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Discrimination, Entrepreneurship, and the Economics of Being Arab and Believing in Islam in America

by

J. W. Wright, Jr.

A dissertation presented for partial fulfillment of the requirements for a Doctorate in Philosophy in Economics from Loughborough University, Loughborough, England

July 12, 1995
Abstract

The author looks for measures of economic discrimination that exist against and within the Arab-American and Arab immigrant economy. However, the focus is on the economic impacts of intra-group conflicts between Muslims and Christians (and social distance from Palestinians) in the Arab-ethnic economic enclave. Results from this sample group show trends indicating that prejudice against Muslims makes them inordinately dependent on self-employed earnings, but also that Muslims are not compensated evenly over time for taking extra entrepreneurial risks. It is also determined that significant finance-gaps exist between Muslims' and Christians' access to capital at the time of initial investment and at the point of expansion. The researcher concludes that there are both occupational and wage-related costs to being Arab and believing in Islam in America. In addition, the author finds that within the Arab-ethnic Muslim community that some segments are avoided socially or excluded from the relative enclave. This places Palestinians in the worst economic position and Syrian Christians in the best.

Keywords: Arab-Americans, Muslims in American, economics of discrimination, economics of immigration, economics of religion, ethnic enclaves, informal economies, ethnic entrepreneurship, Muslim businesses.
Dedication

To my students.
Acknowledgments

I am lucky to have so many colleagues and friends that have been willing to support my research and work on this thesis. Each of you have been a great help.

Two people played extremely critical roles in the development of this thesis, John R. Presley, Chair of the Department of Economics at Loughborough University, and Eugene Bird, President of the Council for the National Interest. Dr. Presley and I have worked together on my research for nearly three years. He has consistently contributed valuable advise and critiques, and I appreciate the time I have spent working under his supervision. Mr. Bird made a major contribution by providing a sample population for the research contained herein, and he was instrumental in convincing officials the American-Arab Anti-Discrimination Committee to work with me. Without his help completion of this project would have been impossible.

My colleagues at Washington College have also taken an active interest in my work for Loughborough University. My most humble thanks must go to Dawn Baker, the Business Management Department's Secretary. She has spent countless hours working on the bibliography, notes, and typing of this thesis. She is the Department's most valuable asset and she deserves our appreciation (and a raise).

Dr. Timothy Kirk, the College's Director of Computing Services, spent many hours helping me design data entry and analysis procedures that would assure the accuracy of the results. Dr. Kirk was also painstakingly patient when working with me on the SPSSX program. He has my gratitude and I sincerely hope the College recognizes the vital role he plays in assisting faculty development and research.

Visiting Instructor (and soon-to-be Dr.) Jefford Vahlbusch has also been a great help with this thesis. He served as an editor for more than one draft of the chapters in this manuscript. I hope that he will let me return the favor when he is finishing his thesis. Geraldine Fischer, Director of our Writing Center, also gave me
valuable advise on the writing style I used in the final draft. This thesis is much more interesting and readable because of the editorial advise I received from them.

The next most critical group of people who worked with me were my students. I have been extremely fortunate to have developed a following of students at the College who are genuinely interested in research for publication. Many of these students have helped me with data entry, survey distribution, and in some cases analysis. Curtia Arnold, Curtina Arnold, Andrew Evans, Christian Graham, Tony Higgins, Raymond Herndon, Jennifer Hozik, Steve Proakis, Jennifer Sands, among others, (including Michael Cades), deserve much recognition for the contributions they have made to my research. I wish them all well in their careers.

Other colleagues at Washington College have also been very helpful. Drs. Steven Cades, Patricia Horne, and Jeannette Sherbondy have each taken an interest in my work, and I have made much use of their comments. Dr. Terrence Scout has been helpful in allowing me to teach courses that are focused around my interests in demographics, economic development, survey distribution, and target marketing. In the Spanish House, Linda Cades, Mike Malone, Vicky Sawyer, and Gerald Walsh have all been supportive my work. They have also been patient about my use of the computer facilities, over which it must have seemed that I owned a monopoly.

The Deans of the College have also encouraged the completion of my thesis. Most notably, Gene Wubbles and John Taylor provided much-needed support. Dean Beverly Wolfe has often helped me in many ways, personal and professional. In the Dean's Office, Jessica Davies has made my life much easier, as have Madeline Howell, Patricia Smith, and Annie Coleman, and I appreciate it. The College's Controller, Lauren Bedell, has helped make my work easier in many ways. In Central Services, Thomas Shreck, Betty Anne Connolley, and Steven Brown have been very good about helping me with large copying and mailing orders.
The staffs at the Council for the National Interest and the American-Arab Anti-Discrimination Committee also deserve thanks for helping me collect the surveys as they were returned. At ADC, Emad Abi Saleh has been a special help. Helen Samhan at the Arab American Institute has offered many good suggestions.

In the latest stages of reviewing this manuscript, a number of professor in the field have given me very helpful suggestions. First among this group are Gary S. Becker, who has written me about my work on several occasions, and William A. Darity, who has both commented on my work and provided forums for me to lecture at the University of North Carolina. Ivan Light has also been very nice about giving me advise, and Janet Abu-Lughod has been helpful as well. In addition, John Espisito, Yvonne Haddad, and Omar Khader has been helpful in suggesting presses, and I would like to thank Earnest McCarus for his kind words.

There are also a cadre of friends who have helped me either directly or indirectly with this research. In the Washington, D.C. area, John Gideons has been a very supportive (although somewhat sarcastic) friend throughout this process, as have Deborah Boyer, Sandra Samaan, Mary Schmidt, and Margaret Zaknoun. Jerrine Bird, Tamara Duggleby, and Jane Hallow have also been supportive. In Chestertown, Emily Amt, Lida Daves Baldwin, Edguardo Buscaglia, Audrey Fessler, Davy H. McCall, Kevin McKillop, Rick Locker, Ginger Moore-Wantling, David Newell, Amy Smiley, Ken Wantling, Carol Wilson, and many other friends from Washington College have consistently given me help and encouragement.

In Bloomington, Suzanne Stetkevych has been a wonderful mentor over the years, as have Alan Douglas and Fedwa Malti-Douglas. All of the Arabic professors at Indiana's Department of Near Eastern Languages and Cultures, where I received my Masters of Arts, have become trusted friends and colleagues. Jean Simonian has given me much advice over the years, and Michael Flory, John Hartley, Louis Malamud, and Martha Robertson have helped me out in any way they could.
Louisville, Chris Tobe and his family have always been willing to lend me a hand. In Amman, Raouf Abujaber and his sons helped by providing historical context.

Finally, I want to recognize the contributions that my family have made to this process. My parents have always taken an interest in my education and training. Most recently, they have been very generous in helping me fund my research and the related travel. I am sure that it often seems that I do not appreciate their help, but this is not the case. And I am also grateful for the encouragement and help I receive from my grandparents, and from my siblings, aunts, and uncles.
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Introduction

The passage of Proposition 187 by the California electorate, possibly the most radical and controversial law concerning immigrants in this century, put the status of alien residents once again into the center of the American agenda. Similar federal legislation that is pending promises to exclude immigrants from health care, training, and other social service programs. Rhetoric and politics will play key roles in these ensuing political campaigns, but a major factor in many voters' minds is a willingness to discriminate against alien workers and foreign-born citizens. This perspective fails to consider the ways immigrants add to the U.S. economy and ignores the fact that alien residents tend to work in industry sectors where jobs are left open by U.S.-born citizens. Moreover, biased voters fail to recognize that discrimination against immigrants rarely forces people to leave the country, but it instead pushes them into jobs found in ethnic enclaves and informal sectors.

These factors and others make it inappropriate to make pronouncements about immigrants without also investigating the complicated relationships among informal economies, ethnic enclaves, and economic growth. For purposes of definition, Arab immigrants are first generation residents, naturalized Arab citizens are those who were once foreign nationals but who are now legalized Americans, and indigenous Arab-Americans are the U.S.-born progenitor of earlier Arab immigrants. For three years I have done research on the economic dynamics of

U.S.-based Arab-ethnic groups. These groups of people and the relationships they have with each other present a compelling case for studying the economics of discrimination as well as the economics of immigration. The Arab-American enclave is also a place where both inter-ethnic or majority-minority conflicts and intra-ethnic or internal-community conflict merge and form unique patterns of social biases and discriminatory (exclusionary) economic behavior.

I believe these behaviors can be best explained through study of the Arab-ethnic economic enclaves and the way they reflect employment biases. For example, analyses of census data reveals that Arab-Americans pursue unusual behavior within the U.S. occupational structure. They are more than twice as likely as the other Americans to be self-employed, and they are three times more likely to work in the service sector. Arab-Americans are also the least likely group to work in government, where their proportional employment fell by twenty-seven percent between 1980 and 1990. The question becomes whether there are cultural reasons that Arab-Americans make these employment choices, or whether factors external to the community, such as discrimination, occupational segregation, or exclusion from federal programs, have forced these choices onto the Arab-ethnic community.

These phenomenon have clearly significant economic implications. However, what I find most interesting about the Arab-American community is that not all segments of the community share equally in the economic impact of discrimination; or in other words different segments of the community face more intense discrimination than others. My work shows that economic discrimination against Muslim Arab-Americans is imposed by both the external and the internal communities. While my research confirms that a majority-minority division in rates of self-employment exist for Arab-ethnics, it more importantly finds that serious socio-religious, occupational, and wage disparities exist between Muslims.

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3 See section 2.1 for a full discussion of census data.
and Christians. In addition, segmental analysis made by education and managerial sophistication show that Christian Arab-Americans are up to three times less likely to be self-employed, that they earn more money, and that they have greater access to capital. These disparities also exist between Muslims and Christians when comparisons are made by field of study, nativity, nation of origin, and date of entry.

The implications of these findings are far-reaching. First, they add to the growing literature on the economic costs of discrimination by placing intra-group conflict at the center of the discussion. My work takes the novel approach of investigating religion not only as a source of prejudice, but also as a factor in economic discrimination. This research adds to the literature on ethnic enclaves, a field which Light, Waldinger, and others have made popular, but they make little reference to ways intra-group tensions can affect economic behaviors within an ethnic economic enclave. The analysis presented here also support the argument for continuing inter-disciplinary research on the costs of discrimination and on the economics of immigration; furthermore, it makes it evident that religion needs to be included in the rubric of factors affecting immigrant community development. And, it proves that intra-ethnic bias can significantly impact ethnic-group earnings.

Specifically, taking an economic approach to studying socio-religious factors that affect Arab immigrants and Arab-Americans allows investigation of reasons why ethnic sub-groups make different occupational choices and why they function in the market with different wage-earning abilities. The economic approach provides answers to other questions as well: Why are Muslims dramatically more likely than Christians to depend on self-employment as their primary source of income? Why do Muslim business owners earn an average of nearly thirty percent less annual income? Why do Muslims feel greater capital constraints? In addition, finding the answers to these questions will help explain why most Muslims support
recent proposals to gain minority status for Arab-Americans and why more Christians (and later-generational segments) oppose this economic proposition.

This research has much current application because Arab immigrants and Arab-Americans have special concerns in the discourse over immigrant community development. Indeed, the community is in the midst of a divisive debate over the role that federal minority status, which has not been granted to Arab-Americans by the federal government, should play in their sense of community. Their debate is shaped by four issues, which are listed below with the reasons for different opinions:

1) Religious Background:

The first area of dialogue revolves around religious background. There is wide disagreement between the community's Muslim and Christian populations on the need for minority status. Muslims, who generally favor minority status, find it more difficult to establish and promote local institutions (businesses, community centers, mosques, and schools) than do Christians, and they feel they are more likely targets of prejudice institutionalized by government agencies. However, differences of opinion on minority status reflect long-standing pre-migration and religious conflicts within the community. As Teslik puts it, Arab-American Christians and Muslims feel they have little in common.

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5 Teslik, Kennan Lee, Congress, the Executive Branch, and Special Interest; The American Response to the Arab Boycott of Israel, Greenwood Publishing Co., 1982.
2) Date of Entry into the U.S.:

Date of family migration also influences the opinions of many Arab-Americans on the issue of minority status. Opposition to becoming a recognized minority comes mainly from second generation Arab-Americans, most of whom are Christian and many of whom are wealthy. These people feel their abilities to assimilate and work as part of the majority "class" will be threatened by minority status recognition. As Tanous puts it, "we will be categorized with groups of people whose problems are very different and much worse than ours;"6 an essentially racist position. Others feel that concerns over being associated with (or stigmatized like) Blacks and Hispanics miss the point. This faction in the community believes that non-recognition only serves to support the community's Christian hierarchy and works to restrain further Muslim immigrants, who tend to be the poorer segment of the community. In short, while the third generation largely denies the need for minority status, alien residents and naturalized citizens argue for it because it offers both racial protection and economic assistance. They feel the benefits of federal recognition far outweigh costs that may be associated with any decline in terms of social status. Religion and date of immigration together affect one's position on minority status: early Arab emigrants wished to live in a Christian-dominated community where they could also pursue economic gain, while Arab emigrants in the last twenty years were predominantly Muslims fleeing political oppression, war, or both.

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6 Tanous, Peter J. Panel on "Minority Status for Arab Americans, is it Right for Arab Americans?" 1994 Arab American Institute Conference, Washington, D.C.
3) Mobilizing Business Capital

Business owners openly support adoption of minority classification, mainly for commercial and financial reasons.\(^7\) Entrepreneurs with minority status gain access to various government lending and affirmative action programs, including increased assistance (financial and training) from the Small Business Administration, and preferential bidding treatment (under regulation 8A) in the multi-billion dollar U.S. government procurement market. (The claim is also made that Muslim business owners need Islamic bank facilities, which are currently illegal.\(^8\))

4) Participating in Government Social Programs

Civil servants and social workers in the Arab-American community support petitions for minority status because it would give them access to valuable information. Because the Census Bureau does not publish community-specific information on groups not recognized by minority status, separate information on their education, employment, medical treatment, health care, etc., is not available on Arab-Americans. In Dearborn, Michigan, for example, a university study found that a significant health problem existed among the community's infant population. However, because Arab-Americans are not a recognized minority the local government could not secure funds from the Office of Minority Health Affairs to study the problem. University students and

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\(^7\) Khader, Omar, AAI "Minority Status" panel.

\(^8\) Steven Abdulkader, introductory notes at the start of the finance committee meeting at the 1994 National Islamic Convention, at which I was the featured speaker. Also see my paper on "Wealthy Arab-American Muslims" in the bibl.; and Zaman, M. Raquibuz "Banking, Investment, Insurance and Muslims in North America," *Journal: Institute of Muslim Minority Affairs*, Vol. 5, No. 1, (January 1984), pp. 71-76.
many parents want minority status because recognition makes them eligible for additional student aid, lending, and placement programs.9

My work will not follow this outline on the debate over minority status, nor try to prove the need for minority status for the Arab-American community; at least not in this document. However, the minority status question is important in that it reveals a range of complicated issues that need study and analysis. The most important of these is that the Arab-American community is far from being a cohesive group, and that their lack of homogeneity has in fact caused one part of the community to take positions that will actively harm other segments. The debate over minority status, for example, makes clear that many among the second generation Christians are willing to sacrifice the needs of Muslims in order to maintain their dominant positions in the traditional Arab-American enclave. And, the relatively wealthy U.S.-born segment does not feel compelled to promote the economic integration of Arab-born immigrants and residents. In these cases, bias is the key factor whereby the economic gains of the former group will be relatively small, but the socio-economic consequences to the later group are far-reaching.

Again, the purpose of my work is not to prove the need for minority status among Arab-Americans and Arab immigrants. Rather, my research investigates the impact of biases between Arab-American Muslims and Arab-American Christians because they heighten economic disparities in income, occupational structure, and

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9 A final measure of the debate, put forward by Helen Samhan at the Arab-American Institute (AAI), is that the categorization of "Arab-American" solves the problems of too few people. Rather, she has testified before Congress for a minority categorization by Middle Eastern ancestry, allowing the inclusion of groups like Persian- and Afghani-Americans. This part of AAI's position seems to be widely accepted by Arab-Americans and does not affect the character of the debate I have described. However, there are some Arab-Americans who oppose the proposal for religious reasons, citing the fact that recent immigrants are more likely from the eastern Arab and Persian-related countries which are predominantly Muslim.
access to credit and investment capital. This explains how discrimination against and within the Arab-ethnic community puts Muslims at a costly disadvantage.

A brief outline of my work is presented in the following:

1) presentation of literature reviews from three fields that relate to this thesis. The first of these introduces studies on the economics of discrimination, including a survey of Becker's work. The second reviews writings on immigrant economies, ethnic enclaves, and informal sector employment. The third investigates reasons for intra-ethnic divisions.

2) discussion of evidence about the Arab-American community and how it has changed in the last fifteen years, including a comparative analysis of 1980 and 1990 census data on Arab-Americans. This chapter presents key issues based on new demographic information on changing dynamics within the Arab-ethnic enclave; in it are discussions about how prejudice against Arab-Americans in general and Arab-Muslims in particular has set up the dynamics of discrimination within the community. The determinants of social distance and national enmity are also discussed.

3) presentation of data from the current surveys. Included here are comparison of the size and scale of the business activity and the earnings potential of Arab-American Christians and Arab-American Muslims. Analysis is also presented about Muslims and Christians based on data provided by academics, doctors, engineers, and small business owners.

4) investigation of the possible use of Islamic banks to alleviate finance-gaps in the Arab-American Muslim-community segment, based on their responses to questions measuring their attitudes toward Islamic finance.
The complicated nature of this study requires "a tying together of disparate issues," and an incorporation "into the theory a much richer [discussion of] attitudes and preferences [...] education, training [...] migration; [and discrimination from the perspective of] sociology, law, political science, and history and, to a lesser extent, anthropology and psychology."\(^{10}\) In order to make these connections, I have based my study on research carried out by Becker. In a recent lecture I attended Dr. Becker explained that economists must look implicitly at the cultural, legal, and social dynamics that affect business, education, community, family, and values if we are going to study successfully the distribution of resources between and within groups.\(^{11}\) He and others agree that the "enduring effects"\(^{12}\) of immigration policy and the "changing demographics in the U.S.,"\(^{13}\) force us to realize that "the traditional view of social behavior that economists have used is inadequate."\(^{14}\)

My position is that this call for diverse approaches also recognizes that the economics of discrimination against immigrants and ethnic groups must be measured on a continuum of intensity. Becker's work implies people's biases oscillate between benign, unconscious prejudices to active, conscious racism. In the


\(^{13}\) Crouch, Ronald T. "Old Lies, New Truths: Demographic Realities and Economic Consequences Facing America," *Business Horizons,* (September/October 1993) pp. 9-12. It is important to note that government officials are beginning to fall in line with regard to reinterpreting demographic data. The U.S. Department of Labor, for example, has divided census information into much more usable form. According to their projections by the year 2000 the Asian population will increase the most in the U.S. (22%), followed by Hispanic (221%), Blacks (12%), and Whites (2%). Arabs are not included. U.S. Department of Labor, Bureau of Statistics, Washington, D.C., (1993).

context of discrimination against immigrant groups, social distance as well as perceptions of international enmity define the extent to which people of non-northern European ethnic origins are put at a disadvantage in the traditional occupational structure. This is to say that once codified, and when emotions run high enough, stereotyped reasoning justifies and motivates biased behavior in the labor market. A key measure of the strength of these barriers is the proportion of an immigrant group's participation in small business self-employment. The stronger the barriers to occupational assimilation, the higher the percentage working in entrepreneurship. Without jobs, immigrants turn to self-employment.

To date the majority of research in this area has been done on the causal relationships between stereotypes and occupational structures faced by Blacks and Hispanics, and among women. However, while these studies are numerous—and

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they consistently conclude that discrimination bears high economic and social prices—researchers have only scratched the surface in evaluating the costs of prejudicial hiring practices and biases resulting in employment segregation.\(^\text{16}\)

Much less research has been done on the impact of biased intra-community institutions and within this literature more emphasis needs to be placed on the role of social organizations. In the end, ethnic contact and cooperation within a group works favorably in the assimilation process and helps to build contact with the majority. The inability of a sub-group to participate has adverse economic effects.\(^\text{17}\)

My study evaluates the reported earnings of Arab-American Muslims and Arab-American Christians in an attempt to determine whether discrimination based on religious practices puts one of these sub-community segments at a disadvantage relative to the other. I also look at the proportional numbers of Muslims and Christians who gain their primary incomes from entrepreneurial self-employment to determine the level of occupational segregation, and I investigate differential access to capital between Muslim and Christian owners of small businesses to show that credit discrimination has a long-term effect on immigrant

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sub-group earnings. In fact, there are substantially more constraints placed on Muslim Arab-Americans in terms of access to capital and in the relative openness of employment within the general Arab-American employment structure. While my analysis is almost solely concerned with intra-ethnic disparities within the Arab-American community, this does not exclude discussion of majority/minority conflicts. Rather, this evidence is needed because divisions within the community are often defined or are at least strengthened by the majority-community's willingness to recognize only Christian Arab-Americans within the ethnic assimilation process, which also serves to exclude Muslims (and Palestinians).

I have written up my research in a "cultural studies" or, if you will, in an economic-ethnographic style. More specifically, chapter one presents a myriad of reviews of research literature from anthropology, business, communications, politics, and sociology. These are tied together by two links, the first being that they all address the dynamics of the economics of discrimination, and the second being that they can be applied to the study of the economics of immigration. In both cases, it is impossible to separate "the politics and economics of class," from the discussion because government action is such a vital part of the way the public justifies discrimination. Therefore, the first section of this chapter will introduce the reader to Gary Becker's work on the politics and costs of prejudice as well as his work on human capital development and economic approaches to behavior. There is a battery of articles that have developed around Becker, Chiswick, Light, and Waldinger's respective works (often written and co-published with others), and I

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18 This style is proposed by Joanne Martin as a way to mix cultural, social, and organizational research without biasing the material. See Chapter 2, Cultures in Organizations: Three Perspectives, Oxford University Press, (1992), pp. 22-27
have included much of this literature in my discussion. However, in an effort to be concise, I concentrate on research on biases that affect ethnic group assimilation.

The second section of chapter one looks more specifically at research on immigrant enclaves and ethnic occupational structures. Light's work on immigrant enclaves and Aldrich, Waldinger, and Ward's work (jointly and as individuals) on ethnic entrepreneurs forms the basis of my background research in this area. Like them, I have pulled together in this section discussions on the development of informal economies and ethnic enclaves and the support these socio-economic organizations provide to immigrant groups. For many groups the opportunity to become "middlemen entrepreneurs" is often only available through initial employment in the informal sectors of the economy. In addition, it is important to discuss non-wage compensation such as information distribution, training, and kin-sponsored housing that are often provided by the ethnic enclave. These are services that are available to the American citizenry that are often denied to immigrants. The burden of providing these services will increasingly be shifted to immigrant economic enclaves with the passage of bills like Proposition 187.

The third section of chapter one focuses on the later stages of the ethnic enclave cycle, or more accurately its demise. As assimilation among earlier groups takes place new and fractional sub-groups develop within the enclave. This promotes intra-ethnic competition that usually arises from religiously-based discrimination, the persistence of pre-migration socio-cultural tensions, or the wish by second and third generation ethnics to pursue politically-based strategies for assimilation. In each of these cases intra-ethnic discrimination becomes a severely limiting factor for the community segment that is least like the majority. This leads many immigrants to shun cultural trappings that identify them as minorities, a fact which in turn leads to the demise of the ethnic enclave. In effect, members of the
second and third generations often strive to become part of the majority society and as they succeed, they have progressively less contact with the enclave's foreign-born.

Chapter two is divided into three sections, each of which address specific characteristics of the Arab-American community. The first section provides the context of recent Arab immigration to the U.S. Much change has been forced onto the community in the last decade alone because of a influx of new immigrants. Almost fifty percent of the Arab-ethnic community have moved to the U.S. since 1980. This is a particularly important point in this thesis because slightly over half of the respondents are Arab-born but naturalized U.S. citizens. Understanding the intra-ethnic dynamics of this situation facilitates the accurate analysis of my results. In addition, throughout the text I draw attention to the special situations faced by Palestinians. This sub-group of the Arab-ethnic enclave bear the brunt of the most prejudice from the majority, and also from Arab Christians and Arab Muslims.

The second section of chapter two looks first at barriers that have retarded Arab-American's abilities to assimilate. For the most part this is a discussion of the sources of majority perceptions about Arab-Americans that have caused social distance between these groups. Much of the discussion focuses on government-led discrimination against Arabs, Arab immigrants, and Arab Americans. The level of prejudice against these groups cannot be measured without illustrating how political officials have used anti-Arab and anti-Muslim rhetoric to exclude Arab-Americans from the political mainstream. In this section a key link is made between international enmity and the government's ability to discriminate against an immigrant group, in this case Arab-Americans. In essence, this link reveals why Americans condone the enforcement of social distance from Arab-Americans.

In addition, the third section of chapter two looks specifically at the determinants of intra-ethnic conflict within the Arab-American community. As might be expected, the three largest sources of conflict come from religious discrimination, pre-migration political conflicts, and variant agendas for successful assimilation. The result has been the factionalization of the Arab-ethnic enclave, whose story may be the best example of how an enclave, strong turn-of-the-century, has almost completely disintegrated, leaving new immigrants and Muslim Arab-Americans without significant ethnic support. Here, too, I illustrate how feelings of enmity from the majority toward some Arab groups have created biases within the community that are used to justify discriminatory behavior. This is a central point that has not been addressed: many Arab-Americans want to be identified as white, and they want the community to have an assimilation-conscious social structure that replicates that of the majority. Identification with a minority religion like Islam or classification as an immigrant group threatens this goal. Therefore, Muslims and immigrants are discriminantly excluded from what remains of the Arab enclave.

Chapter three provides the bulk of the quantitative analysis. In the first section I present the primary methodology, including a discussion of both the questions used in the survey and the rationale for selecting the sample population. In addition, the limitations of the survey and the sample groups are identified. The methods used to determine earnings and occupational disparities and finance-gaps are presented at the end of this section. Sections two and three are the longest parts of the dissertation. The first of these sections identifies where earnings disparities and differences in career choices are found within the Arab-American community. In this section I look at religion, national origin, type of citizenship, level of education, field of study, type of occupation, and date of entry into the U. S. as categories for analysis. This analysis revealed that a disproportionate number of Muslims participate in self-employment and small business ownership. Therefore,
I look next at the disparities that exist at the micro-level between Muslim and Christian-owned businesses. Religion is the primary factor explaining differences in earnings and occupations, but businesses are also analyzed on the basis of their date of start-up, their access to capital, and their level of managerial sophistication. National origin is also a factor, especially for the Palestinians. The results show that there are striking differences between these population groups in earnings and access to capital. And, the survey reveals that the breadth of these finance-gaps widen over time and are worst when capital or credit is needed for expansion.

Empirical data is drawn here from responses to the survey distributed to Arab-American members of the Council for the National Interest (CNI) and to supporters of the American-Arab Anti-Discrimination Committee (ADC). The survey's fifty questions were primarily designed to identify socio-economic, commercial, and financial constraints faced by Arab-American business owners and wage earners. In the CNI survey, 1892 questionnaires were mailed and 289 were returned with answers and comments. In the ADC survey, 242 people responded to 1107 questionnaires sent to ADC members who live in Washington, D.C., Maryland, and Virginia. Approximately sixty percent of the respondents were Christian and forty percent Muslim. Cross-referencing was done through the use of SPSSX. The sample groups are admittedly more representative of the wealthier segments of the community, a fact which provides an opportunity for intra-occupational earnings analysis. About one-third of the population owned or managed a small business, twenty-five percent worked in medicine, and ten percent were engineers; ten percent held Ph.D.s, twenty percent held at least an M.A. degree, and over sixty percent held at least a bachelors degree. These education and field population segments also serve as the basis for comparisons between Muslims and Christians.

Next, I felt it was important to try to identify some solution to the Muslim finance-gap problem that I suspected existed in the community. Prior to this
research I had published or co-published several articles on Islamic finance. It therefore seemed appropriate to include in the questionnaire a section on the attitudes of Arab-American Muslims on the potential establishment of Islamic banks in the U.S. The inclusion of this section was fortuitous in that the analysis of earlier sections did indicate that a Muslim-sector finance-gap did exist. Moreover, in the analysis of the Muslim data additional indications of intra-community conflict were found. For example, date of immigration, citizenship, and occupation are also factors determining whether or not a Muslim respondent supports Islamic banking. The results indicate that a bank would be supported, but more importantly they show that prejudice exist in the Muslim segment that will have economic consequences. These results are included in chapter four, which also contains a discussion of problems faced by planners wishing to start an Islamic bank in the U.S.

The fifth and final chapter provides the reader with a discussion of what can be proven and what cannot be proven from this research. In essence, it is clear that Muslims face significantly higher barriers to commercial integration than do Christians. Much of this probably reflects of the majority's willingness to accept trading partners more readily from within Christian ethnic enclaves than from the Muslim sectors of the economy. However, what is more readily determined from my research is that divisions exist in the Arab-American ethnic enclave that put Muslims at a decided economic disadvantage. As a result, they earn less, they have

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less access to capital, and they face a slower process of assimilation. The implications of these intra-ethnic biases and prejudices are discussed in the chapter's conclusion.

This study is critical not only for inclusion in literature about discrimination against Arab-Americans, but also because it attempts to expand the dialogues inspired by Gary Becker's work on economic approaches to understanding the problems of minority communities and Light's, and Aldrich, Waldinger, and Ward's research on the needs and potentials of ethnic and immigrant entrepreneurs. While developing information to help the Arab-American community in general and Muslim Arab-Americans more specifically is my primary goal, it is crucial that economists and other social scientists expand socio-economic research, and that we apply these new approaches to economic planning and public policy decision-making at home, and in our assistance to developing nations. Becker and Light are correct in their assertions that economists, other social scientists, and government planners need new approaches to developing and analyzing information before setting community and national economic policies.
Chapter One Reviews of Literature

This chapter consists of three sections, each serving as a review of literature that influences the work done in this thesis. The first section looks at Gary S. Becker's research on the economics of discrimination. His work does not directly discuss the costs of prejudice against immigrant or religious groups, but he does identify ways in which social biases against minority groups can be measured. In addition, numerous articles have been written which project Becker's methodology into other areas of interest, including the study of immigrant group assimilation. A discussion of most of these articles is included in the first section of this chapter.

The chapter's second section looks at the way immigrant groups progress through the American occupational structure. Scholars have been able to identify a cycle through which immigrants move into informal sector jobs (unregistered, unregulated, or illegal employment) at the beginning stages of their assimilation, and then, as their wealth increases, into middlemen minority relationships with buyers and sellers in majority dominated markets. In many cases immigrant groups use self-employment in these early stages of assimilation and integration as a means of circumventing barriers in the occupational structure for securing higher-than-average incomes. Then, members of successive generations move into professional employment in occupational areas that were not open to their first generation parents and sponsors. It is not unusual, however, for these ethnic professionals to continue to remain economically dependent on the immigrant enclave. The Arab-American experience is closely related to those of many other groups, such as Asians, Cubans, and Jews, whose cases are illustrated in this section.

The final section of the chapter looks into articles on the causes of intra-ethnic conflict. There is little that is written on this subject, but a number of good

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22 See section 1.2.
source materials are drawn from work in related areas. In general, three main sources of intra-ethnic conflict are identified, but the foremost of these is religious discrimination and competition for power between religious denominations.

Religious organizations perform extremely important functions in the growth of on-going socio-ethnic enclaves. On the positive side, churches can function as providers of commercial networks for entrepreneurs, as informal sector facilitators, as educators, and as administrators of social safety-net programs. Churches can also be clients and they can provide immigrants with access to majority contacts who can support their efforts to become middlemen minorities. On the negative side, religious organizations are formed around elitist doctrines about supposedly superior theologies. As denominations develop, they complete for prestige and power. These doctrinal beliefs form the basis of discriminatory and biased behavior, and they project onto communities social hierarchies based on church affiliation.

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24 Also see Milton Gordon, *Assimilation in American Life: The Role of Race, Religion, and National Origin*, Oxford University Press (1964). It is interesting to note along that denominational conflict can be tied to the exclusion of groups from a religion, in a fashion very similar to the ways informal economies develop in response to closed occupational structures. The Black Baptist church is a development of southern slave groups who were Christian converts, but who were not allowed to attend White-dominated churches. The basis of their conversion is equally interesting, because many slave traders attempted to Christianize negroes so that they could sell them at higher prices on the auction block. And there was a push among certain churches, particularly the church of England, to send missionaries into slave camps and markets, etc. in order to make slaves accept their version of Christ. This became a systematic process when the Church of England established the "Society for the Propagation of the Gospel in Foreign parts," which was chartered in England in 1701. It was common, for example, for Negro slave to be given a Christian baptism when they arrived in the U.S. This movement was opposed by many groups who felt it might effect the legal status of slaves if they converted to Christianity. Initial opposition to the Christianizing of the Negro tended to disappear when laws made it clear that slaves did not become free when they accepted Christianity. However, a
For immigrants and ethnic entrepreneurs, inclusion or exclusion from these social and commercial hierarchies often determines one's ability to work within the ethnic enclave. Diversity in socio-economic backgrounds can also cause social avoidance within an enclaval structure, as can the differing goals of generations.

These discussions will set the stage for understanding the perspectives through which this study finds its origins. The research presented here supports the work of earlier scholars in that it clearly identifies the social costs of discrimination.

1.1 The Economics of Discrimination

In 1377 Ibn Khaldun, the great Arab historian and philosopher, wrote in his **Muqaddimah** that the study of "the human social organization, [...] deals with such conditions as, for instance, savagery and sociability, group feelings, and the different ways by which one group of human beings achieve superiority over another." This is to say that the historical and social record of humankind must include some measure of the extent of domination of one class or group over another. By extension, there is a need to study the behavior of groups that have been the recipients of prejudice in the process of domination. The end result is the creation

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state court ruled that a Mulatto who converted was freed, because the combination of racial distinctions and of religious acceptance made it unacceptable to be held in slavery. See Robert W. Fogel, *Time on the Cross: The Economics of American Negro Slavery*, Little, Brown, Vol 2, (1974); Frazier's *The Negro in America*.


of classes within which the majority buys (or forces) the servility of the minority. According to the papers presented at the 1994 and 1995 American Economics Association and American Economic History conferences, this process of subjection is no less a problem now than it was in the time of Ibn Khaldoun's writings.28

Today, in the United States, professionals usually study domination and prejudice as they relate to the implementation of President Roosevelt's Executive Order 8802 on Equal Opportunity, President Truman's Desegregation Act of 1948, the Supreme Court's decisions on Brown vs. the Board of Education in 1954 and Gayle vs. Browder in 1956, Presidents Kennedy and Johnson's 1963 Equal Pay Act and the 1964 Civil Rights Act, or President Ford's 1974 Executive Order 11246 for Affirmative Action.29 Recent Supreme Court decisions led to passage of the Civil Rights Act of 1991.30 While these laws and orders led progress on civil rights, they have not significantly helped minority workers who receive less-than-parity wages, and who face larger-than-average finance-gaps when developing businesses.31 Moreover, the

progress that has been seen by some has become the object of scorn of others. In 1995, for example, the Supreme Court supported a plaintiff's claim that affirmative action programs for a specific racial minority discriminates against other racial minorities. This decision will effectively put an end to the University of Maryland's use of endowed fund specifically developed to recruit Black students to campus. In wake of a similar law suit, the Board of Regents at the University of California has also voted in 1995 to repeal its policies for affirmative action funding and recruiting.

In reaction to these challenges to the ideal of affirmative action, economic, and legal literature has proliferated in the 1990s with titles like "Racism and Its Privileges: The Case of Affirmative Action," "Cultural Diversity or Cultural Discrimination," "The Paradox of Civil Rights," "From Affirmative Action to Affirming Diversity," "A Diversity of Approaches," "Innocence and Affirmative Action," and "Disentangling Gender-Based Affirmative Action," all of which identify failures in social policy, but none provide coherent solutions.


performance. While economists agree on this, achieving consensus on procedures for measuring causes of minority-majority income and financial disparity is a more complicated task. It is difficult to determine, for example, which situations are caused by legal, social, and trade discrimination, and which circumstances relate to individual choices about education, family, and training, and which differences in work patterns and lifestyles are caused by conscious, values-based decisions.39

In addition, I am reminded by Dr. Becker that one must be cautious about the placing of blame for the economic deterrents to minority-group progress.40 While it is true that the black community faces the largest income disparity with other groups, it is also true that that community has the lowest propensity for pursuing education and training. The general population of women have moved economically at a much faster pace than blacks, but both groups have progressed at rates commensurate with their levels of education. It is worth noting that black women have progressed at a faster pace than black (especially young) men. And,

39 I do not use the word "values" with references to the emerging rhetoric used by American religious right wing groups for political reasons. There are legitimate value-based choices that can affect one's level of production. Becker discusses in several of his articles the need for people to make choices between spending time on family-related activities, education, or work, choice which have equally important and positive moral consequences. However, the choice of non-financial activities is not considered prudent by many political leaders. For a recent article on this situation see Eva A. Golebiowska, "Individual Values Priorities, Education and Political Tolerance," Political Behavior, Vol. 17, No. 1, (March 1995), 22-48. It is important to note that value choices that effect economic productivity also revolve around religious convictions. One example is the Amish communities use little automated machinery. This choice more than discrimination has affected the Amish community's per capita output for over a century, first positively and now negatively. For a historical account of the Amish work ethic see Metin M. Cosgel, "Religious Culture and Economic Performance: Agricultural Productivity of the Amish, 1850-80," The Journal of Economic History, Vol. 53, No. 2, (June 1993), pp. 319-331.

A much more negative interpretation of values-based decisions is found in Bijou Yang's "The Economy of Suicide: A Time-Series Study of the U.S.A.," American Journal of Economics and Sociology, Vol. 51, No. 1, pp. 87-101; in which he shows that membership in the Catholic church increases the incidence of suicide. This article also looks briefly at the socio-economic roles of the church. Becker also looks at the phenomenon of suicide in his article "The Economics of Suicide." On the subject of values, he addressed this topic by saying that people must often make a choice between spending time on work activities or on family, leisure, or personal activities. See Becker, Human Capital.

blacks are not self-employed at nearly the same rate as other ethnics, which effectively shuts them out of the assimilation process that has been identified for immigrants.\textsuperscript{41} Among immigrant/ethnic entrepreneurs, too, one must be sensitive to the fact that poor management causes most young enterprises to fail. When studying the reasons why an ethnic firm has failed, one must first see if the business was run efficiently before its failure can be attributed to discrimination. Inefficiency is more often than not the culprit for the demise of ethnic small businesses.

Moreover, it is difficult to determine the properties of discrimination. For example, Executive Order 11246 essentially operates under the disparate impact theory which became popular among public administrators in the 1960s. However, this theoretical framework for investigating discrimination in numerous work force studies finds that unions and other groups have a "low utilization of blacks [and other minorities] but give no evidence of unlawful discrimination."\textsuperscript{42} Is the study of discrimination to be confined to illegal acts? Should disparate impact theory be applied to numbers employed, to the relative earnings of people in the work force, or to the relative wealth of minority communities? What academic field or professional disciplines are best suited to answer these important social questions?

Wage differentials have been the traditional unit for measuring economic discrimination, but many economists see several limitations to dwelling on this approach exclusively.\textsuperscript{43} For example, it is difficult to differentiate between a firm's profit motive from a manager's willingness to discriminate in hiring. Because women and minorities work at lower wages than white men, cost-conscious managers would hire people from these groups to lower expenses and raise profits.

\textsuperscript{41} See section 1.2; and see the special issue of \textit{American Behavioral Scientist}, "Theories of Race and Ethnicity in Social Analysis," Vol. 38, No. 3, (Jan. 1995).
Some recent publications even suggest that increased unemployment "among prime-age men" to the benefit of minority employment would have a positive effect for employers by lowering the general level of wage inflation.\textsuperscript{44} Other studies show that diversity programs "save money in the long term and often even in the short run," as well as increase productivity and raise the quality of management.\textsuperscript{45} And, the fact that opportunity structures and occupational mobility are narrower for women and ethnic minorities means these groups entail lower training costs.\textsuperscript{46}

Another problem is reconciling the fact that even though minority citizens often pay more for the goods and services they buy, people who should be rational sellers discourage their patronage. Research shows, for example, that black men and women pay the highest mark-ups when purchasing automobiles. But, most car dealers and their financiers do not encourage Black trade, and their sales people often assume that women defer purchasing decisions to men.\textsuperscript{47} Because minorities pay higher rates of interest on loans, one would expect that credit managers would rush to fill finance-gaps facing their businesses, or that lenders and agents would recruit minority clients eligible for government loan guarantee programs.\textsuperscript{48} By the same argument, one might expect minority-area "insurance redlining" to cease.\textsuperscript{49}

The logical presumption that the desire for profit would encourage otherwise rational managers to court minority consumers and employees is not born out in fact; therefore, pure theories on profit-maximization and cost-minimization are inappropriate measures of economic prejudice. Data made available through studies of these issues are enormously important, but we must also study attitudinal and social reasons that consumers, employers, and lenders perceive gains from discriminatory policies to be greater than their costs. Darity feels that class-based assumptions are the problem, not conscious racial prejudice, with the black community bearing the brunt of unfair misconceptions. In his view, it is not overt discrimination in the buying, hiring, and lending processes that causes economic disparity, as Ferber or Green suggest, but rather that community stereotypes and federal social policies have stigmatized minority groups (and the plight of ethnics) in the minds of the managerial class, polarizing the "underclass" against the "overclass" geographically, socially, and economically. This creates strong social and occupational structures that work against minorities.


Darity's view is supported by numerous studies on perceptions that justify racial and economic discrimination against people managers have (often unconsciously) defined as members of the "underclass." A 1991 Urban Institute report on hiring discrimination against Blacks and Hispanics found that although progress has indeed been made in reducing process-oriented discrimination in employment searches, although discriminatory practices are still a serious problem. Still, research shows that ingrained negative assumptions about minorities' backgrounds, beliefs, and lifestyles - not articulated policies - set the stage for discrimination. In a study in Chicago and Washington, D.C., for example, where 576 hiring audits were conducted, researchers found few white interviewers who felt that black candidates were innately inferior to white candidates, a common feeling in the 1970s. They did, however, assume that black applicants had less education, social mobility, and less job stability. Consequently, "blacks who received interviews were treated less favorably than their white partners 60 percent of the time." Other studies show that the race of interviewers can affect respondent treatment and responses in public opinion polls, in approaches to research, and in hiring. Studies in several fields suggest that, like the white interviewers,
majority managers, including training officers in U.S. government agencies, assume that minorities have less education, fewer opportunities, lower personal motivation, and inadequate training.55

These assumptions deter further investment in minority education and training,56 which presents a self-fulfilling prophecy about a minority-group's ability to maintain employment in tough economic times and about its inability to demand average or higher-than-average wages.57 This is a particularly important point when studying foreign-born groups who "earn on average substantially less" and who "receive less firm specific training than the native born, [... and] finance a greater portion of the investment in their post-school training."58 However, Chiswick claims that immigrants who invest in education and training tend to outpace the majority over the long-run, which is discussed more later. In addition, Chiswick finds that the first generation's investment in education is often redirected toward developing their children's human capital rather than their own. It is more


important to them to protect their children's access to educational opportunities than it has for them to enter into debates about their own civil rights.59

Literature about stereotypes is replete with information on the negative effects of biased perceptions on compensatory expectations of individuals and employers.60 According to Rosser, uninformed beliefs form the real motivation to adopting discriminatory practices and for pursuing biased economic behaviors.61 Still others show that white men's use of EEOC rules has created a "functional substitutability" in hiring women to meet affirmative action quotas because the white male majority prefers working with white women over blacks.62 And, as Chiswick pointed out above, they prefer to invest in the development of their own race. These "diffuse standards of fairness"63 all too often permeate the work environment and become key barriers to management of EEOC policies, fueling what Mead calls the "hidden job debate"64 over minority employment.

To some degree the work of the social scientists I have discussed who study costs of discrimination has been influenced by Gary S. Becker's investigations,

59 Chiswick, Barry "Sons of Immigrants: Are They at an Earnings Disadvantage?" American Economic Review Papers and Proceedings, Vol. 67, No. 1, (February 1977), pp. 376-380. This article shows that the second generation European white and Asian groups are not at a disadvantage in terms of overall earnings. However, the point Chiswick misses in all of his articles is the key fact that immigrant success is most often tied to participation in self-employment, which is itself a reaction to the discriminatory closing of the occupational structure. I will discuss this in chapter 2


62 Rolison, Gary L., "Nonemployment of Black Men in Major Metropolitan Areas," Sociological Inquiry, Vol. 63, No. 3, (August 1993), pp. 318-329; in addition, the protections that have been offered black men have been substantially different than they have for women, see "Invisible Man: Black and Male Under Title VII," Harvard Law Review, Vol. 104, No. 3, (January 1991), pp. 749-768. It is also true that white or "brown" immigrants are often preferable substitutes for Black male employment. See section 1.3 with particular reference to the situations of Black immigrants.


namely his books *The Economics of Discrimination*, *Human Capital*, and *The Economic Approach to Human Behavior* (cited individually). In these works and others, Becker proposes theories and frameworks "for analyzing discrimination in the marketplace because of race, religion, sex, color, social class, personality, or nonpecuniary considerations," and for studying "the effects of investment [by minority communities] in human capital." It is important to define biases, prejudice, and racism, because they represent different points on the continuum of discrimination investigated in Becker's research. Racism is the belief in the innate inferiority of one group of people, usually based on their skin color, but one must not necessarily act on these beliefs. However, prejudice builds barriers to integration that create "permanent inequality" for some groups and temporary disparities for others, and biases are the skewed ideals that support these barriers. Discrimination is the actual activity that denies access to a person, or the active policy that causes the exclusion of a group. The differences are key because the strength of biases toward a minority community will define the degree of the negative economic impact.

