*, at 161-62.

Americans, and reports about League activities and achievements of Black American businesspeople.³⁰⁰

The achievement of the NNBL led to the creation of other self-help institutions in specialized areas within the African American community, such as the National Negro Press Association, the National Negro Insurance Association, and the National Association of Bankers, with a wide array of organizations following in their footsteps, such as the Young Negro Cooperation League, the National Urban League, the National Council of Negro Women and even fraternities and sororities launching business-oriented events.³⁰¹

In a few instances, the proliferation of self-help institutions, benevolent associations, and a concerted effort towards self-help and racial solidarity did yield notably positive results. At the turn of the century, African Americans, against all odds, did establish ethnic enclaves such as that in Durham, North Carolina. As one commentator observed about African American solidarity in Durham, referred to as “The Wall Street of Negro America,”³⁰² “[t]he increase in wealth, the rise of institutions for public welfare, and the spirit of cooperation have not been confined to one race. The progress of whites has been accompanied by corresponding progress among the Negroes.”³⁰³ However, in 1898, Southern Democrats succeeded in disenfranchising African Americans³⁰⁴ who worked to establish “a business enterprise community.”³⁰⁵ In addition, as discussed in the prior Section, Durham’s success as a “racial enclave”³⁰⁶ was hampered by “outside economic and racial hostility”³⁰⁷ which kept African American businesses from being able to serve white clients.

Durham began in 1852 as a tobacco city, given its siliceous soil which made it ideal for tobacco growing.³⁰⁸ As the tobacco industry expanded, African Americans migrated to Durham, first, renting land, then purchasing from white owners, establishing churches including historical, prominent ones like the White Rock Baptist Church, and building a community known as Hayti.³⁰⁹ New factories were built, and the development of Durham attracted other industries such as the textile

300. MONROE N. WORK, *NEGRO YEAR BOOK, 1918–1919* at 132-33 (1919).

301. BUTLER, *supra* note 30, at 161-62.

302. E. Franklin Frazier, *Durham: Capital of the Black Middle Class*, in *THE NEW NEGRO* 333 (Winold Reiss ed., 1925).

303. WILLIAM KENNETH BOYD, *THE STORY OF DURHAM* 277 (1927).

304. BUTLER, *supra* note 30, at 177.

305. *Id.* at 179.

306. *Id.*

307. *Id.*

308. *Id.* at 179-80.

309. *Id.* at 179-80.

industry which relied on African American workers for their textile mills. Although there were African Americans in the skilled trades, their numbers decreased after the abolition of slavery because they were restricted from operating in the open market, a restriction exacerbated by the decision of white labor unions to exclude African Americans from such occupations.³¹⁰ This exclusion forced African Americans to rely only on other African Americans for business. Nonetheless, by 1940, Hayti, a community in Durham, had become a thriving center of African American business activities, with more than 150 well-established businesses such as coffee houses, theaters, barber shops, boarding houses, groceries, and funeral houses.³¹¹ In addition, Durham was home to not just small businesses but also major African American owned enterprises including banks and insurance businesses.³¹²

A myriad of reasons has been offered for the success of the city of Durham as an African American business center. One was the support of whites for Black enterprises, perhaps, as some scholars have surmised, as an exchange for Black non-participation in politics. In a statement opposing the governor's racism from the Durham Morning Herald's editorial page: "If the Negro is going down, for God's sake let it be because of his own fault, and not because of our pushing him."³¹³ Some scholars have observed that this was in fact the "deal" struck by Booker T. Washington, "where he argued for white support of Afro-Americans in business affairs—or in those things which would lead to mutual progress—in exchange for the withdrawal of Afro-Americans from politics."³¹⁴ Julian Shakespeare Carr, for example, an ex-Confederate soldier, wealthy industrialist, white supremacist, and KKK member, spoke favorably of Black businesses in the following way: "If we could but succeed in weaning the Negro from believing that politics is their calling by nature . . . and turn the bent of his mind into the development of manufacturing industries, what will the end be? But if the Negro is to continue to make politics his chief aim . . . there can be but one ending."³¹⁵ To maintain the segregation of Blacks and whites, Carr established an all-Black cotton mill and supported a Black-owned one, sending his white workers to help African American businesses when

310. *Id.* at 181; *see also* Hugh Penn Brinton, *The Negro in Durham: A Study of Adjustment to Town Life 141* (1930) (Ph.D. dissertation, The University of North Carolina at Chapel Hill) (on file with the University of North Carolina at Chapel Hill).

311. BUTLER, *supra* note 30, at 185

312. *Id.*; Frazier, *supra* note 302, at 333-34; WALTER B. WEARE, *BLACK BUSINESS IN THE NEW SOUTH: A SOCIAL HISTORY OF THE NORTH CAROLINA MUTUAL LIFE INSURANCE COMPANY 4-5* (1973).