Becker's approach brings two primary innovations to the study of discrimination. The first is the application of international trade theory to

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68 Becker, Gary S., *The Economic Approach to Behavior*, The University of Chicago Press. Also see "Nobel Lecture: The Economic Way of Looking at Behavior," *Journal of Political Economy*, Vol. 3, No. 101, (June 1993), pp. 385-409, which is relied on heavily in this section. I have consulted all of Becker's works, and follow two of his summary articles closely in this section, the first being his Nobel lecture, the second the "excerpt" article "An Economic Theory for Discrimination," eds. Walter E. Block and Michael A. Walker in *Discrimination, Affirmative Action, and Equal Opportunity*, The Fraser Institute, (1982), pp. 127-141. Other notable articles in the collection include Thomas Sowell, "Weber and Bakke, and the Presuppositions of "Affirmative Action," pp. 38-68; Walter Williams, "On Discrimination, Prejudice, Racial Income Differential, and Affirmative Action," pp. 69-102; Walter Block, "Economic Intervention, Discrimination and the Unforeseen Consequences, pp. 103-128. Becker applies his theory to many fields, including criminology and medicine. He is currently working on an economic analysis of suicide because an economic perspective can be applied to the decision to live or die, or to seek medical help, to suffer a potentially difficult remedy, or to end one's life. In this, his work is supported by Bijou Yang, "The Economy of Suicide: A Time-Series Study of the U.S.A.," *The
analysis of commerce between minority and majority communities. By making this connection he shows how increased trade between these groups, or more specifically the exchange of minority-owned labor for majority-held capital, increases the wealth of both communities. Therefore, majority attempts to restrict minorities from financial, managerial, and physical capital intensifies the decline in the general level of income and leads to the contraction of the overall economy. However, attempts by either group to restrict trade imposes maximum harm to the minority group.

Becker's second major breakthrough, the application of sociological/socio-psychological theory to prove that prejudicial activities germinate from "tastes for discrimination," is more directly applicable to the analysis presented in this dissertation. He recognizes the inherent fault in the literature that assumes that individuals discriminate against each other to achieve economic gain. Becker proceeds by assuming that prejudice has direct negative economic consequences for all groups, challenging the notion that the majority gains by exerting prejudice in the market. He proves, to the contrary, that monetary costs are paid by the majority to keep minority traders at arm's length. Willingness to pay this price, to forfeit income that could have been earned, represents the costs of a "taste for prejudice."69

69 Becker's work is not limited to the study of discrimination, but he has applied his theorems in work that investigates various situations where people make less-than-rational choices. In essence, he assumes that people make choices about investing in knowledge and health and other sources of human capital by weighing the price of having none of these resources. Benefits include financial, personal and social gains, whereas costs are measured in terms of time that could be spent on other activities such as attending to family concerns or pursuing leisure activities. On health related issues see Gary S. Becker and Kevin M. Murphy, "A Theory of Rational Addiction," Journal of Political Economy, Vol. 96, No. 4, (August 1988), pp. 675-70; and Becker, Gary S., Grossman, Michael, and Murphy, Kevin M., 'An Empirical Analysis of Cigarette Addiction," The American Economic Review, Vol. 84, No. 3, (June 1994), pp. 396-417. On family management see Treatise on the Family for a discussion on the implications of economic choices leading to marriage, divorce, and childbearing, and on the trade-offs forced on poor families, and also his article with Nigel Tomes, "Human Capital and the Rise and Fall of the Family," Journal of Labor Economics, Vol. 4, No. 3, pt. 2, (July 1986), pp. S1-S39. For discussion of the effects of family on ability to invest in human capital see his article with Kevin M. Murphy and Robert Tamara, "Human Capital, Fertility, and Economic Growth," Journal of Political Economy, Vol.
This concept of prejudice allows parallels to be drawn between the cost of "tastes for discrimination" and the costs of other factors of production such as capital, labor, and materials. It can be assumed, then, that any constraint of a transaction will result in net monetary cost, and any attempts to restrict personal or community growth impede overall economic progress. Becker's use of a "discrimination coefficient" acts as a bridge between money supply and net costs, and it represents the non-pecuniary costs of production to the owner of capital, the non-monetary costs of employment to the employee, and the costs of consumption to the consumer. By including market discrimination, one can see how competitive labor markets become skewed by discriminatory behavior. These actions represent the belief that labor provided by minority workers is an imperfect substitute for labor provided by majority workers. However, this is not a logical assumption because the majority provides the more costly labor, and therefore employing only majority workers raises general costs of production and causes price inflation.

In terms of trade, the situation in which one group would restrict trade with another group leads to economic breakdowns that impede communities' abilities to trade capital-based rents, (usually received by the majority) for labor-based services (usually provided by the minority). According to Becker's theory, people who are willing to enforce their "taste for discrimination" must also be prepared to forego profit opportunities from transactions with minorities. While discriminatory behavior can be caused by prejudice or ignorance, can vary from country to country
and region to region, and can depend on the relative importance of competition, it always detracts from objectivity in the market and reduces total economic income.\textsuperscript{70}

Capitalists who enforce prejudice in labor markets by hiring only majority workers face the greatest losses of income because they are only able to pass on the total costs of discrimination if they have monopsony power in the market. But even if this monopsony over consumers exists, the desire to discriminate would have to be evaluated continuously in order to assess the costs of market control. Majority employers who refuse to consider minority labor applicants make a conscious choice to hire workers whose marginal value product is lower than their marginal costs. However, at some point the costs of discriminatory hiring practices become so high that the incumbent expense erodes economies of scale. Employers must therefore continuously compare (although it may be unconscious) the intensity of their prejudices (and the psychological gains made from acting out discriminatory preferences) with the intensity of their desires to maximize financial net returns. By the same token, customers who refuse to patronize minority-owned businesses have made the decision to limit the purchasing power of their dollars.

There is also evidence suggesting that lenders reject excessive numbers of loan applications from some minority groups, blacks in particular, compared to whites with similar characteristics — illustrating a willingness by banks to forego interest revenues from black consumers. This kind of discrimination is currently

illegal, but there is historical evidence that mortgage discrimination has been actively pursued by American banks, and segregation is facilitated by real estate agents. Moreover, laws written to end overt discrimination have not significantly increased capital distribution to minorities, which means prejudice reflects as well a consortium of biased employer, financier, and consumer attitudes. And, because too few firms pursue non-biases policies, it is difficult to believe that discrimination in labor markets will be removed based solely on the merits of open competition.

Similar debates are present in other fields as well, especially in law, where the system supports the right to "whiteness as a racialized privilege," and as "a traditional form of property." Indeed legal ambiguity present in civil rights legislation creates "symbolic structures" instead of forcing compliance, which implies that the prejudices held by prosecutors are the real cause of the problem.

For example, it is much more likely that cases concerning hate crimes against whites


rather than against Blacks, Hispanics, or gays will be supported by prosecutors, and federal judges of all races impose "harsher treatment on black [and Hispanic] offenders." In addition, some problems are caused by biases in the choices made for case publication within the legal system. Siegelman and Donohue determined "that eighty to ninety percent of employment discrimination cases filed in federal court do not produce published opinions." They found that judges were severely constrained by the lack of published cases, and that their opinions were often changed "in some instances dramatically," when unpublished rulings were made available. Other legal activities are more overtly discriminatory, like the trend seen in the 1990s for strategic requests for demographically-based changes of venue.

The problem may be worse for non-citizen residents living in the U.S. because the assurance of immigrants to operate in a system of fair trial has been seriously challenged in recent years. Specifically, the courts have abdicated from


78 Siegelman, Peter and Donohue III, John J., "Studying the Iceburg From Its Tip: A Comparison of Published and Unpublished Employment Discrimination Cases," Law and Society Review, Vol. 24, No. 5, (1990), pp. 1133-1170. Siegel and Donohue's article is seminal in its importance. However, it is notable that other points are also at issue here, mainly that of case loads facing the courts. A review of this debate can be found in Larry Kramer, "The One-Eyed are Kings: Improving Congress's Ability to Regulate the Use of Judicial Resources," Law and Contemporary Problems, Vol. 54, No. 3, (Summer 1991), pp. 73-98; and Avern Cohn, "A Judge's View of Congressional Action Affecting the Courts," in the same volume.


80 see Aquirre and Baker
their responsibilities toward dealing with foreigners living in the U.S., to the extent that, as Franck puts it, "Aliens ... may not look to judges for help." This issue has led to the critical debate over executive and judicial branch rights in conducting foreign policy, and to Congress's challenge that it held the power of "legislative veto" over the courts on cases concerning immigrants and aliens. The Supreme Court has overruled lower court decisions supporting this proposed veto power precisely because this authority could turn any case involving foreigners into a "political offense" that might be affected by a biased electorate. Allowing this system to stand could deprive alien and immigrant residents, foreign business persons and others of their right to due process and fair trial. However, while the Supreme Court has opposed the legislature's veto power over judges, it has offered little help in solving aliens' legal problems, and, according to Belz, Supreme Court rulings on the rights of immigrants have provided the lower courts with more fodder for confusion than for thought. He outlines a host of contradictory decisions the Court has made on discrimination-related issues within the past twenty years.

These are examples of how courts can, or have tried to, act as majoritarian branches of government. Or, in other cases the courts have been "unable to serve their countermajoritarian function" and in the process set up structures for racial dependency, social panaceas deemed to be race neutral but that maintain support for biased allocations of resources and unfair access to opportunities. The same can be said of the medical profession. For example, recent literature shows that even

81 Various arguments outlining the Courts' abdication in matters of foreign affairs is the focus of Thomas M. Franck's *Political Questions/Judicial Answers: Does the Rule of Law Apply to Foreign Affairs?*, Princeton University Press, (1992); this quotation is found on p. 4; on legislative veto see pp. 90-96; on enemy immigrants see p. 9; on political offense see pp. 151-52.
82 Belz, *Equality Transformed*; see chapters six, seven, and nine.
when clients have adequate insurance coverage, Blacks and Hispanics receive less professional health care treatment. In government sponsored centers, such as veteran hospitals, Blacks and Hispanics are advised to take fewer tests than are whites, they are less likely to receive pain medication, and they are visited fewer times by their doctors during hospital stays. Non-white children are the most victimized, mainly because receptionists assume their parents cannot pay for care.84

Debate over determining an economic rationale for discrimination is further confused by uneven rates of commercial and social assimilation in America's immigrant communities. Cain's study of Irish and Japanese immigrant history in the United States shows that these people suffered great prejudice.85 However, by comparing 1900 and 1970 data on Irish-Americans and 1940 and 1980 data on Japanese-Americans to statistics on white males, Cain illustrates how these immigrant groups developed positive reputations that allowed them to trade with the majority. Their successes are considerably higher than those of Blacks and Africans, (and Hispanics) who "suffer disproportionately,"86 a fact which shows that the scale of discrimination is tilted to their disadvantage. But, this scale's existence adds confusion to the way researchers have traditionally interpreted evidence about socio-institutional progress and socio-economic changes that occur among groups.

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Studies about ethnic groups are also complicated by the need to measure the level of human capital and wealth of a community at the point of immigration. We know that intra-ethnic conflict has developed because even waves of immigrants who came from a given area have made it to America with different amounts of financial capital in tow. For example, European Jews who immigrated in the early stages of World War II with their savings intact have succeeded at a much faster rate than Jews who came as refugees. Because I suspect this is also true for Arab immigrants, my work will make several intra-community comparisons. It is also true that highly educated immigrants more easily move into the U.S. occupational structure, while less-skilled co-ethnics are forced into jobs in the informal sector.

In addition, the notion of using values-based studies to measure economic differentials has seen increasing popularity among researchers of immigrant assimilation. This brings into the rubric a consideration of cultural values, religious affiliation, and the ability of peoples to migrate with class-provided experiences that can be employed in the host country. In this case, are there socio-economic values that produce superior economic returns? If so, how are prices determined for employing those values and experiences in the American labor force? Even if the values argument has merit, it still implies that the majority's perceptions about minority groups' underlying values facilitates or impedes economic assimilation.

However, widely-held prejudices do not always carry an economic cost. Jewish-Americans, for example, are targets of strong religious discrimination, but at the same time their professional progress is widely acknowledged. Their ability to maintain positive reputations and comparative advantages in finance and retail trading has helped Jewish ethnics to mobilize community resources. It can also be said that the intra-ethnic prejudices that have retarded economic growth for many

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87 See discussions and references in section 1.3.
ethnic groups have (until recently) been minimized among Jewish immigrants; that they have successfully battled and overcome many internal social problems.  

The lesson here is that we must consider the "continuum" of racism that builds on perceptions of social distance. Although most geneticists and biologists have abandoned the idea of a scientific concept of race, according to David Muir, most individuals remain 'racist' in the sense of predicking interaction on racial assignments thought to reflect deep physiological differences. Some of these are conventionally recognized 'mean racists.' The remainder, however, could well be considered 'kind racists,' for their seemingly benign tolerance defines limits to integration, and their unreflective perpetuation of the enabling belief in racism, that races exist physiologically, serves as a well-spring for mean racism during times of social crisis.

The result of prolonged racial biases is the creation of social distance between majority and minority. It is unclear whether racism causes social distance between groups or if the "imagined" need for containment of a group causes racism. However, it is clear that the intensity of perceptions of social distance between groups become the measures of which discriminatory behaviors are tolerable.

More specifically,

The concept of social distance refers to a preference to avoid certain kinds of contact with minority groups. In general, the closer the contact (for example living next door as opposed to shopping in the same store) the greater the tendency to maintain social distance or avoid contact. Social distance is, in part, a response to the animosity that characterizes the relations between two groups. This animosity is in turn due to the level of conflict and competition between the

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88 See Orleck's case in section 1.3, and Lieberman's A Coat of Many Colors.
89 Muir, "The Mythic Root of Racism."
groups. [This] perception is not merely selective; it may be distorted by cultural definitions [...] rather than [by] past or present hostility and conflict between the majority and minority groups.91

The effect of social distance is heightened by the "avoidance ethic" or the maintenance of non-confrontational patterns, that, in essence, force separation between people and stigmatized groups whose social character is uncertain, those who are unlike themselves.92 As Greenhouse puts it, the avoidance ethic "links fundamental conceptions of conflict, identity, and values [...] whereby] people prefer avoidance even when it is not in their best interest to do so."93 While the object is to avoid direct conflict, implementation involves separating groups whose perceived values are in conflict. Baumgartner's work illustrates how people in the suburban middle class not only avoid confrontation, but, also deny themselves contact with persons or groups who they believe are offensive. People in these groups are minimalized/marginalized as "others," or are assumed to have poor family backgrounds or bad childhood experiences.94 Accordingly, those who can afford to pay for not being forced to socialize with people who present perceived threats do so by moving to loosely segregated neighborhoods, offices, and schools. This capitalist-social system supports and justifies geographical segregation.95

94 Baumgartner, M.P., The Moral Order of a Suburb, Oxford University Press, (1988), see pp. 127-135; A recent study that supports this assertion is found in Bjorn Harsman and John M. Quigley, "The Spatial Segregation of Ethnic and Demographic Groups: Comparative Evidence from Stockholm and San Francisco," Journal of Urban Economics, Vol. 37, No. 1, (Jan 1995), pp. 1-16. Neither Baumgartner nor I proposed that migration to segregated areas shows malicious or even conscious racism. But, the effects are the same in that social distance creates suburban segregation.
When studying the costs of prejudice, it is also necessary to define the degree of social distance between one group and another because the economic consequences of racism arise in three ways. The first is through hidden or subconscious feelings that commerce (social and economic) should be avoided between groups, and second is that biased behavior becomes conceptually justified during times of social crisis, and third is that a group is considered inferior to the point that its members lose their rights in the market's mind. A significant number of studies have shown that long-standing discrimination against Blacks has been the cause of their continual displacement by immigrants in the U.S. occupational structure. For example, turn-of-the-century Irish immigrants in Boston, displaced Blacks in domestic work, barbering, and other service jobs because it was more socially acceptable to employ Europeans as servants rather than Blacks, and in aristocratic circles it was considered charitable to hire the white, immigrant poor.96

It is important to note that ignorance is as much a part of the problem as malice because most people believe they make choices based on maximum utility to themselves, their friends, their co-ethnics, or their co-workers. However, by using information that is incomplete or inaccurate, the choices that are made are counter productive and make them (especially minority groups) actually lose ground in the marketplace. Or, as Murray showed earlier, many African-American groups believe in a synergism generated within the ghetto community, and they may attempt to assert a sense of security against social humiliation and frustrations, career disappointments, and stereotyping by restricting their commerce to underclass society.97 This helps explain some minorities attempt to restrict majority trade, but according to Becker the real price for avoiding trade is persistent poverty.

96 See footnote 15, 16 for citations on Black displacement by Hispanic and Asians.
97 See the essays in Daniel Patrick Moynahan, ed., On Understanding Poverty, Basic Books, (1969) and the articles on poverty listed in the bibliography.
Inter-group bigotry and tension between ethnic groups also adversely affects minority trade. There is evidence that Greco-Roman enmity affected retail trade in Chicago, for example, and that conflicts between Armenians and Jews, and Chinese and Jews harmed manufacturing on the West Coast, and that animosities between Jews and Muslims have had negative economic consequences. Bell adds to this literature by illustrating how intra-class conflicts between the poor increase overall poverty. However, what can be stated is that the groups who do not restrict trade instead work toward becoming middlemen minorities gain the most wealth.

The role of government agencies in promoting prejudice should be emphasized as a key variable in the institutionalization of tastes for discrimination. Schools, for example, have developed implicit "structural inequalities" that impede the offering of equal education to minorities. Through these structures school employees have the ability to promote or withhold access to investments in basic skills, and employable skills among minorities. Testing agencies have until recently been able to use leading language to segregate people in the educational process, often denying students access to courses and schools. Becker refers to

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98 Perlmutter, Philip, "Intergroup Bigotry and Late Nineteenth and Early Twentieth Century Immigrant Competition, Exploitation and Succession in the United States," Immigrants and Minorities, Vol. 6, No. 1, (March 1987), 84-99.
101 See Light, Waldinger, Zinner and others on middleman minorities, Section 1.2.
this as withholding the inputs for human capital. Becker, Chiswick, Lazear, and Mincer show empirically that a monetary value exists for years of schooling and on-the-job training and experience. This perspective helps explain irregularities in labor markets caused by the prejudices of firms, governments, and schools.

It is increasingly recognized that teachers impose goals or requirements on students based on pre-assigned performance expectations. It is particularly true for immigrant students. For example, "the [U.S. Supreme] Court concluded that" the course curriculum gave the Chinese minority less benefit than the majority from the schools and that this effectively denies them "meaningful opportunity." Denying full participation in the educational system creates a self-fulfilling prophecy about lower academic achievement among immigrant students who enter into the education system, as well as among native Blacks and Hispanics.

Inaccessibility of information can also be the cause of unfair treatment of minorities. One study concluded in 1992 that "recent trends in racial differences in school quality are not nearly as well documented or as well understood as those in the period from 1880 to 1950," mainly because Supreme Court decisions have given powerful reasons for schools to suppress data. Although illegal, these incentives still exist and are used to fortify barriers to integration. Unfortunately, neither

school boards nor the courts have effectively imposed remedies that balance the needs of immigrant students or increased numbers of minority teachers.\textsuperscript{111}

In addition, in a congressional system where members are elected by majority vote, candidates must appeal primarily to the prejudices of the largest voting segment of the population. Political parties and their candidates must therefore promise to protect the perceived interests of the majority, which means that because a principle determinant of tastes for prejudice is popularized misinformation, politicians often promote group fears with the promise to discriminate in favor of majority voters. According to Gladstone, if these "distorted representations" are exploited publicly, "politicians are provided with a sure-fire campaign issue and vote-getter."\textsuperscript{112} Recent elections have proven this to be true.\textsuperscript{113} Once elected, the candidate has the obligation to deliver on her or his campaign promises. This situation has led to the writing of numerous "laws and actions designed to preserve segregation," especially in the American south.\textsuperscript{114}

Government may also induce overt discrimination by withholding services, contracts, and/or bidding information from a community, or by engaging in costly,


\textsuperscript{113} Take, for example, the recent campaigns by David Duke and Jesse Helms; see, Paul Berstein, "Affirmative Action, Jobs and American Democracy: What Happened to the Quest for Equal Opportunity," \textit{Law and Society Review}, Vol. 26, No. 4, (1992), pp. 901-922. Another example is campaigns against gay rights laws in Colorado and Virginia. One must recognize, however, that the threat of persecution by the majority can also rally votes, as was seen in Clinton's campaign.

unwarranted investigations of minority businesses and citizens. These situations have certainly been forced on the Arab-Americans.¹¹⁵ Politicians' abilities to incite crowds and special interest groups to action, such as imposing boycotts and economic sanctions, can also drastically affect minority-group progress. Similar assertions can be made about the effects of segregation in education or about limited access to health care. Moreover, when individual tastes for prejudice become acceptable and legally codified, then the majority's perceived right to discriminate becomes law.¹¹⁶ The passage of proposition 187 in California is a primary example.

According to Becker, "this tie-in of issues may be an important explanation of why minority groups often have a disproportionate[ly small] influence," in government because the system makes it likely that laws passed will compromise the positions of minorities.¹¹⁷ Even if these policies are made without conscious malice and are intended only to promote trade between the government and majority-owned businesses, harm is still caused through imposed disequilibrium in the market. Moreover, resources needed for growth are essentially being withheld,¹¹⁸ which results in low investment in minority and immigrant-group human capital.¹¹⁹ In Becker's view, the withholding of human capital

¹¹⁵ Wright, "Arab-Americans;" also see the discussion in section 2.2.
¹¹⁶ Political rhetoric against blacks was often cited as a reason for lynchings in turn-of-the-century United States. A recent reference to this is found in Charlotte Wolf, "Construction of Lynching," Sociological Inquiry," Vol. 62, (1992) pp. 83-97. It was also true that many groups used these same arguments to entrap freed slave into slavery. On this see Carol Wilson's Freedom at Risk: The Kidnapping of Freed Slaves in America, (Lexington, Kentucky: University of Kentucky Press, 1994).
development is one of the actions people are willing to take in order to enforce their feelings, suspicions, and prejudices, and within this enforcement there is a price people, corporations, and governments are willing to pay to maintain economic inequality, i.e. the willingness of the majority to pay a monetary cost to keep a minority group in a service position. And, because the earnings-gap between groups is increasingly based on demand for technical skills that minorities lack, the withholding of education has in the 1980's and 1990's fostered the development of disincentives for affirmative action hiring. As a result, employers are more likely to forego the hiring of minority workers, or to place them in jobs with few opportunities for training. This situation ensures that the overall price society pays for discrimination is raised.

1.2 Informal Economies and Ethnic Enclaves

This section discusses forces that push immigrant and ethnic groups into certain occupational situations, most notably self-employment and jobs in the informal sectors of economies.\(^{120}\) Therefore, because exclusionist arguments rarely recognize immigrant economic contributions, the effects of anti-immigrant campaigns have had severe consequences,\(^{121}\) and recent events in the U.S. have made self-employment increasingly attractive to immigrants wanting fair incomes and wage stability. For example, ethnic population growth during recent periods of slow economic adjustment has created a backlash against foreigners and fostered

\(^{120}\) This section is modeled after Waldinger, Aldrich and Ward's in *Ethnic Entrepreneurs: Immigrant Business and Industrial Society*, (California: Sage Publications, 1990), but I have added considerably to the bibliography the authors used in their book.

\(^{121}\) A good example of this is provided by M. Briggs Jr. in *Mass Immigration and the National Interest*, M. E. Sharpe, Inc., (1992), in which the author claims that immigrants force economic under-development. It is an easy argument, but not an effective one because, as Harriet Orcutt Duleep points out in her candid review of this book in *International Migration Review*, Vol. XXVIII, No. 2, (Summer 1994), pp. 387-388 the role of immigration in economic growth is complicated and can be very positive. Briggs fails to notice occupational divisions that exist among immigrants, with one group coming as highly educated professionals and other coming as migrant workers or basic laborers. This means they provide little threat to most Americans.
discrimination in various forms throughout the national economy.\textsuperscript{122} These factors are seen in attitudes about immigration policy. The following table shows that Americans favor limiting immigration more now than ever.\textsuperscript{123}

<table>
<thead>
<tr>
<th>Survey Year and Scope</th>
<th>Increased</th>
<th>Kept/Same</th>
<th>Reduced</th>
<th>No Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965\textsuperscript{a}</td>
<td>8</td>
<td>39</td>
<td>33</td>
<td>20</td>
</tr>
<tr>
<td>1977\textsuperscript{b}</td>
<td>7</td>
<td>37</td>
<td>42</td>
<td>14</td>
</tr>
<tr>
<td>1984\textsuperscript{c}</td>
<td>8</td>
<td>38</td>
<td>40</td>
<td>14</td>
</tr>
<tr>
<td>1990\textsuperscript{d}</td>
<td>9</td>
<td>29</td>
<td>48</td>
<td>14</td>
</tr>
<tr>
<td>1992\textsuperscript{e}</td>
<td>5</td>
<td>28</td>
<td>59</td>
<td>8</td>
</tr>
</tbody>
</table>

Clearly, there is a wave of anti-immigrant sentiment in the U.S. that has grown significantly stronger in the last ten years. According to these figures the number of people who feel the level of immigration should be reduced has risen almost fifty percent, and the number who want immigration policy to stay the same has declined by nearly thirty percent. Moreover, the percentage of people with no opinion on the issue of immigration has dropped by forty-three percent. This situation means that the public is taking note of the political debate on this issue.


In response, disproportionate numbers of non-European ethnics opt to become proprietors and workers in informal economies. Indeed, there is much new evidence about the "occupational choices" that are made by foreign-born citizens and residents, some of which have to do with the transferability of skills to the U.S. labor market, and some of which are imposed by xenophobia and discrimination against immigrant groups. This study is important in the 1990s because it is likely that ten percent of the U.S. labor force will be foreign-born residents by the next century. This situation means that ethnic enclaves are bound to gain more influence in the U.S. economy. Therefore, it is more important than ever that we understand how informal economies facilitate assimilation.

Definitions are needed for clarity. First, "the informal economy is defined as all productive and distributive income earning activities which take place outside the scope of public regulation on the macro-societal level." The limits of informal activities need not be illegal, such as drug dealing, employee theft, or prostitution, although crime can increase a criminal's income regardless of the sector of the economy in which that individual is employed. Rather, most entrepreneurs pursue a myriad of legal activities ranging from providing food and guest services, street retailing, and engaging in activities that support tourism, to

panhandling and begging.\textsuperscript{129} Whatever the activity (and even some illegal activities), most research shows informal sector enterprises have a positive effect on their neighborhoods.\textsuperscript{130} For example, seventy-five percent of child care arrangements in the U.S. are made through informal sector arrangements.\textsuperscript{131}

Structural changes in the U.S. economy have also facilitated an upsurge in informal sector immigrant enterprises.\textsuperscript{132} The overall employment impact of manufacturing has declined rapidly in contrast to the growing demand for workers in the service sector. In addition, within service-dominated industries a significant reorganization of the social strata has taken place that benefits people with highly technical training. This has left substantial employment openings in retail and personal services for immigrants; small firms have created the largest proportion of new jobs for immigrant workers.\textsuperscript{133} In response, immigrants aggressively pursue self-employment (9.2 percent of foreign-born vs 7.1 percent of the general employment), and, as Light observes, the ratio of alien to native self-employment grows wider after immigrants have been settled for ten years or more.\textsuperscript{134}

One must distinguish between research on ethnic-immigrant business hierarchies and those of the most widely studied minorities, Blacks and women. The social determinants of these groups' actions are considerably different from those of our new ethnic communities, the barriers they face differ in scope and


intensity, and the strategies they use to overcome social obstacles differ significantly.

For example, Blackford, who traces the historical presence of groups in small business in the U.S., concludes that Black experience with entrepreneurship differs markedly from that of Asians and other immigrant groups.\textsuperscript{135} Other research shows that immigrants' behaviors are "amazingly homogeneous" in cultural contexts, but are heterogeneous when compared with indigenous minorities.\textsuperscript{136} This is certainly true for the various Asian and Middle Eastern groups that have entered the U.S. in this century, and, says Howe, Jewish immigrants have used self-employment as refuges from discrimination.\textsuperscript{137} But this has unfortunately not been the case with most Black groups, nor for most women. Chauvinism and racism against women and Blacks is more deeply rooted,\textsuperscript{138} and second generation ethnics face fewer barriers in their bids to assimilate into majority markets.\textsuperscript{139}

The difficulties blacks face may not be entirely due to racism, but it is certain that immigrant communities have comparatively higher success rates with entrepreneurship.\textsuperscript{140} According to figures from the U.S. \textit{Census of Population}, 11.5 percent of all Koreans and 23.5 percent of Korean men are self-employed,\textsuperscript{141} compared to only seven percent of the general population and less than 1.7 percent

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of Blacks. Russians (mainly Jews) and Lebanese immigrants have the highest rates of business participation, while sub-Saharan groups have the lowest. Iranians have the highest mean incomes for self-employed persons in the largest ancestry groups, while Africans have the lowest. Also, with groups like "Africans," "Arabs," "Jews," "Muslims," etc., or when discussing immigrants from one, it is important to realize coterminous categorizations of these people are not reliable because "ethno-religious subgroups" may be the more important determinant of ethnicity.

It is an interesting side-note that the top ethnic groups with the highest rates of self-employment have Semitic cultural origins. Debates on the reasons for these differences invoke complicated arguments about ethnicity, occupational structures, racism, and the enforcement of biased and exclusionary federal policies. Some studies assert that groups are motivated by entirely different goals, while other research explains the difference by pointing to majority-led discrimination. Light and Bonanvich propose that immigrant groups bring with them predisposing, cultural endowments that facilitate entry into a given industry. Waldinger,
Aldrich and Ward assert that group predispositions to certain types of business activities, the depth of migration network channels that recruit co-ethnics into certain fields of employment, disparate home-country views about status and mobility, and different concepts of competition and self-exploitation all motivate variant ethnic group behaviors. Chiswick argues that immigrants are forced by the lacking support systems to be more creative in applying their human capital skills, and for identifying niches that are missed or ignored by native entrepreneurs. In the long run this leads them into higher-than-average earnings classifications.

Still, as Vesper points out, the impetus for starting a business is comparable among all entrepreneurs: job creation. According to him, and later to Blackford, the tendency to pursue self-employment increases when economic factors reduce industrial employment, or when community support networks fail. Portes and Sennebrenner recognize that immigrant groups have certain social networks or affiliations that compensate for services not offered by the broader society. These networks affect immigrants' behavior and to some extent determine their actions.

148 Waldinger, Aldrich and Ward, p. 31. Bates makes a similar point about human capital and the viability of sustaining minority businesses, although he frames the implications in terms of cultural and social incentives for developing human capital within a community. See Bates, Timothy, "Entrepreneur Human Capital Endowments and Business Viability," Journal of Human Resources, Vol. 20, (1985), 540-554. McGarth and Macmillan make another observation that is somewhat opposed to these views. They claim that, regardless of culture or nation-of-origin, "there is a basic set of beliefs that entrepreneurs hold about themselves" that lead to business success. This argument support Chiswick's idea that immigrants are more likely to be successful via the self-selection process that would cause them to emigrate. See McGarth, Rita, and Macmillan, Ian, "More Like Each Other Than Anyone Else? A Cross-Cultural Study of Ethnic Perceptions," Journal of Business Venturing, Vol. 17, No. 5, (September 1992), pp. 419-420. See also in this edition Yang, Elena A., and Tasi, William, "Does Culture Endure, or is it Malleable?" pp. 441-458.
and goals because the loss of these support services could have severe consequences. Therefore, the cultural traits that exist in the home country are often re-emulated within an ethnic group's socio-economic enclave when it is created in the U.S.152

Small enterprises and ethnic enclaves have traditionally played a major role in the economic progress of immigrant groups, as has been documented by research on native Americans, Asian Indians, Cambodians, Chinese, Cubans, Greeks, Irish, Israelis, Italians, Japanese, Korean, Laotians, Lebanese, Palestinians, Macedonians, Mexican, Persians, Poles, and Vietnamese, among others.153 In most cases, lacking access to job opportunities and discriminatory wages force immigrants into self-employment. In major city centers and states like California, Florida, New Jersey,
New York, and Texas, ethnic self-employment is above ten percent, particularly in the service and retail industries like restaurants, taxi driving, and street vending.\(^{154}\)

The first steps toward securing self-employment are usually taken in the informal sectors of the economy.\(^{155}\) Increasing evidence suggests that economic and social polarization and the increasing technical restraints in industrialized nations have led to greater proliferation of small firms in the informal sector.

\(^{154}\) The patterns of state-by-state immigration are as follows. They are also divided by the reasons for visa issuance, which illustrates other dynamics in the process.

**Table 1a**
Patterns of Immigrant Settlement by State and Metropolitan Area, 1990

<table>
<thead>
<tr>
<th>State</th>
<th>Refugees/Asylees</th>
<th>IRCA Applicants</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>33</td>
<td>54</td>
</tr>
<tr>
<td>Florida</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>Illinois</td>
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<td>5</td>
</tr>
<tr>
<td>New Jersey</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>New York</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Texas</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>Metropolitan Area</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Los Angeles-Long Beach</td>
<td>17</td>
<td>27</td>
</tr>
<tr>
<td>New York</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>Chicago</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Anaheim-Santa Ana</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Houston</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Miami</td>
<td>7</td>
<td>2</td>
</tr>
</tbody>
</table>


especially in urban population centers. However, over time informal sector business owners attain middlemen status so that they begin to bridge the gap between the formal and informal sectors. A "fluid process" develops through which an immigrant firm gains access to the formal economy. In addition, Waldinger identifies a cycle that exists that encourages immigrant employment to move between industries, especially among second and third generation groups. First, immigrant groups tend to work in guest-services positions—cleaning, laundry, food preparation—where language and social skills requirements do not present barriers to entry; jobs where gratuities are part of the wage package also provide a compromise between employment and entrepreneurship. Second, as they gain experience, the more aggressive members of the group pursue self-employment, which provides greater income to the community as a whole. Finally, members of the group's second and third generations tend to use their enclaval experiences and cultural backgrounds to move into mainstream occupations.

Stepick provides further explanations on the immigrant employment cycle in his study of Miami's informal economy. His work investigates the affects of occupational mobility and social-political discrimination, saying that "the existence and growth of each informal sector is attributed to both immigration and racism." He also claims that three factors account for informal sector employment in the


159 Aldrich, Waldinger, and Ward.
Hispanic community: "economic deprivation," "ethnic antagonism, and the broader society's rejection of immigrants," which creates social distance between groups. In effect, social distance, perceptions of international political affiliations, and poverty force groups to pursue atypical, informal sector buying and selling activities, and in the extreme, criminal occupations. Over time, however, informal economies become systematic and sophisticated organizations offering networks of advertising, distribution, and financial and marketing enterprises. When opportunity structures are closed too tightly, the hidden economy becomes revolutionary in that it allows victims of bias and exclusion to earn fair wages; the less wages an individual has to forfeit, "the more likely they are to undertake an entrepreneurial activity," and the more likely they are to gain earnings that were being withheld. As financial stability is achieved, politically powerful commercial networks develop which business owners can use to force entry or purchase acceptance into formal sector markets. Some scholars claim this is a necessary part of the economic assimilation process, and therefore, that laws meant to impede informal sector socio-economic growth restrain rises in overall income.

161 A. G. Cuzan, "The Rise and Fall of Violence Theories.
1.2.1 The Dynamics of Ethnic Group Performance

While the definition of an informal economy is ultimately broad, the concepts of ethnic economy and ethnic enclave are comparatively narrow; both terms refer to "an immigrant or minority business and employment sector that coexists with the general economy." Neither an ethnic enclave, a term derived from labor segmentation literature, nor an ethnic economy, a term derived from middleman minorities literature, necessarily operate outside the formal economy. However, ethnic businesses often use informal networks to recruit employees and distribute products, and in this process they tend to shape the specialization of their enclaves because the established self-employed become agents for capital development and mobilization. In addition, these merchants establish commercial correspondence with majority-controlled formal sectors, while simultaneously expanding the profitability of the enclave. And as the original enterprises change in direction and size the experienced members of the immigrant firm branch out and establish new businesses and careers that are unrelated to the ethnic enclave. Still, this branching-out process creates new demands for ethnically-supplied goods and services.

Groups that have fared best in this process have been named "middlemen minorities," mainly people with Asian and Semitic ancestry, who are self-employed at twice the national average immigrant rate. European immigrants follow average patterns for business participation, while Hispanics and Africans

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168 Recent research has shown that this process has also allowed several ethnic groups to gain political influence in areas such as foreign policy. See Yossi, Shain, "Ethnic Diasporas and U.S. Foreign Policy," Political Science Quarterly, Vol. 109, No. 5, (Winter 1994-1995), pp. 811-842.
show the lowest tendencies toward self-employment. These rates of participation
are reflected in groups' self-employed incomes, led by Semites and Asians, and
followed at the greatest remote by Hispanics and Blacks. Data illustrating these
patterns of entrepreneurial self-employment are reflected in the following tables.

Table Two
Business Participation Rates of the 50 Largest U.S. Ancestry Groups, 1980
(ranked highest to lowest)

<table>
<thead>
<tr>
<th>Ancestry Group</th>
<th>Business Participation Rate</th>
<th>Ancestry Group</th>
<th>Business Participation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Russian</td>
<td>117.4</td>
<td>27. English</td>
<td>59.6</td>
</tr>
<tr>
<td>2. Lebanese</td>
<td>106.6</td>
<td>28. Finnish</td>
<td>53.3</td>
</tr>
<tr>
<td>3. Rumanian</td>
<td>104.3</td>
<td>29. French</td>
<td>51.9</td>
</tr>
<tr>
<td>4. Swiss</td>
<td>104.2</td>
<td>30. Polish</td>
<td>51.6</td>
</tr>
<tr>
<td>5. Greek</td>
<td>94.9</td>
<td>31. Yugoslav</td>
<td>50.2</td>
</tr>
<tr>
<td>6. Armenian</td>
<td>94.5</td>
<td>32. Irish</td>
<td>49.7</td>
</tr>
<tr>
<td>7. Danish</td>
<td>93.2</td>
<td>33. Canadian</td>
<td>49.2</td>
</tr>
<tr>
<td>8. Syrian</td>
<td>92.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Norwegian</td>
<td>88.2</td>
<td>National Average</td>
<td>48.9</td>
</tr>
<tr>
<td>10. Austrian</td>
<td>85.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Czech</td>
<td>76.9</td>
<td>34. Cuban</td>
<td>47.9</td>
</tr>
<tr>
<td>12. Swedish</td>
<td>76.2</td>
<td>35. Asian Indian</td>
<td>47.1</td>
</tr>
<tr>
<td>13. Belgian</td>
<td>74.7</td>
<td>36. French Canadian</td>
<td>45.6</td>
</tr>
<tr>
<td>14. Latvian</td>
<td>74.4</td>
<td>37. Portuguese</td>
<td>42.9</td>
</tr>
<tr>
<td>15. Welsh</td>
<td>72.4</td>
<td>38. Slovak</td>
<td>35.3</td>
</tr>
<tr>
<td>17. Scottish</td>
<td>69.7</td>
<td>40. Colombian</td>
<td>30.1</td>
</tr>
<tr>
<td>18. Korean</td>
<td>69.2</td>
<td>41. Ecuadorian</td>
<td>22.7</td>
</tr>
<tr>
<td>19. Hungarian</td>
<td>68.3</td>
<td>42. Filipino</td>
<td>22.4</td>
</tr>
<tr>
<td>20. Lithuanian</td>
<td>68.1</td>
<td>43. Jamaican</td>
<td>21.5</td>
</tr>
<tr>
<td>21. German</td>
<td>68.1</td>
<td>44. Hawaiian</td>
<td>20.3</td>
</tr>
<tr>
<td>22. Iranian</td>
<td>66.4</td>
<td>45. Mexican</td>
<td>18.6</td>
</tr>
<tr>
<td>23. Japanese</td>
<td>64.8</td>
<td>46. Vietnamese</td>
<td>16.5</td>
</tr>
<tr>
<td>24. Chinese</td>
<td>60.2</td>
<td>47. Haitian</td>
<td>15.5</td>
</tr>
<tr>
<td>25. Italian</td>
<td>59.9</td>
<td>48. Dominican</td>
<td>14.6</td>
</tr>
<tr>
<td>26. Ukrainian</td>
<td>59.7</td>
<td>49. sub-Saharan African</td>
<td>13.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>50. Puerto Rican</td>
<td>10.6</td>
</tr>
</tbody>
</table>
Table Three
Mean Income of Self-Employed Persons in the 50 Largest U.S. Ancestry Groups, 1980 (ranked highest to lowest)

<table>
<thead>
<tr>
<th>Ancestry Group</th>
<th>Mean Income</th>
<th>Ancestry Group</th>
<th>Mean Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Iranian</td>
<td>$31,370</td>
<td>National Average</td>
<td>18,630</td>
</tr>
<tr>
<td>2. Russian</td>
<td>30,270</td>
<td>27. Portuguese</td>
<td>18,570</td>
</tr>
<tr>
<td>3. Asian Indian</td>
<td>29,800</td>
<td>28. Korean</td>
<td>18,503</td>
</tr>
<tr>
<td>4. Filipino</td>
<td>27,800</td>
<td>29. Dutch</td>
<td>18,470</td>
</tr>
<tr>
<td>5. Rumanian</td>
<td>26,530</td>
<td>30. English</td>
<td>18,370</td>
</tr>
<tr>
<td>6. Austrian</td>
<td>26,210</td>
<td>31. Canadian</td>
<td>18,350</td>
</tr>
<tr>
<td>7. Lithuanian</td>
<td>25,900</td>
<td>32. Irish</td>
<td>18,290</td>
</tr>
<tr>
<td>8. Lebanese</td>
<td>24,180</td>
<td>33. Colombian</td>
<td>18,170</td>
</tr>
<tr>
<td>9. Lebanese</td>
<td>24,180</td>
<td>34. German</td>
<td>18,090</td>
</tr>
<tr>
<td>10. Syrian</td>
<td>23,630</td>
<td>35. Czech</td>
<td>17,510</td>
</tr>
<tr>
<td>11. Hungarian</td>
<td>23,390</td>
<td>36. French</td>
<td>17,320</td>
</tr>
<tr>
<td>12. Ukrainian</td>
<td>22,170</td>
<td>37. Cuban</td>
<td>17,510</td>
</tr>
<tr>
<td>14. Greek</td>
<td>21,140</td>
<td>39. French Canadian</td>
<td>16,730</td>
</tr>
<tr>
<td>15. Yugoslav</td>
<td>21,000</td>
<td>40. Slovak</td>
<td>16,400</td>
</tr>
<tr>
<td>16. Polish</td>
<td>20,950</td>
<td>41. Jamaican</td>
<td>15,320</td>
</tr>
<tr>
<td>17. Belgian</td>
<td>20,820</td>
<td>42. Hawaiian</td>
<td>14,700</td>
</tr>
<tr>
<td>18. Scottish</td>
<td>20,520</td>
<td>43. Finnish</td>
<td>14,420</td>
</tr>
<tr>
<td>19. Welsh</td>
<td>20,450</td>
<td>44. Ecuadorian</td>
<td>14,160</td>
</tr>
<tr>
<td>20. Italian</td>
<td>20,170</td>
<td>45. Dominican</td>
<td>13,870</td>
</tr>
<tr>
<td>22. Haitian</td>
<td>19,100</td>
<td>47. American Indian</td>
<td>13,110</td>
</tr>
<tr>
<td>23. Chinese</td>
<td>18,980</td>
<td>48. Vietnamese</td>
<td>11,500</td>
</tr>
<tr>
<td>24. Danish</td>
<td>18,920</td>
<td>49. Puerto Rican</td>
<td>11,490</td>
</tr>
<tr>
<td>25. Swiss</td>
<td>18,830</td>
<td>50. Sub-Saharan African</td>
<td>11,260</td>
</tr>
</tbody>
</table>

According to the President's *The State of Small Business*, Asians dominate immigrant business participation in volume of firms owned, sales per enterprise, and number of employees per firm.\(^{170}\) However, the report does make it clear that serious commercial segregation is present among the immigrant self-employed; they are three times less likely to own businesses in finance or wholesale trade, and they are half as likely to own manufacturing concerns. According to Waldinger,

\(^{170}\) Information is not published on Arab ethnics or immigrants from Middle East.
Aldrich, and Ward, prejudice is most often the culprit of this segregation because "natives desire to maximize social distance from immigrants."\textsuperscript{171} The concentration of minority-owned businesses in the personal and retail service sectors is equally significant because it is also an indication of occupational exclusion in other industry sectors.\textsuperscript{172} Statistics that illustrate these confining/inclusive occupational distributions are shown below.

Table Four
Characteristics of Minority-Owned Business

<table>
<thead>
<tr>
<th>Group Size</th>
<th>Business Ownership as % of Group Size</th>
<th>Number of Firms (thousands)</th>
<th>Sales per Firm (dollars)</th>
<th>Firms with Employees (thousands)</th>
<th>Percentage of Firms with Employees</th>
<th>Employees per Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>6.4</td>
<td>14,545.7</td>
<td>473.5</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>Asians</td>
<td>5.5</td>
<td>255.6</td>
<td>70.1</td>
<td>49.3</td>
<td>19.3</td>
<td>4.7</td>
</tr>
<tr>
<td>Koreans</td>
<td>9.0</td>
<td>31.8</td>
<td>84.2</td>
<td>7.9</td>
<td>24.8</td>
<td>3.1</td>
</tr>
<tr>
<td>Asian Indians</td>
<td>7.1</td>
<td>25.5</td>
<td>65.0</td>
<td>6.3</td>
<td>24.7</td>
<td>3.2</td>
</tr>
<tr>
<td>Japanese</td>
<td>7.0</td>
<td>49.0</td>
<td>55.6</td>
<td>6.8</td>
<td>13.9</td>
<td>4.7</td>
</tr>
<tr>
<td>Chinese</td>
<td>6.6</td>
<td>52.8</td>
<td>115.0</td>
<td>14.1</td>
<td>27.7</td>
<td>6.5</td>
</tr>
<tr>
<td>Filipinos</td>
<td>3.4</td>
<td>26.4</td>
<td>28.2</td>
<td>3.0</td>
<td>11.4</td>
<td>2.7</td>
</tr>
<tr>
<td>Vietnamese</td>
<td>2.0</td>
<td>5.2</td>
<td>41.1</td>
<td>2.3</td>
<td>44.2</td>
<td>2.0</td>
</tr>
<tr>
<td>Hispanics</td>
<td>1.7</td>
<td>248.1</td>
<td>60.4</td>
<td>39.9</td>
<td>16.1</td>
<td>2.0</td>
</tr>
<tr>
<td>Cubans</td>
<td>4.6</td>
<td>36.6</td>
<td>58.7</td>
<td>5.2</td>
<td>14.2</td>
<td>4.3</td>
</tr>
<tr>
<td>Mexicans</td>
<td>1.6</td>
<td>143.2</td>
<td>50.1</td>
<td>24.1</td>
<td>16.8</td>
<td>4.4</td>
</tr>
<tr>
<td>Puerto Ricans</td>
<td>0.7</td>
<td>14.7</td>
<td>45.8</td>
<td>1.7</td>
<td>11.6</td>
<td>3.3</td>
</tr>
<tr>
<td>Blacks</td>
<td>1.3</td>
<td>339.2</td>
<td>36.7</td>
<td>38.6</td>
<td>11.4</td>
<td>4.3</td>
</tr>
</tbody>
</table>

\textsuperscript{171} Waldinger, Aldrich and Ward, p45.  
\textsuperscript{172} Blackford, p102.
Table Five
Industry Distribution of Minority-Owned and All Businesses, 1982 (percentage)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Total Population %</th>
<th>All Minorities %</th>
<th>Asians %</th>
<th>Blacks %</th>
<th>Hispanics %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>3.6</td>
<td>2.8</td>
<td>4.5</td>
<td>1.4</td>
<td>2.9</td>
</tr>
<tr>
<td>Mining</td>
<td>1.6</td>
<td>0.2</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Construction</td>
<td>10.7</td>
<td>7.4</td>
<td>4.8</td>
<td>6.8</td>
<td>10.8</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>3.7</td>
<td>1.5</td>
<td>1.7</td>
<td>1.2</td>
<td>1.7</td>
</tr>
<tr>
<td>Transportation</td>
<td>4.0</td>
<td>5.3</td>
<td>2.9</td>
<td>7.2</td>
<td>5.3</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>4.1</td>
<td>1.4</td>
<td>1.7</td>
<td>1.1</td>
<td>1.5</td>
</tr>
<tr>
<td>Retail trade</td>
<td>19.6</td>
<td>25.5</td>
<td>28.5</td>
<td>24.8</td>
<td>23.5</td>
</tr>
<tr>
<td>Finance</td>
<td>14.5</td>
<td>4.9</td>
<td>6.0</td>
<td>4.4</td>
<td>4.5</td>
</tr>
<tr>
<td>Services</td>
<td>36.9</td>
<td>41.6</td>
<td>41.2</td>
<td>43.4</td>
<td>39.6</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The persistent presence of immigrants in self-employment reflects the relationship between the U.S.'s structural adjustments and the need for ethnic entrepreneurship. The strength of this relationship is tied to the overall demands for labor because it is the lack of recognized and lucrative opportunity structures that motivates entrepreneurship. In times when labor importation is needed, formal sector wages are often high enough to preclude bearing the risks of self-employment. However, if the formal sector will not provide jobs, immigrants turn to self-employment; immigrants see "ethnic entrepreneurship as a possible avenue out of disadvantage" and proprietorship as an "avenue for social

mobility." As their firms grow, they begin to "trade off the costs and benefits of employment in either sector," and move into the formal sector.

There are both positive and negative aspects to the process of ethnic economic development. As to their positive contributions, ethnic businesses usually respond to the needs of a neglected population segment, and they tend to function in market niches too small to be serviced by mainline competitors. Sandberg asserts that entrepreneurs, in general, understand "the value of niche-filling as opposed to broadly defined, differentiated strategies." For ethnic entrepreneurs, the goal is to identify markets within a concentrated immigrant community. This strategy gives their businesses considerable market protection during start-up, and it allows them to create profits in niches where there are few competitors. In addition, an ethnic employee's intricate knowledge of the special dynamics for providing customer service in this niche market often gives the firm a level of monopsony.

Ethnic business owners are not always from the group that makes up an area's primary population. Black and Hispanic neighborhoods, for example, are not necessarily dominated by Black or Hispanic-owned firms. Studies on U.S. communities show that neighborhood stores in predominantly Black areas are

179 Blackwood discusses briefly the venturing of Korean firms "into Black neighborhoods lacking basic business services." p.103.
181 Aldrich, Howard; Cater, John; Jones, Trever; McCoy, David; and Velleman, Paul, "Ethnic Residential Concentration and the Protected Market Hypothesis," Social Forces, Vol. 63, No. 4, (June 1985), pp. 996-1009.
more likely owned by Korean and Arab immigrants. This may be due as much to financial constraints as it is due to aggressive marketing management. In many cases, immigrant firms often locate in the inner-city where lower property costs allow space to be obtained with little capital. Moreover, the low capital costs associated with street vending and peddling has lead to an upsurge in these businesses. According to one study, this form of retailing is seen by many ethnic entrepreneurs as an interim step to owning a formal retail establishment.

Moreover, ethnic entrepreneurs can often mobilize the internal economic and social resources necessary to bring needed goods and services to a local market. In addition, they provide unrelated services, such as translation and newcomer employment. In return, immigrants reward co-ethnic merchants in the enclave by purchasing their goods and services, often at higher than average prices.

More importantly, the ethnic community can provide an initial base for marketing and networking. Zenner refers to this basis for business as the "internal cleavages" of an ethnic community, and he claims their existence is of primary importance to the ethnic entrepreneur. Using Jewish immigrants as his


184 Waldinger, Aldrich and Ward also cite Wilson's paper to the Rockefeller Foundation with Lois J. D. Wacquant on "Beyond Welfare: Poverty, Joblessness and the Social Transformation of the Inner City," which I could not obtain.


189 Zenner, Walter P., Minorities in the Middle: A Cross-Cultural Analysis, State University of New York Press, (1991), p69. Zenner spends much time developing the idea that minorities are driven into entrepreneurship by discrimination. Moreover, he claims they never escape prejudice, even after a substantial part of the group become wealthy. He uses Jews as his major population of study. The
main population of study, he illustrates the process through which a group gains acceptance through its economic enterprises. Internal cleavages, or ethnic enclaves, provide a business with the support it needs to survive the initial periods of instability and fragile liquidity.\textsuperscript{190} He, along with Aldrich and Dubini, identify ritualistic organizations as the most effective means to consolidate ethnic support, i.e. membership in ethno-religious groups and business associations, all of which tend to develop around socio-economic and socio-geographical areas, raise the probability that an ethnic's entrepreneurial venture will succeed.\textsuperscript{191} It is also through these groups that connections between the ethnic manager and the \textit{noblesse oblige} grow and become economically and politically effective.\textsuperscript{192}

In addition, "studies have corroborated the hypothesis that family ties and co-ethnic bonds are instrumental in the growth of ethnic enterprises."\textsuperscript{193} This seems to be especially true with regard to ethnic information networks that are managed by immigrant women.\textsuperscript{194} Yamanaka and McClelland's study found that Asian

\begin{itemize}
\item Zenner, p. 41.
\end{itemize}
women show "striking heterogeneity" in the use of "collective resources [... that lead to] labor force participation and methods of income attainment."\textsuperscript{195} For example, Vietnamese women in Philadelphia use enclaval networks to facilitate job "patchworking" for creating family income.\textsuperscript{196} Hondagneu-Sotelo found that undocumented Mexican women use regular social contact for "collectivising and information sharing,"\textsuperscript{197} as means for managing their careers in domestic work. Segura found that Chicano women use kinship networks for rationing child care responsibilities among working mothers.\textsuperscript{198} Touminen found that ethnic social groups facilitated immigrant women's earnings in the home child care industry.\textsuperscript{199}

In many immigrant communities service in a kinship network is part of the relocation experience.\textsuperscript{200} People often move under the sponsorship of kin and with certain obligations embedded in the agreement, which create interdependencies between new immigrants and established settlers.\textsuperscript{201} This brings us to the discussion of the negative side on ethnic economic enclave development. There is


\textsuperscript{197} Hondagneu-Sotelo, Pierrette, "Regulating the Unregulated?: Domestic Workers' Social Networks," \textit{Social Problems}, Vol. 41, No. 1, (February 1994), pp. 50-64.


much debate about whether these "interdependencies" are exploitative of the new immigrant. Some scholars argue that new and illegal immigrants tend to work in the informal sector, where workers have little protection against unethical treatment by employers. In addition, family-owned businesses often survive on little capital and thin profit margins because of their use of nominal salaries, which implies family labor exploitation. They claim the next result is high earnings for the ethnic entrepreneur and the lowest of all wages for the immigrant employee.

Other research shows that the labor-in-return-for-sponsorship system provides a number of payment in-kind benefits, such as apprenticeships and training. And we know that minority groups that foster community-oriented, business-mentoring processes are able to mobilize more social capital in the marketplace. In many cases the training an immigrant earns in an ethnic or family firm provides experience that can later be sold in the formal sector's occupational structure, or it raises the likelihood that the trainee will see entrepreneurial success and profitability. Therefore, many argue that what may


seem to be exploitative in terms of real wages may be considered less so when viewed in terms of social wages and skills development.\textsuperscript{207} Additional benefits accrue to the owners of ethnic businesses. For them, hiring co-ethnics can increase the ability of a firm to promote intra-community cooperation and word-of-mouth marketing outreach.\textsuperscript{208} Moreover, ethnic firms that sell specialized products can decrease training costs and increase culture-conscious customer service by hiring co-ethnics. Ease of management and employee commitment can also be built on cultural and kinship interests. Finally, co-ethnic hiring provides protection against market intrusions into the enclave by other groups. In effect, the support a business gives its enclave is reflected in loyal patronage behavior toward the firm.\textsuperscript{209}

There are also a variety of examples where ethnic enclaves have become facilities for mobilizing community savings. Examples include Korean immigrants in Los Angeles who have developed rotating credit associations;\textsuperscript{210} Israeli immigrants who have access to Jewish loan societies that finance business ventures for religious-ethnic entrepreneurs;\textsuperscript{211} and a few Muslim concerns who use Islamic lending to finance consumer goods purchases.\textsuperscript{212} Some ethnic lenders follow aggressive credit policies to promote urban community growth.\textsuperscript{213} Financial

\textsuperscript{207} Aldrich, Howard E., "Using an Ecological Perspective to Study Organizational Founding Rates," \textit{Entrepreneurship Theory and Practice}, Vol. 14, No. 3, (Spring 1990), pp. 7-24. Also see the citations about Macedonian immigrants in restaurant employment that are discussed in section 1.3.

\textsuperscript{208} Waldinger, "Ethnicity and Entrepreneurship."


\textsuperscript{210} Light, Ivan; Kwuon, Im Jung and Zhong, Deng, "Korean Rotating Credit Associations in Los Angeles," \textit{Amerasia}, Vol. 16, No. 1, (1990), pp. 35-54.


\textsuperscript{212} See articles and advertisements in the \textit{American Journal of Islamic Finance}.

facilities like these have the potential to affect greatly immigrant communities' abilities to generate short-term employment and long-term wealth.

Still, even with the benefits offered by enclaves and kinship consortiums, most ethnic businesses cannot sustain growth without penetrating larger markets because the relative size of a community limits a firm's potential for growth. There are exceptions to this statement, but situations where the immigrant community continuously grows at high rates are short-lived and tend to occur in connection with refugee displacements. Therefore, the structure of the ethnic economy will necessarily change as business interests grow and as later generations enter the mainstream. As this process evolves, the benefits of ethnic networks, strongest during the initial years of settlement, begin to dissipate when groups gain access to larger communications networks and further-reaching support systems. This cycle allows new immigrants to become replacement workers for groups that have achieved upward mobility. And as generations of ethnic merchants evolve, the ethnic group's opportunity structures become increasingly progressive.

However, entry into the majority market is often difficult because of challenges that face immigrant-owned firms. These include a lack of real government support for minority-business enterprises (MBE), ineffective conduits

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214 There are notable exceptions to this point. One is that an immigrant group could continually expand beyond the capacity of its own businesses and professionals. Research shows this continues to be the case with the Cuban community in Miami. For a discussion of this community see Levine, 1985, Fernandez-Kelly and Garcia 1989, and Stepick 1989, cited above; and Raymond Mohl, "Miami: The Ethnic Cauldron, eds Richard M. Bernard and Bradley R. Rice in Sunbelt Cities: Politics and Growth Since World War II, University of Texas Press, (1983).


for sharing information between MBE suppliers, and large firm procurement officers, and the inability of ethnic associations to provide visibility. Physical distance, low product line variety, lack of resources, and civil disobedience are all impediments to growth through sales to majority markets. Other studies show that socially distanced minority-managed firms are forced to "rely more on ethnic customer patronage," which in turn encourages "weak labor force attachment." For example, a survey on retail mall patronage behavior revealed that white shoppers avoid entering stores with visible minority staffs. Respondents indicated that the presence of Black and immigrant employees detracted from a store's status conscious, or that they felt less safe in minority-managed stores. This situation places minority employees in a vulnerable position.

These barriers inhibit integration into larger markets and force immigrant entrepreneurs to compete more amongst themselves for customers and resources. This leads to a "proliferation of small units, over-competition, and high failure rates." As a consequence, ethnic firms have notably smaller capital bases than white-owned firms at start-up, and much less access to credit during periods of

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expansion. Given these barriers in the opportunity structure, the ethnic firm must pursue dual marketing strategies, the first aimed at their traditional in-group market, and the second aimed at sales to the out-group market. For example, Palmer found that successful immigrant shop keepers advertised ethnic foods within the enclave as staple foods, but to the white upper class as exotic products. This approach is common for ethnic businesses and it provides social contact with the majority, which facilitates the commercial assimilation process. This process develops into a source for gentrification and raises the level of economic growth.

Thus far our discussion has centered on immigrant assimilation into the small business community. However, as the level of ethnic community income rises as later generation ethnics take advantage of more education and professional training. This allows people to leave and then return to the enclave with more human capital to sell. For example, ethnic professionals such as dentists, doctors, and lawyers, among others, can effectively build practices around immigrant markets; their heritage is a marketing tool for establishing a stable book of business. This system may prove effective in intra-community business development. For example, gaining a solid reputation in immigration law among one Spanish-speaking clientele may facilitate entrance into other Spanish-speaking markets. Or, it may open ties with majority firms needing representation in Spanish-speaking markets. Success in these areas adds to the ethnic group's overall gentrification.

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223 see Ando; Chen and Glenn; Fratoe; and the others cited in the discussion on bank redlining and residential segregation listed in Chapter 1.
225 Aguirre, Saenz, and Hwang, 1989.
1.3 Sources of Intra-Enclaval Conflict

Most of the work earlier cited in this thesis has been based on research on the economic implications of majority-minority discrimination. These works lend much support to my thesis. For example, Myrdahl's conclusions in *The American Dilemma* that "all but the most superficial differences between the races are derived from whites' prejudices and the discriminatory institutions in which they are imbedded," emphasize that ethnic relations in the American system can lead to discrimination.²²⁷ Park too shows how majority "oppressors" force harsh stages of assimilation onto the immigrant "oppressed."²²⁸ But very few studies include commentary on the structure of discrimination that exists within ethnic or immigrant enclaves. Indeed, very little has been written on the impact of intra-group conflict, and no empirical evidence is available on its economic impact. Still, intra-group conflicts are present and they have serious economic consequences.

Intra-ethnic conflicts revolve around three main factors: economic rivalry, religious competition, and "sociocentrism or in-group favoritism."²²⁹ These rivalries, competitions, and favoritisms are means through which one community segment gains influence over another, and they are factors that lead to minority-smaller minority discrimination within ethnic enclaves. In essence, this means that ethnic enclaves paradoxically form internal "elite perceptions of power" in the same manner as the majority. Moreover, this situation suggests that leaders inside an

²²⁷ Quoted in Petersen p. 3, but see Gunner Myrdal, *An American Dilemma*.
²²⁸ Robert E. Park makes mention of this dynamic in most of his works. Two of his more influential books that address this topic include *Race and Culture*, The Free Press, 1950; and one he wrote with Ernest W. Burgess, *Introduction to the Science of Sociology, University of Chicago Press*, 1924.
enclave set up discriminatory structures within the community that mirror the ingroup/out-group biases and barriers imposed by the majority onto the group.230

This section reviews case studies about the rise of intra-group conflicts in American ethnic enclaves. In all the cases, the result is that one segment of a national origin or ethnic group gains socio-economic advantage over another. It is also evident that the confines of religious denominations serve to justify discrimination. In other cases, socio-class strife is an equally powerful basis for intra-group discrimination. For example, class identities have been key factors among Persian immigrant groups, who have become divided into at least four sub-groups,231 and also for Polish-ethnic, who are separated by generational, social, and religious identities.232 In addition, current host-country political atmospheres also play a role in a community's inner conflicts. This is to say that personal and community identities are very thinly apparent unless they are viewed in the context of what Isaacs called the "idols of the tribe." These idols or symbols form the justification for conflict in times of economic and social change,233 they define ethnics' "quest for community," and they reflect their willingness to maintain dominance of institutional structures that control in the enclave.234 Indeed, what has been shown is that these influences transfer with immigrants. The studies used to illustrate these points are on Asian, Hispanic, and Jewish immigrants.

One of the major impediments to studying intra-group conflict is our inability to determine the depths of ethnicity that are present in a nation-of-origin immigrant group. Among Jewish-Americans and Jewish immigrants, for example, there are differing ethnic and socio-religious commitments. In a case to be reviewed later, it was found that Russian Jews in America found solace in their religion, but saw themselves first as Ukrainians. This is in contrast to many American-born Jews who see their religion and their attachment to Israel as an inseparable part of their ethnic identity. An illustration is given in *American Modernity and Jewish Identity* which shows that while educated Jews are less likely to actually practice (or believe in) Judaism, they remain psychologically attached to the community via institutional affiliations, i.e. most American Jews see "Pro-Israelism as the politics of ethnic survival." 235

Consequently, national-group identities are often not adequate in describing the ethnic rivalries that exist within immigrant communities. 236 For example, Jewish immigrants provide another example of how ethnic identity affects subgroups' patterns of economic assimilation. In a 1994 article, Gold reported on the support systems that were offered to Israeli immigrants when they arrived in the U.S. and found that divisions exist in support offered to Jews who came from different ethnic or denominational backgrounds. 237 For the most part, all Jewish Israeli immigrants are able to rely heavily on prearranged assistance for locating employment and housing, but the level of assistance is more significant for Jews from European ethnic backgrounds. Moreover, the western-ethnic Israeli received greater assistance in the beginning, were able to rely on a more extensive ethnic enclave, had access to more financial capital, and became more active in synagogue-

236 Light, Sabagh, Bozorgmehr, and Der-Martrosian, "Beyond the Ethnic Enclave."
oriented social groups. Each of these activities gave the European-origin Israeli a distinct economic advantage in the assimilation process. In contrast, Israeli Jews of Persian origin were hosted by a significantly different and weaker socio-commercial enclave. In addition, Persian-ethnic Jews were excluded from mainstream Jewish-network of synagogue programs and support services, forcing them to develop their own sub-group enclave to facilitate assimilation. Light also observes that the Persian community is likewise split into factions.\textsuperscript{238} As might be expected, European-ethnic Jews perform much better than oriental Jews in the marketplace.

In another article published in 1994, Cohen and Tyree review literature on the emigration process followed by nearly 350,000 Israelis living in the U.S. One point these researchers focused on was divisions that might exist between Israeli-born but non-Jewish Palestinians and Israeli-born Jewish immigrants.\textsuperscript{239} They found significant similarities and differences in the ways these two Israeli-national groups approached the economic assimilation process. A salient feature of each group was their chosen concentration in service sector self-employment. Cohen and Tyree claim this indicates that both groups face inordinate discrimination in the U.S. occupational structure. However, the Jewish segment of this national-origin immigrant group received much more assistance in the social and economic assimilation processes. More precisely, American Jews have built a superior social network for supporting immigrants from Israel. This is a network that is closed to most if not all Arab groups, and it is not available to Muslim-Israeli immigrants. In contrast to the Jewish organization, Palestinians enter into a factionalized Arab-ethnic enclave that has provided fewer and fewer services to recent immigrants.\textsuperscript{240}

\begin{footnotesize}
\textsuperscript{238} Light, Sabagh, Bozorgmehr, and Der-Martrosian, "Internal Ethnicity and the Ethnic Economy."
\textsuperscript{240} See the discussion and citations in section 2.2.
\end{footnotesize}
Orlick's study on Jewish immigration to the Brighton Beach area shows how multi-dimensional intra-group conflicts develop in an essentially religious-ethnic community.241 Long known as a predominantly Jewish community, Brighton Beach has only recently taken on the name of "little Odessa," which denotes a major revision in the community's historical immigrant-group identity. The influx of new immigrants changed the area's commercial patterns and economic environment, and conflicts have developed as a result of linguistic differences, international politics, and local philosophical divisions.

Orlick's case study proceeds as follows. There is a long history of Russian Jewish immigration to the U.S. that dates at least to the turn of the nineteenth century. Neither the Czarist monarchy nor the regimes that followed were favorably disposed to the country's Jewish minority, and the U.S. alliance with Stalin inadvertently supported anti-Semitic movements within the emerging Soviet state. The alternative for Jews was to emigrate west, usually to the U.S. or Europe in the first half of the century, or to the U.S or Israel in the second half of the century. However, because people emigrated at different times, variant expectations greatly affected individuals' sense of community once they reached their host country. Early Russian Jewish immigrants to the U.S came mainly in search of economic opportunities, and organizations such as the Hebrew Immigrant Aid Society, a nineteenth century group that facilitated the relocation of Russian Jews to the U.S., routinely used their influence to promote economic prosperity among the immigrant communities they supported. Their work was often printed in Yiddish, which became part of the early immigrants' ethnic identity, and their focus was to help people adapt their work skills to the American environment. What emerged

in communities like Brighton Beach was a relatively homogeneous socio-economic, socio-religious, socio-ethnic enclave that focused on small business development.

The mood in Brighton Beach began to change in the late 1960s when continued immigration grew beyond the enclave's ability to absorb new members. In reaction, the established segment of Brighton Beach's Jewish community began rhetorically to support internationally-renewed zionist movement that advocated the settlement of Soviet Jewish immigrants in Israel. In effect, re-routing Russian Jewish immigration to Israel gave the Israelis an opportunity to expand settlements in the Occupied Territories, a politically popular move among the Israeli and U.S. electorates, and it allowed American-Jews to avoid significant further expansion (and financial draining) of their communities. Between 1971 and 1974, over 100,000 exit visas were given to Soviet Jews wanting to move to Israel, as opposed to the 400 issued between 1968 and 1970. But because life in Israel did not appeal to many people and the returns for skills and education were much lower than expected, many Russian Jews left Israel in favor of a second migration to the U.S. By the 1980s, the U.S had become the destination of choice for Soviet Jews, with 51,000 coming in 1979. It is estimated that 35,000 Russian Jews settled in the New York area between 1970 and 1980, but that number grew to between 90,000 and 100,000 by 1981.

This new mass of Russian immigration put considerable strain on the New York area's traditionally Jewish neighborhoods. According to Orleck, Brighton Beach, "which had a vacancy problem, was overcrowded [...and people] put their names on two-year waiting lists for an apartment in the largest Soviet immigrant


Chiswick claims that the returns for education are greater in the U.S than in Israel for Jewish immigrants. He illustrates how the migrant to the U.S and Israel were less wealthy on arrival following World War II. This says that those who arrived in the U.S with capital before the war have done better than those who came after the war as refugees. See Barry R. Chiswick, Income Inequality: Regional Analysis Within a Human Capital Framework, Columbia University Press, (1974).
community in the country."²⁴⁴ Four levels of conflict arose. The first was economic, as the influx of people forced rents upward, making the socio-residential structure of the neighborhood fragile; young adults moved to more affordable parts of suburbia, threatening this gentrified community. And the rent inflation that resulted from the new immigrants' arrival added to the community's aid requirements.

Second, the new immigrants saw to it that the Yiddish linguistic tradition was replaced by Russian newspapers and signs, which "radically changed the face of the old community." Third, Brighton Beach's commercial structure was also being changed. In attempts to lure tourists to their shops, new immigrants broke with the tradition of catering to the New York City Jewish elite, and Kosher-food restaurants were being forced out of business by establishments selling meals that contained pork or less expensive non-Kosher beef, fish, and dairy products. New night clubs threatened Brighton Beach's reputation as a peaceful resort. Fourth, the rhetoric of zionism had taken hold among the locals and became another source of contention with immigrants who did not feel that their identity as Jews required them to maintain any political responsibility toward the Jewish state.²⁴⁵ Moreover, non-Yiddish speaking immigrants did not feel the need to observe religious ritual traditions that had become an intricate part of the American Jewish identity. Rather, they established a new synagogue that catered to other Russian immigrants.

The responses from the established community were most dramatic, ending in physical violence and the burning of an immigrant-dominated synagogue. This added to the community's problems in that it forced even more immigrants into poverty and out of the community's traditional occupational structure. Over time,

²⁴⁴ Orleck, p. 279.
immigrants who failed to assimilate into the local synagogue's social and ritual traditions were excluded as well from the community's social services support network. According to Orleck, there has been in the past decade a great deal of assimilation of the Soviet Jews in Brighton Beach, but into the immediate Yiddish-origin community and not into the American mainstream. In effect, their loss of identity has come at the expense of other Jews, but by the same token because they had to fight for local assimilation, the immigrants are further sheltered from entry into larger markets. This contact is apparently reserved only for the community's Yiddish leaders, or their European-origin U.S.-born business owners.  

Wong's study on New York's China Town shows how date of entry can also be a source of conflict in an ethnic community. This case illustrates how people who enter a country do so with different expectations and how they are faced with different political attitudes on their arrival into the U.S. These variant agendas and attitudes become sources of conflict whenever management of the ethnic enclave and its "quasi-political, ethnically-based social clubs, churches, or whatever" fail to support the new generation's needs. Moreover, ethnic identities and religious traditions within national groups can be extremely diverse. Indeed, what we see in the U.S. as an ethnic tradition may not be practiced or observed in the same way among different immigrant groups from the same country. This point is also shown here in Wong's discussion of conflicts among groups ranging from Hong Kong millionaires to Vietnamese-ethnic or Chinese refugees; he investigates the conflicts that emerge because of different regional ancestries, linguistic separations, pre-migration political affiliations, and because of generational perspectives.

246 A similar but less dramatic case can be found among Jewish immigrants in Rhode Island in the earlier part of this century. See Judith E. Smith, Family Connections: A History of Italian and Jewish Immigrant Lives in Providence, Rhode Island, 1900-1940, Albany, State University of New York Press, (1985).
248 Petersen, p. 5.
Wong's case study begins with an assertion that the Chinese ethnic population in the U.S. has long been aware of discrimination against it. Between 1850 and 1882, there was a period when Chinese immigration to the U.S. was encouraged as a source of cheap labor in the Western territories. But as their numbers grew, so did prejudice against them, and in 1882 the Chinese Exclusion Act was passed by the U.S. Congress, barring additional Chinese admission to the U.S. A number of state and federal laws were written that forbade Chinese ethnics from owning land. During World War II, when Japanese immigrants were placed into internment camps, many Chinese immigrants were also detained, were forced out of business, or were made to leave their homes. The legacy of these situations had a significant effect on the dynamics of the Chinese-American ethnic enclave. To the older generation, economic progress within the enclave was the primary goal.

Traditional groups, like the Chinese Consolidated Benevolent Association, the dominant organization in the New York Chinese enclave, sought to serve only the internal needs of the community; political endorsements were almost always avoided. Since most of the people in these organizations had resettled from the Toysan region of China, they made that dialect of Chinese the common language of Chinatown.249

In recent years much of this has changed, and with each change the level of intra-ethnic conflict has risen. Linguistically, Mandarin has begun to replace Toysan as the major dialect in Chinatown, primarily because of an influx of immigrant populations from mainland China. In addition, Vietnamese-ethnic immigrants from China have set up separate enclaves, mainly in response to the historical enmity that exists against this pre-migration minority group. Similar enclaves have

been built by Taiwanese immigrants, who are also excluded from groups such as the Benevolent Association. In fact, because new additions to the community have set up rivalry associations and organizations, old-line organizations no longer control a "monolithic power structure" that existed in New York's Chinese community.

These changes and developments present both social and political threats to the established generation of Chinese-Americans. Moreover, the new ethnic organizations have different goals from the old. The foremost of these new agendas is to provide aid toward assimilation into majority-controlled markets, which is forcing the economic structure of the community to move away from its traditional reliance on restaurants and retail shops. The younger generation feels that this is a necessary move into new occupations if they are going to increase their returns on human capital. In addition, many of the new immigrants have (or gain quickly) education and skills, and many have brought financial capital with them. This is especially true of immigrants from Hong Kong, who often transfer large sums of "flight capital" to the U.S. These groups actively participate in real estate, financial, and majority-dominated white collar professions, and have chosen to study fields like computer programming and engineering. Therefore, these groups' needs demand that ethnic associations push for acceptance by the mainstream U.S. occupational structure as well as the right to raise and exert political influence.

The older generations oppose such moves, fearing a negative political backlash that will lead to the community's social containment. They see as well a new economic structure within the enclave that, on an American scale, promotes

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253 Wong.
hoarding by the rich and does not provide for the community’s poor. They blame the growth in the number of Chinese gangs and inter-oriental rivalry on this new economic structure. The result of these changes, they claim, is division within the community that threatens to destroy the ethnic enclave’s ability to support its youth. The question is which youth and in whose enclave. In effect, these divisions have already served to factionalize the Chinese ethnic enclave severely. But this time the detrimental force has worked against the older generation, who must operate within a rapidly declining ethnically-supported and protected market.

Inherent in the Chinese community’s debate, is the dynamic of "third-generation nationalism."254 This is a process whereby the generational factors of immigrant-American groups become linked with political, social, and religious agendas. The first generation has simplistic goals that mainly revolve around improving the economic situation of the immediate family and endogenous kin. This group is likely to work within the ethnic enclave where immigrants feel social comfort and market protection for their small business enterprises. But the first generation also encourages thorough education and the integration of their children into mainstream society by other means as well. The second generation, therefore, tend to ignore the home-country traditions of the ethnic enclave in an effort to assimilate fully into the host-country society. These people are far less likely to learn their parent's first language, and they are more likely to give up their parent's native religious traditions. In the third generation, however, researchers find "the resurgence of ethnic cohesion after its virtual disappearance in the second generation."255 They tend to study their grandparents' first language, to pursue activism, and to write research on issues related to their ancestral national origins.

255 Petersen, p. 3.
This process has been repeated in ethnic communities such as those supported by Arab, Asian, Hispanic, and Russian immigrants, but the existence of this cycle identifies a complicated dynamic among the third generation because of their American perspective. This means that later generation leadership in the ethnic enclave is more inclined to pursue strategies that are political-oriented toward civil rights, cultural preservation, and occupational assimilation. While these goals are fashionable in the American system, they are often diametrically opposed to the normative approaches taken by the surviving members of the first generation. Third generation entrants into the ethnic socio-political structure are often not members of the religious and social establishments that are important to the first generation, often because their parents have sheltered them from these organizations. In addition, the third generation may not be economically dependent on the ethnic enclave, meaning that their support for it is nearly ethno-political while the first generation must maintain the enclave for socio-economic reasons.

A good deal of work on Hispanics-Americans shows how this sort of cycle affects second and third generation communities' willingness to accept new immigrants into the enclave. For example, research comparing Cuban and Mexican assimilation processes illustrates how enclaval conflicts cannot be separated from popular political rhetoric because policy signals set the tone that determines how much majority resistance an immigrant group will experience. For example, in the midst of the "cold war" Cuban immigration into Florida was accepted and supported in the 1960s, amidst sentiments that identified "Castro's loss is U.S. gain." The press painted a bright picture of Cuban contributions to the American

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landscape, so that the public respected Cubans' flight for their "unquenchable thirst for liberty" and as "the greatest brain-drain [to the U.S.] of the century."

In contrast, during this same period, Mexican immigrants were treated much differently by the press, typically portrayed as "unhappy wetbacks subject to the caprice of both smugglers and the American dream." And when American labor organizers felt pressures from their constituency, they blamed their problems on the convenient scapegoat of Mexican migrant labor. This sent the press, the unions, and many state governments on a "dam the alien tide" rampage that labeled Mexicans as "a special curse" on U.S. employment. A comparison of these two groups of Hispanics illustrates how the U.S essentially used one set of symbols, the Cubans as a motif in the cold war, to extend to Cuban exiles a firm hand, but at the same time used another set of symbols, the Mexicans, to justify our occupational xenophobia, or, at best, used them as source of cheap labor that have few civil rights.

The result of this incongruent press coverage of Mexican and Cuban immigrants has been considerably different rates of economic assimilation and polarization of the two groups within Spanish-speaking enclaves. Mexican immigrants have become increasingly disenchanted with the way the media negatively affects their pay scales in the labor market. In states like California, Florida, and Louisiana social segregation of Mexicans has resulted in a dramatic rise in the expenses of social services required to support this minority group. In addition, Mexican-Americans do not support increased Cuban immigration because

259 Pedraza-Bailey, p. 2.
Cuban immigrants represent increasing competition in low-skilled service-oriented jobs. This threat to the Mexican occupational structure has led to a great deal of tension and gang rivalry in cities like Miami, New York, and New Orleans.\textsuperscript{264}

However, the most interesting developments may be made from within the Cuban-American ethnic structure.\textsuperscript{265} On the one hand, Cubans have become increasingly protective of their favored positions. For example, because the new immigrants are not the wealthy patrons of Batista, they threaten to change the system of gentrification that supports the established Cuban ethnic enclave. Moreover, there is pre-migration social discrimination in the old’s rejection of the new.\textsuperscript{266} The early Cuban immigrants had re-established a business-class-led structure in Miami based on the social dynamics of the pre-Castro era. Even lower-echelon early Cuban immigrants were usually able to buy passage to the U.S. and often had enough capital to start a small business. In contrast, Cuban immigrants in the 1990s are not wealthy exiles but impoverished families, people with poor legal records, or oppressed minority citizens. In the eyes of many Cuban-Americans, these latest immigrants are not part of the same socio-economic heritage. The class-conscious rejection of the new immigrants creates much conflict, with the one sub-group discriminating against another, the latter feeling the repression of co-ethnics.

Another study points out that religion plays a significant role in whether or not a Cuban immigrant is allowed to participate in the established ethnic enclave. Most notable among the factors in this dynamic is the willingness or ability of a Cuban immigrant to assimilate into the American Catholic social order. As Boswell and Curtis put it, "the [Catholic] church has historically been an important ethnic

\textsuperscript{264} Bernard and Rice, \textit{Sunbelt Cities;}, (1983).
institution, a focal point of activity and organization that is often as social and practical in purpose as it is theological."267 This explains how the early and wealthy Cuban immigrants were able to use religious social networks to promote their economic interests, but it also indicates that religious minorities among the Cuban ethnics, such as Protestants, Jews and Santarians, as well as Cubans who maintain separatist Cuban Catholic parishes, are hurt by their exclusion from the enclave's dominant organizational institutions, such as schools and placement offices.

Boswell and Curtis use the Miami area as the basis for their work on the Cuban population, and while they do not directly tie churches to the immigrant economy, their work is indicative of religion's ability to factionalize ethnic communities. Within the Cuban-Catholic establishment in the Miami area there are two main socio-political dynamics: one set up by those who have accepted American Catholicism and those who haven't. Most Cuban-Americans are "at least nominally Roman Catholic," but "their identification and practice of the Catholic faith, as well as their general perception of themselves as religious, tend to be more personal and communal than institutional." Therefore, for the majority of Cuban immigrants it was not difficult for them to give up "the persistent influences of Amerindian and African religious beliefs and rites [that were inherent to] the practice of Catholicism in that region."268 In fact, the Catholic church actively discouraged the establishment of national-origin or ethnic parishes in order to supplement declining attendance at established parishes. To facilitate this ban, the church offered increased assistance to Cuban immigrants who quit the immigrant-established Spanish parishes by establishing in the 1960s in Miami the Catholic Office of Relief Assistance, the Catholic Office of Immigration Services, and the...


268 Both quotations in this paragraph are from Boswell and Curtis, p. 125.
Centro Hispano Catholica. And it was this group of Cubans that prospered most quickly and who eventually gained dominant control in the ethnic enclave.

Another large part of this group's ability to dominate the enclave came from their use of the Catholic school system. By 1983 approximately sixty-five percent of Dade county's Catholic school enrollment came from the Cuban ethnic community. Among Cubans, those who are not enrolled include mainly the poorer, recent immigrant children, and the sub-groups that practice Judaism or Santarianism, or who are Protestant (ten percent), or who have remained in the separatist Spanish-Catholic churches. New immigrants' children are most often not from an earnings class that can afford to send their children to private schools, and they are not yet among the groups that have willingly converted to the American form of Catholicism; only two percent of Mariel refugees claim to be practicing Roman Catholics. Therefore, even the American Cuban-ethnic Catholic network is divided between those who attended government-assisted schools and those who attended private Catholic schools, the latter group having a church-oriented advantage for using information networks to place students into jobs or into Catholic colleges in the U.S. This sets up a socio-economic dynamic within the Cuban-American community that has become increasingly harsh with the entry of new refugees.269

Another sort of intra-ethnic segregation is seen among Jewish-Cuban immigrants. For the most part these immigrants have not successfully integrated into either the American Jewish community or the Cuban-American community. For local Jews, the immigrants' persistent use of Spanish at home, in schools, and in the synagogue presents social and cultural problems. However, according to Lieberman, these Jewish immigrants feel using Spanish keeps them in touch with

what they consider to be their primary ethnic attachment, which is Cuban and not Semitic. They also do not find it advantageous ethnically, socially, or economically to have their children learn Yiddish, preferring instead English and Spanish, a preference which means their children are discouraged from attending private Jewish schools. This further puts them at odds with the Jewish establishment. At the same time they cannot find solace in the Catholic-dominant Spanish-speaking enclave because of religious prejudice. In response, Cuban Jews in the Miami area established their own sub-ethnic organizations, but their numbers are too few to be effective. In addition, even in this minority-within-a-minority community, denominational dissension has split Cuban Ashkenazinians and Sephardins, with each group forming separate synagogues in the lower-income South Beach area.270

Finally, the Cuban Santarian community is separated from the mainstream Catholic church because of its use of Afro-Indian cult rituals, and because it is predominantly Black.271 There has been little work on this community's particular economic situation, but their ethnic problems compare with the barriers faced by Haitian immigrants. Here too, according to Portes, are examples of how host-country political sentiments can foster intra-community tension. Because of their favored political status, early Cuban immigrants were allowed to assimilate into the work force with relative ease.272 Haitian refugees, however, were rejected upon their arrival for political reasons—faltering U.S. support for Aristede, growing resentment against immigrants, and fear over the AIDS epidemic—and because they were Black. Portes, as well as Stepick, found that this rejection forced recent Haitian

immigrants to obtain goods and services in an isolated informal economy, even when obtaining subsistence foods, medical supplies, and health care.\(^{273}\)

But Haitians face other problems in the assimilation process, and in most cities this has prevented them from creating a significantly large ethnic enclave.\(^{274}\) For example, in the Black community Haitians are considered Hispanic, an assignment which means that they represent an increased threat in the prevailing occupational structure. However, among Latin-origin Hispanics, Haitians are considered Black.\(^{275}\) Among whites, Haitians are viewed as being "phenotypically Black," a perception which tends to exclude their initial contact with whites, while the language problems create even greater social distance.\(^{276}\) Confusion over Haitians' fit is also seen in the way government programs are administered. For example, social service agencies tend to place Haitians with Black-dominant relief agencies and place them in housing centers in mainly-Black communities, where they have little contact with other Spanish-Caribbean immigrants. Moreover, as foreign Blacks, Haitians are forced to compete for service jobs in sectors that are already dominated by native Blacks. Haitian immigrants are also an occupational threat to the Hispanic community and to more established Haitian-Americans.\(^{277}\)

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In response to this situation, Haitians do not want to be identified with either Blacks or Hispanics because they want to receive the benefits of occupational integration into the white majority, the elusive promise of immigration. This community agenda is seen as divisive by native Blacks and Latinos, and it serves to increase conflict with these groups. Religion plays a role here as well since many Haitians practice Santarian mysticism. This further sets them apart from Hispanic Catholics, American Blacks, and whites. These emerging conflicts intensified when scores of Haitian refugees recently entered Florida. Neither Hispanic nor Black groups, nor the U.S. government, provided them with adequate economic support, a failure which led to an increase in Black-on-Black crime, Hispanic versus Haitian gang attacks, and a general exclusion of Haitians from any gainful employment.

The debate over ethnic identification among immigrant groups can itself be the basis for intra-ethnic conflict, exclusion, and even violence. Some researchers argue that ethnic identity results from community-perceived competitions for resources. Maybury-Lewis also argues that ethnicity is an "ascript mask for confrontation." Based on these observations it is clear that one can view ethnic and religious factionalism as a social-economic strategy to enforce dominance.

Nagata's research on Hindus and Muslims and their ethnic alliances also supports...
this assertion. However, regardless of the theoretical approach taken it is clear that intra-enchaval discrimination can impact on the relative abilities of people to earn wages and promotions. If this is true for Asian, Hispanic, and Jewish immigrants, it should be true for Arab ethnics as well. It is also true among Blacks, a community in which "lighter skinned Blacks have more occupational mobility and educational attainment." In context, then, we can expect to find there are Arab-American community earnings differentials based on the community's religious structure, its ability to pursue self-employment, and its willingness to accept new immigrants into the enclave. As shall be seen, however, these conflicts in the Cuban community not only exist among Arab-Americans, they are intensified by the latter sub-group's broader ethnic diversity and religious biases.

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Chapter Two

The Context of Arab Immigration

2.1 Recent Changes in the Arab-Ethnic Community

Arab-Americans do not fit their stereotypes, nor do they fit the U.S. profile either. As El-Badry explains, "they are much like other Americans, except younger, more educated, more affluent, and more likely to own a business."282 This statement is not exactly true. However, Arab-Americans are in the midst of an extreme change because events of the 1970s, 1980s, and 1990s brought numerous opportunities and problems to the community. One of the most significant is the increase in size: 51.5 percent of all Arab immigration to the U.S. took place between 1980 and 1990, while only 48.5 percent entered the country before 1980. This increase caused a decline in the proportion of U.S.-born Arab-Americans from 65.6 percent in 1980 to 59.3 percent in 1990.283 As the new population arrived, the community also saw a threat to the homogeneity that had served the Arab ethnic enclave for decades. Prior to 1965, most Arab immigrants were Christians who came to the U.S. from Lebanon and Syria, and to a lesser extent from Palestine and Egypt. Still, the group was dominated by Greek Orthodox and Maronite Christians, who were able to easily convert to American catholicism integrate into support networks that revolved around Catholic-oriented institutions.

In contrast, in recent years Arab immigrants are no longer dominated by Christians from the Levant, but include dramatically more people from the southern Arab states and from Magrabi regions in Northern Africa. Between 1990 and 1992, the Lebanese represented less than twenty percent of Arab immigrants,

283 The percentage of immigration from all countries that took place between 1980 and 1990 was 43.8 percent. These were developed from information distributed by AAI.
which is a fifty percent proportional decline over the same period ten years earlier. At the same time, the number of immigrants from the Sudan grew nine-fold, the number from the Gulf (especially Yemen) multiplied four times, and the number from Algeria, Morocco, and Tunisia doubled. This regional aggressions may have caused the entry of Palestinians to increase, a supposition which might explain the rise in immigrants from Israel and Jordan, but this is difficult to verify since the U.S. does not recognize Palestinians' passports nor does it extend to them refugee status.

Arab-Americans are young: 47.6 percent are under the age of 25, while only 5.9 percent are over age sixty-five. In 1990, the median age for Egyptians was 31.7, Lebanese 32.3, Palestinians 27.1, and Syrians 33.7. The influx of Arabs has given Arab-America a new face by raising the group's median age from 26.1 years in 1980 to 30.2 years in 1990. This compares to a median age of 30 (1980) and 33 (1990) for all Americans, and 28.4 for Asian/Pacifics, who were the next youngest immigrant group in 1980. In addition, there is an age division in the Arab community, with the native citizens being younger than immigrants. The median age for Arab immigrants in 1980 was 29.3 (1980), which is within the prime immigration age bracket of 20-44 years. However, the median age was 23.1 years for the native-born group, indicating that this group has a much higher than average population growth rate. By region, the median age is 25.9 years in the Northeast, 22.1 years in the Midwest, 23.5 years in the South, and 16.6 in the Western states.

Zogby explains that the largest number of immigrants relocated in the Northeast, a concentration which raises the median age in that area. The South has a high number of Arab-born persons, although this does not hold true in the Western states, which has a large ratio of immigrant to U.S.-born Arab-Americans.

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284 El-Badry, "The Arab-American Market."
285 See Zogby, pp. 3-4.
286 John Zogby has indicated to me that the publication of the 1990 Census data will be made in 1995, at the earliest, depending on funding. Basic information such as median age is available through AAI, but comparative and segmental data is not.
Arab-Americans in the West are the most likely to be Moslem, which as a group has a higher birth rate. This has significantly lowered the median age of Arab-Americans living in California, and to a lesser degree in the Midwest.

Arab-Americans maintain larger household sizes than do people in European ethnic groups, according to the 1980 census (the 1990 census will be discussed later). 49.5 percent of Arab-Americans had a household size of two or fewer people, a lower percentage than any of the European groups. Date of immigration seems to play a role in the size of households. U.S.-born Arab-Americans are more likely to have households of four or less, while the homes of the Arab-born tend to house five people or more. This too is reflective of the fact that later immigrants are Muslims, who have higher birth rates, are more likely to sponsor relatives' migration, and are likely to share housing with recent immigrants. In addition, a substantial proportion of newer immigrants have fewer financial resources and are less able to afford multiple family housing. In addition, religion may play a role in the size of a household among the Christian Arab-Americans as well. For example, the number of all-Arab households with five persons exceeds the U.S. norm by sixty percent, and the number of households with over six people is 7.4 percent compared to 3.9 percent for people with English and German ethnicity. However, while Arab-American households are larger than those of every European group, they are closest to the more Catholic-dominated Europeans. Among these, the Irish (5.2 percent) and Italians (4.9 percent) have the second and third highest numbers for household size with six persons or more; early Arab immigrants were largely Catholic, Greek Orthodox, or Maronite, as are the new non-Muslim immigrants.

In 1980, Arab-Americans showed definite tendencies toward pursuing higher-than-average levels of education. When compared with people of European ethnic origin, Arab-Americans attained more education in the standard categories (the categories changed in 1990 Census report) of high school graduate (seventy-eight
percent versus seventy percent for the next highest, the Germans), some college plus (forty-six percent versus thirty-eight percent for the English), and college graduate plus (twenty-eight percent versus fourteen percent for the English). Arab immigrants also have a higher rate of high school graduation than do Asian/Pacific groups, but that group exceeded Arabs in numbers in graduate schools. Within the Arab-American community, 70.7 percent of Arab-born versus 81.7 percent of U.S.-born persons have a high school degree; 48.7 percent versus 55.6 percent have some college plus; and 31.6 percent versus 26.1 percent are college graduates plus. The Arab-born enter more graduate-level studies. 31.6 percent of the Arab-born entered graduate schools, as opposed to 26.1 percent of U.S.-born Arab-Americans. As is also true of people with Asian/Pacific ethnicity, recent Arab immigrants are more likely than most to pursue college and graduate-level studies. These two groups have the highest levels of any in educational achievement.