313. BOYD, *supra* note 303, at 279.

314. BUTLER, *supra* note 30, at 187; WEARE, *supra* note 312, at 39-42.

315. BUTLER, *supra* note 30, at 187.

needed.³¹⁶

Another reason was that Durham did not have the kind of history or “pedigree” of white aristocracy that other Southern cities such as Charleston or New Orleans had. As a result, as a city of the post-bellum South, it could forge forward with a different image. Moreover, Durham was not plagued by internal cleavages that had created divisions within the African American community. Durham avoided for the most part

[t]he invidious distinctions between “new issue” and “old issue,” house servant and field hand, light and dark, [which] had given the Negro society internal restraints to entrepreneurial activity based on racial solidarity. At the turn of the century increasing segregation, discrimination, and urbanization encouraged the rise of a [B]lack business class which threatened to reorder the Negro status system that had been determined by antebellum forces. Obviously the conflict would be less in cities without an entrenched antebellum social order. Durham thus escaped part of this institutional drag on its [B]lack economy. . . . The kind of ideological conflict that found the colored gentry resisting the [B]lack capitalist had little meaning in Durham, where wealth and status coincided.³¹⁷

Durham was also unusual in that many African American entrepreneurs were able to tap into the open economy and do business with white customers and clients. Consequently,

[a] common feature of the Negro business interests of Durham is the fact that not one of their group organizations failed during the period of depression. Such an achievement may well be considered a tribute to the spirit of cooperation that prevails, as well as a tribute to the sound advice and financial facilities that the Mechanics and Farmers Bank has been able to place at the disposal of its patrons.³¹⁸

As this Section has shown, there has been a long history of African American entrepreneurship since the formation of the American colonies which makes statements about the absence of such entrepreneurship a strange conundrum indeed. In their landmark book, Glazer and Moynihan made the curiously false observation that there was an “almost complete absence of a business class which could provide jobs to fellow ethnics and an avenue for social mobility;”³¹⁹ and that this “failure of the Negro to develop an entrepreneurial class”³²⁰ was one that Black leaders like Washington despaired over. According to Glazer and Moynihan, the

316. *Id.*

317. WEARE, *supra* note 312, at 42-43.

318. BUTLER, *supra* note 30, at 193.

319. NATHAN GLAZER & DANIEL MOYNIHAN, *BEYOND THE MELTING POT: THE NEGROES, PUERTO RICANS, JEWS, ITALIANS, AND IRISH OF NEW YORK CITY* 30 (1963).

320. *Id.* at 32.

“failure of the Negro to achieve success as a businessman”³²¹ is due to an absence of finance, skill, and ethnic or racial solidarity.³²² This Section has shown that African Americans have strived to establish their own ethnic economies and despite structural barriers faced by no other immigrant group, have succeeded on many occasions by following an economic path similar to that forged by immigrants – creating and accessing cultural resources for economic self-help.³²³ The issue is not that Blacks lack the cultural foundation needed to launch ethnic economies. It is, rather, that ethnic economies have been established at all, against such overwhelming odds.

CONCLUSION

The sociology on ethnic economies has focused on the historically well-known middleman minorities phenomenon as well as on immigrant-owned businesses in developed countries such as the United States. Despite theoretical differences between the two areas, both share certain commonalities – the existence of an “out” group that is excluded from the mainstream, that faces hostility and prejudice generally and is relegated to the secondary labor force particularly, and hence, an entrenched demarcation and separateness between insiders versus outsiders. In response, the outgroup marshals and leverages its group solidarity, using cultural resources to create a market or economy for group members. Surprisingly, much of the literature has excluded the experience of African Americans, even though African Americans fit the classic model that partly – the development of ethnic economies – separateness, exclusion, and hostility. The subtext that provides a reasonable explanation for this gap is that the second crucial component of ethnic economies – cultural resources and group cohesion – is lacking in the African American community. African Americans have failed to do what middlemen minorities and immigrants have done, forging a common identity and using it and group cultural capital to benefit the group. These assumptions about African American “failures” have been reinforced by reports of West Indian and African immigrant successes.

Despite tremendous barriers faced by no other immigrant group to the

321. IVAN LIGHT, *ETHNIC ENTERPRISE IN AMERICA: BUSINESS AND WELFARE AMONG CHINESE, JAPANESE AND BLACKS* 21 (1972).

322. GLAZER & MOYNIHAN, *supra* note 319, at 33.

323. Looking at the present and into the future, one might also observe that the African American music industry can itself be seen as an ethnic economy that is thriving and successful, consisting of distinctly cultural goods, especially within the rap industry “based around networks of entrepreneurs. They are doing so . . . like other ethnic groups before them, through their ability to monopolize specialized cultural goods” which include not just rap but also “graffiti graphics, fashion, and style.” Basu & Werbner, *supra* note 4, at 239, 244.

United States, African Americans have in fact had a long history of forming their own ethnic economies sharing characteristics similar to those characteristics identified in the ethnic economy literature. Black leaders such as Booker T. Washington have consciously utilized the strategy of establishing a Black market, as immigrants have in establishing ethnic economies, as a means for promoting Black progress. Although these strategies are well-known, perhaps by historians, they have not been translated into the sociology or law and development debate. This article is one step in this process.