However, the Arab-born groups' academic attainment is not necessarily reflected in their average earning statistics. On average, the Arab-born earn 23.2 percent lower wages than the U.S.-born, even though the Arab-born segment pursues more graduate level education. Indeed, there is more poverty among the Arab-born, in that 21.1 percent of this group earn less than $5000 while only 9.1 percent of the U.S.-born group earned less than $5000. 16.8 percent of the Arab-born versus 6.8 percent of the U.S.-born lived below the national poverty level in 1980, and 53.2 percent versus 34.7 percent earn less than $15,000. As Zogby explains, "the picture that emerges is of a greater poverty level among those who recently arrived," mainly because many new immigrants came to the U.S. as refugees who were unable to bring financial capital. The war in Lebanon, for example, forced

287 Zogby, p10.
emigration of approximately half a million people between 1976 and 1988. The Intifada and the Gulf War left even greater numbers of Palestinians homeless.

This new earnings division in the U.S. has created distinct economic distances between Arab-Americans and Arab immigrants, especially among the Lebanese. In states in which the Lebanese comprise over fifty percent of the Arab-American population (Massachusetts, Ohio, and Pennsylvania), the local community's income falls below the group's national average income. In the seven states in which the Lebanese proportion is forty percent or more, four are below average. Illinois and New Jersey have the lowest percent of Lebanese immigrants, and both have above average community incomes. New Jersey has the highest mean income for Arab-Americans. However, according to the 1990 census, the poorest group of Arab-Americans are Palestinians, 14.8 percent of whom live in poverty. The Lebanese are the next most likely to have families living in poverty.

In contrast, there are among Arab immigrants a large number of persons who are highly educated and qualified professionals—those who came either as students and stayed or who migrated directly into professional-level positions. These people are generally part of high socio-economic groups who purchased their right to live in the U.S.; few recent immigrants come from the middle class segments of their home countries. In addition, the U.S-born groups dominate in increasing proportions the income levels above $15,000. The largest spread between Arab-born and U.S.-born salaries is in the $35,000-$49,000 wage group, where natives are 32.4 percent more likely to earn higher wages, but there is little difference between the U.S-born and the Arab-born in the highest income brackets. This means that the

289 This is more of a problem for Palestinians, but, this is difficult to track because this group has never received refugee status at the Immigration and Naturalization Service; no records exist of Palestinians who came to the U.S. via other countries, even those who came from Israel.
Arab-born populations are concentrated at the poorer and wealthier ends of the Arab-American socio-economic hierarchy, while the U.S.-born support the middle class.

Census data on occupations provides some explanation about the Arab-American and Arab immigrant community's need for self-employment. Arab-ethnics have a higher unemployment rate (6.2 percent) than all European ethnic groups (4.9 percent for Germans and 5.4 percent for the English). But this does not explain the increasing dependence of Arab-Americans on self-employment. In 1980, 9.4 percent of Arab-Americans were self-employed, as opposed to an average of 7.3 percent for people of European ethnicity. By 1990 Arab-Americans were nearly twice as likely to be self-employed (twelve percent versus seven percent). This says much about the occupational structures faced by Arab ethnics in the U.S. They are one third less likely to work in manufacturing (thirty-five percent versus fifty-seven percent), and ten percent less likely to work in administrative, executive, or professional positions (sixty percent versus sixty-six percent); they are much more likely to be in managerial and professional specialty jobs, and twenty-nine percent work in retail positions compared to the 16.1 percent U.S. average.290

In addition, Arab-Americans have been increasingly excluded from jobs in the government. In 1980, Arab-Americans were under-represented in federal government positions, and they were substantially less present in municipal positions than were European ethnics. Moreover, by 1990 their representation in government positions fell by over twenty-five percent. This partially illustrates a political exclusion from government programs that has taken place for Arab-Americans. I will discuss the implications of this situation later in this chapter.

The community's concentration in managerial positions does reflect, however, Arab-ethnics' push to move beyond the ethnic enclave. The level of

290 Zogby, p. 12.
professionally-oriented employment increases among the group's second and third
generations, who have used their experience in family-owned retailing to expand
their careers in managerial fields. 31.3 percent of Arab-Americans versus 22.7
percent of all Americans work in managerial and professional services, and 34.9
percent versus 30.3 percent work in technical, sales and administrative support
services. Arab-Americans are employed in executive and professional specialty
capacities in greater numbers than people of European ancestry.

While this is true, there are divisions in the Arab-American community that
indicate employment segregation by date of immigration. First, the immigrant
community is much more likely to be self-employed than are people among the
second and third generation. The biggest divisions among the U.S.-born versus the
Arab-born come in the areas of sales, administrative support, and clerical services,
where the U.S.-born segment is substantially more likely to hold jobs. The Arab-
born are less likely to work in clerical and personal services, while the U.S.-born are
nearly 2.5 times as likely to work in communications-oriented positions. This
discrepancy may be caused by a lack in language skills and by related problems faced
by first generation Arabs. However, it is also likely that the presence of more social
distance between Arab immigrants and the majority causes fewer employers to hire
Arabs for front-line and high-visibility positions. Second, these divisions reflect the
duality of recent Arab immigration, which creates earnings biases in certain fields.
While many were impoverished refugees, others came as highly educated
professionals. The Arab-born group is seventeen percent more likely to provide
professional specialty services than are the U.S.-born group, and 9.3 percent of the
Arab-born versus 7.3 percent of the U.S.-born work in the health sciences. These
figures show that it is not automatically a bonus to be born in the U.S., but rather
that the necessary advantage in assimilation is owning wealth and human capital.
Data segmented by nationality from the concise report "1990 Profiles of Selected Arab and Middle Eastern Ancestry Groups, Selected Characteristics, CPH-L-149a," supports the trends uncovered in Zogby's 1980 demographic report and in El-Badry's recent article. This is illustrated by the selective data presented in the following tables. The categorization by nationality groups is limited to those groups that will be discussed in the thesis survey results.

Table Six
<table>
<thead>
<tr>
<th>Category</th>
<th>General Demographic Comparisons - 1990</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>median age</td>
</tr>
<tr>
<td>All Persons</td>
<td>33</td>
</tr>
<tr>
<td>Arab Ancestry</td>
<td>30.2</td>
</tr>
<tr>
<td>Egyptian</td>
<td>31.7</td>
</tr>
<tr>
<td>Lebanese</td>
<td>32.3</td>
</tr>
<tr>
<td>Palestinian</td>
<td>27.1</td>
</tr>
<tr>
<td>Syrian</td>
<td>33.7</td>
</tr>
</tbody>
</table>

Table Seven
<table>
<thead>
<tr>
<th>Category</th>
<th>Nativity &amp; Year of Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>native born</td>
</tr>
<tr>
<td>All Persons</td>
<td>59.3%</td>
</tr>
<tr>
<td>Arab Ancestry</td>
<td>30.8%</td>
</tr>
<tr>
<td>Egyptian</td>
<td>74.5%</td>
</tr>
<tr>
<td>Lebanese</td>
<td>43.1%</td>
</tr>
<tr>
<td>Palestinian</td>
<td>76.6%</td>
</tr>
</tbody>
</table>

Syrians have become almost fully assimilated into the American mainstream. The 1990 nationality numbers for age, sex ratio and size of household reveal that the Syrian population, the oldest and most Christian of the U.S.'s Arab communities, are nearly identical to those in the "all persons" group. Syrian-Americans are almost identical to the majority in age, they have the lowest sex ratio among Arab-Americans, and they have nearly average-sized families and households. Syrians are the most likely to be American-born. In short, Syrians-Americans, having not seen a new wave of home-country immigrant in over thirty years, are the most homogenous and the most assimilated Arab-American group.

In contrast, Palestinians show the least evidence of assimilation into the American social system and the lowest rate of economic prosperity. This statistic is to be expected because they are the latest arrivals to the U.S., although the sex ratio for the Lebanese represents the influx in the 1980s of male immigrants; in recent years Arabs from both Palestine and Lebanon are more often than not Muslim. It is also true that Palestinians, periodically dispossessed of their assets, were often forced to immigrate first to Lebanon (and Jordan), and were then forced to flee once again because of that country's civil war. This circumstance means they are the least likely of all Arab-Americans to have immigrated with financial capital, and they were met by one of the most diffuse and divided segments of the ethnic enclave.292 I will discuss the implications of this latter assertion in more detail in Chapter 3.

Curiously, Palestinians maintain a pattern for family size that rivals the birth rate set by people in the West Bank. This may be caused by the higher birth rate among Muslims, but in any case it helps explain the disproportionate number of Palestinian families who live at the poverty level. The relationship of the Syrians

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and the Palestinians also tends to support the idea that date of entry and religion are the key factors in disparities between Arab-Americans and the Arab majority.

Table Eight

<table>
<thead>
<tr>
<th>Category</th>
<th>Educational Attainment - 1990</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>H. S. Graduate</td>
</tr>
<tr>
<td>All Persons</td>
<td>75.2%</td>
</tr>
<tr>
<td>Arab Ancestry</td>
<td>82.4%</td>
</tr>
<tr>
<td>Egyptian</td>
<td>91.6%</td>
</tr>
<tr>
<td>Lebanese</td>
<td>83.9%</td>
</tr>
<tr>
<td>Palestinian</td>
<td>79.3%</td>
</tr>
<tr>
<td>Syrian</td>
<td>80.5%</td>
</tr>
</tbody>
</table>

Arab-Americans' pursuit of education increased between 1980 and 1990, something partially attributable to new immigrants who received visas because of their academic backgrounds. However, Arab-Americans have a strong drive for higher education as compared to the total American population. On average, Arab-Americans are nearly twice as likely to receive bachelors degrees and more than twice as likely to earn graduate degrees. Of Middle Eastern groups represented in the report, only the Syrians have education levels below the American norm.

Cross-nationality comparisons are also revealing, since educational ratios are intensified when viewed in the country-of-origin context. The Syrians most closely approximate the American norm in all categories of education. This is another indication of their successful assimilation into the broader, middle class society. Moreover, it means that Syrian-Americans no longer represent the immigrant norm, which in the 1980s was characterized by generally stricter standards for immigration qualifications weighted heavily in favor of people holding academic and professional degrees, or people seeking political asylum. In contrast, Egyptians who came as "qualified" immigrants showed the highest propensity for pursuing education, earning college degrees at three times and graduate degrees at four times
the national average rate. Their situation is also reflective of Egypt's historical position as the Arab region's largest supplier of higher education, especially since the Lebanese civil war and since Israel's closure of Arab colleges.

Palestinians, and then the Lebanese, are most representative of the duality of recent immigration. On the one hand, the Palestinians have the lowest percentage of people holding only high school diplomas. This reflects the fact that events in Iraq, southern Lebanon, and Syria have forced many Palestinians to relocate to the U.S. and elsewhere as refugees before they were able to finish their formal education; schools within the West Bank have also been officially closed since 1987. However, Palestinians exceed all groups except the Egyptians in graduate-level study. This reflects the increasing governmental requirements that immigrants possess verifiable financial and human capital. Therefore, Palestinians who are not immigrating as part of a refugee group (a trip they make upon another nation's passport) would have to qualify for a visa through corporate employment or through association with a university. This INS policy has facilitated an increase in the number of Arab students and corporate employees who came to study or work in the U.S. and did not return to their country of origin.

In addition, a connection can be made between years of schooling and median income. While Palestinians may have increasing mobility at the upper levels, they are also still the most likely group to have families living below the poverty level (family poverty rates in 1990 were all persons, 10.0%; all Arab-ancestry, 10.9%; Egyptian, 9.3%; Lebanese, 7.1%; Palestinian, 14.8%; and Syrian, 9.0%). As later immigrants, the Palestinian group contains more refugees who immigrated through use of asylum laws or under politically-motivated visas, while the former groups immigrated under economic and educational qualifications. A similar duality exists among the Lebanese, although it is not as apparent here because of the more established Lebanese communities in the U.S. However, it helps to explain
income disparities between Lebanese and other Arab-Americans. The following tables address occupational disparities by showing categorical differences in the type and class of worker by national origin.

<table>
<thead>
<tr>
<th>Table Nine</th>
<th>Class of Worker (employed persons 16 years or older) - 1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Persons</td>
<td>77.4%</td>
</tr>
<tr>
<td>Arab Ancestry</td>
<td>76.9%</td>
</tr>
<tr>
<td>Egyptian</td>
<td>74.6%</td>
</tr>
<tr>
<td>Lebanese</td>
<td>76.7%</td>
</tr>
<tr>
<td>Palestinian</td>
<td>76.4%</td>
</tr>
<tr>
<td>Syrian</td>
<td>77.9%</td>
</tr>
</tbody>
</table>

These tables show that employment segregation against Arab-Americans intensified between 1980 and 1990. This may be most obvious in the case of government employment. In 1980, 3.3 percent of Arab-Americans worked in the federal government system, while 6.9 percent worked for local governments. In 1990, only 2.4 percent worked for the federal government, and 5.5 percent worked for local governments. This represents a dramatic decline in the participation of Arab-Americans in the nationwide governmental employment system, a twenty-seven percent decline at the federal level, and twenty percent decline at the local
levels. Two forces are at work. The first is the presence of a growing proportion of foreign-born Arab-Americans and Arab residents. These groups are far less likely to hold positions in the federal government because laws exclude aliens from security-sensitive jobs. However, these laws do not apply to the U.S. born Arab-Americans who have also been displaced from government jobs. There are no available figures from the 1990 census that distinguish between the Arab-born and the U.S.-born in government employment. However, in 1980, the U.S.-born were slightly more likely to work in the federal government than they were in 1990 (3.4 percent vs. 3.2 percent), and they were substantially more likely to hold jobs at the local level in 1980 than in 1990 (8.3 percent vs. 4.5 percent). The local level figure does not seem to reflect the presence of Arab-Americans in states like California, Michigan, and New York, where high levels of Arab-American employment would be expected.

The second factor is that the 1980s were a time of trial and tribulation in Arab-Americans relationship with the federal government. That decade saw the culmination of operation "Arab Scam" and a decade of protest by many Arab-Americans against U.S. support of military actions in the Middle East, such as the Israeli invasions of Lebanon and Syria, and the Iran-Iraq war. It was also the period in which an AIPAC-prepared blacklist of people who supposedly presented security threats to the U.S. (and Israel) was uncovered; most of the names were those of Arab-Americans. There is no empirical evidence to substantiate the costs of these events and actions on Arab-American communities, but they seem partially to explain the decline in Arab-American employment at the government level.

While Arab-Americans have been increasingly excluded from government programs, their resilience in self-employment is further illustrated in the new census, where the percentage of self-employed rose from 9.4 percent in 1980 to 10.1 percent in 1990. All Arab and Middle Eastern sub-groups listed in the CPH-L-149 report exceeded the national norm by between two and 6.8 percent. Most striking
among these figures is the breakdown by national origin, which shows that the
Palestinians (13.8 percent), followed by the Lebanese (9.8 percent), have a higher
percentage of people pursuing self-employment. This supports earlier assertions
that recent immigrants must rely more on self-employment and their supporting
ethnic enclaves than do the more established segments of the Arab-ethnic
community. In the 1980 census, for example, the foreign-born were more likely
than the U.S.-born to own their own businesses (10 percent vs. 8.4 percent). Similar
figures are not yet publicly available for the 1990 census. However, it is clear that the
more recently immigrating Palestinians, and to a lesser extent the Lebanese, have
not found (or where excluded from) economically attractive employment in the
manufacturing, production, or service sectors. In contrast, Syrians, the most
established group, and Egyptians, the most highly educated, show the lowest needs
for self-employment. It is interesting that Egyptian ethnics are employed by the
federal and local governments at twice the rate as are Palestinians. This is partially
due to the Egyptians' level of education and partially due to the exclusion of
Palestinians from political patronage positions and jobs in the civil service.

Similar trends are found in the concentration of other occupations pursued
by Arab-Americans. Overall, the Arab-American presence dramatically increased in
the executive, managerial, professional specialty ranks, and in technical and sales
administration. The number of Arab-Americans working in managerial and
professional positions rose from 31.3 percent to 36.4 percent between 1980 and 1990,
and the number of people in the all-Arab category who are employed in technical,
sales, and administrative positions rose from 34.9 percent to 36.2 percent. Among
the former, the push was led by Egyptians, 45.6 percent of whom are employed in
managerial and executive positions. This reflects their higher levels of education
and their favorable terms of immigration. The next largest national group in
executive positions were the Lebanese, a fact which points to the dual nature of that
group's immigration to the U.S. The same argument applies to Palestinians, who led in employment in technical, sales, and administration (by a twenty-seven percent margin over the general American population). The Egyptians are distinctively less active in these areas of employment, a situation that may indicate that their immigration came in response to the demands of specialty industries.

In the categories of general services, agriculture, production and repair, operations and fabrication, and basic labor, the positions of Arab-Americans declined dramatically. Although never strong, Arab-American employment in agriculture dropped from one percent to .6 percent in the 1980s. The more substantial effects on employment concentration are visible in production and manufacturing industries. Arab-American employment in fabrication fell from 12.6 percent in 1980 to 8.5 percent in 1990. This displacement of workers represents a failure among recent Arab immigrants to obtain the "replacement positions" that second and third generation Arab-Americans have left open as they achieved upward mobility. There was also a less dramatic decline of Arab-Americans' presence in precision production, craft, and repairs positions, from 8.8 percent to 7.5 percent. A partial explanation is found in the increasing technical skills needed in American manufacturing, which new immigrants may not have. It is also true that states like Illinois, Indiana, Michigan, and Ohio, where Arabs had in the 1950s and 1960s migrated to obtain factory work, have been hit hardest by regional recessions.

These factors combine to explain further the income diversity that exists in the Arab-American community. The highly educated immigrated to specialized jobs, while those moving under more extreme situations have not found their skills readily marketable in an age where high-tech manufacturing has driven growth in overall employment.293 In contrast, the Syrians, whose skills reflect the

American norm, are the most dependent on manufacturing jobs. Comparisons by national origin further illustrate the divide between immigrants with education and those without. The Syrians, with the least education, the Palestinians, and then the Lebanese maintain a higher proportionate employment in production-oriented industries. In contrast, Egyptians are the least dependent on manufacturing jobs. This shows the duality of Arab immigration, with new arrivals divided between people with specialized skills and those offering low-wage skills.

In addition, it is difficult to miss the social connotations of the employment concentration faced by Arab-Americans. In American industry, unions have been strong supporters of protectionist legislation and vocal advocates for policies favoring the exclusion of immigrant labor. This has made it increasingly difficult for unionized industries to hire immigrant replacement workers, and it may have biased hiring procedures beyond the first generation in areas of the country with large Arab-ethnic communities. The most vehement support for contradictory immigrant policies has emerged in California, Texas, Florida, and in the Great Lakes region, areas with large Arab populations. Such sentiments may have led to practices among local labor forces that helped to exclude Arab-ethnics from union membership, adding to the problems caused by industry restructuring.

2.2 Social Distance and Arab-Americans

This section discusses the political, social, and religious dynamics of inter-ethnic conflict between Arab immigrants, Arab-Americans, and the majority. This discussion is important in many ways, the first being that it illustrates the types of barriers Arab-Americans must overcome in order to achieve commercial and economic assimilation. In addition, the dialogue presented here on social distance against Arab-Americans helps explain why this community is so heavily dependent on entrepreneurship. Most of the literature implies that Arab-Americans have
achieved success through self-employment in spite of the discrimination that they have encountered. Zenner's more recent work gives a more accurate history of the way Arabic speaking immigrants have become middleman minorities.294 The most notable assimilation has been attained by Christian Arab-Americans, while the identity-integration problem is worse for Muslims, as indicated earlier.295

In the following sections I will focus on the factors that have created social distance between the American majority and Arab-ethnics. In addition, I will look at the even greater divisions that exist between Muslims and the religious majority. The sources of social distance perceptions vary, but they include both conscious and subconscious perceptions about aesthetic experiences, communications, rituals, definitions of civil society, and the rights of genders, races, and religions.296 Unfortunately, prejudices against Arab-Americans are built on ill-perceived cultural definitions, religious misinformation, and on politically motivated biases. It is these biases that bolster people's willingness to avoid other people or, even worse, to pursue actively discriminatory or segregatory actions against them.297

296 Lakoff, George and Johnson, Mark, Metaphors We Live By, University of Chicago Press, (1980).
2.2.1 Social Perceptions and Arab-American Assimilation

I have established elsewhere that politics and government violations have led to discriminatory behavior against Arab-Americans in general and, to a greater extent, against Arab-American Muslims. I will not go deeply into the political consequences of these activities here because I have done so in other referred publications. However, it is impossible to write about discrimination against and within the Arab-American community without discussing the U.S. government's foreign policy activities. Studies have shown that international political events become a source for motivating domestic action against some minority groups. It is surely important here to look at enmity against Arabs in the Mind of America.

Volkman's 1985 study was one of the first to connect nationalist attitudes to majority perceptions about ethnic groups, showing links between international biases and domestic discrimination. In the process of illustrating why people need enemies and allies, he shows that projections about nationalist intentions are associated with ethnicity. As a result, immigrant minorities are often singled out through biased behavior, and their related communities are forced to pay a price for their ethnicity. Related research shows that feelings of enmity aroused by international issues turn into "conflict justifications," and that "diabolical enemy-images are propagated and become part of the social identities, [expectations and stereotypes] of citizens." Holt finds that when Americans are asked questions

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298 Wright, Jr., J. W., "Arab-Americans."
about foreign enemies, they are "understood more in a domestic-political sense than in an international sense." In addition, Americans tend to associate foreign threats with negative economic situations. Proposition 187 and the debate over the social costs of Mexican aliens is an excellent example of how these feelings can be projected onto an ethnic group. An opposite example comes from the success of Pacific Rim immigrant communities in the U.S. In their case, commercial success has led in the 1990s to increased inter-racial violence against Asian Americans. The people who committed these hate crimes often feared alien job displacement.

Misunderstandings about domestic immigrants' roles in international controversies present several problems for Arab-Americans. For one thing, the Middle East is the area of the world where U.S. support of Israel over the last twenty years has put the State Department and some of its key officials in a number of compromising positions. And the OPEC oil embargo proved the U.S.'s economic stake in the GCC region. For these reasons most Americans are quick to protest almost any actions by Arab nations, and they are unfortunately willing to vent their frustrations on Arab-Americans. According to Lerner this caused a reign of "terror against Arabs in America," and by July of 1986 the situation became so bad that a Congressional sub-committee was formed specifically to discuss anti-Arab

304 For a recent diplomatic history of U.S. policy in the Middle East, see Douglas Little, "Gideon's Band: America and the Middle East Since 1945," Diplomatic History, Vol. 18, No. 4, (Fall 1994), pp. 513-540. For record of the impact of the Jewish lobby on American politics see the following, among others: Paul Findley, They Dare to Speak Out (1982) and Deliberate Deceptions, (1992), both published by the Lawrence Hill Press. Also, CNI supported a lecture series on "Islam and American Foreign Policy," in the spring of 1994 at Georgetown University, Princeton University, Rutgers University, Smith College, and Yale University, the key issue was the U.S. relationship with Israel. Other lecturers who addressed this topic included Gene Bird, Ambassadors Talcott Seeley and William Stoltzfus, Congressman Paul Findley and Professor Hooshang Amirahmadi.
violence in the U.S. The events of 1991 further proved that boycotts, violence, and vandalism against Arab-Americans were tied to international events; these crimes rose 800% during the Gulf War.\textsuperscript{306} Previous reports by the American-Arab Anti-Discrimination Committee have linked increases in violence against Arab-Americans to the TWA hijacking in Lebanon and to the U.S. military strikes on Libya in 1986 after the Pan Am disaster in Scotland.\textsuperscript{307}

Linking international conflicts with domestic hate crimes is important because the connection serves to remind immigrants of the role that the majority wants them to play in the American social hierarchy, and it shows what retaliation they can expect if an ethnic group is identified as a national threat.\textsuperscript{308} Moreover, international conflicts can encourage public figures to begin dehumanizing foreigners/minorities as a means of raising their appeal to majority voters. This rhetoric hardens the positions of people who are already prejudiced against Arabs and confirms their beliefs that ethnics are "the enemy within;"\textsuperscript{309} as biased media hype grows, communities develop "blacklists of enemies."\textsuperscript{310} If at some point these blacklists grow ominously long, people justify avoidance tactics and/or aggressive behavior against the enemy/immigrant/minority group.\textsuperscript{311}


\textsuperscript{311} It is clear that the current administration sees, at least rhetorically, Arab countries and their citizens (abroad and in the U.S.) as the nations most dangerous enemies. Indeed, Warren Christopher identifies them as such in a recent speech. See Warren Christopher, "American Foreign Policy: Principles and Opportunities," Vital Speeches of the Day, Vol. LXI, No. 10, (March 1, 1995), pp. 290-294.
It should be noted that this arbitrary assignment of group attributes need
"bear no resemblance to any demonstrable reality." Rather, the psychological
mechanism that leads to categorization is used by communities to rally "devotion to
the protection of the [culturally instilled] seat of power."\textsuperscript{312} Crusade-like motives
and defensive hostilities toward the supposedly opposing group develop, affecting
the ability of the accuser to process information objectively. Following the Japanese
airforce's bombing of Pearl Harbor, for example, many majority Americans assumed
that Japanese-Americans should be detained for the sake of national security.

The social distance implications resulting from international enmity are far-
reaching because, as a nation's enemy status rises, Americans identify the respective
national-origin ethnics as potential defectors from the American cause. This is to
say that prejudices often remain hidden until people can fix the bias to a perceived
threat to their personal community. According to Reiber and Kelly, the identity of
enemies is linked to movements to "restore a social policy which it has felt itself
violated."\textsuperscript{313} Therefore, if an ethnic group's image becomes attached to a perceived
plot of subversion of broad majority values -- the communist threat to capitalism or
the Muslim threat to Judeo-Christian morality -- then the foreign threat turns into
ethnic enmity, and benign social distance turns into political action.\textsuperscript{314}

For Arab-ethnics in the U.S., increased international enmity has led to
"political marginalization in American society,"\textsuperscript{315} and to government-led

\textsuperscript{312} Volkman, Vamik D., "The Need to have Enemies and Allies: A Developmental Approach,"
*Political Psychology*, Vol. 6, No. 2, (1985), pp. 219-247; insert is taken from another sentence in the same
paragraph.

\textsuperscript{313} Reiber, Robert W. and Kelly, Robert J., "Substance and Shadow: Images of the Enemy," Robert

\textsuperscript{314} Silverstien, Brett and Flamenbaum, Catherine, "Biases in the Perception and Cognition of the

and Michael W. Suleiman in *Arab Americans: Continuity and Change*, Association of Arab-American
University Graduates, (1889), pp. 17-45; also see in this collection, Abdeen M. Jabara, "A Strategy for
Political Effectiveness," pp. 201-206, and Michael W. Suleiman, "Negative Images and the Feasibility
"political racism."\(^{316}\) As Abourezik claims, "Arabs are the last acceptable scapegoats in society."\(^{317}\) Shaheen has said that "America's boogeyman is the Arab,"\(^{318}\) an image that will last for decades.

Middle Eastern ethnic groups became convenient scapegoats for U.S. economic troubles during the 1970s when the OPEC oil embargo grabbed media headlines around the world. In response to diplomats' inability to halt this situation, the U.S. government sponsored several anti-Arab campaigns. For example, the Department of Energy distributed thousands of bumper stickers with mottoes such as "Driving 75 is sheik, driving 55 is chic" and "The faster you drive, the richer they get."\(^{319}\) In another famous case, CIA Director Webster ordered FBI agents to pose as Arab sheiks (claiming to be Lebanese) trying to bribe politicians for licenses for casinos, liquor distributorships, and mining rights. No arrests were made, but the accompanying media barrage convinced the public that the scam was real and that Arabs were posing a threat to American democracy. As for Webster, he became convinced that Arab-Americans needed protection because he felt they were in a "zone of danger as the apparent targets of Jewish extremist groups."\(^{320}\)


\(^{320}\) ADC Special Report "The American Press Looks at Arab-Americans."
Several writers claim that the Nixon administration had the most confused position of any toward the Middle East. This confusion was in turn shown in his authorization of "Operation Boulder," which took "special measures" to contain supposedly subversive anti-Israeli influences. With the help of CIA, FBI, INS, and IRS agents, the Operation's leaders had carte blanche authority to investigate Arab-Americans' link to "terrorist activities." Members of 700 to 800 local Arab and Arab-American groups were investigated through Operation Boulder. Sympathizers, especially academics, were also investigated. This campaign was an expensive failure that produced little real evidence and no criminal convictions. However, the press made a media blitz out of Operation Boulder and the public became more convinced than ever that Arab-Americans were the new enemy within. This development indicates that for at least twenty years the American people have been increasingly fearful of Muslims, Arabs, and Arab-Americans.

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323 Hagopian, "Minority Rights." The author rightly notes "that the only reported and verified acts of terrorism in the U.S. related to the Arab-Israeli conflict were found to be committed by Jewish Defense League members."


325 Key cases are those of Sheila Scoville, who were forced to resign from the Univ. of Arizona for her supposed political views, and David Bird, who was denied tenure because of statements against Zionism. Alfred Lillienthal, a Jew who opposed to Israel's displacement of Palestinians, and who is currently writing his memoirs for the Hoover Institute, has continually been under attack by Jewish groups. These cases are well documented, although I know Scoville and Lellenthal personally.

326 In fact, this situation probably dates to at least before the first World War. Exactly when government prejudice against Arabs began is hard to determine, but it was not an early part of the political spectrum. In fact, the governments of Morrocco and other Northern African countries provided the Colonial States with supplies for the American Wars against Britain and France. This led some states, the first being South Carolina, to establish rules that Arabs were not of African but of European
The result of these prolonged biases against Arabs and their neighbors has been the creation of patterns of "sound blindness," a term used by Sundquist to describe the way literary biases can cause popular justification of segregation. 327 These biases have created social distance between the majority and the Arab-American minority. For example, a Columbia University study found that the American elite takes a "theory driven" approach to policy responses. 328 This is especially true with regard to immigration policy, where the debate has veered away from "humanitarians" to "realists" who cloak discriminatory rhetoric in discussions of "the conduct of foreign affairs." 329 But, more pertinent, the study showed that

origin and were thus not eligible for enslavement. On this see Samhan's Congressional Testimony. It is also known that American religious missionaries had significant influence in Arab quarters of the Ottoman Empire during the middle and late nineteenth century and that Christian organizations in the Empire were probably responsible for motivating significant numbers of Christian Arabs to move to the United States beginning around 1850. On this issue see Robert L. Daniel, "American Influences in the Near East Before 1861," American Quarterly, Vol. 16, No. 1, (Spring 1964), pp. 71-84. This may indicate low levels of overt prejudice against Arabs in early federal policies. If so, however, this liberalism was not often present at the state and municipal levels. Several states, Maryland for example, had religious "heresy" laws that specifically aimed at punishing immigrants who practiced non-Christian faiths, and it is likely that Muslims from Africa and Arabia suffered greatly under these laws. In addition, the definition of racial and civil rights codes in the early twentieth century brought new confusion about social and racial issues important to Arab-Americans. Canada, for example, passed a law in 1908 that listed Arabs as a "less desirable ethnic group" and banned further immigrant entries. In 1914 a Syrian man's petition for citizenship was denied because a judge ruled that he was not a white man. On the positive side, the ruling was overturned by an appellant court, which established that Syrians, while not Caucasians, were of European descent and therefore eligible for citizenship. However, on the negative side, in 1914 a South Carolina judge overturned that decision and declared Syrians to be "Turks of Asia," who were ineligible for citizenship. This classification became an increased threat to Arab-Americans in a 1917 ruling that as Turks, Arabs became ineligible for citizenship under the Restrictive Immigration Act (RIA) of 1917, which also restricted their rights as landowners. This decision was struck down by a U.S. court of appeals that ruled that Syrians did not pose a security threat and should not be subject to the wartime measures in the RIA. In response, by 1920 several states had ruled against Arab-ethnics' rights as citizens or land owners. See first Helan Hatab Samhan, "Politics and Exclusion"; and then refer to the essays in Arab-American: Continuity and Change, eds. Baha Abu-Laban and Michael W. Suleiman, The Association of Arab-American University Graduates, (1989).

while Russians used to be considered the most important threat to the U.S., Arabs and Persians (and all Muslims) have become the new worst enemies of America.

In support of the Columbia study, it is worth noting that, in the 1990s, white male prejudice revolves around "racial policy questions" rather than arguments about innate inferiority. However, while the debate may have become more refined, the intention is often as biased as ever. For example, Briggs sees "the Third World immigrant" as the "major reason for the revival of 'sweat shop' enterprises and the upsurge in child labor violations," but he cites no studies to support this claim, which reads in the context of a section titled "Immigration Policy Gone Awry," like an antagonistic, rhetorical diversion. Books like this one illustrate and support Chiswick's assertion that the majority "population is likely to be more cohesive [...] about accepting] immigrants from the same small set of countries that supplied the original population," and, in addition, those immigrants who are not from those preferred nations of origin are more likely to be blamed for national problems or foreign conflicts that are beyond their control.

Szalay and Mir-Djalali made a comparative study of enemy images in the United States, Egypt, Jordan, and Iran, among others, and found that negative feelings by Americans were based on perceived threats to freedom, justice, unity, progress, and power. They found that, as early as 1978, the negative World War II images held against German and Japanese ethnics were being replaced by enmity towards Arab and Persian ethnics and immigrants. Zur refers to this phenomenon as the public's need to build a "rorschach, or protective device" to defend a social institution, a social consensus, or a socially approved action. Zur, and also

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Silverstien and Flamenbaum, believe that Americans tend to denounce governments associated with non-democratic rule or regimes that supposedly oppose the notion of freedom of religion. In the study, Americans identified communism as the primary enemy, and those who support communism were considered to be people who "weaken liberal democracy and undermine world stability." According to this article, the people we associate with such anti-American behavior are Cubans, Nicaraguans, Iranians, and Iraqis. Again, two enemy images are pronounced: communist states and Muslim nations.

The psychological effects have not been small for Arab-Americans. In the last two decades Arab nations have been portrayed as an increasing threat to the U.S. and are usually described in the media as radical Muslims states. This is true even though most research has shown that the U.S. has little to fear by way of reprisals from the Arab world or from predominantly Muslim countries. Moreover, the impact of these negative images is clear when studied from the viewpoints of social distance and international enmity. In another study on enemy images, New York University students were asked to identify 1) the greatest enemies to the U.S., and 2) the countries most likely to do the U.S. harm. As expected, "Soviets" or "Russians" were the enemies identified most often, but the next most identified enemies were Libya (12%), and "non-specific Arab countries" (10%). The Soviet Union, Iran, and Libya were seen as the most likely countries to harm Americans. In unprompted remarks about countries with whom the U.S. might enter a conflict, most people criticized the USSR, but again the next most popular responses were Iran (26%), Arab countries (23%), Libya (21%), Iraq (6%), and Syria.

334 Silverstien and Flamenbaum, p. 58.
(4%). What emerges here is a clear trend where "Arab countries" replace Russia as the U.S. national enemy.

This perception was confirmed in a 1993 study by Sparrow and Chreiten which used the Social Distance Scale to test the resurgence of racism among college students. Undergraduate participants were given thirty-one nation-of-origin categorizations and were asked to rate groups in given situations, e.g. gaining citizenship in your country, moving onto your street, entering your family by marriage, gaining employment in your business, etc. In the overall rankings, Iranians fell to thirty-one in all sample groups, (blacks, whites, men, and women). Lebanese, chosen as the national origin to represent Arab groups, ranked 25/31 among blacks, 29/31 among whites, 28/31 among women, and 30/31 among men.

On individual questions, the degree of resistance to interact with Arabs and Persians becomes clearer. Responses indicated that Iranians would only be allowed to become citizens, but not to become members of any other group with which the respondents were associated (business, clubs, neighborhoods, families, etc.). The Lebanese fared slightly better among Black respondents, who said they would accept Arabs as citizens and in the workplace, although Iranians would be excluded from the work place. White men and women would admit Lebanese into their work place, but rejected letting them live on their street or join their families or clubs.

Walsh approached the social distance question from the angle that alien-group perceptions help determine the likelihood of an immigrant's applying for citizenship. Walsh's proposition is based on earlier studies which have shown that the majority sees immigrants as deviants, although not all immigrant groups are viewed as being equally deviant. Hence, the degree of social distance also serves as a measure of the difficulty of immigrant initiation into a society. The more drastic

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the requirements for initiation, the less likely it is that immigrants will be accepted by their hosts. Walsh's sample population was drawn from immigrants living near Toledo, Ohio, where foreign-born residents were interviewed and asked to complete the Bogardus Social Distance Scale. He found that Arab immigrants were the least likely group to become citizens and the most likely group to face barriers to social integration. Arabs had the lowest scores on the assimilation scale, and they were the least likely people to marry an American-born citizen (especially a non-Arab ethnic).337

These studies illustrate how public misinformation about Arabs has created substantial social distance between the majority and the Arab-ethnics in the U.S. Moreover, the chronological progression of these studies shows that racial biases have intensified against Arabs in recent years, and the Walsh study shows that these biases have long-term effects on the abilities of Arab immigrants to assimilate or to gain citizenship. In addition, Sparrow and Chreiten's research when combined with studies on enmity shows that the intensity of the majority's dislike for Arabs and Arab-Americans encourages actively biased behavior.

At this point it is necessary to illustrate the additional effects of discrimination against Muslims, seen both outside and inside the ethnic enclave. Certainly, divisions and competitive conflicts have existed between Muslims and Christians for centuries.338 The key point here is that, in the West, "Islamic issues and themes discussed are also generally viewed in terms of the Arab world and not

the Islamic world as a whole." Moreover, the most negative stigmas affecting Arab-Americans have been placed by the American media onto the backs of Arab-ethnic Muslims, and because of the Israeli conflict, the worst burden has fallen on the Palestinians. Two examples of this come from recently broadcast news reports:

The Arab is a cancer in our midst -- Islamic Fundamentalist planning to commit Holy War in the United States.

This comes from a "60 Minutes" television news segment done by CBS's Mike Wallace, a news journalist and one of America's leading Jewish spokes persons. In a report less than a month later Leslie Stahl asked Hanan Ashrawi,

Why don't your people wake up and stop all this terrorism? Can't you keep these Muslims from killing the peace process?

These lines typify the tone of stories that "60 Minutes" and other programs have done on Arab immigrants, and it is representative of the coverage Arab-Muslims receive in the American media. Moreover, the reporter's negative tone epitomizes the methods used to foster conflict between Muslims and the U.S. It has worked, and Muslims have been identified as this decade's peril; Palestinians and then Muslims are singled out as villains intent on destroying the Christo-American way of life.

These perceived threats are by and large nullified by larger, pragmatic economic and social conditions that have evolved around the world. Still, as El-

341 Espisito, John, The Islamic Threat: Myth of Reality, Oxford University Press.
Saadawi points out, "with the fall of the Soviet Union, Americans have begun to see Islam as the critical enemy and this is reflected through the people's opinions of Arabs." According to a study by Slade, antagonism toward Arabs in America is manifested in ill-informed attitudes about Muslims and the belief that Arabs are "anti-Christian and anti-Semitic." Respondents to her poll showed low levels of understanding the roles Christianity and Judaism play in Islam or in conflicts in the Middle East, although these same respondents persistently asserted that they did not like Arabs, describing them as "barbaric, treacherous," and "Muslim." Slade believes that the fact that her poll coincided with the 1979 Embassy crisis in Tehran raised the level of anti-Arab bias. Schmidt agrees by saying that "had the question been asked, I anticipate overwhelming numbers would have believed Iranians to be Arabs." Of course, Arabs and Persians have different identities, many Arabs are Christian, and all Arabs are Semitic, but Schmidt feels biased and inaccurate press coverage has increased ignorance as well as raised prejudice against Arabs and Arab-Americans.

In essence, the misperceptions about Arabs and about the conflict facing Arab-Americans are caused by "the vagaries of American foreign in the Middle East and America's relations with Muslim countries throughout the world." Certainly the effects are long-standing and socially costly, and they have fostered the persistent exclusion of Arab-Americans from the process of economic assimilation.

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345 Schmidt, Mary, Address at the Georgetown University Center for Contemporary Arab Studies.
346 The quotation is from Haddad, "American Foreign Policy," *The Muslims of America*. Also see Hatem I. Hussaini, "The Impact of the Arab-Israeli Conflict."
2.3 Divisions within the Arab-Ethnic Enclave

The Arab enclave has not sat still during these periods of discrimination. Rather they have formed groups and sub-groups that attempt to protect their interests in Washington, D.C. and elsewhere. With few exceptions, however, Arab-American communities have embraced a strategy of assimilation through persistent self-employment and discrete social integration. Many want to be categorized as "whites" in government statistics and elsewhere so that they can pursue the strategy of taking quiet steps toward assimilation - a strategy that has essentially made Arab-ethnics a hidden minorities in the American landscape.348 The debate on gaining different categorization is not the topic of this thesis, but what this divisive debate represents is important: that wide divisions of opinion exist on who should manage the Arab-ethnic enclave, whom it should serve, and whom it will protect.

In contrast to the present state of affairs, the early Arab-American community was fairly homogeneous, essentially consisting of Orthodox or Maronite Christians who had fled religious oppression, local disputes, or poverty. The significance of the numbers of Arabs moving to the U.S. at the turn of the twentieth century is underscored in T. E. Lawrence's *Seven Pillars of Wisdom*: "in Lebanon, [...] a great exodus of youth took place to America each year, threatening to change the outlook of an entire district."349 He was referring, in fact, to an exodus of the Christian minority. Abujaber's *Pioneers Over Jordan*, Seikaly's "The Arab Community of Haifa, 1918-1936," and Hourani and Shahadi's collection *The Lebanese in the World: A Century of Immigration*, are all studies that mention the nineteenth century diaspora of Arabs from Ottoman lands to the Americas.350 The significance of this


movement and its membership is twofold. The first point is that because the immigrants were not leaving nation-states they had little national identity, and, secondly, religious definitions became symbols of their ethnicity. Phares claims that the Maronite massacres in 1860 and the Maronite resistance against the Ottomans identify a "Christian ethnicity," which even today is the cause for militant actions. This was certainly the case during the Maronite-led raids on Sabra and Shatila and was a primary issue for many in the Lebanese Civil War.

In fact, it was the Christian Arabs that immigrated to the U.S. in large numbers at the turn of the century. The homogeneity of this community was strengthened by their centuries-old pre-migration allegiances and socio-religious identities, and their shared Christian ethnicity proved to be a valuable asset for building consensus in the Arab ethnic enclave. The Syrio-Lebanese leadership in the enclave endeavored to keep internal conflicts to a minimum. As time went by the immigrant economy grew because of their relative success at entrepreneurial pursuits like service businesses in ghetto areas of East Coast cities and peddling in rural areas. Moreover, Arab-Americans' growing wealth made them until the 1960s the wealthiest Arabs in the world. From this position they could strengthen their international networks for developing businesses and influence in the Middle East.

However, the turn of events in the Middle East in the 1950s, 1960s and 1970s changed much about the homogeneity of the Arab-ethnic enclave. For one thing the direction of U.S. policies changed dramatically in the region, which led to the beginning of factionalization among Arab-Americans. Abdul Nasser's rise to power, along with the fall of various Arab principalities, also changed peoples' motivations.

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views about their pre-migration identities. Moreover, for the first time Americans, rather than the British or the French, were the direct culprits in instigating regional conflicts in the Arab world. American interference in the Middle East also caused division within the Arab-ethnic enclave between those wanting quiet assimilation and those wanting to support allegiances they had known to their home countries. During the 1950s and 1960s (and again in the 1990s) both nationalist and Islamicist tendencies served to divide Arab-Americans.\textsuperscript{352} It was also at this time that the wealth structure of the Arabs changed dramatically. Oil revenues began to flow into the southern region, and by the mid-1960s the Arab Christians in America were no longer the wealthiest Arabs in the world. By the late 1970s the Arab world became dependent on GCC oil revenues and regional power shifted to the OPEC nations.

Other things happened in the years that followed World War II that changed the Arab-American community. The first of these was a change in the U.S. occupational structure. Prior to the war, members of the Arab immigrant community had remained relatively attached to each other as a means of cooperative support and because discrimination and other factors at that time had forced most Arab immigrants into some kind of self-employment. In addition, the community had to be cohesive because it was not until the 1920s that the racial rights afforded to Arab-Americans was legally determined. However, during and after the War the demand for immigrant labor in industry grew tremendously; in response, Arab-Americans set out on an American migration toward the West and the Mid-West. In many ways their movement stifled the Arab assimilation process because their relative presence in the Eastern urban areas declined, and because in the Mid-West fewer Arabs pursued self-employment. Elkholy made the following observation about Arab immigrants who re-settled their families in Michigan:

Occupational as well as residential differences may affect the degree of assimilation in both communities. Commerce by its nature involves human interaction, while the nature of labor, in this age of automation is to involve more human isolation. For this reason, Detroit's occupational pattern has impeded the processes of assimilation.  

More importantly, this movement into mid-west and western industry began to change and divide the very nature of the Arab-ethnic enclave. First, the enclave became geographically diverse, and as such it provided its members with less structured support. Second, the occupational structure changed within the enclave, and there was less control over the availability of the replacement jobs that entrepreneurs traditionally had to offer. Third, it meant that there would be a change in the political workings of the Arab immigrant enclave in the East.

It is also notable that the make-up of the Arab-American community was beginning to change in the 1960s and 1970s, with more Muslims entering the U.S. because of regional conflicts and the military expansion of Israel. Interestingly, however, the new community of Muslims did not increase the diversity of the Arab-American enclave in the Eastern coastal cities. Rather, the move West cut contact between Muslims and Christians because a majority of the group that moved to Illinois, Indiana, Michigan, and Ohio were either Muslims, like the Yemenis, or Christian denominational minorities such as Iraqi Chaldeans. In addition, the groups that moved furthest to California and Oregon were Gulf Arabs. This situation left the East Coast segments of the enclave even more tightly


controlled by the Christian Arab immigrants, while the Western groups became more Muslim.

International affairs and domestic policies also affected migratory patterns out of the Levant. After the Arab wars against Israel, a difference emerged between rhetorical and actual support for Palestinian-Americans. Most Arab-Americans continued to support the cause of the Palestinians and later the Lebanese who had been dispossessed of their land. Meanwhile, however, the Palestinian community remained internally factionalized and impotent in the face of both Middle East controversies and civil rights violations in the U.S. Presidents Johnson and Nixon made it clear that the enclave's abilities to assimilate would be severely affected if it openly supported the dissolution of the state of Israel. Therefore, the clearly negative signals from the majority began to change behavioral patterns within the community. As such, the Palestinians, and especially the Muslims among them, began to be excluded from social contact inside the ethnic enclave. This is another reason Palestinians are less concentrated in New York and Boston, and more in southern, mid-Western, and western regions of the country.

The nature of these migratory divisions is telling, and by their existence imply that in the 1940s and until the 1960s Muslims were insignificant members of the established Arab-American enclave, both terms of numbers and wealth. This situation on top of a sectarian conflict in both the Muslim and Christian Arab


communities, meant that the Muslims did not get sufficient rewards from the enclave to justify their support of its economic structure. However, by leaving the enclave a tighter control of the privileges that accrued to the East Coast Christian Arabs, who were at this point more likely to have middle or upper class, incomes to be more assimilated, and second generation. By moving into industrial jobs, the Muslims unwittingly limited their earning power and became dependent on a majority controlled and discriminatory occupational structure. This situation made assimilation more difficult for Muslims and hindered their efforts to form their own substantive enclave.

The circumstances just described indicate that the Muslim segment of the community faces significantly more discrimination than their Christian co-ethnics. But it would not be fair to say that the negative impacts of this situation lay entirely in the hands of the Christian majority within the Arab-ethnic enclave. Even within its own sub-enclave "the Muslim community is not a monolithic group."\textsuperscript{357} Moreover, there have been few if any successful attempts by Muslims to create significant economic structures even though major Islamic groups consistently call for separate economic and social structures "that broaden the sphere of religion."\textsuperscript{358} However, as Becker has pointed out, the persistent use of segregatory commercial policies by Muslims would lower their general levels of income. Therefore, while separatist rhetoric may add to their social identity, the net effect of such movements is to deny Muslim Arab-Americans the ability to become middlemen minorities. It may be that the majority harbors enough prejudice against Muslim Arabs that such positions would never be obtained. But at the current time it is the Muslim leaders who help to close that door, not only the Christian Arabs who control the enclave.

Chapter Three

The Current Study

The previous chapters show that Arab-Americans face especially difficult challenges in the immigrant assimilation process due to 1) discrimination, 2) social distance, 3) the willingness of individuals to act on their biases, and 4) government implemented prejudicial policies. However, equally an important point is that among Arab-Americans specific divisions exist that place segments of the population at an added disadvantage in the U.S. wage and occupational structures. The information presented thus far indicates that Muslims bear the most discrimination from both inside and outside the community. For this reason they have often been excluded from the benefits provided by the established Arab-ethnic enclave. Palestinians also face a greater level of discrimination and exclusion.

My intention is to investigate the economic price Muslims and Palestinians pay for discrimination against them in terms of wage and occupational segregation. The approach I posit investigates variant rates of self-employment dependency, disparate earnings between segmented groups, and differences in the capital structures and operations of Arab-American-owned small businesses. In this chapter, five hypotheses are presented, methodology for their study are proposed, and in two longer sections the data collected is systematically analyzed.
3.1 Hypotheses and Procedures

People professing faith in Islam are one of the fastest growing religious groups in the U. S., and "by the end of the decade, Moslems could outnumber Presbyterians." But Muslims claim they are victims of discrimination caused by misunderstandings about their religion. To determine whether or not Muslims in America pay a price for the discrimination against them was my original purpose. This project has an enormous scope that could not be tested within the limits of my dissertation. This led me to chose a population within the Muslim-American community to serve as a target group. My contacts in Washington, D.C. are in the Middle East policy community, home to many Muslims and Arab-Americans. This made Arab-Americans and Arab immigrants the logical groups to study.

I have proceeded under the assumption that prejudice exists against Arab-Americans, but that these feelings may not be displayed in terms of income or wage disparities. In fact, the brief review I made earlier of census statistics shows that Arab-Americans have fared considerably better than Blacks and Hispanics, and other minorities. Rather, I will use the current Arab-American sample population to test the relative effects of discrimination against Muslims and Palestinians. Evidence suggests that social distance is greatest between the American majority and Arab-ethnic Muslims, and also from Palestinians. This prejudice has led the majority to avoid political and social contact with Muslims. It is likely that they will have been avoided economically as well and that their earnings will be less than Christians.

359 El-Badry, Samia, "Understanding Islam in America," American Demographics, Vol. 16, No. 1, (Jan 1994), pp. 10-11. The largest Muslim ethnic segments in the U.S. are blacks (forty-two percent), South Asians (24.4 percent), Arabs (12.4 percent), Africans (6.2 percent), and Iranians (3.6 percent). See too data from the American Muslim Council.
3.1.1 The Hypotheses

The five basic hypotheses that I put forth read as follows:

1. That discrimination against Arab-Americans will cause them to pursue self-employment at a higher-than-average rate. Moreover, I expect that Muslim Arab-ethnics are at a further disadvantage in the labor market, which will cause them to be self-employed more often than Christians.

2. That a variety of wage disparities also exist within the Arab-American community; the major sources of difference are revealed in comparisons made by religion, on the basis of national origin, type of citizenship, level of education, field of study, and participation in entrepreneurship;

3. That finance gaps exist for Arab-American small business owners, but that these gaps will be greater for Muslims than for Christians. The existence of these liquidity constraints within the enclave will, over time, severely inhibit the earning power of Muslim business owners;

4. That discrimination and the resultant economic disadvantages will also be present in comparisons based on nativity and national origin. Palestinians face the most social discrimination and will therefore face the most commercial exclusion. Palestinian-born Muslims have the highest need for self-employed earnings and bear the most economic harm.

5. That Islamic banks will be supported by Muslim Arab-Americans as a means of alleviating finance-gaps in that community segment, but that within this segment divisions exist that have economic consequences.
3.1.2 Identification of the Sample Population

Two groups based in Washington, D.C. agreed to facilitate my research by giving me access to their members as sample populations. The first group is an advocacy group on Middle East policy named the Council for the National Interest (CNI). About twenty-five percent (two thousand people) of their members are Arab-American. In addition, I was in contact with those researching discrimination at the American-Arab Anti-Discrimination Committee (ADC). ADC's membership is approximately twenty-two thousand, most of them Arab-Americans.

3.1.3 The Questionnaires

The CNI questionnaire was written to gather information about Arab-Americans and the economic disparities that exist within their ethnic enclave. Responses from the sample group provide basis data for evaluating group-specific and industry-specific earnings and occupational disparities. The questionnaire is divided into three sections: the first part is designed to collect segmental data, the second section addresses issues specific to the small business community, and the

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360 CNI has as one of its agendas to increase representation of Arab and Muslim groups in Washington's body politic. They believe government sanctions against Arab communities have led to a muting of the Arab-American voice on U.S. policies toward the Middle East. Mr. Bird, CNI's President, and Congressman Paul Findley, CNI's Chair, felt work on the economic cost of these sanctions would be well received by the group's Arab and Arab-American membership.

361 As opposed to CNI, whose energies are mainly spent on affecting federal-level foreign policy decision making, ADC's aims and goals are almost exclusively domestic and related to issues of discrimination. The gaining of minority status for Arab-Americans is an issue of particular interest to ADC's member business persons who would, if they had minority status, gain access to SBA financing and receive favorable treatment in government contracting under the Grey Amendment. After consultation, ADC's President Albert Mokhiber authorized a survey of members in the Delmarva and D.C. areas, under the supervision of Imad Abi Saleh. Mr. Abi Saleh's help has been crucial in my ability to collect data for this survey. Candice Lightner has given continued support for my work since becoming ADC's President in 1994.

362 CNI wanted a broader range of data for both professional and marketing reasons. From their perspective, the questionnaire needed to gather business, census and demographic data that could help their staff write proposals for policy changes at the US Bureau of Census and at the Department of Commerce. So that we were not competing with other groups in the area, we were careful to share our aims and our work with the Arab American Institute, which has a much longer-standing record on the issues surrounding minority status and government agencies. Dr. Helen Samhan, AAI's acting President, has been especially generous in her support.
third part solicits information about the attitudes of the Moslems toward Islamic finance, which I propose may help to fill finance-gaps that exist in the enclave. Copies of the full-length ADC and CNI questionnaires are presented in appendix I.

Questions one through six ask basic demographic information. The answers provide tools for measuring the comparability of the sample. They also allow comparisons with other immigrant groups with non-Anglo-Saxon ethnic or West European identifications. Questions about religion are also included. Knowing religious affiliation would make it possible to determine comparative trends among religious groups for assimilation, economic progress, etc. Combining religious affiliation with date of entry will allow analysis of generation-based assimilation.

Questions seven and eight were designed to determine the level of education of the population group, and to see if trends could be found in the fields of learning and career preferences pursued by Arab immigrants and Arab-Americans. It is important to match career preferences with the level of education because industry structures can be a determinant of self-employment dependency. It was suspected that Arab-ethnics, like people of other Eastern-origin minority groups, prefer self-employment in small businesses, positions in management, or jobs in the service sector. However, it is also likely that discrimination in employment mobility and in the distribution of capital may have forced Arab and Eastern immigrants into service oriented businesses. This is the case with other immigrant minorities.

Questions nine through twelve also address concerns about immigrants' rates of assimilation. Dwelling on this issue was necessary for three reasons. First, if the survey was to succeed, I needed information about the relative successes and

363 While evidence in the U.S. and the Middle East tends to confirm that Arabs gravitate to service-oriented professions, it is also true that immigrants and minorities are often forced into the service positions because of discriminatory "occupational crowding." For an interesting historical source on this topic see, Lee A. Craig and Robert M. Fearn, "Wage Discrimination and Occupational Crowding in a Competitive Industry: Evidence from the American Whaling Industry," The Journal of Economic History, Vol. 53, No. 1, (March 1993), pp. 123-138.

failures of Arab-ethnic Christians and Muslims vis-a-vis other minority groups. Second, information on citizenship status helps distinguish between factors of prejudice against immigrants as opposed to native born minorities. Third, data on rates of assimilation help locate intra-ethnic conflict and discrimination. In addition, most research on ethnic communities recognizes the political nature of immigration policy debates, which often ties the analysis to international events.365

Questions thirteen through seventeen ask for information about employment and occupational status, income levels, and net worth. These questions were among the most crucial in the survey, and in the instructions to the questionnaire members were told that "these may be the most vital questions in the survey because they will allow analysis of the economic impact Arabs and Arab-Americans have on their communities."366 Questions eighteen through twenty followed the same reasoning, except that they are business-specific and related to the community's ability to facilitate exports. These are not analyzed in this study.

The second section of the questionnaire was directed at members who own or manage businesses. These questions are also central to my research, and they address the need for gaining access to incentive programs at the SBA and other agencies. Business owners and managers were asked to answer these questions, but no suggestion was given that comparisons would be made on the basis of religion. Muslims who were not business owners were asked to go to question thirty-six.

Questions twenty through thirty-one were meant to identify the commercial characteristics of business owners who work within the Arab-American ethnic


366 See the appendices that contain both the CNI and ADC questionnaires.
enclave. Questions twenty-five and twenty-six and questions thirty-four were written to examine the managerial sophistication of the business owners under study. These questions were included initially because there is the wide-spread perception that finance-gaps exist within the community, especially among its Muslim segments. However, in order to solve this problem it would be necessary for any applicant for credit to prove that the business meets minimum standards of financial, managerial, and marketing competence. Moreover, emphasis was placed on this section of the research because of suggestions made by Gary S. Becker.367

Questions thirty-two through thirty-four address issues specific to the small business segments’ sources and uses of funds. The low use of credit often indicates illiquidity in a community. High rates of dependency on informal sources of capital also indicate that formal sector funds are being withheld from a community group. However, a discussion of providers and users of funds also lends support to research about the managerial efficiency or inefficiency of the businesses being evaluated.

The third section of the questionnaire was written specifically for Muslim respondents. It seems plausible that if finance-gaps exist in the Arab-American community, that establishing Islamic lending institutions might provide a partial solution to the problem. This is popular rhetoric among American-Muslim theoreticians, but no evidence has been found that American Muslims would support Islamic banks were any established. The limited research on the successes and failures of Islamic banks and peoples’ attitudes toward them is not positive. Therefore, I wrote the third section of the questionnaire as an a priori approach to determining the feasibility of using Islamic institutions to solve Muslim finance-gaps. The questions in this section relate to a respondent’s willingness to make deposits into and accept credit from an Islamic bank. Two questions asking for reasons why Islamic banks might fail were included in order to detect additional

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367 Personal correspondence from Dr. Becker regarding my thesis proposal.
intra-ethnic conflicts that might exist among the Muslim segment. Questions were
also asked about their current knowledge about Islamic banking.

Finally, a space including eight single-column lines was provided following
the last question along with a statement asking members to write any comments
they had on the questionnaire or the issues being addressed. Respondents were also
invited to respond directly to me if they wished to do so. These comments
facilitated the direction taken in this thesis, but they are not analyzed in the text.

The questionnaires used for the ADC survey were nearly identical to the one
sent to CNI's members. Three notable differences exist. The first is that the
instructional essay that proceeded the CNI survey was deleted from the ADC
questionnaire. The second was the addition of a question asking for specific
identification of discriminatory behavior business owners had faced, such as being
denied financing or business permits or suffering from hate crimes or public
harassment by officials. Members were also asked if they were willing to report acts
of discrimination against their businesses to ADC. These questions became
numbers twenty and twenty-one in the survey, but they are not used in the thesis.

The third set of differences revolves around errors made in the CNI
questionnaire. There were additional choices written into questions ten and
nineteen for Djibouti, Mauritania, Sudan, and Yemen. In the end, none of these
national choices received significant numbers of responses, and their absence in the
CNI questionnaire did not bias the populations used for analysis. Questions forty
and fifty in the CNI survey contained language and choices that were so similar as to
be repetitive. Question forty and its choices on the CNI survey does not appear on
the ADC survey until question fifty. The problems caused by the duplications of
questions forty and fifty on the CNI survey caused the deletion of these questions
from the current discussion. A typographical error in questions forty-four on the
(CNI) and forty-six (ADC) limits their usefulness so they are not discussed here.
The lightening rod for comments, however, was a semantic mistake made in question six of the CNI questionnaire, reprinted as question eight on the ADC questionnaire. Choice d., listed as "Melkite or Mennonite," was supposed to read "Melkite or Maronite." The intent was to see how many of the respondents had maintained affiliation with Eastern Rite churches. In practical terms this did not affect the results of these questions, but several respondents listed their Eastern Rite denominations in the choice of other. These answers were tracked and added to the Christian responses, and they are combined as one denomination.

3.1.4 Survey Procedures

The survey of CNI members was distributed first, and in the end they returned the larger number of responses. 1892 questionnaires were sent by mail in June 1993 to members who could be identified as Arab-American or as Arab immigrants. 291 members responded by returning completed surveys. The survey to ADC members was distributed approximately ten weeks later. Questionnaires were posted through the U.S. mail to 1107 members in the states of Delaware, Maryland, Virginia, and the District of Columbia. 242 members returned questionnaires for use in our research. The postmarks for most of the returns for both groups were imprinted on the questionnaires so that future comparisons by geographical area could be made, but this analysis does not appear in the current report. Individual questions are repeated in the text before the analysis for which they were used to make specific points.

The rates of response were 15.4 percent and 21.9 percent respectively, which we felt was high given the groups' histories for returning surveys. The total population of responses to the CNI and ADC surveys was 504. There are limits to this sample, which will be discussed at length later. One quick observation, for example, it is a decidedly male population, but given the occupational groups that
are represented this is not unusual. However, the population provides a solid random sample for several groups to be studied: 262 people indicated they were Christian and 235 were Muslim; 124 Lebanese, 177 Palestinians, and fifty-five Syrians; ninety-two have bachelors degrees only, eighty-eight have masters degrees, ninety-two have medical doctorates, and sixty-two hold Ph.D.s. 160 people said they owned or managed small businesses. Most national groups and some other sample groups yielded less than statistically significant numbers and were deleted from the analysis unless otherwise noted in the text. Further breakdowns by category are presented with the analysis.

In order to insure confidentiality of membership lists, the surveys were distributed and collected separately. Both mailings included a statement about the other group's participation. This effort reduced the number of duplicated responses and was one of several precautions taken to insure the comparability of data.

368 The groups that are tested here are medical professionals, engineers, and business owners. According to the National Committee on Pay Equity 89.7 percent of doctors and 90.5 percent of dentists are male, and 92 percent of engineers are men. These figures include all age groups, which means that average age of this study is substantially higher than the norm. This too makes the sample biased toward men. See, National Committee on Pay Equity "The Wage Gap: Myths and Facts," in Paula S. Rothenberg, Race, Class, and Gender in the United States: An Integrated Study, St. Martin's Press, (1992), pp. 129-135.


There are undoubtably biases in the sample population. For example, the median age is 33 for all persons living in the U.S., 30.2 for all person with Arab Ancestry, (Census Report CPH-L-14) 37.7 for all immigrants, 39.3 for all immigrants entering as adults, (Tabulations of data from the U.S. Census presented in Alice Nakamura and Masao Nakamura, "Wage Rates of Immigrant and Native Men in Canada and the United States," Immigration, Language, and Ethnicity: Canada and the United States, American Enterprise Institute, (1992), pp. 145-166, and 48.9 for the respondents to ADC and CNI surveys. In addition, the population groups average income of $83,459 is substantially than the average $33,574 earned by all people with Arab ancestry. However, the population holds a relatively homogeneus sample for comparing differentials among Arab-Americans. And, all calculations were made based on a consistent format and use only data generated internally.
These precautions are especially important given the current confusion about census data on Arab-Americans. In a 1994 address Vice President Gore affirmed that the AAI's estimates were more accurate than the Census Bureau's.\footnote{Gore, Albert, Briefing at the Arab American Institute Eight Annual Leadership Conference, Washington, D.C., (January 1994).} This supports Samhan's claim that "data on this population either is inaccurate, insufficient or uncollected."\footnote{Helen Hatab Samhan, "Emerging Ethnic Categories," Presentation to a workshop on Race and Ethnic Classification: An Assessment of the Federal Standard for Racial and Ethnicity Classification, (February, 1994).}

3.2 The Basis of Wage and Occupational Differentials

This section explores the effect of discrimination among Muslims and Christians and other groups in terms of occupational segregation and disparities in wages. The occupational differences are expressed here through research on self-employment dependency. The problems with wage differentials are illustrated through the presentation of data on comparative annual incomes. These discussions lead into section 3.3, which more specifically analyzes small businesses. Additional but brief literature reviews give background the issues addressed here.

The results indicate that Muslims are the objects of considerable prejudice and enclaval discrimination. For example, they are much more likely than Christians to pursue self-employment, and at the same time they are much less likely to receive higher-than-average wages. These disparities hold true in comparisons based on the level of education, the specialty field of study, their nativity, and their national origin. The data show that Muslim Arab-Americans face exception occupational and wage displacement, as do people of Palestinian ancestry. They too usually take higher business risks yet earn lower wages.\footnote{There are no articles that compare Muslim and Christian incomes in the U.S. One article exists in Canada, see Daoad Hasan Hamdani, "Income Disparities Between Muslims and non-Muslims in Canada," \textit{Journal of Institute of Muslim Minority Affairs}, Vol. VII, No.1, (January 1986), pp. 117-123.}
3.2.1 Self-Employment Dependency

Immigration is a self-selecting process whereby those who relocate from one country to another are usually the strongest, the most motivated, or the most desperate (but physically able) people.373 Consequently, "the context of the migration decision itself is important for understanding labor-market outcomes for immigrants, [...] including] education, ... national origin, ... time of migration," and indicates that, in theory, immigrants' ambition will allow them to succeed within the occupational structure at accelerated rates.374 But, this is not always the situation and evidence supports the idea that traditional occupational structures are closed to most immigrants, either because of their lack of transferable skills or because of prejudice, or a combination of both factors.

More often than not the cause of opportunity closures is discrimination by the majority, which paradoxically makes the ethnic enclave a relatively attractive place for new entrants to work. Studies show that at the point of entry immigrants prefer to work within the ethnic enclave because "immigrant owners are also less likely to discriminate against other immigrants in hiring."375 For example, Herman found Macedonian workers choose to work in enclave-owned restaurants rather than in factories because discrimination often prevents career advancement in the manufacturing sector. However, by working within the enclave ethnics can more easily receive the training needed to aspire into business ownership.376

Wilson and Portes found similar attitudes among Cuban immigrants because Cubans working for non-Cubans receive poorer treatment and fewer benefits than Cubans who work for Cubans. Chiswick additionally claims the biases that cause immigrants to earn less money in the labor market turns around to their advantage after a period of about fifteen years. Consequently, career barriers encourage entrepreneurship, and the resulting self-employment "permits survival and expansion of ethnic enterprises which, in turn, open new opportunities."

The question of national origin is also key. According to Stewart and Hyclak, it is important to realize that "ethnic discrimination [...] causes] significant differentials in earnings profiles that exist across country of origin." This discrepancy exists because some national groups are more accepted by the majority than others. For example, Borjas found that Cubans do significantly better in the

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378 On this point readers should see Barry R. Chiswick's articles "The Effects of Americanization on the Earnings of Foreign-born Men," Journal of Political Economy, Vol. 86, No. 5, (1978), pp. 897-913. and, "Immigrants and Immigration Policy" in Contemporary Economic Problems 1978, American Enterprise Institute, (1978), pp. 285-325. In the latter article he claims that "The earnings of immigrants rise, although at a decreasing rate, with duration in the United States. The earnings of the foreign-born are 9.5 percent lower than the native born if they have been in the United States only five years, 3.4 percent lower if they have been in the United States for ten years, equal after about thirteen years, 6.4 percent higher than the native born after twenty years, and thirteen percent higher after thirty years."
labor markets than do Mexicans, even after adjustments for education.\textsuperscript{382} In another study researchers found that wage differentials for nationals "from the Middle East is significant."\textsuperscript{383} However, it is important to realize that all people do not face the same opportunities or protection inside the ethnic enclave. In effect what happens is that immigrants set up their own power structures, and the tendency is for incumbents to "organize into professional associations that limit and control entry and supply."\textsuperscript{384} As these groups form, individual agendas create out-groups within an ethnic community who are excluded from enclave participation.

This intra-enclave situation makes it impossible to separate ethnic self-employment caused by discrimination in the majority-dominated structures from discrimination in the enclaval occupational structure. However, intra-enclaval biases have the most sever effect because they force ethnic sub-groups to pursue entrepreneurship more aggressively. At bottom, however, self-employment dependency among immigrants is a key indicator of internal discrimination. As noted previously, paradoxically, among some groups high participation in entrepreneurship has over time allowed them to gain economic success, but this is seldom the case when an ethnic sub-group is excluded from the enclave. This reasoning asserts that the worst discrimination is evidenced by a sub-group's inordinately high dependence on entrepreneurship or as well as by an inability to earn parity wages within an immigrant economy. The combination of higher-than-


\textsuperscript{383} Stewart and Hyclak, p. 294.

\textsuperscript{384} Featherman and Hauser, \textit{Opportunity and Change}, p. 228.
average self-employment and lower-than-average annual incomes indicates an intense set of social distance factors as well as intra-ethnic conflict in the enclave.

In the following analysis no single set of comparisons on self-employment participation presents a definitive accounting for discrimination or occupational and wage disparities. However, definite trends are developed in this section that leave room for few other interpretations about the role religion and prejudice play in determining the inferior economic status of Muslims within the Arab-ethnic enclave. Examining comparisons of Muslims and Christians based on educational attainment, national origin, and date of immigration shows that religion is the consistent factor in all calculations. For example, Muslims are substantially more likely to own their own businesses in all categories, and they earn less money than Christians in all categories but one. For this reason, tables are broken into primary comparisons by religion. Each section has more references to pertinent literature.
3.2.2 Level of Education and Self-Employment

It is important in studies like these to consider the effects of the level of education because this indicates a group's willingness to invest in human capital development. Becker and Chiswick, among others, consider the level of education, and by extension the value of a person's human capital to be the key component of their ability to break barriers found in the occupational structure. In this sample group there is a high level of human capital investment. Statistically significant samples were obtained for people who hold bachelors degrees, masters degrees, and doctorates. There are some categories where comparisons can be made for medical degrees, but this group is highly biased toward foreign-born Muslims.

The questions used to gather this information read as follow:

Your level of education is:
  a. less than high school equivalency
  b. high school diploma of equivalent
  c. some college but no degree
  d. associates degree or equivalent
  e. bachelors degree or equivalent
  f. masters degree or equivalent
  g. JD, MD, or other professional degree
  h. Ph.D. or equivalent
  i. other  ___________________

and

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Your primary field of study is/was:
   a. Anthropology
   b. Business
   c. Communications
   d. Economics
   e. Engineering
   f. English or ESL
   g. Fine Arts
   h. History
   I. Humanities
   J. International Studies
   k. Language and Literature
   l. Middle or Near East Studies
   m. Medical Sciences
   n. Natural Sciences
   o. Political Science
   p. Psychology
   q. Sociology
   r. Religious Studies
   s. other

While the constituency of this sample population makes it biased toward professionals and business owners, it serves as a good means to compare prejudice among Arab-ethnics. The first examples of occupational disparities are seen in the following table, in responses divided by degrees earned and major field of study.

Table Eleven
Percentage of Self-Employed People
Compared by Level of Education

<table>
<thead>
<tr>
<th>Category</th>
<th>Muslims</th>
<th>Christians</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest Degree:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>bachelors or equivalent</td>
<td>48.28%</td>
<td>44.12%</td>
</tr>
<tr>
<td>masters or equivalent</td>
<td>26.32%</td>
<td>16.13%</td>
</tr>
<tr>
<td>Ph.D. or equivalent</td>
<td>17.02%</td>
<td>13.33%</td>
</tr>
<tr>
<td>Major Field:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>business or management</td>
<td>31.11%</td>
<td>32.00%</td>
</tr>
<tr>
<td>engineering</td>
<td>29.12%</td>
<td>14.29%</td>
</tr>
<tr>
<td>social sciences</td>
<td>38.10%</td>
<td>26.27%</td>
</tr>
</tbody>
</table>
Distinctive differences are seen between Muslim and Christian participation in entrepreneurship. The initial observation is that more people with MA/MSs than Ph.D.s work in self-employment and that even more BAs depend on entrepreneurship. These facts indicate increased job security for people with higher levels of human capital. Some of the disparities between Muslims and Christians result from incentives afforded to people with Ph.D.s or equivalents. For example, professors can often receive tenure after only six years of service. Law offices offer partnerships that guarantee employment, and hospitals and medical offices often provide long-term contracts to physicians. However, among Ph.D.'s Muslim Arab-Americans out rank Christians in entrepreneurship by 26.32 percent to 16.13 percent, indicating that Muslim Ph.D.s are 38.72 percent more likely to be reliant on self-employed earnings as their major source of income. Even if tenure offers protection in institutions of higher learning, that protection is not equally applied within the same academic wage structure since Muslim professors earn less than Christians.

The greatest disparities are found among people with MA degrees. In this case Christians are ten percentage points or an average of 38.71 percent less likely than their Muslim co-ethnics to be self-employed. This result was unexpected, but it is one that returns consistently throughout this analysis. I believe it indicates the existence of a glass ceiling that is thickest for people in middle-level management. At this stage in a career neither the offer of tenure nor of a partnership is usually forthcoming. However, because wages are relatively good, there is less incentive to pursue entrepreneurship. Therefore, this group shows the least potential for Muslims in their bid to overcome occupational and wages gaps with Christians.

While the greatest disparities between religious segments are found among people with MAs, the largest self-employment dependency is found among people with BA degrees. This sub-group supports a disproportionate number of respondents through self-employment, a finding that holds true for comparisons
with the current sample and also with other ethnic groups. For example, working-age Korean men are self-employed at a rate of approximately 23 percent, less than half of the levels indicated in here. In addition, Muslims are 7.69 percent more likely to be self-employed at this level of educational attainment. This also indicates that Muslims face significant occupational barriers at all levels of employment.

Further analysis based on a respondent's major field of study also can also be used to argue the point that Muslims face the worst occupational gaps. The results for people specializing in business, engineering, and the social sciences are shown in the next table. Again it is clear that Muslims are much more dependent on self-employed earnings; those who studied in engineering and in the social sciences are especially more likely to be self-employed, but not those who studied business. As for this latter group, I suspect that these Arab-Americans pursue self-employment as a means to avoid being relegated to menial level management jobs. Or, because of their families' high rate of dependency on self-employment, they may have studied business with the goal of entering small business management.

More dramatic differences are seen between Muslims and Christians who studied engineering. In this group, Muslims are 50.92 percent more likely than Christians to be self-employed. This may also be an indication that discrimination is worst for Muslims who are trying to work in the middle levels of professional employment. The situation is similar for people who studied in the social sciences. For them Muslims are 31.04 percent more likely than Christians to be dependent on self-employment. These disparities indicate that discrimination is the worst for middle-management professionals, and it is here where the most exclusion takes place in the enclave's occupational and wage structures.
3.2.3 Nativity, Date of Entry, and Self-Employment

Studies of other ethnic groups show that the level of self-employment is usually higher among foreign-born segments of an ethnic population. This is not surprising in that immigrants must often re-tool their skills for application in their new economic environment, and by the same token they are less familiar with strategies for avoiding discrimination than are their U.S.-born co-ethnics. However, the dramatic rise in immigration over the last fifteen years has caused a "resulting increase in the foreign-born component of the civilian labor force" and it has significantly increased the national income's dependency on ethnic self-employment. According to Light, immigrant entrepreneurship during the 1970s and 1980s represented up to fifty-two percent on the national increase in self-employment, especially in states with the large immigrant populations, like California, Florida, Illinois, New Jersey, New York, and Texas.

The question that related to nativity reads as follows.

Your citizenship status is:
- a. U.S. citizen by birth
- b. naturalized U.S. citizen
- c. permanent resident, non-U.S. citizen
- d. temporary resident, non-U.S. citizen

There were very few respondents that chose options c. or d., which made it possible only to compare U.S.-born citizens and naturalized citizens. This forced combination of choices a, b, c, and d into one comparison group. The question addressing date of entry was followed by seven choices. Several combinations were made here to insure large sample populations. 30 people chose a, eighty-three chose

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386 Ivan Light and Angel A. Sanchez, "Immigrant Entrepreneurs in 272 SMSAs," *Sociological Perspectives*, Vol. 30, No. 4, (October 1987), pp. 373-399. His research is supported by other research on being foreign-born, including studies by Light (1984), Higgs (1976), Conk (1981), Borjas (1985), and Goldschiether and Korbin, (1980).
b, twenty chose c, and twenty-seven chose d; these responses were treated as one sample group. The largest group (187 people) chose e, which was analyzed as one group. Seventy-five people chose f, fifty-three chose g, and four people choice h, so these answers were also merged for comparison.

During what period of time did you or your Arab ancestors come to the United States:

a. late nineteenth century  
b. 1900 to 1920  
c. 1921 to 1945  
d. 1946 to 1950  
e. 1951 to 1972  
f. 1973 to 1980  
g. 1981 to 1990  
h. after 1991

The first comparisons of these responses as they are cross-listed by both religion, nativity, and date of entry are shown in the following table.

Table Twelve  
Comparisons of the Percentage Dependency on Self-Employment by Nativity, Religion, and Date of Entry

<table>
<thead>
<tr>
<th>Category</th>
<th>Muslims</th>
<th>Christians</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nativity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S.-born</td>
<td>36.36%</td>
<td>24.10%</td>
</tr>
<tr>
<td>Arab-Born</td>
<td>40.99%</td>
<td>41.00%</td>
</tr>
<tr>
<td>Date of Entry:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-1950</td>
<td>45.71%</td>
<td>21.43%</td>
</tr>
<tr>
<td>1950-1980</td>
<td>28.30%</td>
<td>11.77%</td>
</tr>
<tr>
<td>Post-1980</td>
<td>23.26%</td>
<td>12.50%</td>
</tr>
<tr>
<td>National Origin:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lebanese</td>
<td>42.31%</td>
<td>23.53%</td>
</tr>
<tr>
<td>Palestinian</td>
<td>41.67%</td>
<td>34.62%</td>
</tr>
<tr>
<td>Syrian</td>
<td>36.00%</td>
<td>22.22%</td>
</tr>
</tbody>
</table>
Light's assertions are supported by the responses given in this survey. In the cases of both Muslims and Christians, self-employment dependency is higher for the foreign-born. This was an expected result. However, the margin of difference between these nativity and religious sub-groups is noticeable. Among Muslims the gap between the U.S.-born and the Arab-born is only 11.30 percent higher for the latter group. This situation is more dramatic among Christians. Among this segment the Arab-born are 41.22 percent more dependent on self-employment than are the U.S.-born. This division indicates that there is apparently more displacement of immigrants from the Christians' segment of the enclave than from the Muslims'.

Another point illustrated here is that later generation Muslims are shut out of the established Arab-American ethnic enclave. In the case of second and third generation Arab-ethnics born Muslims are decidedly more aggressive about work in entrepreneurship. Among this group Muslims are 33.73 percent more likely to pursue self-employment than are Christians. This indicates that the plight of the Muslim minority changes little over time in terms of their ability to gain access to jobs in either majority-dominated or enclavally-controlled occupations. Relatively speaking the Muslims' situation gets worse in the second and third generation.

In theory date-of-entry factors could be responsible for employment disparities. However, the data presented in the second part of this table shows that Muslims are significantly more entrenched in self-employment regardless of their date of entry. The worst divisions are for those who entered before 1950, where 45.71 percent of Muslims and 21.43 percent of Christians are dependent on self-employed earnings. This 53.12 percent spread shows the greater need for Muslim entrepreneurship rises rather than falls over time. This is a consistent result in this survey, which could mean Muslims established more firms that thrived, but the analysis presented here suggests they are forced to maintain self-employment.
While this is true, the negative impact is worse on Muslims entering the U.S. between 1950 and 1980. Muslim Arabs are 58.41 percent more likely than Christian Arabs to be dependent on self-employment for their primary income. This reveals serious divisions within the Arab-ethnic community. This group has likely seen the most occupational oppression because of discrimination that was connected to the international political climate during their period of assimilation. In response a disproportionate number of these respondents pursued business ownership. The problem is only slightly less for recent Arab immigrants. Among those who relocated after 1980, Muslims were 46.26 percent more likely to be self-employed.

Divisions of this magnitude indicate serious biases in the occupational structure, and they suggest that religious prejudice forms the basis of the enclaves labor segregation. Figures on divisions by national origin heighten the debate. First, these numbers show that Muslims are more aggressive about becoming self-employed. The spread is largest for the Lebanese and is representative of the major divisions that exist among the American Lebanese community in terms of religion, pre-migration conflicts, and level of wealth. The U.S.-born Christian Lebanese are a much more homogeneous community which has been more able to organize and control participation in their respective enclave. By comparison, the Muslim Lebanese are a more diverse, Arab-born group that has had problems being accepted into the traditional Arab-ethnic enclave. A similar situation exists for Syrian-Americans, among whom the Christians have lower self-employment dependency. This shows that the more established and Christian Arab-ethnics are more likely to exclude Muslims and immigrants from their economic enclaves.

The Palestinian responses again show that they have the highest overall participation in entrepreneurship. This is true for both Muslims and Christians, but the most notable comparisons come from responses made by Christians. For them the rate of self-employment dependency is thirty percent higher than it is for either
the Lebanese or the Syrians. In addition, Palestinian Christians have a higher rate of self-employment than other Arab-ethnics in five of the six categories shown.

I feel this indicates that the majority-led hierarchy that discriminates against Palestinians has been recreated within the Arab-American community. This situation makes Palestinians an out-group segment of the Arab-ethnic enclave. As a consequence they are forced into entrepreneurship at an inordinately high rate. However, data presented in the next section shows that Palestinians are not compensated at the same rate as other Arab-ethnics for pursuing self-employment. The combination of these factors identifies a doubly-impenetrable wall of prejudices that is faced by Palestinian immigrants and Palestinian-Americans in the U.S.

3.2.4 Section Conclusions

The information presented in this section also indicates that discrimination against Muslims, and to a lesser extent against Palestinians, creates strong barriers to assimilation for these sub-ethnic groups in the traditional occupational structure. Moreover, they indicate that a hierarchy of discrimination exists within the enclave that puts Muslims at a continued economic disadvantage. Accordingly, "The social-economic position of the various ethnic groups also varies: the Lebanese, the Syrians, and the Iranians are primarily middle class, whereas the other groups are mostly working class [...which causes] conflict between Middle Easterners."

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3.3 Earnings Differentials and Self-Employment

The high rate of Muslim dependence on self-employment is a general indication that they face more discrimination than Christians in the U.S. occupational structure. That fact also provokes commentary on the intra-ethnic divisions among Arab-Americans because Christians presumably find it easier to find enclave replacement jobs. In addition, the high Palestinian Christians self-employment dependency rate also indicates that Palestinians bear the most risk.

However, these situations, although tense in the short run, should work to the benefit of Muslims and Palestinians in the long run. Chiswick explains that immigrants do better than natives over time exactly because of their ambitious use of entrepreneurship. According to him immigrants work through a cycle where they earn lower than average wages for a period of six to ten years, after which they earn average or better returns, and after a period of fifteen years first generation ethnics tend to surpass native earnings by a significant degree. Gold offered similar conclusions in 1976, and Gabriel found complimentary evidence to this phenomenon in a 1991 study on immigrant groups. We know the average age of a business in this sample group is 9.41 years overall, 8.09 years for Muslims, and 10.96 years for Christians. These differences in service are not significant, especially given the Muslims more aggressive use of entrepreneurship. Therefore, it logically follows that the group with the most self-employment dependency will have the highest earnings. Or, at least it can be expected that the Muslims will have reached parity with Christians. If this is not the case, the explanation will indicate economic prejudice. Since Muslims never catch up this indicates the cause is likely discrimination.

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3.3.1 Education and Self-Employed Earnings

In truth, Muslims perform worse in the wage market in all categories except one. This is more evidence that both inter-ethnic and intra-ethnic biases and discrimination restrain Muslims' abilities to assimilate and pursue economic growth. The first set of comparisons of income is provided in the following table. The rates of self-employment dependency are repeated for the sake of illustration.

Table Thirteen
Earnings Comparisons by Level of Education

<table>
<thead>
<tr>
<th>Category</th>
<th>Muslims</th>
<th>Christians</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest Degree:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>bachelors or equivalent</td>
<td>62,275</td>
<td>77,775</td>
</tr>
<tr>
<td>masters or equivalent</td>
<td>67,635</td>
<td>90,505</td>
</tr>
<tr>
<td>Ph. D. or equivalent</td>
<td>75,175</td>
<td>96,078</td>
</tr>
<tr>
<td>Self-Employment:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>bachelors or equivalent</td>
<td>48.28%</td>
<td>44.12%</td>
</tr>
<tr>
<td>masters or equivalent</td>
<td>26.32%</td>
<td>16.13%</td>
</tr>
<tr>
<td>Ph. D. or equivalent</td>
<td>17.02%</td>
<td>13.33%</td>
</tr>
</tbody>
</table>

Becker's notion that the relative returns to human capital rise with incremental increases of education is supported here. At each stage in the respondents' investment in education comes a corresponding increase in their level of income. As this is true for both groups, the real implication is that people earn more money when they increase their human capital through education.

However, divergences between Muslims and Christians clearly exist with respect to their relative earnings power. Regardless of the level of educational attainment, Muslims earn less than Christians. On average, Christians with bachelors degrees earn 19.93 percent more than Muslims, Christians with masters degrees earn 25.27 percent more than Muslims, and Christians with Ph.D.s or equivalents
earn 21.76 percent more than Muslims. This suggests that in each of these educational classes serious barriers hinder Muslims' abilities to earn higher-than-average wages. Or it suggests that Muslims are excluded from the economic support that is received by firms in the ethnic enclave. It is also interesting that the highest disparities exist for people who hold masters degrees or equivalents. In this group the spread in the self-employment rate was the largest, and it should follow that Muslims would surpass Christians in income in this category. In reality the reverse is true, a finding which supports the thesis that it is in middle levels of professional employment where discrimination against Muslims has the greatest effect.

In addition, the rate of incline in income is significantly different between people from these two religious groups. For example, for moving from a BA to a Ph.D. Muslims are reward by a 20.71 percent increase in income while Christians receive a 23.53 percent increase in reported earnings. At the masters level too Muslims are out-paced in the wage market. Muslims receive an 8.61 percent increase in annual earnings for moving from the bachelors to the masters level of education, while Christians in the same category earn a 16.37 percent rise in income. This shows that the spread between the two groups grows over time. However, Muslims who had obtained a Ph.D. earned an 11.15 percent advance in wages over Muslims with masters degrees while Christians earn only a 6.6 percent increase in earnings. I suspect this disparity reflects the relative salary caps placed on professors, and the higher growth rate for Muslims Ph.D.s represents a catching up period with people already at the glass ceiling in academia. This supposition is supported by the lower level of self-employment dependency among Ph.D.s, although they are still self-employed at comparatively high rates. Still, the margin of earnings for Muslims and Christians with Ph.D.s are substantial and indicative of much discrimination in the distribution of earnings. Again, if tenure shelters Muslims in
iversity from discrimination in career advancement (which it may not at the
t professor level), this protection is not extended into the earnings structure.

Similar results are found in comparisons based on respondents' chosen field
tudy. Statistically significant numbers of responses were made in three areas of
dy, business and management, engineering, and the social sciences (combined).

The results of comparisons based on field of study are shown in the table below.

Table Fourteen

Earnings Comparisons by Field of Study\textsuperscript{389}

<table>
<thead>
<tr>
<th>Category</th>
<th>Muslims</th>
<th>Christians</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Field:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>business or management</td>
<td>84,240</td>
<td>86,200</td>
</tr>
<tr>
<td>engineering</td>
<td>64,110</td>
<td>105,875</td>
</tr>
<tr>
<td>social sciences</td>
<td>70,895</td>
<td>90,225</td>
</tr>
<tr>
<td>Self-Employment:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>business or management</td>
<td>31.11%</td>
<td>32.00%</td>
</tr>
<tr>
<td>engineering</td>
<td>29.12%</td>
<td>14.29%</td>
</tr>
<tr>
<td>social sciences</td>
<td>38.10%</td>
<td>26.27%</td>
</tr>
</tbody>
</table>

Again it is clear that Muslims' wages lag behind those of Christians. The
most significant difference is among people who studied engineering in their pre-
career stage of education. For them, Christians receive 65.41 percent more annual
earnings than Muslims. This indicates that a severe division is present in the
community between these two religious groups. While it is premature to blame
this entirely on discrimination, it is obvious that at least some of this division is

\textsuperscript{389} Only thirteen people among the Christian group indicated that they had medical doctorates,
but thirty three people worked in medicine. This made it possible to make comparisons based on field
of study, but not on the level of degree. However, 100 percent of the Muslims who indicated that they
studied medicine also had MDs, but of the thirty-three Christians who studied medicine, only fifteen
had MDs. This means that the Muslims figures are inflated when compared to the Christians, and
that the divisions in earnings are greater than these numbers indicate.
Text skewed into Spin on Original - Also Page Missing on Original
(P 171 or P 172)
Christians in comparisons made by nativity, date of entry, and national origin. These figures are shown in the following table.

Table Fifteen  
Earnings Comparisons by Nativity, Date of Entry

<table>
<thead>
<tr>
<th>Category</th>
<th>Muslims</th>
<th>Christians</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Earnings in Dollars:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S.-born</td>
<td>64,250</td>
<td>92,385</td>
</tr>
<tr>
<td>Arab-born</td>
<td>94,240</td>
<td>109,430</td>
</tr>
<tr>
<td>Pre-1950</td>
<td>72,775</td>
<td>89,872</td>
</tr>
<tr>
<td>1950-1980</td>
<td>62,075</td>
<td>93,788</td>
</tr>
<tr>
<td>Post-1980</td>
<td>76,579</td>
<td>87,855</td>
</tr>
<tr>
<td><strong>Self-Employment:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S.-born</td>
<td>36.36%</td>
<td>24.10%</td>
</tr>
<tr>
<td>Arab-born</td>
<td>40.99%</td>
<td>41.00%</td>
</tr>
<tr>
<td>Pre-1950</td>
<td>45.71%</td>
<td>21.43%</td>
</tr>
<tr>
<td>1950-1980</td>
<td>28.30%</td>
<td>11.77%</td>
</tr>
<tr>
<td>Post-1980</td>
<td>23.26%</td>
<td>12.50%</td>
</tr>
</tbody>
</table>

This table reveals continued disparities between the wages earned by Muslims and Christians. The nativity comparisons support Chiswick's claims that over time foreign entrepreneurs surpass the earnings of their industry-employed co-ethnics, and that "naturalized citizens have higher earnings."390 This is proven true for both Muslims and Christians. Among Muslims the Arab-born earn an average of 46.67 percent more than do the U.S.-born. Among Christians the Arab-born earn an average of 18.49 percent more than the U.S.-born. However, even among the Arab-born segment, where self-employment dependency is nearly identical, serious wage disparities exist between the religions. For them, Christians earn 16.11 percent more

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390 Chiswich, "Immigrants and Immigration Policy."
wages than do Muslims. The division in earnings is not insignificant for native-born citizens. Here, Christians earn 30.45 percent more earnings than Muslims. Again, it seems the passage of time widens rather than closes the Muslim-Christian wage gap. Indeed native Muslims’ excess participation in self-employment should put them ahead on the earnings scale; that this has not happened indicates that a significant degree of discrimination.

The division between Muslims and Christians is also dramatic in other areas of comparison. Once again we find that in comparisons made by date of entry Muslims are placed at a decided disadvantage as opposed to their Christian co-ethnics. This is true for groups that entered the U.S. before 1950, groups who entered between 1950 and 1980, and groups that entered after 1980. The widest gap in earnings comes in the 1950-1980 category, which is where the widest division in self-employment dependency takes place. For this group Muslims are 2.4 times as likely than Christians to be self-employed, which should put them ahead on the earnings scale. However, on average Muslims in this group earn 33.81 percent less than Christians. It is likely more than a coincidence that the largest spread between the groups’ earning capacities comes in the period when the most Palestinians were forced to leave Israel and Lebanon. These groups likely faced the most prejudice upon their entry into the U.S., and because of their general unpopularity, they also became the least accepted entrants into the Syrio-Lebanese-controlled (Orthodox-Maronite) Arab-ethnic enclave. This explains why more Palestinians are dependent on entrepreneurship and why they earn relatively less money in the marketplace.

Divisions in earnings are also seen among the other categories listed by date of entry. The least of these is between the Arab immigrants who came to the U.S. after 1980. Among this group Muslims earn 12.84 percent less than Christians. This smaller margin is representative of the fact that more balance exists between new immigrants’ dependency in both groups on self-employment. However, given that
forty-one percent of both of these population segments are self-employed, a nearly thirteen percent differential in earnings indicates that Muslims face higher barriers when pursuing employment in the traditional and enclaval occupational structures.

The situation is different for people who entered the country before 1950. For them, Muslims earn an average of 19.02 percent less money than Christians. This figure represents a serious earnings disparity, but more importantly, it further shows that the wage gap widens rather than closes over time. These assertions are more striking when considered along with the rate of self-employment. 45.71 percent of Muslims in this group are self-employed while only 21.43 percent of Christians are self-employed, and still Muslims earn significantly less wages. This means that time has not put the Muslim entrepreneurs at an earnings advantage over Christian co-ethnics. This points to discrimination on two fronts, one in the occupational structure and one in their relative earnings power. The result is that Muslim Arab-Americans must assume more risk in order to earn lower returns.

3.3.3 National Origin and Earnings

The Muslim and Christian division continues in comparisons made by nation of origin. In the comparisons of Lebanese, Palestinians, and Syrians, Muslim are at a consistent disadvantage in terms of annual earnings and occupational segregation. However, it is equally important to look at divisions within the national groups because these comparisons reveal other inequities. These are shown in the table on religion and nationality that is presented on the next page.
Table Sixteen  
Earnings Comparisons by Religion and Nationality

<table>
<thead>
<tr>
<th>Category</th>
<th>Muslims</th>
<th>Christians</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lebanese</td>
<td>83,458</td>
<td>105,577</td>
</tr>
<tr>
<td>Palestinian</td>
<td>77,880</td>
<td>100,876</td>
</tr>
<tr>
<td>Syrian</td>
<td>104,600</td>
<td>97,646</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Muslims</th>
<th>Christians</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lebanese</td>
<td>42.31%</td>
<td>23.53%</td>
</tr>
<tr>
<td>Palestinian</td>
<td>41.67%</td>
<td>34.62%</td>
</tr>
<tr>
<td>Syrian</td>
<td>36.00%</td>
<td>22.22%</td>
</tr>
</tbody>
</table>

It is in this table where for the first time the Muslims show an earnings advantage over Christians. The Syrians are the oldest and most established group among Arab-Americans, and therefore their Muslim segment should have had the most time to overcome disadvantage through entrepreneurship. In this case Chiswick's argument may hold, but the support he receives is tenuous when the rate of self-employment is also considered. Syrians Muslims earn 6.65 percent more annual income than do their Christian co-ethnics. According to Chiswick's argument this premium is the compensating balance for bearing the weight of entrepreneurship. However, this is not a substantial reward given the relative level of risk that is assumed by Muslims. Among the Syrian sub-group Muslims pursue self-employment at a rate of 1.80 times that of Christians. This is actually a further indication that the division between the groups grows over time.

In both the Lebanese and the Palestinian sample groups, the Muslims continue to be at a disadvantage in terms of earnings. In both cases the Muslim-Christian wage division is above twenty percent, although the situation is slightly worse for Palestinians. For them, Muslims earn 22.80 percent less annual income than Christians. Among the Lebanese, Muslims earn 20.95 percent less than
Christians. In both cases this disparity indicates that the Christian segment of the immigrant population received more support from the established ethnic enclave.

It is also significant that the total Palestinian population seems to have received less support from the enclave than members of other national origin groups. This factor has in turn affected their ability to earn higher-than-average earnings. Among Christian segments Palestinians earn 4.76 percent less annual income even though they are 32.03 percent more likely to be self-employed. This indicates that Palestinian Christians must assume more risk in order to receive relative returns for their investment. Palestinians and Lebanese have very similar dependencies on self-employment, but the Palestinians earn an average of 7.16 percent less than their co-immigrants from Lebanon. While these differentials are not as dramatic as those seen earlier, they do indicate that the political divisions described in earlier chapters have led to some separation of Palestinians from the Arab-American ethnic enclave. In response their earnings are lower.

3.3.4 Section Conclusion

The observations made in this section support the hypothesis that a high level of discrimination toward Muslims as well as enclave exclusion are levied against Palestinians. The results are not conclusive at this point because factors such as access to capital and managerial sophistication must also be considered. This will be done in the next section. However, definite trends are seen in the current analysis that present an increasingly clear picture about the way discrimination has affected Muslims' economic performance. It can be said that more Muslims feel the need to enter self-employment in order to increase their earnings power, but while Muslim entrepreneurs earn more than non-entrepreneurs, they do not earn more than their Christian competitors. Rather, evidence suggests that although Muslim entrepreneurs face excessive barriers of entry, in the long-term they are not
compensated for bearing the increased risk of pursuing entrepreneurship. This
assertion is further supported by the information presented in the next chapter.

Still, the most obvious point is that being Muslim, and, to a lesser extent,
being Palestinian are the contributing factors that lead to discrimination. Within
this community segment the problems raised by majority-minority discrimination
are compounded by prejudices that exist within the ethnic enclave. For example,
Muslims in general and Palestinian Muslims in particular are seen as a threat to
national security, and, consequently, they are excluded from various networks
because of the principle of social distance works against them. In response, other
Arab-Americans try to lessen their own suffering from discrimination by excluding
Muslim and Palestinian factions from the enclave. It could also be that because of
pre-migration biases Muslims and Palestinians have been excluded from established
Arab-American networks. Which ever is the case, Muslims are paying a price for
their religious identification, and Palestinians are assuming the burden of costs for
their national-origin identity.

Section 3.4
Operating Differentials Among Self-Employed Business Owners

This section looks at the income and occupational differentials that exist among the
community's self-employed business owners. Once again the research reveals that
Muslim Arab-American's earn significantly less income per year than Christian Arab-
Americans. This is one in a list of results that identify patterns wherein Muslim
businesses face more risk, but in return earn less wages. To illustrate this point I will look
here at intra-ethnic divisions in annual earnings within the Arab-American business
community. My assertions become clearer when analysis is based on date of immigration,
age of the firm, and the level of managerial sophistication. These items are identified by
Becker and Light as factors that allow ethnic groups to compete efficiently. They are also
pointed out in research presented by Aldrich and Auster, and Bates and Nicci, among others. Religion is identified as the central source of conflict between groups, and the main cause of wage differentials and variant access to venture and expansion capital. National origin is also a factor in comparisons of Palestinians and other Arabs.

The demographic characteristics of the firms surveyed follow. 160 people said they owned small businesses that employ an average of 20.2 people, but 80.67 percent indicated that they employed ten or fewer people. Respondents have operated their businesses an average of 9.4 years, and 79.04 percent of the firms were started more than four years ago. The average level of annual sales was $784,042.55, with nearly even distributions ranging from less than $50,000 to over $3,000,000. Respondents in all sub-groups displayed relatively high levels of education, which is reflected in their primary work in medicine, engineering, and business services.

3.4.1 Small Business and Self-Employment

The overall effects of small businesses in the U.S. are uncertain, mainly because we do not have complete figures on the role informal sector businesses play in the provision of jobs and the distribution of income. According to the Census Bureau's Enterprise Statistics, small businesses hold a 53.3 percent market share for national employment. However, Labor Department statistics show small businesses have a seventy-three percent market share of overall employment. Another study, written at the Massachusetts Institute of Technology, indicates that businesses that employ less than 100 people are

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responsible for paying seventy percent of wage earnings. Regardless of the percentage of market share, the effects small businesses have are significant and increasing evidence suggests that small enterprise employment has the greatest positive effects on immigrants, mainly because they pursue self-employment at 200%-300% more than the national rate.

It is also clear that operating a small business is risky and that "new ventures are extremely prone to failure in their early years." Although precise numbers for business closures are unknown, especially among informal sector businesses, it is estimated that sixty-five percent of new business ventures fold within their first five years of operation. Most studies show that it is a firm's overall ability to manage its marketing and finances that lead to success. Conversely, firms that lack managerial sophistication are likely to fail: "studies of Black and Korean and other minority business owners do not find that financial limitations are the major constraint on owning a business, but rather knowledge, skill, and related factors."

In general, success in an entrepreneurial venture is based on experience, drive, and managerial performance. These factors in turn become the elements needed to secure

398 These quotations come from personal correspondence from Dr. Becker, dated April 1, 1994. His comments in response to my letters are greatly appreciated.
financing arrangements and to attract capable human resources. In 1964 Hoad and Rosko made the connection between managerial sophistication, longevity, and success, as opposed to market demand driven theories which changed the focus of studies on entrepreneurship. Buchele's early research also illustrates how venture capitalists fail when money is given to firms where "the key persons do not have rounded managerial experience in a particular line of business." Johnson likewise makes the connection between managerial sophistication and success in venture capitalism. According to him, approximately three-fourths of the rejections made on venture capital applications relate directly to lacking managerial depth. Abell and Hammond, Haswell and Holmes, and Porter have all found that team depth and experience in management affect survival. Mann and Wilkenson add another dimension to the debate. They claim that small, closely held firms have less access to professional advice, which compounds the problems caused by shallow management. In addition, the more closely held a firm is, the more difficult it is to develop lending relationships with financiers of small business operations.

In the last decade, numerous studies have focused on the compliments of experience as they relate to small business success. For example, education is a...
compliment to experience, and in some cases formal learning loosely replaces on-the-job training in entrepreneurial markets. This is especially true in highly technical fields, such as accounting, electronics, or engineering where most entrepreneurs have advanced degrees. In addition, research shows that successful entrepreneurs are part of the more highly educated adult population. Other studies show that financially troubled small business concerns are usually headed by managers or owners who have lower-than-average levels of education, or they have training in an unrelated field. Moreover, managers who are willing to invest in training tend to see "money as a measure of performance rather than as an end."

The marketing dynamics of an ethnic business are an important part of this discussion. There are two sides to this issue. The first is that firms wanting to profit from association with an ethnic enclave must develop an informal approach to communications and advertising. Vesper calls this orientation a "strategy-performance" relationship with the neighboring community where personal identification provides an "entry wedge" into forgotten, neglected, or untapped markets. These wedges include shortages of specialty products, geographical transfers, and customer-specific relations. Operating in these niches provides a safe haven where an ethnic entrepreneur can develop a successful business.

This is also what Tyebjee, Bruno, and McIntyre identify as the first stage of business venture development, where a firm sells mainly to friends and family. However, in

the business people discussed in his article has masters degrees and not Ph.D.s. In the current survey the proportion of people with Ph.D.s in unusually high.


Sandberg, p. 16.


A interesting note is that friends do business differently than do strangers. For example, friends barter amongst each other, while strangers pay pre-established prices. See Halpern, Jennifer, "The Effects of Friendship on Personal Business Transactions," Journal of Conflict Management, Vol. 38, No. 4, (December 1994) pp. 647-664. This would clear make the kin-oriented ethnic enclave a more comfortable place to shop for immigrants who are used to less regulated markets.
the long term the friends and family market becomes limiting, unless it is seen as a platform of stable income from which a campaign can be mounted for entering larger markets. If a bridge to larger markets cannot be built, the firm can easily develop a "customer dependence" relationship within a community that makes it blind to the real levels and limits of competition. The relative need to expand depends on the size of the ethnic enclave, on its participants' abilities to buy competitive products, and often need for survival. However, in order for the ethnic enterprise to achieve continued expansion, the firm must employ increasingly professional marketing and planning techniques. One study blames lacking sophistication and not mortgage redlining for illiquidity problems among ethnic businesses. This makes the question of managerial efficiency a key issue for the current study: Are income differentials among groups of small businesses caused by prejudice, or by comparative managerial inefficiencies among Arab-owned businesses?

3.4.2 Self-Employment in the Sample Group

Earlier discussions on immigrant assimilation showed that small business ownership provides the ethnic entrepreneur with higher-than-average wages, but statistics presented here also show the need for self-employment is especially high among Arab-Americans. However, it is also important to note that their readiness to pursue self-employment is not uniform. Rather, whether a people identify themselves as (or choose to practice religion as) Muslims or Christians seems to be a point of distinction between their need or willingness to become self-employed; biases based on religion cause Muslims to seek wages and career opportunities by opening entrepreneurial concerns.


For the whole group, 31.75 percent of the respondents pursue small business management as their primary means of income, which is five times higher than the average rate of self-employment in the U.S. But this statement does not represent the situation fairly because the group’s relative participation in entrepreneurship is far from equal. Among Muslims, 41.18 percent owned small businesses, while in the Christian segment only 14.33 percent were self-employed. Some of this division is caused by variant dates of immigration. However, patterns of employment disparities were found in comparisons based on date of entry and based on the dates when businesses were started. In any case, these factors cannot explain a 287 percent spread between the Muslim and Christian dependencies on small business and self-employed earnings. Simply put more Muslims than Christians seek higher earnings and more professional advancement through self-employment and entrepreneurship.

The distribution of self-employment also varies according to nationality and citizenship, a finding which supports the arguments made earlier about the intra-ethnic, national-origin divisions that cause earnings differentials. For example, Syrians indicate that 25.45 percent of this group rely on self-employment for income. Although high in comparison to the American norm, this level of self-employment is the lowest among the current sample. The Lebanese participate in small business 31.45 percent of the time, while the Palestinians pursue entrepreneurship 36.72 percent of the time. These figures reflect the more established Syrian position and the more urgent need for many Palestinians to leave their place among the poor.\(^\text{414}\)

Equally important are the divisions that occur in comparisons by birthplace and religion, which once again demonstrate that the Arab-born population feel more strongly the need to pursue small business ownership. This is consistent with observations made

\(^\text{414}\) See Zogby, which shows that Palestinians are the Arab-American group that has the most people living below the national poverty rate.
of Asian-ethnics and Hispanics. However, the fact that the Arab-born segment shows little division in the rate of self-employment must be taken in context of the current population. It is important to realize that the sample used here is not made up of immigrants who relocated without human capital. Rather in this survey the Muslims are more educated than are the Christians. This is to say that even though Christians and Muslims among the Arab-born show similar levels of self-employment, the Muslims still face higher barriers to entry into the occupational structure; more Muslim professionals such as teachers, physicians, and engineers are forced into small business management.

At the same time, these figures show that the gap between Muslims and Christians is noticeably wider in later generations. Among the pre-1950 group, 45.71 percent of Muslims and 27.38 percent of Christians were self-employed. The fact that Muslim and Christian divisions are higher among the native-born than among immigrants also illustrates the enduring effects of Muslims' exclusion from the Arab-ethnic enclave. Muslims have not been supported by organized church networks and social committees, and this is reflected in their increased need to pursue entrepreneurship. This means second and third generation Christian Arab-ethnics have found it easier to assimilate into the majority's occupational structure.

The questions asked earlier about education raise interesting issues about skills adaptability among immigrant enterprises. It was made clear from figures presented earlier that the level of education does not lessen the self-employment dependency gap between Muslims and Christians. Among people with bachelors degrees the division


between Muslims and Christians is less than ten percent. However, among people who hold masters degrees, Muslims are 63.17 percent more likely than Christians to be self-employed. Even for people trained as academics, Muslims have a 27.86 percent higher likelihood of being self-employed. Muslims who studied medicine are more likely than average to own their own businesses. The engineering group shows more problematic signs of occupational segregation. For them, Muslims are over twice as likely to be self-employed than are Christians.

The summation of this evidence suggests that the intra-ethnic occupational structure is tighter for non-Christians than it is for Christians, as expected given that church-related networks provide key support for entrepreneurs' social-marketing needs. In this case, Muslim respondents are self-employed at a rate that is nearly three times as high as it is for Christian respondents. The width of this gap varies between educational and occupational segments, but divisions are still wide regardless of one's level of education, field of studies, or date of entry. In all segments, Muslims are more likely than Christians to be self-employed, proving that conflict over religion is reflected in the enclave job structure.

3.4.3  Effects of Operational Disparities on Earnings

The next question is whether or not the employment gaps illustrated above have had an effect on the long-term earnings abilities of both Muslims or Christians. In fact, there are disparities revealed by statistics based on general comparisons between Muslims and Christians and based on figures from data on the date of core business start-up. Christians dominate the wage market in all categories where earnings comparisons are made. The first set of figures that illustrate this point is shown in the following table.

Table Seventeen

<table>
<thead>
<tr>
<th>Category</th>
<th>Ann. Incomes</th>
<th>Vol. of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>all business owners</td>
<td>118,105</td>
<td>688,130</td>
</tr>
<tr>
<td>Muslim business owners</td>
<td>112,280</td>
<td>512,500</td>
</tr>
<tr>
<td>Christian business owners</td>
<td>133,580</td>
<td>907,415</td>
</tr>
<tr>
<td>Muslim non-med. busi.</td>
<td>78,920</td>
<td>518,450</td>
</tr>
<tr>
<td>Christian non-med. busi.</td>
<td>110,855</td>
<td>875,925</td>
</tr>
</tbody>
</table>

Obvious earnings disparities exist between these religious groups in terms of reported earnings and volume of sales. Muslim business owners earn 15.95 percent less than Christian business owners. The division in earnings is greater when members of the medical profession—who work under a flatter earnings curve—are removed from the statistical group. It is within this segment where worse earnings disparities are seen. Among non-medical entrepreneurs, Christians earn 28.81 percent higher wages than do Muslims, although their businesses are almost identical.

There is an interesting side point that can be made here. While Muslims earn less and support lower volumes of sales turnover, they have much higher percentage returns on sales. For example, among the general small business comparisons the Muslim return on sales is 21.91 percent versus the Christian return of only 14.72 percent. This is in part
Table Eighteen
Small Business Earnings and Revenues Compared by the Start-up Dates of the Core Business

<table>
<thead>
<tr>
<th>Category</th>
<th>Ann. Incomes</th>
<th>Vol. of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>all business owners</td>
<td>118,105</td>
<td>688,130</td>
</tr>
<tr>
<td>Start-up before 1980</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Muslim business owners</td>
<td>134,034</td>
<td>770,993</td>
</tr>
<tr>
<td>Christian business owners</td>
<td>156,685</td>
<td>1,057,323</td>
</tr>
<tr>
<td>Start-up between 1980-1990</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Muslim business owners</td>
<td>111,835</td>
<td>825,915</td>
</tr>
<tr>
<td>Christian business owners</td>
<td>113,890</td>
<td>988,807</td>
</tr>
<tr>
<td>Start-up after 1990</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Muslim business owners</td>
<td>78,810</td>
<td>176,042</td>
</tr>
</tbody>
</table>

The next point for analysis is the earnings implications of managerial sophistication. The expected initial responses would show that the two groups have similar earnings power and possibly that Muslims would earn slightly more than Christians. However, this is not the case as is illustrated in the following table.

Table Nineteen
Earnings Comparisons by Pre-Operations Planning

<table>
<thead>
<tr>
<th>Category</th>
<th>Ann. Incomes</th>
<th>Vol. of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Business Owners</td>
<td>118,105</td>
<td>688,130</td>
</tr>
<tr>
<td>Muslims who had written a feasibility study</td>
<td>111,580</td>
<td>793,475</td>
</tr>
<tr>
<td>Muslims who had not written a feasibility study</td>
<td>113,625</td>
<td>359,800</td>
</tr>
<tr>
<td>Christians who had written a feasibility study</td>
<td>158,595</td>
<td>1,349,700</td>
</tr>
<tr>
<td>Christians who had not written feasibility studies</td>
<td>119,610</td>
<td>667,575</td>
</tr>
</tbody>
</table>
Muslim business owners who wrote plans and those who didn't earned relatively equal incomes, although those who worked without feasibility studies unexpectedly earned $2040 more per year. This is probably due to a larger part of the group's recent immigrants being in the medical profession. The disparities in earnings due to planning was much greater among Christians. For them, pre-plan writers earned an average of 32.59 percent more annual income than co-ethnics who did write pre-operations plans. Some of this difference is attributable to the wider diversity that exists among Arab-American Christians. However, it is unlikely that these factors justify the 42.14 percent split in the earnings. In sum, Muslim business owners earn less than Christian business owners, regardless of the level of planning they have done.

In addition, it is clear that longevity makes a difference in a firm's ability to produce higher annual earnings. Christians who started businesses before 1970 earned 27.3 percent more than Christians who started their businesses between 1980 and 1990. Muslims who started their businesses before 1970 earned 16.56 percent more than Muslims who started businesses between 1980 and 1990. However, these figures also show that Muslim firms grow at a slower pace than Christian firms. In fact, Muslim-sector growth is about half that of Christians. For example, the earnings division between groups is a negligible 1.8 percent for recently established businesses, but later on Christians earnings outpace Muslims' earnings by an average of 14.56 percent. This may mean that trade and finance were more restricted to the Muslims before 1980 than it is now. Or it may simply mean that the effects of discrimination and capital constraints increase over longer periods of time.

3.4.4 Managerial Sophistication and Marketing Efficiencies

Initial review of responses provide mixed results on the groups' level of managerial and financial sophistication. There is more evidence than not that the firms under study are managed well. This is representative of their fields of operation and their length of service. However, the distribution of managerial skills is not even within the two groups.
On the one hand, in terms of ownership structure, pre-operations planning, and marketing sophistication Muslims seem to have an advantage over Christians. On the other hand, Christian firms tend to better handle their accounting and reporting systems. Still, the differences in managerial skill do not justify the resulting wage disparities.

3.4.4.1 Ownership Structure

Differences in ownership structure are indicative of divisions in managerial sophistication. For example, of the 160 people who answered the question about ownership structure, a clear majority indicated that their businesses were either a sole proprietorship (40.51 percent), a partnership (21.52 percent), or closely held corporations (36.71 percent). Only 1.27 percent of respondents operated publicly held corporations, probably because of their limited size. This concentration of authority may be an indication of self-imposed constraints on management expertise and corporate growth. It may also mean that the immigrant glass ceiling is low for Arab-Americans and that they have not been given the option of gaining significant growth. The sample group's ownership structures are shown below.

Table Twenty

<table>
<thead>
<tr>
<th>Category</th>
<th>Muslim</th>
<th>Christian</th>
</tr>
</thead>
<tbody>
<tr>
<td>sole proprietorship</td>
<td>40.50%</td>
<td>42.86%</td>
</tr>
<tr>
<td>non-incorp. partnership</td>
<td>2.40%</td>
<td>7.14%</td>
</tr>
<tr>
<td>incorporated partnership</td>
<td>19.00%</td>
<td>14.29%</td>
</tr>
<tr>
<td>closely-held corporation</td>
<td>35.70%</td>
<td>35.71%</td>
</tr>
<tr>
<td>publicly-held corporation</td>
<td>2.40%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Medical</th>
<th>Christian</th>
</tr>
</thead>
<tbody>
<tr>
<td>sole proprietorship</td>
<td>33.33%</td>
<td>39.29%</td>
</tr>
<tr>
<td>non-incorp. partnership</td>
<td>1.90%</td>
<td>7.14%</td>
</tr>
<tr>
<td>incorporated partnership</td>
<td>20.40%</td>
<td>17.86%</td>
</tr>
<tr>
<td>closely-held corporation</td>
<td>40.70%</td>
<td>35.71%</td>
</tr>
<tr>
<td>publicly-held corporation</td>
<td>3.70%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>
and management skills within a firm; or as Roure and Keeley put it such a firm lacks "team completeness." These self-inflicted limitations often keep ethnic firms from arranging formal sector support for their businesses. In this study, lacking management depth reveals itself in terms of marketing sophistication (but not in terms of accounting and finance). This is not an uncommon situation among small business ventures because proprietors too often "lack a knowledge of changes in the marketplace."

This seems to be the case with the current sample because respondents indicated the use of few marketing techniques. Based on the choices listed below, respondents identified their percentage use of each form of advertising marketing:

The primary mode of marketing you use is (by percentage)

a. person-to-person 0%, 20%, 40%, 60%, 80%, or 100%
b. word of mouth 0%, 20%, 40%, 60%, 80%, or 100%
c. team sales approach 0%, 20%, 40%, 60%, 80%, or 100%
d. counter or point-of-purchase sales 0%, 20%, 40%, 60%, 80%, or 100%
e. direct marketing 0%, 20%, 40%, 60%, 80%, or 100%
f. advertising in trade magazines 0%, 20%, 40%, 60%, 80%, or 100%
g. advertising in ethnic magazines of newspapers 0%, 20%, 40%, 60%, 80%, or 100%
h. advertising in religious magazines of newspapers 0%, 20%, 40%, 60%, 80%, or 100%
i. the question does not apply to my business 0%, 20%, 40%, 60%, 80%, or 100%
Each set of responses was averaged on the basis of 160 total responses. The results of comparisons made between Muslims and Christians are shown in the tables below.

Table Twenty-One

<table>
<thead>
<tr>
<th>Category</th>
<th>Overall</th>
<th>Muslim</th>
<th>Christian</th>
<th>non-med Muslim</th>
<th>non-med Christian</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>person-to-person sales</td>
<td>20.48%</td>
<td>19.61%</td>
<td>16.36%</td>
<td>27.84%</td>
<td>17.14%</td>
</tr>
<tr>
<td>word/mouth</td>
<td>27.44%</td>
<td>26.94%</td>
<td>29.82%</td>
<td>27.87%</td>
<td>33.02%</td>
</tr>
<tr>
<td>team sales</td>
<td>3.24%</td>
<td>3.60%</td>
<td>2.30%</td>
<td>4.90%</td>
<td>4.76%</td>
</tr>
<tr>
<td>counter/point-of-purch. sales</td>
<td>6.86%</td>
<td>4.56%</td>
<td>7.44%</td>
<td>7.14%</td>
<td>10.96%</td>
</tr>
<tr>
<td>direct marketing</td>
<td>7.28%</td>
<td>9.58%</td>
<td>3.26%</td>
<td>10.08%</td>
<td>4.80%</td>
</tr>
<tr>
<td>trade media or magazines</td>
<td>5.10%</td>
<td>6.94%</td>
<td>2.30%</td>
<td>9.04%</td>
<td>4.28%</td>
</tr>
<tr>
<td>ethnic media or magazines</td>
<td>0.62%</td>
<td>0.96%</td>
<td>n/r</td>
<td>1.12%</td>
<td>n/r</td>
</tr>
<tr>
<td>religious media or magazines</td>
<td>0.98%</td>
<td>0.48%</td>
<td>n/r</td>
<td>0.74%</td>
<td>n/r</td>
</tr>
</tbody>
</table>

An obvious feature in these figures is the high level of under reporting. Muslims only reported at a 72.67 percent margin which was matched by the Christians at only 61.48 percent. This places a bias in this sample toward Muslim respondents. However, the more important observation is that neither group uses professional marketing techniques. This is not dramatically different when responses are broken down by proportional averages based only on the number of responses to an individual question. For example,
thirty-nine of the sixty-two non-medical professionals (62.9 percent) said they relied on "word-of-mouth" marketing strategies sixty percent of the time or more, twenty-nine (46.7 percent) claimed to use "word-of-mouth" eighty percent of the time or more, and eleven respondents (17.7 percent) said they relied on "word-of-mouth" marketing one hundred percent of the time. Personal sales was the second most popular response with sixty-two percent of respondents indicating that they used this method sixty percent of the time or more. Reliance on word-of-mouth techniques is highest among Christians, who used this form of advertising thirty percent in the general business category and thirty-three percent for non-medical firms. In relative terms this indicates that Christians rather than Muslims have an advantage in terms of marketing sophistication.

The next most popular choice was person-to-person sales. Here too we see that Muslims reported a greater use of this sales technique. Among the general small business population the gap is narrow between Christians and Muslims. For the non-medical segment the Muslim businesses are 38.38 percent more likely to use person-to-person sales. The question admittedly does not define well what the respondents considered person-to-person sales. This makes it difficult to determine the real implications of these responses. However, Muslims clearly feel they have a more identifiable means of sales, even if it is not a highly sophisticated technique.

The third most popular response to the question was direct marketing. This is the only professional style of market penetration that was chosen. In these responses as well we see that Muslims outpace Christians in their use of marketing tools. For the general comparisons we see that Muslims are 2.93 times as likely as Christians to use direct marketing. For the non-medical segment Muslims use direct marketing 2.10 times more often than Christians. The responses are more dramatically divided on the use of trade magazines. Muslims used this forum of advertising 3.01 and 2.11 times more often than Christians. The only category where Christians showed an advantage was in counter or point-of-purchase sales.
3.4.4.3 Pre-Operations Planning

While responses indicate poor marketing sophistication, other factors reveal more managerial skills. The more important issue may be that of planning. The first vehicle for making assessments about a firm's managerial sophistication is whether or not feasibility studies were written before a firm's inception. These documents help entrepreneurs by providing a realistic awareness of the extent of their current abilities, assets, and financial conditions, and they are helpful in designing accounting, investment, pricing, and review systems. Feasibility studies are also necessary for securing commercial bank loans or venture capital funds. A key reason banking does not work in developing areas is that potential clients do not have the skills needed to keep records and to complete loan applications.

The question written to explore the use of feasibility studies was,

Did you prepare a feasibility study before starting your business?
   a. yes
   b. no

In overall comparisons the responses provide mixed results. 156 business owners answered this question, but only 32.05 percent said they had written feasibility studies. Eighteen of sixty-one ADC's respondents (29.51 percent) and thirty-two of ninety-seven CNI respondents (32.99 percent) indicated that they had prepared feasibility studies. The percentages are higher for managers working in non-medical business services. For them, 38.55 percent of the overall population had written feasibility studies, indicating a

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425 This does not say physicians operate unsophisticated businesses, but it is true that physicians often begin their careers by joining an existing network. This leads one to believe that most physicians would not be likely to write feasibility studies.
slightly higher level of sophistication among entrepreneurs. Here too Muslims have a slight managerial advantage. For example, among Christian respondents 25.6 percent had written feasibility studies while 33.3 percent of Muslim respondents reported writing pre-operations plans. Among the non-medical employers, 37.9 percent of Christians and 38.9 percent of Muslims had written feasibility studies. In both cases, Muslims display slightly more professionalism by using feasibility studies and pre-operation plans.

Moreover, the consistency of the Muslim advantage in terms of planning is complete across all categories of comparison, as is pointed out in comparisons of responses about the use of feasibility studies cross-listed by the date when the core business operation was started. To get this information the following question was provided in the questionnaire. For analysis a. and b. were combined, as were c and d, in order to develop statistically significant samples for thirty or more.

Your core business was started in:
  a. 1992-1993
  b. 1990-1991
  c. 1985-1990
  d. 1980-1984
  e. prior to 1980
claims that without good record keeping businesses lose focus of their management of people and money. According to Sharrad's work on business ventures that achieve significant growth, seventy-four percent write formal plans and another seventy percent use applied research during the process of evaluation.427

In this regard, generally high managerial sophistication was indicated in the areas of accounting and reporting. The question used to explore firms' use of accounting statements asked "You keep what accounting statements on a regular basis?" and the choices of profit and loss statements, balance sheets, statements of owners equity, and cash flow statements were listed below. Multiple answers were accepted on this question. In overall comparisons 53.8 percent of the respondents indicated that they kept profit and loss statements, and 59.4 percent said they kept balance sheets; only 22.5 percent wrote statements of owners equity, but 45.6 percent indicated that they kept cash flow statements. These figures are low given Sharrad's estimates about accounting sophistication shown in high-growth small businesses, but they are not inconsistent with statistics on entrepreneurial enterprises. For example, Kearsey and Watson found that approximately 60.3 percent of surviving small business firms had submitted closing accounts within six months.428 In comparison to this study, Arab-ethnic business's reporting is normative.

Even so, the more interesting analysis comes from religious-group comparisons. In this case it is the Christian businesses that show an advantage over Muslims in managerial sophistication. These figures are seen in the following table.

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Table Twenty-Three

Comparisons of the Use of Financial Statements by Religion

<table>
<thead>
<tr>
<th>Category</th>
<th>Christian</th>
<th>Muslim</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Population</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit and Loss Statement</td>
<td>62.8%</td>
<td>42.9%</td>
</tr>
<tr>
<td>Balance Sheet</td>
<td>55.8%</td>
<td>57.1%</td>
</tr>
<tr>
<td>Statement of Owners Equity</td>
<td>25.6%</td>
<td>22.6%</td>
</tr>
<tr>
<td>Cash Flow Statement</td>
<td>51.2%</td>
<td>40.5%</td>
</tr>
<tr>
<td><strong>Non-medical Population</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit and Loss Statement</td>
<td>58.6%</td>
<td>48.1%</td>
</tr>
<tr>
<td>Balance Sheet</td>
<td>58.6%</td>
<td>46.3%</td>
</tr>
<tr>
<td>Statement of Owners Equity</td>
<td>24.1%</td>
<td>25.9%</td>
</tr>
<tr>
<td>Cash Flow Statement</td>
<td>51.7%</td>
<td>40.7%</td>
</tr>
</tbody>
</table>

These figures indicate that income differentials between business owner may be caused by Muslims' lower level of accounting sophistication. The first example is in the use of profit and loss statements, where Christians show decidedly more care in keeping track of their revenues and expenses. Non-medical practitioners had fewer instances of poor reporting, but Christians are still more inefficient. This low accountability could present problems for firms when they try to obtain credit, and it will make it difficult for them to manage their cash flow and tax liabilities, as well as gain formal sector credit. These problems are compounded by the Muslims' slighter use of cash flow statements.

Still, variances based on the use of accounting statements are not large in all areas of reporting, and in some cases Muslims were more efficient. For example, Muslims kept slightly more timely balance sheets, and almost no difference existed in the preparation of statements of owners equity. Among non-medical firms, Muslims lag behind in the use of all reporting except in statements of owners equity, although in no category was the relative inefficiencies-gap indicated by Muslims wide enough to justify a 42.14 percent differential in earnings. However, the more important comparisons may come from
segments divided by the dates when a core business was started. These cross-listed responses are given in the table below.

Table Twenty-Four

Use of Accounting Statements Compared by Date of Start-up

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit and Loss Statements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Muslim business owners</td>
<td>46.2%</td>
<td>39.4%</td>
<td>40.7%</td>
</tr>
<tr>
<td>Christian business owners</td>
<td>59.1%</td>
<td>60.9%</td>
<td>n/r</td>
</tr>
<tr>
<td>Balance Sheet</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Muslim business owners</td>
<td>46.2%</td>
<td>63.6%</td>
<td>55.6%</td>
</tr>
<tr>
<td>Christian business owners</td>
<td>59.1%</td>
<td>43.5%</td>
<td>n/r</td>
</tr>
<tr>
<td>Statement Owners Equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Muslim business owners</td>
<td>19.3%</td>
<td>21.2%</td>
<td>25.9%</td>
</tr>
<tr>
<td>Christian business owners</td>
<td>27.3%</td>
<td>17.4%</td>
<td>n/r</td>
</tr>
<tr>
<td>Cash Flow Statement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Muslim business owners</td>
<td>52.2%</td>
<td>24.2%</td>
<td>51.9%</td>
</tr>
<tr>
<td>Christian business owners</td>
<td>54.4%</td>
<td>34.8%</td>
<td>n/r</td>
</tr>
</tbody>
</table>

Interesting comparisons can be made here from both the viewpoints of longevity and from differences based on religion. For example, it is additionally true that for Muslims the 1980-1990 group were often more likely to keep financial statements than were managers who started their businesses before 1980. This supports Roger's earlier claim that established businesses had a vested interest in the status quo. However, this situation must represent the migration of a more educated class of Muslim immigrants during the 1980s. A similar scenario is not true for Christian business owners, although more Christian business owners in the 1980-1990 group wrote feasibility studies. By

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429 Rogers, *Diffusion of Innovation.*
comparison Christians in the older groupings showed more sophistication in writing balance sheets, statements of owners equity, and cash flow statements.

What is also apparent is that the margin of sophistication between Muslims and Christians is small. In the use of feasibility studies, Muslims outpace Christians in both the pre-1980 and 1980-1990 categories. Christian businesses that began before 1980 show a greater interest than Muslims in keeping financial statements. This is true for profit and loss statements, balance sheets, statements of owners equity, and cash flow statements. However, the division between Christians and Muslims use of profit and loss statements combined with the Christians higher reliance on cash flow statements could be problematic and the cause of a slight finance-gap between Muslims and Christians based on variant levels of accounting sophistication.

Among the 1980-1990 group, Muslims used balance sheets and statements of owners equity significantly more than did Christians, but Christians used more profit and loss statements and cash flow statements by equally large margins. It is interesting to note that in the earlier discussions on accounting sophistication the statements where Muslims showed more concern were balance sheets and statements of owners equity. Another consideration is that Christians consistently produce more information about income and cash flow. Because these are the primary documents used by formal sector banking institutions, this could at least partially explain why finance-gaps exists between Muslims and Christians.

3.4.4.5 Section Conclusion

Again, what is shown in this section is that the division between Muslims and Christians in terms of skills and managerial sophistication is not conclusive. On the one hand, Christians display a slightly higher amount of accounting sophistication. This may cause earnings disparities between the two groups. On the other hand, Muslims show more sophistication in other areas. They are more likely to own incorporated businesses,
and they consistently indicated better use and writing of feasibility studies. Overall, neither Muslims nor Christians revealed a distinct managerial advantage nor did they display more depth in management skills. Therefore, it cannot be expected that a lack of sophistication on the part of Muslims is the reason for differential incomes based on religion or on relative sophistication.

3.4.5 Comparative Finance Gaps

The next major point for discussion is the availability of funds for small businesses in the sample population. Research shows that direct correlations can be drawn between venture capital liquidity, entrepreneurial success, and the long-term earnings potential of a firm: "higher levels of capital were clearly associated with firm success, [...] because] a correspondingly high capital investment generates higher market shares and profitability."[430] This opinion is confirmed by earlier studies by Drucker, and Rea,[431] and Laitinen claims that capital constraints increase business risk and cause low profitability.[432] Both studies either show or imply that low capital firms rarely catch up in the marketplace because their larger competitors can continually earn more revenues. This allows them to generate more retained earnings for reinvestment into renovation and new technologies, which, in turn, gives financiers added confidence when approving loan applications. The gap between firms compounds as the former group is offered increasing amounts of credit.

Therefore, the existence of a finance-gap within a community is a key indicator that one group can enforce an economic advantage over another. The issue of potential finance gaps was addressed through two sets of questions in the survey. In the "Muslims only" section of the survey people identified perceived finance gaps within that segment of

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430 Duschesneau and Gartner, p. 307.
the population. While perceptions about a problem does not mean the problem exists, the responses are illustrative of places to look for illiquidity in the community. The more substantial evidence is given in the section of the questionnaire written specifically for business owners, which was designed to compare responses of Muslims and Christians. These questions ask for the direct identification of the sources and uses of funds for initial investment and for expansion. The responses to these questions are discussed in the following sub-sections that deal with liquidity at different points in a firm's life cycles.

3.4.5.1 Arab-American Finance Gaps

As for the broader business-owning community, both Muslims and Christians display a conservative use of credit in their businesses. This could indicate that Arab-Americans use a cash-dominated management style in order to avoid the high financial and moral costs of interest. Or it could mean that finance-gaps exist in the community. The wording used to answer these questions follows.
What percentage of the funds you used to make your initial investment in your business came from:

a. Personal savings
   0%, 20%, 40%, 60%, 80%, and 100%

b. Investment from family and friends who live in the U.S.
   0%, 20%, 40%, 60%, 80%, and 100%

c. Investment from family and friends who live abroad
   0%, 20%, 40%, 60%, 80%, and 100%

d. a U.S. commercial bank
   0%, 20%, 40%, 60%, 80%, and 100%

e. a non-U.S. commercial bank
   0%, 20%, 40%, 60%, 80%, and 100%

f. an Islamic bank
   0%, 20%, 40%, 60%, 80%, and 100%

g. a government sponsored
   0%, 20%, 40%, 60%, 80%, and 100%

h. a venture capital firm
   0%, 20%, 40%, 60%, 80%, and 100%

i. other _____________________

Multiple responses were allowed on this question and it must be assumed that people marked choices that provide reciprocal figures when answering later questions. Even with these potential biases, the responses clearly show that bank loans are not being used to finance expansion. This shows either an unwillingness or an inability of owners to take formal sector loans. If the cause is an inability to obtain loans, then one must ask if the cause is the lack of record keeping experience or of institutional exclusion. In this case managerial sophistication is relatively high, which indicates that discrimination is at least partly the culprit. Overall, a relatively small percentage of the business owners tested used credit transactions in their day-to-day business operations. Only thirty-seven percent said they use credit when purchasing supplies, but among this group the use of credit is minimal. The largest accounts payable borrowers only used credit twenty percent of the time, and fifty-one percent said they used accounts payable credit less than forty percent of
the time. The nominal use of trade credit which indicates a shortage of funds in a community is a particular problem for new enterprises.\footnote{Bruno, Albert V. and Tyebjee, Tyzoon T., Venture Capital Allocation Decisions and Their Performance, University of Santa Clara Press, (1984); in addition, Wetzel discussed this issue on p. 99, and cites, Ian G. Wilson, Financing Growth Companies in New Hampshire, Department of Resources and Economic Development, State of New Hampshire, Concord, NH, 1984.}

More telling statistics come from answers to questions about long-term debt. Only 16.31 percent of the ninety-two people who responded to this question used credit when purchasing real estate, an extremely low figure. And of this group, seven of the fifteen people (46.66 percent) said they used credit less than twenty percent of the time. Fewer than half of respondents said they used long or medium-term credit transactions for purchasing equipment. These figures seem dramatically low in comparison to most entrepreneurial operations. For example, studies in Babson College's \textit{Frontiers in Entrepreneurship} reported that of "high growth" young business ventures (surviving five years or more) only forty percent reported problems raising long-term debt, while sixty percent said obtaining credit for expansion was not an impediment to growth.\footnote{Hornaday, J., Timmons, J., and K. Vesper, eds., Frontiers of Entrepreneurship Research, Babson College, (1983).} This is consistent with Tybjee and Bruno's findings about levels of liquidity and leverage.

In addition, the average longevity of businesses included in this survey is 9.4 years; this means the finance-gap Arab-Americans face today should be lower at the point when funds are needed for expansion. In this survey, ninety-two of the 160 business owners surveyed (57.70 percent) indicated that they planned to expand their businesses. However, of this group seventy-six of the ninety-two respondents (82.61 percent) planned to finance expansion primarily through retained earnings, with additional capital coming from personal savings. Thirty eight people (forty-one percent) said they would use retained earnings 100 percent of the time, forty-seven people (51.09 percent) said they would rely on retained earnings eighty percent of the time or more, and sixty-eight people (73.91 percent) said retained earnings would finance sixty percent or more of their capital expansion.
35.55 percent of respondents said they would use personal savings 100 percent, 46.67 percent said eighty percent, and 60.00 percent said sixty percent of the time or more.

These trends indicate that a major finance gap exists, especially because the data shows there is decreasing availability of funds from networks of family and friends. The reliance on these sources decreases dramatically for subsequent rounds of financing. For the first time investment, twenty-four people were able or willing to take funds from family or friends, but only thirteen people expected to use this source of financing in the future; nearly half said they would use family money twenty percent of the time. 69.23 percent of those using family channels would do so less than forty percent of the time. Even fewer people expected to import capital to fund expansion. Only seven people saw this as a viable source of funds.

The more dramatic part of the expansion-finance discussion involves the respondents' expected use of commercial bank credit. Of the firms that indicated that they planned to expand in the near future, only thirty-two people or 34.78 percent of the relevant respondents intended to use a U.S. commercial bank. Within this group the proportionate use of bank credit was highly skewed toward minimal amounts of funding. Eight of the thirty-two people (twenty-five percent) who plan to use bank financing expected to do so for twenty percent of the capital they need; fifty percent said they would used bank loans forty percent of the time or less. Only one respondent felt they would use a foreign bank as a source for capital, and only one person planned to receive money from a venture capital firm. Finally, no respondents to this survey expected to receive loans or aid from a government-sponsored agency for expansion; clearly Arab-Americans do not receive Small Business Administration financing. This may mean they are not able to compete for agency funds with immigrant business owners who are recognized as disadvantaged minorities. Or they may be excluded because of other factors.

On the one hand, the responses analyzed here show that Arab-American business owners are willing to raise funds for expansion through informal sector means or through
the retention of earnings. On the other hand, the fact that these business owners do not use formal lines of credit indicates the existence of a wide finance-gap in the business community. This is a surprising result, especially since the target population used here is composed of financially successful business owners. One would expect more credit to be available to this group. The fact that it is not is more than likely an indication of bank-imposed discrimination on credit.

3.4.5.2 Perceived Finance-Gaps Among Muslims

The third section of the questionnaire addressed Muslim respondents only. It was here that individual perspectives on finance-gaps were sought and where people were asked to identify the level at which an Islamic bank might be supported. Most of the responses to these questions will be discussed in the next chapter. However, it is an interesting exercise at this point to look for perceived finance-gaps that exist for Muslims. Nearly seventy-five percent of Muslims felt there were wide finance-gaps. Only the responses that relate to small businesses are analyzed in this section. The first question used to collect this data is presented below. 241 people responded. Their answers are presented on a segmental basis in the following table.

"Do you feel there is a finance-gap in Muslim communities in America that prevents the expansion of Muslim-owned businesses?"

a) yes
b) no
Table Twenty-Five
Percentage of Self-Employed Muslims Who See a Finance-Gap

<table>
<thead>
<tr>
<th>Category</th>
<th>yes</th>
<th>no</th>
</tr>
</thead>
<tbody>
<tr>
<td>overall population</td>
<td>73.03%</td>
<td>26.97%</td>
</tr>
<tr>
<td>Small Businesses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>all businesses</td>
<td>78.08%</td>
<td>21.92%</td>
</tr>
<tr>
<td>Lebanese</td>
<td>83.33%</td>
<td>16.67%</td>
</tr>
<tr>
<td>Palestinian</td>
<td>75.00%</td>
<td>25.00%</td>
</tr>
<tr>
<td>Syrian</td>
<td>54.54%</td>
<td>55.46%</td>
</tr>
<tr>
<td>started pre-1980</td>
<td>80.00%</td>
<td>20.00%</td>
</tr>
<tr>
<td>started 1980-1990</td>
<td>83.33%</td>
<td>16.67%</td>
</tr>
<tr>
<td>started post-1990</td>
<td>68.00%</td>
<td>32.00%</td>
</tr>
<tr>
<td>feasibility study</td>
<td>70.83%</td>
<td>29.17%</td>
</tr>
<tr>
<td>no feasibility study</td>
<td>80.00%</td>
<td>20.00%</td>
</tr>
</tbody>
</table>

The small business community is clearly concerned about finance-gaps in their communities. Overall, 78.08 percent of the Muslims who owned businesses felt the community had a liquidity problem versus 73.03 percent of the whole population. Among Muslim Lebanese business owners, who felt the greatest need for more credit or equity, 83.33 percent felt there was a finance-gap, as did 75.00 percent of Muslim Palestinians. This situation indicates that a significant problem exists for the Lebanese and the Palestinians because they are the most dependent on self-employed income. Their position is contrasted by that of the Syrians, who are the least dependent on self-employed earnings and most of whom felt there was no finance-gap. These opposing positions show that even among Muslims, divisions are apparent, probably based on the perpetuation of pre-immigration political dissension among Syrians, the Palestinians, and Lebanese.

This latter idea is supported by information on perceptions about finance-gaps based on the date a business was started. In these comparisons feelings about constraints are less
evident among business owners who had written feasibility studies (70.83 percent versus 80.00 percent). For segments based on date of business longevity, the least perceived need was among businesses that started after 1990. This is an unexpected result, but can be attributed to several factors. El-Badry reported that an increased percentage of immigrants since 1990 have come from the Gulf, so that perhaps they were able to import more capital. A more likely explanation is that a stronger Arab-Muslim immigrant enclave exists now than existed ten years ago. In this case, the pre-1980 group should have seen the worst finance-gaps because they had faced the most exclusion in earlier years from the Christian-dominated ethnic enclave, but that was not the case. 80.00 percent of the pre-1980 group believed that a finance-gap existed. This is an extremely high figure. However, the most concern over financing came from people who started their businesses between 1980 and 1990. Approximately seventy-five percent of the people who immigrated before 1980 felt a finance-gap, while 80.65 percent of those who immigrated after 1980 said they faced capital constraints. This also shows divisions based on enduring pre-immigration political conflicts among Arab-American Muslims. Indeed, many Arab-regional conflicts in the Arab world in the last fifteen years have caused much tension among Arab-Americans.\footnote{Haddad, \textit{Muslims in America}.}

These astounding percentages show that even high income Muslims do not feel they have access to credit, indicating that prejudice against Muslims is highest in the professional classes of the occupational structure. Moreover, physicians, who traditionally have few problems obtaining the financing needed to set up practices, see the most perceived need for additional sources of capital. This is true for them both at the time of a businesses starting date and at the point when expansion is necessary. These responses indicate that discrimination does exist in the capital markets, that professional Arab-American Muslims face a higher level of exclusion from the mainstream financial markets, and they may also have less access to informal funds. This is a serious problem which faces the community and serves to constrain economic growth among Arab-ethnics.
3.4.5.3. Muslim-Christian Sources of Funds

Responses from business owners about sources of initial funds tend to confirm that finance gaps exist. Among the population there were 160 small business owners, eighty-four of whom identified themselves as Muslims and forty-three Christian; fifty-four Muslims and twenty-nine Christians owned non-medical firms. The other business respondents chose either Druze, Jewish, or "other," in which case they were not cross-listed. The question is repeated for easy reference. The results are shown in the table below.

What percentage of the funds you used to make your initial investment in your business came from,

a. Personal savings
   0%, 20%, 40%, 60%, 80%, and 100%

b. Investment from family and friends who live in the U.S.
   0%, 20%, 40%, 60%, 80%, and 100%

c. Investment from family and friends who live abroad
   0%, 20%, 40%, 60%, 80%, and 100%

d. A U.S. commercial bank
   0%, 20%, 40%, 60%, 80%, and 100%

e. A non-U.S. commercial bank
   0%, 20%, 40%, 60%, 80%, and 100%

f. An Islamic bank
   0%, 20%, 40%, 60%, 80%, and 100%

g. A government sponsored
   0%, 20%, 40%, 60%, 80%, and 100%

h. A venture capital firm
   0%, 20%, 40%, 60%, 80%, and 100%

i. Other
   ____________________
Table Twenty-Six
Percentage of Funds Received for Initial Investment

<table>
<thead>
<tr>
<th>Category</th>
<th>Muslim</th>
<th>Christian</th>
<th>non-med Muslim</th>
<th>non-med Christian</th>
</tr>
</thead>
<tbody>
<tr>
<td>personal savings</td>
<td>56.94%</td>
<td>47.86%</td>
<td>78.60%</td>
<td>55.08%</td>
</tr>
<tr>
<td>Investments made by family and friends</td>
<td>11.28%</td>
<td>8.30%</td>
<td>14.72%</td>
<td>8.86%</td>
</tr>
<tr>
<td>Commercial banks</td>
<td>14.76%</td>
<td>13.94%</td>
<td>9.86%</td>
<td>14.42%</td>
</tr>
<tr>
<td>Islamic banks</td>
<td>n/r</td>
<td>n/r</td>
<td>n/r</td>
<td>n/r</td>
</tr>
<tr>
<td>government sponsored program</td>
<td>0.12%</td>
<td>2.76%</td>
<td>0.76%</td>
<td>4.08</td>
</tr>
<tr>
<td>venture capitalist</td>
<td>n/r</td>
<td>n/r</td>
<td>n/r</td>
<td>n/r</td>
</tr>
</tbody>
</table>

There is obviously some level of under-reporting in these statistics. However, it is clear from all of the figures that there is low liquidity among the businesses in this population. The figures on informal sector sources of funds support the notion that Muslims have a relative finance-gap in the use formal credit. Here we see that Muslims are substantially more dependent on the use of personal savings to fund the initial investment in their businesses. This is a larger barrier for people working in non-medical lines of business, where Muslims provide 78.60 percent of their own funds while Christians put up only 47.86 percent. This is a substantial division between the two groups with regard to illiquidity. Even among the general comparisons, Muslims use 15.96 percent more savings.

In addition, there is also a gap between Muslims and Christian with regard to the amount of funds provided by family and friends. Surprisingly, this group of respondents did not rely on family or friends to the extent that is usual for immigrant firms. For
example, among Korean immigrant business owners, borrowing from friendship-oriented networks provides up to eighty percent of initial investment capital, either through family ties or through their local "kai" associations. For the current group of Arab-Americans the use of funds from family and friends ranged between 8.30 percent to 14.72 percent, an extremely low percentage by comparison. While the percentage of such borrowing is low on an overall basis, the problem obviously presents more constraints for Muslims, who had to rely on family and friends 11.28 percent and 14.42 percent as a source for their initial investment. The need was respectively 26.42 percent and 39.81 percent less for Christians.

The figures for bank credit are also indicative of an Arab-American finance gap. In no category did the amount of bank credit used exceed fifteen percent, which indicates that there is a general finance gap within the community. Only 22.50 percent of the entrepreneurs in this survey received funds from a commercial bank to start their businesses. Those who were able to secure bank funding did so at a relatively high level of interest. Less than a quarter of respondents used commercial bank loans at all, and no one had secured credit from a foreign bank. No one indicated using an Islamic bank for start-up funds, and only three people out of 160 received financial assistance from a government sponsored agency.

In comparisons by religion, Muslims appear to have a slight advantage in receiving credit from commercial banks. However, this does not hold true in more refined comparisons because the sample group is biased toward businesses headed by Muslim physicians. When these responses are segregated out of the sample, the situation is considerably different. Here, Christians indicated they used bank credit 14.42 percent versus 9.86 percent, or 31.62 percent more commercial bank credit.

More specific analysis of the use of bank credit for the initial investment shows that the distribution of funding also put Christians at an advantage. In the following table we see that Muslims indicated a broader use of bank credit in all the percentage categories.

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436 Light and Bonacich, p. 247.
Moreover, Muslims were often not able or willing to use bank credit. For them, 10.70 percent of the general Muslim group and 14.80 percent of non-medical Muslim businesses received zero percent of their funds from a commercial bank. However, all of the Christian respondents had received some money from a bank; Christians started borrowing at the sixty percent level. And, while the average use of bank credit is nearly the same in the general Muslim-Christian comparisons, the Christians show a definite advantage in the non-medical categories. For this group, the Christians receive 37.73 percent more money from commercial banks. It is still true that neither group uses significant amounts of credit, but these figures show that Muslims are at a definite liquidity disadvantage.

Table Twenty-Seven
Distribution of Commercial Bank Funding at Initial Investment

<table>
<thead>
<tr>
<th>U.S. Commercial Bank:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Muslim Sml. Bus.</td>
</tr>
<tr>
<td>10.70</td>
</tr>
<tr>
<td>4.80</td>
</tr>
<tr>
<td>7.10</td>
</tr>
<tr>
<td>1.20</td>
</tr>
<tr>
<td>7.10</td>
</tr>
<tr>
<td>3.60</td>
</tr>
<tr>
<td>13.80</td>
</tr>
<tr>
<td>n/r</td>
</tr>
<tr>
<td>n/r</td>
</tr>
<tr>
<td>n/r</td>
</tr>
<tr>
<td>7.00</td>
</tr>
<tr>
<td>9.30</td>
</tr>
<tr>
<td>2.30</td>
</tr>
<tr>
<td>13.94</td>
</tr>
<tr>
<td>Muslim Sml. Bus. non-medical</td>
</tr>
<tr>
<td>14.80</td>
</tr>
<tr>
<td>5.60</td>
</tr>
<tr>
<td>11.11</td>
</tr>
<tr>
<td>n/r</td>
</tr>
<tr>
<td>1.90</td>
</tr>
<tr>
<td>1.90</td>
</tr>
<tr>
<td>8.98</td>
</tr>
<tr>
<td>Christ. Sml. Bus. non-medical</td>
</tr>
<tr>
<td>n/r</td>
</tr>
<tr>
<td>n/r</td>
</tr>
<tr>
<td>n/r</td>
</tr>
<tr>
<td>10.30</td>
</tr>
<tr>
<td>10.30</td>
</tr>
<tr>
<td>n/r</td>
</tr>
<tr>
<td>14.42</td>
</tr>
</tbody>
</table>

In addition, three other sets of statistics are notable by their absence. Those are the figures for funds received from Islamic banks, government agency programs, or venture capitalist. The responses about Islamic banks are not surprising given that there are only a few Islamic lenders in the U.S. The lack of responses about venture capital financing provides a further indication that a finance-gap exists for all segments of the Arab-ethnic community. However, the lack of figures on government assistance programs are more incriminating. Given the demographics of the current sample, they are among the most
likely group to qualify for S.B.A. funding. This is obviously not the case because the only responses about the use of government programs for initial investment come from a Christian entrepreneur.

3.4.5.4 Muslim-Christian Divisions in Funding for Expansion

As I described above, the more telling statistics about immigrant and ethnic finance-gaps come from questions about the use of debt at the point of expansion. Capital infusion at this stage of operation is needed to establish additional jobs for family and friends in the enclave or to expand the network of replacement jobs available to co-ethnics. It is also through continued growth and expansion that the middlemen minorities earn or purchase their right to commercial assimilation. Moreover, when finance-gaps do not dissipate over time, this is a major indication of discrimination. The current group's business is dominant by Muslims, so that after nearly ten years this segment should be at parity in their ability to gain funds, especially since Muslims showed several managerial advantages.

To measure the parity factor the following question was written into the questionnaire. It is similar to the one used to investigate finance-gaps at the point of initial investment, except the use of retained earnings was added as option a. in this question. Cross-listed analysis revealed that too few Christians responded in the non-medical segments, so that those categories were deleted from the analysis.\footnote{Only 5 out of 29 people in the Christian non-medical segment responded that they planned to expand their businesses, a number which made it impossible to present comparisons. However, the responses are interesting even if they are not statistically significant. For example, among the non-medical group Muslims used retained earnings to finance expansion 29.28 percent of the time as compared to 45.46 percent for Christians. Muslims indicated that 24.06 percent of expansion funding came from personal savings, while 8.84 percent Christians used this source. In addition, Muslims got only 29 percent of their funds from bank loans, while Christians received just over 40 percent of expansion capital from banks.} The question used and the table of results are found on the next pages.
You financed expansion for your business primarily through, (by percentage):

a. retained earnings
   0%, 20%, 40%, 60%, 80%, and 100%
b. personal savings
   0%, 20%, 40%, 60%, 80%, and 100%
c. investment from family and friends who live in the U.S.
   0%, 20%, 40%, 60%, 80%, and 100%
d. investment from family and friends who live abroad
   0%, 20%, 40%, 60%, 80%, and 100%
e. an Islamic bank
   0%, 20%, 40%, 60%, 80%, and 100%
f. a U.S. commercial bank
   0%, 20%, 40%, 60%, 80%, and 100%
g. a non-U.S. commercial bank
   0%, 20%, 40%, 60%, 80%, and 100%
h. a government sponsored
   0%, 20%, 40%, 60%, 80%, and 100%
i. a venture capital firm
   0%, 20%, 40%, 60%, 80%, and 100%
j. other ______________________
Table Twenty-Eight
Percentage of Funds Received for Expansion

<table>
<thead>
<tr>
<th>Category</th>
<th>Overall</th>
<th>Muslim</th>
<th>Christian</th>
</tr>
</thead>
<tbody>
<tr>
<td>retained earnings</td>
<td>34.34%</td>
<td>30.24%</td>
<td>38.58%</td>
</tr>
<tr>
<td>personal savings</td>
<td>7.76%</td>
<td>21.46%</td>
<td>11.24%</td>
</tr>
<tr>
<td>Investments made by family and friends</td>
<td>3.12%</td>
<td>2.64%</td>
<td>6.02%</td>
</tr>
<tr>
<td>U.S. commercial bank</td>
<td>11.66%</td>
<td>9.84%</td>
<td>14.34%</td>
</tr>
<tr>
<td>Islamic banks n/r</td>
<td>n/r</td>
<td>n/r</td>
<td>n/r</td>
</tr>
<tr>
<td>government sponsored program n/r</td>
<td>n/r</td>
<td>n/r</td>
<td>n/r</td>
</tr>
<tr>
<td>venture capitalist</td>
<td>0.06%</td>
<td>n/r</td>
<td>n/r</td>
</tr>
</tbody>
</table>

These figures illustrate not only that there is a continuing finance-gap between Christians and Muslims but that it grows over time because the businesses surveyed were an average of 9.4 years old. Again, the community does not indicate that it uses significant levels of commercial credit in its businesses' capital structures. Overall, the group used bank loans less than twelve percent of the time, leaving an eighty to ninety percent of the community reliant on internally-generated cash for reinvestment. This may indicate misunderstandings about appropriate sources and uses of external capital funds, but this is an unlikely explanation given the age, level of experience, managerial expertise, and education of the survey population. Rather, it is more likely that Arab-Americans are also excluded from participation in commercial bank financing.

The extent of this problem is more severe when comparisons are made via religious segmentation. Once again, Christian Arab-Americans have much greater access
to financing and capital wealth than do Muslim Arab-Americans. The first contributor to this divide is the Christians' abilities to reinvest more internally-generated cash. This is caused by their greater earnings power in the market and by this ability to start their businesses with a larger capital base. The effect of these factors is that Christian-owned firms are able to raise significantly more funds through retained earnings. In addition, they are better able to return to family and friends within the ethnic enclave for gaining subsequent rounds of funding. While the amount used for this source is admittedly small, it does indicate that Christians have generally more access to capital at the initial and expansion stages of business development.

It is simply a fact that people with capital and liquidity are more able to garner capital investment from formal sector sources. Obtaining bank loans is also highly dependent on good financial reporting skills. In this case it was shown that Christians did maintain records more consistently. However, the accounting sophistication gap was small and cannot explain why Christians' have access to 31.38 percent more commercial bank credit. Rather, Christians' higher retained earnings give them an advantage when approaching lending officers for initial funds, and also shows that Muslims' relative lack of capital compounds their finance-gap over time. Moreover, the Christians' continued advantage in capital markets also enhances their abilities to buy into majority-led markets. This leaves Muslims in a generally lower financial position within the ethnic enclave.

3.4.5.5 Finance-Gaps by Nationality

It is also important to look at the finance-gap question from the viewpoint of national origin. The information presented above leads to the expectation that Palestinians will have the least access to capital because of their relative exclusion from both enclave and majority markets. It is also likely that Syrians have the most access to capital. The data on this question is given in the following table.
### Table Twenty-Nine
**Percentage of Funds Received for Initial Investment by Nationality**

<table>
<thead>
<tr>
<th>Category</th>
<th>Lebanese</th>
<th>Palestinians</th>
<th>Syrian</th>
</tr>
</thead>
<tbody>
<tr>
<td>personal savings</td>
<td>41.16%</td>
<td>66.14%</td>
<td>31.76%</td>
</tr>
<tr>
<td>Investments made by</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>family and friends</td>
<td>12.89%</td>
<td>8.43%</td>
<td>9.44%</td>
</tr>
<tr>
<td>U.S. commercial bank</td>
<td>19.18%</td>
<td>13.78%</td>
<td>22.32%</td>
</tr>
<tr>
<td>Islamic banks</td>
<td>n/r</td>
<td>n/r</td>
<td>n/r</td>
</tr>
<tr>
<td>government sponsored program</td>
<td>2.60%</td>
<td>n/r</td>
<td>n/r</td>
</tr>
<tr>
<td>venture capitalist</td>
<td>2.60%</td>
<td>n/r</td>
<td>n/r</td>
</tr>
</tbody>
</table>

### Table Thirty
**Percentage of Funds Received for Expansion by Nationality**

<table>
<thead>
<tr>
<th>Category</th>
<th>Lebanese</th>
<th>Palestinians</th>
<th>Syrian</th>
</tr>
</thead>
<tbody>
<tr>
<td>retained earnings</td>
<td>37.90%</td>
<td>33.00%</td>
<td>22.32%</td>
</tr>
<tr>
<td>personal savings</td>
<td>13.88%</td>
<td>17.86%</td>
<td>8.26%</td>
</tr>
<tr>
<td>Investments made by</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>family and friends</td>
<td>2.08%</td>
<td>8.43%</td>
<td>11.80%</td>
</tr>
<tr>
<td>U.S. commercial bank</td>
<td>12.86%</td>
<td>11.34%</td>
<td>14.16%</td>
</tr>
<tr>
<td>Islamic banks</td>
<td>n/r</td>
<td>n/r</td>
<td>n/r</td>
</tr>
<tr>
<td>government sponsored program</td>
<td>n/r</td>
<td>n/r</td>
<td>n/r</td>
</tr>
<tr>
<td>venture capitalist</td>
<td>2.60%</td>
<td>n/r</td>
<td>n/r</td>
</tr>
</tbody>
</table>
The first thing that is clear from these figures is that the Palestinians rely much more on personal savings to fund investments. At the new venture stage Palestinians uses savings to fund 66.14 percent of their capital structures, while the Lebanese only used savings for 41.16 percent and the Syrians 31.76 percent of their initial investment. This means the Palestinians rely on savings 1.61 and 2.08 times more respectively. A similar situation exists for Palestinians at the point of expansion. While the overall use of personal savings declines for all groups, the divisions between them are no less dramatic. At the point where funds are needed for expansion, Palestinians provided 2.16 times more of the capital investment from personal savings than the Syrians and 1.28 times more than the Lebanese. Similarly, the Palestinians were able to count on less funds for continuing investment from family and friends.

In terms of funds from commercial banks, all groups showed a low level of usage, but at both points when investment was needed Palestinians faced a capital disadvantage. For example, the Lebanese received 19.18 percent, the Palestinians 13.78 percent, and the Syrians 22.32 percent from commercial banks to fund their initial capital structures. This shows that the more established, pre-dominantly Christian Syrian business owner had substantially more access to commercial credit. In comparison, Syrians received 38.26 percent more bank credit than Palestinians when starting their businesses. This relative finance-gap narrowed but did not disappear at the point of expansion. Here, the Lebanese used bank credit 12.86 percent, the Palestinians 11.34 percent, and the Syrians 14.16 to fund expansion. This means the Palestinians had 24.87 percent less access to bank loans when planning to renovate or expand the businesses they own.

3.4.5.6 Additional Comparisons of Finance-Gaps

The results shown above indicate that the finance-gap within the Arab-American business segment is more of a burden on Muslims than it is on Christians and that the finance-gap problem widespread. Indeed it seems that one faction of the community is
bearing a higher cost for inter-ethnic discrimination against Arab-Americans or that they are paying a higher price for intra-ethnic conflicts that exist within the community. The numbers presented above are based on the total of 160 responses that were given in this section of the questionnaire. In fact, not all survey participants answered all the questions so that the tables presented above reflect some under reporting. Therefore, I ran the figures a second time, but in these calculations I used a smoothing process basing the averages on the proportion of responses received to each set of answers. These numbers give support to the argument that sever finance-gaps exist, but are worse for Muslims.

Table thirty-one shows the proportional percentage of sources for initial investments into these business owners' firms. These comparisons confirm that there is a general unavailability of capital. No more than twenty-four percent of initial funds came from formal sector institutions, and virtually no funds were provided by government assisted programs. The greatest burden for raising funds came from the entrepreneurs, who generally contributed between seventy and one hundred percent of their initial investment from personal savings. The balance of funds, although relatively small, came from family and friends or from commercial bank loans. No venture capital investments were reported. In addition, no respondents use an Islamic bank to secure funding.

Table Thirty-One

<table>
<thead>
<tr>
<th>Category</th>
<th>Muslim</th>
<th>Christian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Savings</td>
<td>70.62%</td>
<td>79.41%</td>
</tr>
<tr>
<td>U.S. family and friends</td>
<td>7.98%</td>
<td>6.42%</td>
</tr>
<tr>
<td>Foreign family and friends</td>
<td>7.02%</td>
<td>6.87%</td>
</tr>
<tr>
<td>Commercial Bank</td>
<td>18.35%</td>
<td>23.14%</td>
</tr>
</tbody>
</table>

---

438 These figures are proportional averages for the answers given by the people who owned businesses. The average reporting rate was 109 percent, which indicates some respondents over-reported their capital structure.
Another thing that is obvious is that the Christian segment of the community generally has more access to money than do Muslims. In fact, a greater percentage of Christian firms comes from personal savings, and those firms relied slightly less heavily on friends and relatives for their capital needs. This result is expected given that the Christian Arab-Americans earn more in the market than do Muslim Arab-Americans. There are also more Christian second and third generation Arab-Americans who have acquired savings through inheritances. However, this does not explain why Christian respondents were able to use a higher percentage of commercial credit at the initial stages of their investment. Christians use commercial bank credit an average of 20.7 percent more in their initial investments than do Muslims. The effects of this relative finance-gap between Muslims may have continuing effects as a limiting factor on commercial expansion. This at least partially explains why Muslim and Christian businesses that are the same size, the same age, and in the same phase of operation have different levels of revenues and earnings; Muslims have less because they started with less capital or liquidity, and these factors have constrained their power to earn money.

The figures in table thirty-two present more important implications because they illustrate a continuing finance-gap for Arab-Americans, and also the division between Christians and Muslims has grown wider over time. Again, the community does not indicate that it uses significant levels of commercial credit in its businesses' capital structures. Overall, the group used bank loans less than twenty percent of the time, leaving an eighty to ninety percent reliance on the community's funding of business expansion to reinvesting internally-generated cash reserves, or to raising investments via informal sector networks of family and friends. This may indicate the community's unwillingness to go into debt to expand it businesses. It may also indicate misunderstandings about appropriate sources and uses of external capital funds. This, however, is unlikely given the age, level of experience, and education of the survey population. And, because the government plays no significant role in financing this
community's economic growth, it is more likely that Arab-American business owners are excluded from participation in the usual forms of commercial bank financing.

Table Thirty-Two

<table>
<thead>
<tr>
<th>Category</th>
<th>Muslim</th>
<th>Christian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained Earnings</td>
<td>38.94%</td>
<td>64.04%</td>
</tr>
<tr>
<td>Personal Savings</td>
<td>21.41%</td>
<td>18.65%</td>
</tr>
<tr>
<td>U.S. family and friends</td>
<td>1.60%</td>
<td>3.68%</td>
</tr>
<tr>
<td>Foreign family and friends</td>
<td>1.92%</td>
<td>1.56%</td>
</tr>
<tr>
<td>Commercial Bank</td>
<td>13.09%</td>
<td>20.73%</td>
</tr>
<tr>
<td>Islamic Bank</td>
<td>1.28%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Government Agency</td>
<td>1.84%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Once again, Christian Arab-Americans show a much greater access to capital wealth than do Muslim Arab-Americans. The first contributor to this divide is their larger capital bases, size of operations, and volumes of retained earnings. In these calculations Christian respondents expected to use 39.19 percent more bank loans for expansion than Muslim respondents. Remember that the average reported age of an Arab-American business is 9.4 years. Light and Bonacich have suggested that at the point of success, when the primary risk of starting a business has passed, that divisions of income and access to capital should close.④⁴⁰ The results here do not support this conclusion because the respective finance-gap for Muslims increases from 20.7 percent at the initial phase to 39.19 percent after almost ten years. These means that Muslims are increasing shunned by financiers.

④³⁹ The average reporting rate for the capital structure was 99.4 percent.
It will not be surprising at this point for readers to see that Muslims within this sample population have had a more difficult time collecting personal assets and accumulating wealth. This is a logical extension for the reader to make because Muslims earn less money and because they have less access to capital. However, it is important to reinforce the point here because it illustrates how the inability of Muslim Arab-Americans to earn parity wages in the community causes them to be put at a long-term economic disadvantage. This is seen in the answers to a question about respondents' levels of personal assets. The question reads as follows:

Your personal assets in the US are:
   a. less than $100,000
   b. $100,001 to $250,000
   c. $250,001 to $500,000
   d. $500,001 to $1,000,000
   e. over $1,000,000
The responses are shown in the following tables.

Table Thirty-Three
Dollar amounts of Personal Assets - General Response Comparisons

<table>
<thead>
<tr>
<th>Category</th>
<th>Muslim</th>
<th>Christian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nativity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US-born</td>
<td>272,420</td>
<td>365,418</td>
</tr>
<tr>
<td>Arab-Born</td>
<td>515,706</td>
<td>405,913</td>
</tr>
<tr>
<td>Date of Entry:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-1950</td>
<td>378,666</td>
<td>521,875</td>
</tr>
<tr>
<td>1950-1980</td>
<td>266,125</td>
<td>520,313</td>
</tr>
<tr>
<td>post-1980</td>
<td>172,546</td>
<td>132,145</td>
</tr>
<tr>
<td>Level of Education:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelors Degree</td>
<td>266,500</td>
<td>463,306</td>
</tr>
<tr>
<td>Masters Degree</td>
<td>310,895</td>
<td>463,374</td>
</tr>
<tr>
<td>Ph. D.</td>
<td>347,220</td>
<td>351,786</td>
</tr>
<tr>
<td>Medical Doctorate</td>
<td>518,250</td>
<td>654,362</td>
</tr>
<tr>
<td>Field of Study:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business</td>
<td>352,918</td>
<td>517,000</td>
</tr>
<tr>
<td>Engineering</td>
<td>268,766</td>
<td>596,168</td>
</tr>
<tr>
<td>Social Sciences</td>
<td>326,738</td>
<td>495,700</td>
</tr>
<tr>
<td>Medicine</td>
<td>436,350</td>
<td>576,496</td>
</tr>
</tbody>
</table>

Table Thirty-Four
Dollar amounts of Personal Assets - Small Business Response Comparisons

<table>
<thead>
<tr>
<th>Category</th>
<th>Muslim</th>
<th>Christian</th>
</tr>
</thead>
<tbody>
<tr>
<td>all business owners</td>
<td>462,333</td>
<td>672,086</td>
</tr>
<tr>
<td>non-medical businesses</td>
<td>382,931</td>
<td>610,434</td>
</tr>
<tr>
<td>Core Business Start-up:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>pre-1980</td>
<td>744,288</td>
<td>802,335</td>
</tr>
<tr>
<td>1980-1990</td>
<td>406,250</td>
<td>597,723</td>
</tr>
<tr>
<td>post-1990</td>
<td>223,325</td>
<td>381,250</td>
</tr>
<tr>
<td>feasibility studies</td>
<td>392,941</td>
<td>718,157</td>
</tr>
</tbody>
</table>
In each of these comparisons except one, there is a disparity between Muslims' and Christians' abilities to accumulate personal assets and wealth. This is true for professionals at all levels of education and fields of study, and it is true among small business owners in all categories compared. The problem seems to be worse for people who entered the country or started their businesses during the 1980s, which is a period when discrimination against Arabs was very high. I will not go into further analysis of these numbers at this time, except to say that they support further the idea that Muslim Arab-Americans find themselves at a continued wage and economic disadvantage compared to their Christian co-ethnics.

3.4.5.8 Section Conclusion

These responses to questions on sources of credit support the assertions that Arab-Americans must rely more on their own capital, or to a lesser extent on capital provided by friends and family, when they open a new business venture. According to Light this type of situation has forced many immigrant communities, such as the Chinese and Koreans, to develop informal sector sources of financing. This Arab-American group does not indicate that they have established such networks, although this could partially explain the level of under-reporting seen from this sample. Still, the most notable fact emerged from results is that Muslims can be seen as being at a considerable financial disadvantage from the start because of liquidity constraints. Similar results are shown to be true for the Palestinian segments. This will likely put their businesses at an earnings disadvantage.

In effect, these Muslim and Christian religious segments' differing abilities to participate in formal financial networks set the stage for on-going intra-ethnic divisions in
terms of income and wealth distribution. From their favored position, Christians can expand their capital structures at a much faster pace than can the Muslim segment, and they can continually generate more revenues and retained earnings. This forces Muslims into a continued disadvantage in their efforts to break through the barriers limiting their upward mobility. Therefore, Muslims' entry into broader wage markets will consistently lag behind. This assertion is supported by data presented in the next section.

3.5 Chapter Conclusion

The data presented in this chapter reveals that Muslims and to a lesser extent Palestinians are placed at continued disadvantages in the Arab-American ethnic enclave. Findings to this effect are consistently demonstrated in comparisons based on level of education, on start-up dates of the core businesses, and on the types of firms owned. The discrepancies are seen most clearly among business owners in the community, where Muslims show essentially equal managerial sophistication but earn much less than equal earnings. I will discuss the implications of these situations in much greater detail in the conclusion. However, the case is made that Muslims face more economic discrimination.
Chapter Four
Islamic Banking and the Arab-American Finance-Gap

This chapter explores the possibilities of using Islamic finance to solve finance-gaps that exists among Muslim Arab-Americans. In theory Islamic banks could facilitate growth among Muslim-minority businesses, and they could provide financing to individuals. However, while rhetoric about the need for Islamic banks is plentiful, evidence that these institutions would be supported by Muslims in the U.S. is far from conclusive. This analysis reveals a more positive response than is found elsewhere.

The responses also support the noteworthy observation that within the Arab-American minority intra-group conflicts put some segments of the community at a disadvantage. In this case the divisions turned out to be intra-Muslim as well as intra-ethnic. For example, Palestinians consistently showed the most concern over capital constraints in response to questions on their willingness to use an Islamic bank. In contrast, Syrians showed the least concern over finance gaps, and they showed a generally low level of support for Islamic finance. Syrians, however, were twice as interested in taking loans from an Islamic bank as they were in making deposits. Similar responses were found among the Lebanese, but the Palestinians were consistently supportive.

Moreover, the responses indicate that within its Muslim segments the Arab-American community is separated by sub-ethnic or national-origin conflicts. When asked why Islamic banking would fail, a key answer was that the community was too severely divided to organize a bank effectively. Similar responses show that different generations have different agendas, needs, and opinions. The more established business owners indicate they would only place twenty percent of their deposits in an Islamic bank. However, the newest business owners, who are more likely to be immigrants, support establishing an Islamic banking more aggressively, pledging to use the bank for as much as 62.47 percent of their credit needs.

My interpretation of the respondents' answers is that each of these groups is pursuing different economic or social agendas. The immigrants are more ardent in their commitment because they have the greatest need to develop alternative sources of capital. The level of support shown by the established, first generation group is more ethno-political. What their responses show is that they give the idea of Islamic banking much rhetorical support, but in practice they will only supply the bank with a cursory twenty percent of their deposits. The level of support is still less among the second generation, mainly because their priorities are social and not economic assimilation. Regardless of the interpretation, these results confirm that many of the intra-group conflicts that have been discussed have an adverse economic impact on the community. This adverse impact helps explain, for example, why Palestinians have the lowest level of earnings in the sample. Even among Muslims Palestinians face more exclusion from the ethnic enclave. Clearly, a hierarchy of discrimination has been developed between the Muslim segments.

4.1 Perceived Finance-Gaps Among Muslims

The first question in this section of the survey addressed the perception that capital illiquidity was a problem in the community. Analysis of the responses to this question as they relate to small businesses were presented in the previous chapter. The responses
based on other comparisons follow. 241 people answered this question, and their responses are categorized in the following table.

"Do you feel there is a finance-gap in Muslim communities in America that prevent the expansion of Muslim-owned businesses?"

a) yes  b) no

<table>
<thead>
<tr>
<th>Category</th>
<th>yes</th>
<th>no</th>
</tr>
</thead>
<tbody>
<tr>
<td>overall population</td>
<td>73.03%</td>
<td>26.97%</td>
</tr>
<tr>
<td>Citizenship:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S.-born</td>
<td>62.86%</td>
<td>37.14%</td>
</tr>
<tr>
<td>Arab-born</td>
<td>75.18%</td>
<td>24.68%</td>
</tr>
<tr>
<td>Nationality:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lebanese</td>
<td>77.05%</td>
<td>22.95%</td>
</tr>
<tr>
<td>Palestinian</td>
<td>73.44%</td>
<td>26.66%</td>
</tr>
<tr>
<td>Syrian</td>
<td>59.26%</td>
<td>40.74%</td>
</tr>
</tbody>
</table>

People obviously feel there is a finance-gap within the community, but not all segments feel it as much as others. For example, U.S.-born citizens feel illiquidity is less of an issue than do Arab-born citizens, 62.86 percent versus 75.86 percent. Among Syrians, a predominantly U.S.-born group, only 59.26 percent felt constrained by a finance-gap, while the Lebanese and the Palestinians felt much greater credit constraints. These opinions support Zogby's assertions that divisions have arisen among Arab-Americans between the immigrants and the native-born. Moreover, the people he identifies as experiencing the worst poverty are the national-origin groups that feel the worst capital constraints. 77.05 percent of the Lebanese segment and 73.44 percent of the Palestinians believe there are
finance-gaps, indicating Lebanese- and Palestinian-Americans feel they face significantly higher barriers to economic assimilation than do the more established Syrians.

Also interesting are comparisons about perceived finance-gaps segmented by people's level of education and their field of study. It might be expected that perceived finance-gaps would decline as a sub-group's level of education increases. This was only true for people with Ph.D.s, but still 68.75 percent of this group felt there was a shortage of capital. In contrast, 71.74 percent of the people who held bachelors degrees thought a finance-gap exists, 77.72 percent of people with MA degrees or equivalents and 83.72 percent of Muslims with medical doctorates feel there are capital constraints on growth; 79.49 percent of all the Muslims who studied medicine felt there was a finance-gap, as did 82.05 percent of people who studied business and 75.68 percent of the people who studied engineering.

It is clear from these responses that even high income Muslims feel they have less access to credit. In addition, these responses indicate that education is not a factor that helps alleviate the perception of a finance-gap. An increase in degree from a B.A. to an M.A. actually seems to raise the perception that finance-gaps exist. This could indicate that prejudice against Muslims is highest in the professional classes of the occupational structure. Moreover, physicians, who traditionally have little problems obtaining the financing needed to set up practices, see the worst perceived need for additional sources of capital. This is true for them both at the time of a business's starting date and at the point when expansion is necessary. These responses indicate that discrimination does exist in the capital markets, that professional Arab-American Muslims face a higher level of exclusion from the mainstream financial markets, and that they may also have less access to informal funds. These are serious problems that serve to constrain growth among Arab-Americans.
Islamic bank survival. Abdulkader asserts that "anyone who has been involved in the management or support of an Islamic Center is aware of the great ethnic divides between Arab, South Asian, Malaysian, Iranian, and African American and all other Muslims." He suggests ethnic prejudice caused the fall of two Islamic banks in the Toronto area. 442

Other notable statistics from the "Survey" concern the low level of knowledge American-Muslims have about Islamic financial institutions. For example, while California has the most Muslim lending facilities, only six percent of the respondents from this state were aware of the Los Angeles-based Muslim Savings and Investment Company. Nationally, the Islamic Society of North America's Amana Fund was known to only 2.5 percent of the respondents, and Ansar Capital Management of Indiana and Ilahi Investment of Detroit were known to only 1.24 percent of the respondents. No other Islamic financial group received more than one percent recognition. This lack of consumer awareness of Islamic lenders presents a significant barrier to entry for these banks into the market.

In addition, respondents did not show a high level of sophistication about the uses of financial institutions. Twenty-four percent and eighteen percent said their financial need priorities were limited to the use of checking and savings accounts. However, not everyone had a bank account: "an astounding 7% reported that their primary savings location was at home." Ninety percent of respondents did not insure their property. When asked about the debt instruments, fifty-four percent held mortgages and eleven percent had second mortgages. This is low for the American adult population, who are major consumers through mortgage debt. A similar situation was found in financing purchases of consumer durables. For consumer products credit, thirty-five percent held automobile loans, forty-five percent own credit cards, and eleven percent used consumer credit loans to purchase major household products. For commercial credit, only four percent used small business loans. Twenty-two percent of the respondents felt that a small

business finance-gap was their most pressing financial problem. Again, in each of these categories the percentages show a low use of debt. This may indicate a finance-gap in the community, or it could mean a rejection of interest-based lending.

However, the data shows that there is no real rejection of interest bearing debt. According to Abdulkader, American Muslims are using *riba*-bearing instruments and the use of commercial banks is prevalent throughout the community. One could conclude that interest-bearing loan instruments are more socially acceptable than not among American Muslims. This is supported by other responses made in the survey. For example, when asked if they wanted *riba*-free credit or deposit alternatives, "one-third want it, one-third don't want it, and one-third don't care." (Abdulkader, 1992) Fifty percent agreed that interest presented a moral dilemma, and sixty-two percent wanted an Islamic alternative, but respondents were also "deeply engaged with interest as reported in the questions relating to debt." Fourteen percent would not use Islamic finance at all.

4.3 Attitudes of the Sample Population

The third section of the CNI and ADC questionnaires are introduced under the heading "Survey of Attitudes Toward Islamic Finance." It was expected that finance-gaps would exist among Muslims so that the purpose of this section was to determine if this sample group would support an Islamic bank as a means for recycling capital into the Arab-American Muslim community. The questions asked about the community's awareness of Islamic lenders, reasons the community might reject an Islamic bank, the support that it would provide, and the types of contracts that would be accepted. The results indicated that there is a general interest in the use of Islamic banks. However, the results also reveal deep divisions exist among Muslims based on differences in citizenship, national-origin, level of education, and date of business start-up.
4.3.1 Knowledge about Islamic Finance

One of the major problems uncovered here is that Arab-American Muslims know very little about existing Islamic financiers and they understand few of the benefits such financiers would offer to the community, a finding which is consistent with Abdulkader's results. Only 16.55 percent of this Muslim sample group were aware of any Islamic lending groups operating in the U.S. Small business owners had slightly more knowledge about American Islamic lenders, but only 18.75 percent knew of such an institution. When compared by type of citizenship, 26.09 percent of the U.S-born population had heard of these institutions as opposed to only 19.14 percent of the Arab-born group; compared by the date of business start-up, newer business owners had the lowest level of awareness. 17.39 percent of business owners who started their companies before 1980 knew of an Islamic lender, while 28.13 percent of those who started firms between 1980 and 1990 knew about such an institution, and only 7.60 percent of those who started their businesses after 1990 were familiar with one. Similar patterns were found in comparisons based on nationality, as is seen in the following table on the awareness of Muslims about U.S. Islamic lenders.

<table>
<thead>
<tr>
<th>Category</th>
<th>business</th>
<th>non-business</th>
</tr>
</thead>
<tbody>
<tr>
<td>sample population</td>
<td>18.75%</td>
<td>16.55%</td>
</tr>
<tr>
<td>Lebanese</td>
<td>23.08%</td>
<td>13.95%</td>
</tr>
<tr>
<td>Palestinian</td>
<td>28.95%</td>
<td>15.69%</td>
</tr>
<tr>
<td>Syrian</td>
<td>14.85%</td>
<td>10.35%</td>
</tr>
</tbody>
</table>

These figures show that the Muslim community has much education to undertake if it wants to embrace Islamic banking. The Syrians, the most assimilated group, had the least knowledge and probably the least interest in Islamic banking. This notion is supported by responses given to questions to be discussed later. However, the Palestinians, who
indicated the greatest need for capital, had the most knowledge about Islamic lending institutions. The Lebanese are more split on this issue. In addition, when asked if they felt a lack of understanding of Islamic finance would be an impediment to establishing Islamic banks, most people said it would. This response indicates that Islamic lending institutions need to use more professional marketing techniques in order to attract customers.

However, Islamic finance tends to work best for commercial finance, which is the area where the Arab-Americans have the most need for capital. This is especially true among Palestinians. In each national-origin category business owners have nearly twice the knowledge of Islamic lenders. In addition, 28.13 percent of people who started businesses between 1980 and 1990 knew about an Islamic lender in the U.S., while 17.39 percent of business managers who started operations before 1980 did, as opposed to only 7.6 percent of those who began their operations after 1990. This may mean the most active immigrant groups are more aggressively looking for alternative sources of capital. Even so, the level of general knowledge is low, with no national or business group showing over a 28.95 percent awareness. This too indicated that aggressive marketing is needed.

4.3.2 Community Support for an Islamic Bank

While these questions give important information, they did not address the central question about attitudes toward Islamic banking. This was done in CNI question thirty-eight and ADC question 40. It reads as follows: Do you feel the Arab community in your area would provide enough support for the long-term operations of an Islamic bank? yes or no. The next question asks those who answered "no" to identify the reasons for their negative response. These responses will be analyzed following a discussion of the answers about community support.
Table Thirty-Seven
Percentage of Muslims Who Support an Islamic Bank

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<thead>
<tr>
<th>Category</th>
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<th>no</th>
</tr>
</thead>
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<td>overall population</td>
<td>50.58%</td>
<td>49.42%</td>
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</tr>
<tr>
<td>U.S.-born</td>
<td>65.39%</td>
<td>34.61%</td>
</tr>
<tr>
<td>Arab-born</td>
<td>48.86%</td>
<td>41.14%</td>
</tr>
<tr>
<td>Nationality:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lebanese</td>
<td>46.67%</td>
<td>43.33%</td>
</tr>
<tr>
<td>Palestinian</td>
<td>51.66%</td>
<td>48.44%</td>
</tr>
<tr>
<td>Syrian</td>
<td>37.03%</td>
<td>62.97%</td>
</tr>
<tr>
<td>Small Businesses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>all businesses</td>
<td>51.35%</td>
<td>48.65%</td>
</tr>
<tr>
<td>non-medical businesses</td>
<td>54.35%</td>
<td>45.65%</td>
</tr>
<tr>
<td>Lebanese</td>
<td>42.86%</td>
<td>47.24%</td>
</tr>
<tr>
<td>Palestinian</td>
<td>47.61%</td>
<td>52.39%</td>
</tr>
<tr>
<td>Syrian</td>
<td>27.27%</td>
<td>72.73%</td>
</tr>
<tr>
<td>started pre-1980</td>
<td>54.55%</td>
<td>55.45%</td>
</tr>
<tr>
<td>started 1980-1990</td>
<td>34.48%</td>
<td>65.52%</td>
</tr>
<tr>
<td>started post-1990</td>
<td>68.00%</td>
<td>32.00%</td>
</tr>
<tr>
<td>Education:</td>
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<td></td>
</tr>
<tr>
<td>BA or equivalent</td>
<td>50.94%</td>
<td>49.05%</td>
</tr>
<tr>
<td>MA or equivalent</td>
<td>56.82%</td>
<td>45.18%</td>
</tr>
<tr>
<td>PH. d. or equivalent</td>
<td>33.33%</td>
<td>67.67%</td>
</tr>
<tr>
<td>MD.</td>
<td>55.81%</td>
<td>44.19%</td>
</tr>
<tr>
<td>Pre-Operations Planning:</td>
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<td></td>
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<td>feasibility study</td>
<td>62.50%</td>
<td>37.50%</td>
</tr>
<tr>
<td>no feasibility study</td>
<td>47.06%</td>
<td>52.94%</td>
</tr>
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</table>
These answers reveal both expected and unexpected results. The first notable point is that generally broad support shown for Islamic banks. 50.58 percent said the community would support the long-term operations of an Islamic bank. Businesses show higher-than-average support for Islamic banks (51.35 percent), especially among those who worked in the non-medical sectors (54.35 percent). However, expressions of support are not uniform for the sample group. U.S.-born Muslims (65.39 percent) are more likely than Arab-born Muslims (48.82 percent) to support an Islamic bank. This may mean respondents see Islamic banking as a solution to the moral dilemma they face over U.S. banking. Or their favorable attitudes may indicate support for Islamic banks as a community-based ethno-social institution. Haddad has pointed out that many Arab-American Muslims attach their religion to political positions, an attachment that helps explain their resolve to support an Islamic bank. In addition, U.S.-born Arab-ethnics have less knowledge than the foreign-born about the relative failure of Islamic banks in the Middle East. Whichever is the case, the results show a greater interest than was found among Muslims in Jordan or Saudi Arabia. In fact, no surveys written about Muslims in the Far East, Middle East, or Africa have found that more than thirty percent of their samples support an Islamic bank.

Similar responses to those made by business owners in my sample are found in comparisons based on national origin. Palestinians are the most supportive of Islamic banking, probably because they faced the worst capital constraints. The low support indicated by Syrians means Islamic banks are disproportionately popular among other groups such as Egyptians, Iraqis, and ethnics from the Magreb and the Gulf who widely support Islamic banking. New business owners also feel strongly that the community will support an Islamic bank (68.00 percent). These answers indicate that immigrants need capital that could be provided by an Islamic bank, regardless of their level of knowledge.

Comparison based on level-of-educational classifications also showed that those who felt the most financial constraints indicated the most support for Islamic banks. For

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Wright, Jr., J. W., "Islamic Banking in Practice."
example, it was observed earlier that people with masters degrees have high concerns over finance-gaps. Among this group 56.82 percent felt their communities would support an Islamic bank. In addition, M.D.s, who felt the most pressure from illiquidity, gave the second strongest voice of support for Islamic banking. These findings are consistent with earlier results suggesting that people in professional occupations face the strongest barriers to growth and statements about the community's need for capital among professionals.

It is interesting to note as well that the more a organized business was, in terms of pre-operations planning and managerial sophistication, the more support it showed for Islamic banking. For example, 62.50 percent of Muslims who wrote feasibility studies and only 47.06 percent who didn't said they would support an Islamic bank. These responses indicate stronger confidence among sophisticated businesses, who are more likely to understand the uses of equity investments, venture capital, or profit-and-loss contracts.

4.3.3 Potential Reasons for Failure

The reasons respondents felt an Islamic bank would fail are also revealing. After the question on expected support, another question asked about possible reasons an Islamic bank might fail. Percentage responses to the top four catagories are shown in the table below. Multiple answers were accepted and the percentages shown here were taken as a percentage of the total number of people in a category who answered this question.

The community:

a) is not a large enough population base
b) is not a wealthy enough population base
c) has a preference for commercial banks
d) has made a habit of using commercial banks and will not change
e) believes that American banks are less risky
f) is too divided among ethnic barriers and conflicts
g) most Arabs don't really understand Islamic banking
Table Thirty-Six
Distributions of Reasons an Islamic Bank Might Fail

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<tr>
<th>Category</th>
<th>a</th>
<th>b</th>
<th>c</th>
<th>d</th>
<th>e</th>
<th>f</th>
<th>g</th>
</tr>
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</tr>
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<td>5.56</td>
<td>8.33</td>
<td>19.44</td>
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<td>Palestinian</td>
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<td>8.33</td>
<td>9.52</td>
<td>10.71</td>
<td>13.10</td>
<td>11.94</td>
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<td>0.00</td>
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<td>23.08</td>
</tr>
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<td>17.07</td>
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<td>6.25</td>
<td>6.25</td>
<td>12.50</td>
<td>31.25</td>
</tr>
<tr>
<td>start pre-1980</td>
<td>43.75</td>
<td>18.75</td>
<td>6.25</td>
<td>0.00</td>
<td>6.25</td>
<td>12.50</td>
<td>12.50</td>
</tr>
<tr>
<td>start post-1990</td>
<td>18.18</td>
<td>9.01</td>
<td>4.54</td>
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<td>4.54</td>
<td>18.18</td>
<td>31.82</td>
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<tr>
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<td>17.65</td>
<td>14.71</td>
<td>23.53</td>
</tr>
<tr>
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<td>14.71</td>
<td>11.65</td>
<td>14.71</td>
<td>14.71</td>
</tr>
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<td>10.64</td>
<td>12.77</td>
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<td>11.36</td>
<td>6.82</td>
<td>6.82</td>
<td>18.18</td>
</tr>
</tbody>
</table>

Obvious trends emerge from these figures. First, the most popular response was that the local Muslim community was not large enough to support the on-going operations of an Islamic bank; the highest response in thirteen of the seventeen categories listed above. 49.24 percent of the sample felt the Muslim population in their area was not large enough to support an Islamic bank. This makes it likely that support is highest in the
urban areas where most Muslim Arab-ethnics live, like New York, California, Michigan, New Jersey, and Florida. It is more likely that Islamic bank would survive in these areas.

Second, negative reactions to Islamic banking are not based on any disillusionment with the concept of Islamic banking. Rather the main problem was that respondents' did not understand much about the subject. Respondents consistently indicated that the first or second most important reason that Islamic banks might fail is that "Arabs don't really understand Islamic banking." This response was the first choice (or tied for first choice) in six of the seventeen categories presented above. It was the second choice in all of the other categories of comparison. These answers support comments made earlier concerning American-Muslims' lack of knowledge about Islamic finance.

The third most popular response may be the most telling, at least in terms of the level of intra-ethnic conflict that may be involved. Choice f) "The community is too divided among ethnic barriers and conflicts" was among the top three choices in eleven of seventeen categories. Abdulkader had found this divisiveness to be a key problem in his earlier study on Muslim attitudes toward Islamic banking. Here, too, this perception of division (or discrimination) is an indication that Muslim Arab-Americans identify their faith with their ethnicity. It is entirely possible that respondents are interested in supporting ethnically-based Islamic banks instead of supporting a broader Muslim economic enclave, a possibility that makes sense given that other comparisons revealed pre-immigration tensions divisions have been transferred to the U.S. It is certainly true that Muslims organizations have not formed an identification that motivates high donor patronage and committed memberships.

Also interesting is the distribution of people who felt ethnic conflict would impede the progress of an Islamic bank. Among the U.S.-born only 7.29 percent of respondents felt this way, while 12.90 percent of the Arab-born thought ethnic strife would be a problem. This indicates that Arab-born groups feel more strongly than the U.S.-born the divisions within the community, a notion is supported by comparisons based on dates when
business were started. The most concerned about this problem were respondents who started their businesses after 1990 (18.18 percent), while only 8.57 percent of the people who established their business between 1980 and 1990 (8.57 percent) felt ethnic barriers would impede Islamic bank operations. Of all responses analyzed, this one on intra-ethnic barriers identifies the largest impediment to the establishment of Islamic banks in the U.S.

4.3.4 Proposed Usage of an Islamic Bank.

It is in respondents' proposed usage of an Islamic bank that where the strongest support is found, at least in comparisons to attitudinal studies in other countries. When beginning the analysis, I felt the indication if the intention of Muslim Arab-Americans to use an Islamic banks more than thirty percent would be a positive result. To investigate the level of practical support Muslim Arab-Americans would give to an Islamic bank, a question was included that read, "If an Islamic bank were established in your area, what percent of liquid investments (deposits) would you keep in an Islamic bank? 0%, 20%, 40%, 60%, 80%, 100%." 235 people answered this question, 91 people owned small businesses, 26 were U.S.-born, and 122 were Arab-born citizens. In addition, a follow-up question was asked about borrowing potential, that read, "What percentage of your credit purchase transactions would you make through money provided by an Islamic bank? 0%, 20%, 40%, 60%, 80%, 100%." 221 people answered this question, of which 65 people owned businesses, and 119 were Arab-born. The responses are catalogued the table below.
<table>
<thead>
<tr>
<th>Category</th>
<th>0%</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
<th>Average</th>
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<tbody>
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<td>26.81</td>
<td>11.06</td>
<td>11.92</td>
<td>5.96</td>
<td>20.43</td>
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<td>25.88</td>
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<tr>
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<td>14.29</td>
<td>9.52</td>
<td>4.76</td>
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</tr>
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<td>7.41</td>
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Table Thirty-Eight  
Percentage Usage of an Islamic Bank for Credit

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<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
<th>Average</th>
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<td>28.57</td>
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In comparison segments by nationality Palestinians are the most supportive of Islamic banking. In the small business segment Palestinians (43.73 percent) are twice as likely to support Islamic banking than are the Syrians (22.20 percent), or the Lebanese (16.36 percent). Although the division is less on the potential uses of credit, the Palestinians are significantly more willing to work with an Islamic bank. This further indicates that Palestinians have a more aggressive need for capital. Similarly, people in the post-1990
business segments show a 31.88 percent higher interest in Islamic banking. People in this segment said they would conduct an average of 62.47 percent of their credit transactions through an Islamic bank. This also further indicates that new immigrants face more capital constraints, and, in particular, it supports the point that Palestinian immigrants are the most illiquid segment of the Arab-American Muslim (and Christian) community.

Unexpected divisions develop in comparisons based on citizenship. First, both U.S.-born and Arab-born citizens indicate an above average interest in using an Islamic bank. This must mean that other segments of the community, like resident aliens, have very little interest in this proposal. But, again, the greater interest for making deposits in an Islamic bank came from U.S.-born citizens (53.86 percent) rather than Arab-born citizens (46.57 percent). I believe this shows that those born in the U.S. attach Islamic banking to politics, and to the ideal of revivification of an Arab-ethnic heritage. However, it also reveals differing inter-generation focuses within the Muslim enclave. This interpretation is supported by the different responses to the question on deposits made by businesses started pre-1980 and post-1990, and businesses began during the 1980s. The older group and the new immigrants show greater willingness to support an Islamic bank. The middle group that started their businesses between 1980 and 1990 likely contains more second generation ethnics. These responses support the notion of third generation activism.

Divisions are also found among some groups that show a willingness to use an Islamic bank as a source of credit but that would not support one with their deposits. Palestinians express consistent support for Islamic banks, showing only slightly more interest in borrowing from the bank, a 14.47 percent increase overall, and a 9.99 percent increase for business owners. However, Syrian business owners indicated that they would place an average of only 22.20 percent of their deposits in an Islamic bank, but said they would accept an average of 46.65 percent of their credit from an Islamic bank, a 109.95 percent increase in proposed usage. Lebanese businesses said they would be willing to accept 62.96 percent more credit from an Islamic bank than they would deposit. This
situation reflects a practical gap that exists among Muslims on this issue of support for Islamic banking.

Also interesting is the fact that trends revealed by comparisons made among those of different levels of education match earlier patterns about capital constraints in professional occupations. MAs, who faced the worst finance-gaps, show the most willingness use Islamic finance. The second group most likely group to use an Islamic bank for credit were MDs. Both sets of responses are consistent with earlier indications that people in professional positions faced high capital constraints, although people with BA degrees or higher also indicated above average support for using an Islamic bank. In addition to giving general support for Islamic banking, it also means that the people with the least liquidity constraints showed a much lower than average interest in the concept.

It is clear that people intended either to give an Islamic bank nominal support, or to make a complete commitment; few people said they would not use the bank at all and fewer still would use one for 40 percent, 60 percent, or eighty percent of their deposits. Rather, the option of twenty percent was taken as the first choice in twelve times out of seventeen segments. However, at the other extreme, 100 percent usage was the first or second choice in eight of the seventeen categories. This also indicates a real division in the intention of respondents, one group giving Islamic banks real support and another giving it rhetorical support. For example, 0.00 percent of Syrian respondents intended to use an Islamic bank for 100 percent of their deposits, and very few Syrians would use one more than forty percent of their deposits. The same is true among Lebanese business owners, with less than ten percent of the people saying they would put more than twenty percent of their money into an Islamic bank. However, forty-four percent of Syrian business owners said they would deposit twenty percent of their money in an Islamic bank. 36.36 percent of Lebanese business owners would do the same. These responses show important although cursory support for Islamic banking, but they do not reveal a wholesale rejection of mainstream banking operations. In addition, disparities between groups' willingness to
deposit money into an Islamic bank and their intention to borrow money from one point to a practical conflict for bank managers. In fifteen of the seventeen categories more people intended to borrow money from an Islamic bank than to deposit money into one.

4.4 Chapter Conclusion

The data presented above reveals relatively high support among Arab-American Muslims for Islamic banking. Indeed, their support is greater than is found in any study to date about the attitudes of Muslims toward Islamic finance. While this is true, it is also the case that the same barriers that hurt Islamic banks' market entry in developing countries also holds true in the U.S. There is little understanding of Islamic financial precepts, but more importantly, political and ethnic divisions among Muslims pose the largest threat to Islamic banking. These biases once again place Palestinians at a continued disadvantage in the enclave, and represents problems for the on-going operations of an Islamic bank in the community. Clearly the worst threat to the success of an Islamic bank is the interventions that might be caused by intra-group discrimination. This may be the most important finding in this chapter: that even among Muslim Arab-ethnic groups there are prejudices that adversely affect a sub-group's access to capital and earnings.
Chapter Five
Conclusions

Gary Becker begins the "Summary" chapter of his book *The Economics of Discrimination* with the following paragraph:

In this monograph a framework has been proposed for analyzing discrimination in the marketplace because of race, religion, sex, color, social class, personality, or other non-pecuniary considerations. Individuals are assumed to act as if they have "tastes for discrimination," and these tastes are the most important immediate cause of actual discrimination. When an employer discriminates against employees, he acts as if he incurs non-pecuniary, psychic cost of production by employing them; when an employee discriminates against fellow employees or employers, he acts as if he incurs non-pecuniary, psychic costs of employment by working with them; when a consumer discriminates against products, he acts as if he incurs non-pecuniary, psychic costs of consumption by consuming them. (153)

Where as Becker focuses on distinct, individual causes of majority-minority discrimination, in this manuscript I have focused on the combination of religion as a justification for biased behavior, anti-immigrant prejudice as an inducement for ethnic self-employment, and intra-ethnic discrimination as a motivator for enforcing unfair socio-economic hierarchies. The combination of religion, immigration, and intra-ethnic factors for discrimination is new, and it "emphasizes that, while certain kinds of contact may be a cure for discrimination, others may cause it." (154) In this case the cancer within is not the "Islamic fundamentalist" referred to in Michael Wallace's report or the "Palestinian terrorist" referred to in Leslie Stall's report, (quotations I referred to earlier) but it is instead the very prejudices that would allow them to broadcast such statements. It is the fear of contact with Arab-ethnics in general and Arab Muslims in particular that creates for them social distance, discriminatory behavior, and economic exclusion.
5.1 Review of the Results

To illustrate these points more clearly let me return to the goals I presented in chapter three. I will draw relevant conclusions from the analysis that has been written on each of these points. The five basic hypotheses that I put forth read as follows:

1. That discrimination against Arab-Americans will cause them to pursue self-employment at a higher-than-average rate. Moreover, I expect that Muslim Arab-ethnics are at a further disadvantage in the labor market, which will cause them to be self-employed more often than Christians.

2. That a variety of wage disparities also exist within the Arab-American community; the major sources of difference are revealed in comparisons made by religion, on the basis of national origin, type of citizenship, level of education, field of study, and participation in entrepreneurship;

3. That finance gaps exist for Arab-American small business owners, but that these gaps will be greater for Muslims than for Christians. The existence of these liquidity constraints within the enclave will, over time, severely inhibit the earning power of Muslim business owners;

4. That discrimination and the resultant economic disadvantages will also be present in comparisons based on nativity and national origin. Palestinians face the most social discrimination and will therefore face the most commercial exclusion. Palestinian-born Muslims have the highest need for self-employed earnings and bear the most economic harm.

5. That Islamic banks will be supported by Muslim Arab-Americans as a means of alleviating finance-gaps in that community segment, but that within this segment divisions exist that have economic consequences.
5.1.1 Hypothesis One

There is clearly a high dependency among Arab-Americans on self-employment. This is true for Muslims and Christians, for people of all national-origin groups, and for both U.S.-born and Arab-born citizens. For example, for national-origin groups the level of dependency on self-employment ranges from 22.22 percent to 42.31 percent; for educational groups the spread stretches from 13.33 percent to 48.28 percent, and for field of study differences in self-employment ranged from 14.29 percent to 38.10 percent. I was not able to make direct comparisons of data between these sub-groups and data on majority-owned businesses because government agencies do not produce reports with similar categorizations. Even among immigrant groups it is difficult to make conclusive comparisons because of the biases that are inherent to this sample population. However, available data shows that even among Korean men, who currently support the most aggressive immigrant business lobby, the self-employment dependency rate does not exceed twenty-five percent. This relatively low dependency rate helps uncover a trend among Arab-Americans toward an inordinate dependency on self-employment, which in turn implies that discrimination has put this ethnic group at an economic disadvantage. However, the statistical comparisons are much less conclusive than I would have liked them to have been.

Further evidence exists that shows Muslims bear an inordinate share of the Arab-American community’s dependency on self-employment. In their case, there was no category of comparison in which Christians used entrepreneurship less than Muslims. Moreover, education, field of study, or other investments in human capital did not allow Muslims to overcome the self-employment divisions they face as compared to Christians. Even among Ph.D.s, Muslim Arab-Americans depended on entrepreneurship 38.72 percent more than Christians, among people with masters the range was 26.32 percent for Muslims to 16.13 percent for Christians, and among bachelors degree holders the spread
was 48.28 percent versus 44.12 percent. In actuality the division between these religious groups increased as the level of higher education they achieved increased.

Similar figures were generated by comparisons based on a respondent's personal or ancestral date of entry. Here too we see that the divisions between Muslims and Christians are not only apparent, they grow over time. The newest immigrants showed the least division, but this provides little surprise since Muslims who entered after 1980 are 46.26 percent more likely to pursue ethnic entrepreneurship than are Christians who entered during the same period. The spread is 58.41 percent to the disadvantage of Muslims among those immigrants who entered between 1950 and 1980, and 53.12 percent to the advantage of Christians for people who entered the country before 1950.

It is clear from these statistics that the hypothesis holds. Muslims obviously face comparatively more barriers in the traditional occupational structure than do their Christian co-ethnics. Moreover, I think it is also clear that Muslims are also placed at the low end of the enclave employment hierarchy. If this were not the case, the separation between the Muslim and Christian segments' dependency on self-employment would not be so large. Therefore, if it is true that the majority have forced Arab-Americans and Arab immigrants into inordinately high risk professions, then it is also plausible that the dominant Arab-Christians have passed a higher-than-average portion of that risk onto the backs to their Muslim co-ethnics.

5.1.2 Hypothesis Two

The evidence is similarly overwhelming that discrimination has a negative economic impact on Muslims. It was not possible to make comparisons between the majority and the Arab-American minority because of the biases that exist in the sample population and because the Census Bureau does not collect demographic information based on religion. However, it is clear that within the sample group wide divisions exist between the earnings of Muslims and Christians. There is only one category out of
fourteen in which Muslims earned more than Christians. On average the spread of earnings between the two groups ranged from 12.84 percent to 65.41 percent. In no categories were Muslims fairly compensated for taking more self-employment risk.

Once again we see that time and education do not help close this gap. Indeed, in terms of earnings the evidence suggests that the slope of Muslims compensation flattens with each incremental increase in the level of the highest degree earned. Christians with bachelors degrees earn 19.93 percent more than Muslims, Christians with masters degrees earn 25.27 percent more than Muslims, and Christians with Ph.D.s earn 21.76 percent more than Muslims. Moreover, the relative reward systems are dramatically different for the two groups. For moving from a bachelors degree to the doctorate level Muslims receive a 20.71 percent increase in income, and Christians receive a 23.53 percent rise in earnings. Muslims receive an 8.61 percent increase in annual income for moving from a bachelors degree to a masters degree, while Christians are rewarded with a 16.37 percent raise for their human capital investment. I believe these findings indicate that there is increased discrimination, not less, in the middle and upper levels of management in the professional occupational structure. This assertion is supported by the fact that inordinately high numbers of Arab-ethnic Ph.D.s and MAs/MSs are self-employed. It is also supported by the comparisons which shows that Muslim respondents who studied in business, engineering, and the social sciences all earned less than do Christians.

Indeed, these statistics make it obvious to me that it is even more difficult for Muslims to work within the enclave earnings structure than it is for them to work with the majority. This assertion is supported by comparisons that measure wage discrepancies between Muslims and Christians. For example, comparisons based on nativity show that the Christian Arab-born earn 16.11 percent more than the Muslim Arab-born. However, among the U.S.-born Arab-Americans, Christians earn 30 to 45 percent more than their Muslim co-ethnics. This discrepancy additionally indicates that the rift between Muslims and Christians grows wider over time. The same pattern was shown to be the case in
comparisons made by date of entry. Muslims' wage disadvantage are shown to grow during periods of increased U.S.-Arab political tension. Again, the least division is found among the most recent Arab immigrants; in this pool the Muslims earn 12.84 percent less than Christians. While this is a high margin, it is relatively small compared to the 33.82 percent margin that exists between Muslims and Christians who entered the U.S. between 1950 and 1980. For those who entered the country before 1950, Muslims earn 19.02 percent less income than do Christians.

These comparisons make clear that the second hypothesis also holds true. This assertion gains more weight when self-employment is considered. Remember that among this sample population Muslim self-employment dependency is 45.71 percent while it is only 21.43 percent for Christians. The clear implication is that Muslims are forced to take significantly more risk due to their inordinately high participation in entrepreneurship, but in return the enclave pays them a 19.02 percent lower return on their investment.

5.1.3 Hypothesis Three

The most extensive part of the analysis presented in this thesis involved the self-employed segment of the community. The data showed that a finance gap does exist among Arab-American ethnic enterprises and that respondents generally made little use of credit in their firm's on-going operations. Less than twenty-five percent of the people who owned businesses used commercial bank loans all, and out of 160 firms only three had received assistance from the small business administration or any other government agency. The problem seems to get worse over time because the use of credit by business owners decreases as the longevity of the business increases. This points to a level of institutionalized loan discrimination within the mortgage and credit markets. Unfortunately, the biases in the sample population made it difficult to make comparisons between these results and government-generated data on small businesses. However, the generally low use of commercial bank loans or other credit points to a finance-gap.
The more striking evidence of finance-gaps and sub-group illiquidity comes once again from comparisons made between Muslims and Christians. In general Christians had more access to start-up capital than did Muslims. Muslims had to rely on friends and family for 11.04 percent more of the capital necessary to start their businesses than did Christians. Christians similarly reported more personal savings than did Muslims, a reflection of their greater earnings power. Christians used commercial bank loans 26.10 percent more often that did their Muslim co-ethnics when starting their businesses.

Two additional points are raised by the comparisons on the availability of capital and credit at the point of expansion. The first is that the capital advantage Christian-owned firms have at the outset magnifies their abilities to grow. For example, Christian respondents said they would obtain 64.04 percent of the capital they needed for expansion from retained earnings. By comparison Muslim respondents said they would get only 38.94 percent of their investment for expansion from retained earnings. Muslims were 14.29 percent more likely than Christians to use personal savings to finance growth. In addition, the increase in Christian liquidity due to higher retained earnings also raised their ability to borrow more money from the formal sector. Muslim entrepreneurs indicated that they received 13.09 percent of their funds for expansion from a commercial bank while Christians said they received 20.73 percent from banking financial sources.

I cannot attribute these differences in capital constraints entirely to discrimination, especially with regard to expansion capital, which would be facilitated by the increased retained earning available to Christian-owned firms. However, it is likely that discrimination is a key factor in Muslims' ability to gain venture capital financing as is evidenced by the fact that respondents said that Muslims actually made better use of feasibility studies. However, even if the cause is not entirely identified it can definitely be seen that divisions over liquidity constraints grow over time. Between the date of start-up and the time when capital is needed for expansion the respective finance-gap between Muslims and Christians grows from 20.70 percent to 39.19 percent in almost ten years.
This fact indicates that at least the first part of hypothesis three is supported by the results. The next question is whether or not this finance-gap has had a long-term effect on the relative earnings power of Muslims and Christians. The results show that Muslim entrepreneurs earn less than Christian entrepreneurs, but the extent of these wage disparities is less dramatic than expected. For firms starting before 1980, Christian-owned businesses earn 14.56 percent more than Muslim-owned businesses. Among businesses that opened between 1980 and 1990 the gap was a negligible 1.8 percent with Christians over Muslims. However, when comparisons are made on managerial sophistication at the pre-planning stage Muslims are placed at a more serious earnings disadvantage. For example, between those who had written feasibility studies Muslims earned 29.65 percent less annual income than Christians. Among business owners who did not write feasibility studies, Muslims earned only 5.00 percent less than did their Christian co-ethnics.

These results reveal mixed support for my third hypothesis. It is generally supported because the surveys establish that a finance gap existed for Arab-Americans, and within that ethnic community the sub-group most affected by this illiquidity are Muslim business owners. It was also shown chapter three that lacking managerial sophistication was not the real cause of the finance gap that exists between Muslim and Christian business owners. However, these results do not present conclusive evidence that the finance gap has hurt Muslims' abilities to earn more wages over the long run. There is some evidence of this, but I cannot make a definitive statement that this is the case, nor can I tell which disparities are caused by capital constraints and which ones are caused by discrimination. Still, I can say that hypothesis three is tentatively supported because disparities are found.

5.1.4 Hypothesis Four

There is continuing support for the hypothesis that the Palestinians are an out-group segment of the Arab-ethnic community. In terms of their dependency on self-employment the disparity is worst for Christians, among whom the Palestinians are 34.62
percent dependent on self-employment while the Lebanese and Syrians' dependency is 23.53 percent and 22.22 percent. These figures show that even within the Christian Arab segments a sub-strata exists based on an immigrant's national origin. Moreover, the majority-minority social distance employed against Palestinians has been replicated within the Arab-ethnic Christian sub-group, and by virtue of this out-group position Palestinians are placed at a disadvantage in the occupational structure. Although the situation is less dramatic for the Muslim national origin segments, there is still a 14.91 percent among between the national-origin groups tested in the survey responses.

It is also true that Palestinians in the sample population reported lower annual incomes than did the Lebanese or the Syrians. Muslim Palestinians are at the worst disadvantaged, earning an average of 23.17 percent less annual income than their Christian co-ethnics. Even in comparisons between Muslims the Palestinians are at a consistent disadvantage. For example, Palestinian Muslims earn 25.55 percent less than Syrian Muslims. In addition, Palestinians consistently indicated that they faced the most illiquidity in the community. Here too the data shows that this out-group is relegated to a disadvantaged position. These study results provide enough evidence to prove that hypothesis four is supported.

5.1.5 Hypothesis Five

The results of this section show positive support among the sample group for the establishment of an Islamic bank. Most notable among these findings is that the respondents would use an Islamic bank for 42.13 percent of their deposits and for 49.05 percent of their credit needs. In addition, the data collected here supports other assertions made in chapter four. With only one exception (the U.S.-born Muslims supported Islamic lending at a 58.34 percent rate while Arab-born Muslim supported Islamic lending at a 53.95 percent rate) the proposition for establishing an Islamic bank is supported most by the sub-groups who faced the most illiquidity. Business owners felt there was the highest need
for Islamic finance, saying they would support its use at a 54.24 percent level for borrowing. People with masters degrees, shown to be at a considerable disadvantage in the wage structure, were the next most supportive group saying they would use Islamic credit at a rate of 53.77 percent. All sixteen sub-groups except the Lebanese indicated they would use Islamic banks for loans forty-three percent of the time or more.

Similar results were found when respondents were asked if they would make deposits in an Islamic bank. Although the overall level of support was lower than it was for credit, U.S.-born Muslims indicated that they would support an Islamic bank at a higher level than the Arab-born (53.86 percent versus 46.57 percent). Business owners were again a supportive group, especially those who started their businesses before 1980; they would place 45.80 percent of their deposits in an Islamic bank. This response is an additional indication that the finance gap among Muslims grows over time. Palestinians said they would place 2.67 times more money into an Islamic bank than the Lebanese, indicating that the Palestinian community faces the greatest need for financial services.

In sum, these statistics overwhelmingly support the hypothesis that an Islamic bank could help alleviate finance gaps among Arab-American Muslims. In comparison to results of studies done in other countries. These respondents showed more support.

5.2 Final Comments

The implications of this study are widespread. First, the literature reviews place the fields of economics and discrimination and the economics of immigration in original contexts. Little work in either area has focused on religion as a motivation for economic discrimination when, in fact, it may be the single most dangerous form of prejudice. I do not prove this assertion in this thesis, but there is certainly a solid body of data on divisions between Muslims and Christians to show that there are economic consequences to religious biases. It is simply true that many people behave as if there are non-pecuniary, psychic costs to social, political, and commercial association with people believing in faiths
not practiced by the majority. This research shows that these perceived social costs put Muslims at a decided economic and occupational disadvantage in the labor market.

In addition, this study takes an economic approach to studying the anthropological idea that hierarchies of discrimination are replicated within immigrant or ethnic-group enclaves. The first thing that I attempted to show was that majority-minority discrimination makes Arab-ethnics more dependent on self-employment and informal sector finance. However, more importantly this study shows how majority-minority occupational segmentation cause problems for Arab-Americans, problems which are magnified for the Muslim segment of the Arab-ethnic community. For them the economic and political exclusions do not stop with biased treatment in the traditional occupations structure. Rather, they, like recent Odessan Jews and Cuban Protestants, face additional barriers to economic assimilation that are erected within the ethnic enclave.

However, it is important to say as well that systems of discrimination are also present within both the Muslim and Christian segments of the community. As we saw in chapter four, the Muslims themselves felt the community might be too divided by national-origin and pre-migration political conflicts for them to support an Islamic bank, and indeed the fact that Palestinians, Lebanese, and Syrians said they would support an Islamic bank at dramatically different levels supports this idea. It is also in this section where the most surprising results were found. First among these surprises was the positive support the Arab-American Muslim community is apparently willing to give Islamic banks. But what is most interesting about these results is that they also show that the Palestinians in particular have the greatest need for liquidity. This is to say that even within the Muslim sector there are biased behaviors operating that put one segment of the community at a disadvantage over another. In this case the disadvantaged group is clearly the Palestinian Americans, who are, incidentally, also the national-origin group that receives the least support from groups operating with the Christian-Arab enclave.
The study of economic discrimination I have described posits that majority-minority prejudice and social distance causes deeper disadvantages for immigrants than has been realized in economic, ethnographic, sociological, or urban studies literature. It is an unfortunate truth that ethnic groups tend to recreate majority-minority hierarchies of discrimination within an ethnic enclave that put certain sub-group minorities in even worse economic and social positions. This is true for Blacks, it is true for Jews, and it is true for Arab-Americans. The result of these replicated systems of prejudices is that intra-ethnic in-group and out-group behavior exacerbates the intensity of discrimination against a sub-group in both traditional and enclaval occupational structures. Consequently, in order to address the situations I have presented in this thesis, Becker's statements must be modified to include the effects of intra-ethnic conflict; that is when minority-ethnics move to exclude co-ethnics from an economic enclave for reasons of religious biases, pre-migration prejudice, or conflicting generational agendas, they are acting as if a cost is being incurred for allowing the co-ethnic's participation in cooperative ethnic enterprises.

In sum, the evidence presented here clearly shows that both the national religious majority and Arab-ethnic Christian sub-group majority put Muslims, and to a lesser extent Palestinians, at earnings and employment disadvantages. In essence, Christian Arab-Americans are allowed by the majority to assimilate more quickly through church and socio-religious affiliations, and they are given support as well for maintaining tight control over management of the group's ethnic enclave. Because of this Muslims simply do not receive the same amount of support from the enclave that is received by their Christian co-ethnics. In response the Muslim sub-groups must take more risk through a heightened dependence on self-employed wages, while earning less annual income. At the same time, while all respondents showed the need for additional capital, the plight of illiquidity is magnified for Muslims because over time their finance-gaps are more confining. The effect is that Muslims are not as able to make their businesses expand and grow.
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Dear Friend,

I am writing to ask you to help ADC in a very important project, impacting all Arab-Americans. For years, ADC has been working with the U.S. Census Bureau and the Small Business Administration in an effort to obtain minority status for Arab-Americans. By achieving such status, Arab-Americans will be eligible for billions of dollars in government contracts. Unfortunately, the Census Bureau currently does not collect data on Arabs and Arab-Americans as separate groups. Therefore, we need information in order to promote the need for minority status which has been difficult. In addition, some of our members have asked ADC to gather information that could be used in connection with the establishment of an Islamic Bank in the U.S. Some questions relate to this matter.

This is where you can help. Enclosed is a survey designed by Professor J. W. Wright of Washington College, an ADC member and an expert in Middle East Economics. ADC will collect and organize the data which will be enormously helpful in ADC's lobbying efforts.

This survey is completely anonymous. You do not have to include any identifying information (name, address, etc.) if you so choose. Those who choose to identify themselves will not have their names or identities released or published in any fashion.

I ask you to please be candid and open in answering these questions. Doing so will add to the surveys credibility and effectiveness. Through this survey, we will be able to show the Census Bureau and the Small Business Administration that Arab-Americans are both a significant and influential segment of the population, and should be recognized as such.

I thank you in advance for your time and cooperation. Please be sure to use the postage paid return envelope that has been enclosed for you.

Sincerely,

Albert Mokhiber
President

4201 CONNECTICUT AVE., N.W. SUITE 500—WASHINGTON, D.C. 20008 — PHONE: (202) 244-2990
TELEX: 856419 (ADC WSHDC) — TELEFAX: (202) 244-3196
**Demographics**

All members should answer the questions in this section. Please place yourself in one of the following categories.

1. Your sex is:
   a. male
   b. female

2. Your marital status is:
   a. married
   b. single
   c. divorced
   d. widowed

3. The number of children you have is:
   a. none
   b. 1-2
   c. 3-4
   d. 5-6
   e. seven or more

4. The number of people living in your house are (including yourself):
   a. 1
   b. 2-5
   c. 6-9
   d. ten or more

5. Your age is:
   a. 25 years or under
   b. 26 - 35 years
   c. 36 - 45 years
   d. 46 - 55 years
   e. 56 - 65 years
   f. over 65

6. Your religious affiliation is:
   a. Catholic
   b. Melkite or Mennonite
   c. Protestant
   d. Shi'a Muslim
   e. Sunni Muslim
   f. other

7. Your level of education is:
   a. less than high school equivalency
   b. high school diploma or equivalent
   c. some college but no degree
   d. associates or two year degree
   e. bachelors degree or equivalent
   f. masters degree of equivalent
   g. JD, MD or other professional degree
   h. Ph.D. or equivalent
   i. other

8. Your primary field of study is/was:
   a. Anthropology
   b. Business
   c. Communications
   d. Economics
   e. Engineering
   f. English or ESL
   g. Fine Arts
   h. History
   i. Humanities
   j. International Studies
   k. Language and Literature
   l. Middle or Near East Studies
   m. Medical Sciences
   n. Natural Sciences
   o. Political Science
   p. Psychology
   q. Sociology
   r. Religious Studies
   s. other

9. Your citizenship status is:
   a. US citizen by birth
   b. Naturalized US citizen
   c. permanent resident, non-US citizen
   d. temporary resident, non-US citizen

10. Your Arab ancestors' ethnic/national origins are:
    a. Algeria
    b. Bahrain
    c. Djibouti
    d. Egypt
    e. Jordan
    f. Kuwait
    g. Iraq
    h. Lebanon
    i. Libya
    j. Palestine
    k. Mauritania
    l. Morocco
    m. Oman
    n. Qatar
    o. Saudi Arabia
    p. Sudan
    q. Syria
    r. Tunisia
    s. Yemen
    t. United Arab Emirates
    u. other

11. During what period of time did you or your Arab ancestors come to the US?
    a. late nineteenth century
    b. 1900 to 1920
    c. 1921 to 1945
    d. 1946 to 1950
    e. 1951 to 1972

(Choices cont'd on next page)
12. If you are not a US citizen, you are in the US primarily to:
   a. work for a US company
   b. represent a non-US company
   c. work as a diplomat
   d. attend school
   e. visit family and friends
   f. escape political persecution
   g. retire
   h. other __________

13. You receive your primary income from:
   a. an investment portfolio
   b. private sector employment in manufacturing
   c. private sector employment in the service sector
   d. government or civil service
   e. government allowance or subsidy
   f. an allowance sent from abroad
   g. other __________

14. Your approximate annual income is:
   a. $30,000 or less
   b. $30,001 to $60,000
   c. $60,001 to $100,000
   d. $100,001 to $250,000
   e. above $250,000

15. Your personal assets in the US are:
   a. less than $100,000
   b. $100,001 to $250,000
   c. $250,001 to $500,000
   d. $500,001 to $1,000,000
   e. over $1,000,000

16. Your approximate annual tax payments to the US IRS are:
   a. Less than $5,000
   b. $5,001 to $15,000
   c. $15,001 to $30,000
   d. $30,001 to $50,000
   e. $50,001 to $75,000
   f. $75,001 to $100,000
   g. over $100,000

17. Do you or your employer facilitate export trade for US produced goods that are sold in Arab countries?
   a. yes
   b. no

18. If you are an American-born citizen, have you ever worked in an Arab country before?
   a. yes
   b. no

19. If you answered yes in question 18, which country?
   a. Algeria
   b. Bahrain
   c. Djibouti
   d. Egypt
   e. Jordan
   f. Kuwait
   g. Iraq
   h. Lebanon
   i. Libya
   j. Palestine
   k. Mauritania
   l. Morocco
   m. Oman
   n. Qatar
   o. Saudi Arabia
   p. Sudan
   q. Syria
   r. Tunisia
   s. Yemen
   t. United Arab Emirates
   u. other __________

20. If you answered yes to question 18, when you worked in the foreign country did you tend to remit savings to American banks at a higher rate than you did while employed in the US?
   a. yes
   b. no

Business Owners and Managers
Members who are business owners or managers should answer the questions in this section.

21. Have you ever suffered discrimination based on your Arab national origin in connection with your business activities, such as (choose as many as necessary):
   a. denial of financing based on Arab origin
   b. denial of a contract for the sale of goods
   c. denial of a contract for the purchase of goods
   d. denial of a permit necessary for operating your business
   e. hate crimes against your business, property or employees
   f. harassment by law enforcement officials
   g. other __________

22. If you answered yes to question 21 would you be willing to report this act of discrimination to ADC for use in its application for minority business status to the SBA?
   a. yes
   b. no

23. You employ how many people (including yourself)?
   a. 1 to 10
   b. 11 to 25
   c. 26 to 50

(Choices cont'd on next page)
24. The ownership structure of your business is:
   a. sole proprietorship
   b. non-incorporated partnership
   c. incorporated partnership
   d. closely held corporation
   e. publicly held corporation

25. If your business is incorporated, are the majority of shares held by a relatively close group of family members or friends?
   a. yes
   b. no

26. Your core business was started in:
   a. 1992-1993
   b. 1990-1991
   c. 1985-1989
   d. 1980-1984
   e. prior to 1980

27. Did you prepare a feasibility study before starting your business?
   a. yes
   b. no

28. You keep what accounting statements on a regular basis?
   a. profit and loss statements
   b. balance sheet
   c. statement of owners equity
   d. cash flow statements

29. Your approximate annual sales are:
   a. less than $50,000
   b. $50,000 to $100,000
   c. $100,000 to $250,000
   d. $250,000 to $500,000
   e. $500,000 to $1 million
   f. $1 million to $2 million
   g. $2 million to $3 million
   h. over $3,000,000

30. Your business' approximate annual US tax payments are:
   a. less than $50,000
   b. $50,000 to $100,000
   c. $100,000 to $150,000
   d. $150,000 to $250,000
   e. $250,000 to $500,000
   f. $500,000 to $1 million
   g. over $1,000,000

31. If you own a manufacturing business, your main product lines are:
   a. chemicals or fertilizers
   b. clothing and apparel
   c. construction
   d. food processing (commercial)
   e. metal fabrication
   f. plastics
   g. wood products
   h. other

32. If you own a service business, your main product lines are:
   a. accounting and billing
   b. business services
   c. computer services
   d. government consulting
   e. paper products
   f. grocery (retail)
   g. grocery (wholesale)
   h. insurance/investments
   i. international trade
   j. legal services
   k. medical services
   l. office products/printing
   m. real estate
   n. restaurant/food service
   o. shop owner, non-grocery
   p. sales and marketing
   q. other

33. The primary mode of marketing you use is, (percentage of budget):
   a. person-to-person sales
      0% 20% 40% 60% 80% 100%
   b. word of mouth
      0% 20% 40% 60% 80% 100%
   c. team sales approach
      0% 20% 40% 60% 80% 100%
   d. counter or point-of-purchase sales
      0% 20% 40% 60% 80% 100%
   e. direct marketing
      0% 20% 40% 60% 80% 100%
   f. advertising in trade magazines
      0% 20% 40% 60% 80% 100%
   g. advertising in ethnic media
      0% 20% 40% 60% 80% 100%
   h. advertising in religious media
      0% 20% 40% 60% 80% 100%
   i. the question does not apply to my business
   j. other
4. Please indicate how often credit is used when the following transactions are made in your business:

<table>
<thead>
<tr>
<th>Transaction</th>
<th>0%</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
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<tbody>
<tr>
<td>a. when purchasing supplies</td>
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<td>b. when selling supplies</td>
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<td>c. when using business' credit cards</td>
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<td>d. when purchasing major equipment</td>
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<td>e. when purchasing real estate</td>
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<td>f. the question does not apply to my business</td>
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</table>

5. What portion of the initial investment in your business came from:

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<tr>
<th>Source</th>
<th>0%</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. personal savings</td>
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<tr>
<td>b. family and friends who live in US</td>
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<td>c. family and friends who live abroad</td>
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<td>d. a US commercial bank loan</td>
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<td>e. a non-US commercial bank loan</td>
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<tr>
<td>f. an Islamic bank</td>
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<td>g. Government sponsored program</td>
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<td>h. A venture capital firm investment</td>
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<td>i. other</td>
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6. You financed expansion of your business primarily through, (by percentage):

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<tr>
<th>Source</th>
<th>0%</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
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<tr>
<td>a. retained earnings</td>
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<tr>
<td>b. personal savings</td>
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<td>c. investment from family and friends living in the US</td>
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<tr>
<td>d. investment from family and friends who live abroad</td>
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<td>e. an Islamic bank</td>
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<td>f. a US commercial bank loan</td>
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<td>g. a non-US commercial bank loan</td>
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<td>h. government sponsored program</td>
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<td>i. a venture firm investment</td>
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<td>j. other</td>
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37. You expect to expand your business in these ways:

a. construction
b. relocation
c. modernization
d. diversification
e. exports
f. imports
g. new product development
h. other

Survey of Attitudes Toward Islamic Finance
Members who are Muslim should answer the questions in this section that apply to your situation.

38. Do you feel there is a finance-gap in Muslim communities in America that prevent the expansion of Muslim-owned businesses?

a. yes
b. no

39. Are you aware of any Islamic lending institutions in the US?

a. yes
b. no

40. Do you feel the Arab community in your area would provide enough support for the long-term operations of an Islamic bank?

a. yes
b. no

41. If no, is the reason you feel this way because the Arab community:

a. is not a large enough population base
b. is not a wealthy enough population base
c. has a preference for commercial banks
d. has made a habit of using commercial banks and will not change
e. believes that American banks are less risky
f. is too divided by ethnic barriers and conflicts
g. because most Arabs don't really understand Islamic banking

42. If you patronize an Islamic bank, what accounts or services do you use?

Deposit Accounts

a. savings account
b. current account
c. general investment account
d. special investment account
e. trust management account

Loan or financing contracts

f. al-ijarah (lease)
g. al-musharakah (profit-and-loss sharing)
h. al-mudharabah (trustee profit sharing)

(Choices cont'd on next page)
i. al-murabaha (cost price and markup sale)

j. al-qardul hasan (interest-free short term loan)

Other services

k. foreign exchange buying & selling

l. remittances and transfers

m. I do not use an Islamic bank

43. If an Islamic bank were established in your area, what percentage of liquid investments (deposits) would you keep in an Islamic bank?

0%  20%  40%  60%  80%  100%

44. What percentage of your credit purchase transactions would you make through money provided by an Islamic bank?

0%  20%  40%  60%  80%  100%

45. For business-oriented financing, are you willing to accept profit-sharing or partnership investments from (choose as many as is necessary):

a. other family members only

b. family members and friends of the family

c. an Islamic lending institution

d. an American-styled venture capital company

e. a government or semi-government agency

f. you are not willing to accept a profit-sharing/partnership investments

46. If you chose answer 100% in question 44, is this because (choose as many as is necessary):

a. you already have adequate access to finance for your business

b. you do not adequately understand the dynamics of profit-sharing contracts

c. you want to avoid the management interference

d. you want to keep the business family owned

e. you want to keep the business closely held, but not family owned

f. you feel equity investments would raise risk

g. you don't want to reveal others the size of your business

h. you don't want to give away corporate secrets to potential competitors

i. you feel profit-sharing arrangements are too expensive

j. you prefer the ease of interest-bearing loan contracts

47. If you needed capital to expand your existing business and money was offered to you on a profit-sharing basis where the investor would share in all profits but the investor would also accept a share of the losses, would you accept the money?

a. yes

b. no

48. If the profit-sharing financing offer made in question 45 was made to you again but this time the lender agreed to assume all losses, would you accept?

a. yes

b. no

49. As a buyer of home consumption products, would you be willing to accept a leasing-type contract to finance purchases rather than a mortgage-type loan?

a. yes

b. no

50. Would you require an Islamic bank to provide deposit insurance before you would switch patronage from your current bank?

a. yes

b. no

51. Do you have an account at an American-styled commercial bank:

a. yes

b. no

52. Please write any comments you would like to make about the questionnaire, and please make any comments about the issues we are addressing with this survey.

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

If you would like to participate in any future developments, you may contact the survey coordinator directly under separate cover by writing to:

J. W. Wright, Jr.,
c/o Arab-American Anti-Discrimination Committee
4201 Connecticut Ave., N.W., Suite 500
Washington D.C., 20008

Thank you again for your cooperation and help.
The 1993
CNI Special Survey
for Arabs and Arab-Americans

Demographics
Please place yourself in one of the following categories.

1. Your sex is:
   a. male
   b. female

2. Your marital status is:
   a. married
   b. single
   c. divorced
   d. widowed

3. The number of children you have is:
   a. none
   b. 1-2
   c. 3-4
   d. 5-6
   e. seven or more

4. The number of people living in your house are
   (including yourself):
   a. 1
   b. 2-5
   c. 6-9
   d. ten or more

5. Your age is:
   a. under 25 years
   b. 26 - 35 years
   c. 36 - 45 years
   d. 46 - 55 years
   e. 56 - 65 years
   f. over 65

6. Your religious affiliation is:
   a. Catholic
   b. Druze
   c. Jewish
   d. Melkite or Mennonite
   e. Protestant
   f. Shi’a
   g. Sunni
   h. non-denominational
   i. other

7. Your level of education is:
   a. less than high school equivelancy
   b. high school diploma or equivalent
   c. some college but no degree
   d. associates or two year degree
   e. bachelors degree or equivalent
   f. masters degree or equivalent
   g. JD, MD or other professional degree
   h. Ph.D. or equivalent
   i. other

8. Your primary field of study is/was:
   a. Anthropology
   b. Business
   c. Communications
   d. Economics
   e. Engineering
   f. English or ESL
   g. Fine Arts
   h. History
   i. Humanities
   j. International Studies
   k. Language and Literature
   l. Middle or Near East Studies
   m. Medical Sciences
   n. Natural Sciences
   o. Political Science
   p. Psychology
   q. Sociology
   r. Religious Studies
   s. other

9. Your citizenship status is:
   a. US citizen by birth
   b. Naturalized US citizen
   c. permanent resident, non-US citizen
   d. temporary resident, non-US citizen

10. Your Arab ancestors’ ethnic/national origins are:
    a. Algeria
    b. Bahrain
    c. Egypt
    d. Jordan
    e. Kuwait
    f. Iraq
    g. Lebanon
    h. Libya
    i. Palestine
    j. Morocco
    k. Oman
    l. Qatar
    m. Saudi Arabia
    n. Syria
    o. Tunisia
    p. United Arab Emirates
    q. other
11. During what period of time did you or your Arab ancestors come to the US?
   a. late nineteenth century
   b. 1900 to 1920
   c. 1921 to 1945
   d. 1946 to 1950
   e. 1951 to 1972
   f. 1973 to 1980
   g. 1981 to 1990
   h. after 1991

12. If you are not a US citizen, you are in the US primarily to:
   a. work for a US company
   b. represent a non-US company
   c. work as a diplomat
   d. attend school
   e. visit family and friends
   f. escape political persecution
   g. retire
   h. other ______________________________

13. You receive your primary income from:
   a. an investment portfolio
   b. private sector employment in manufacturing
   c. private sector employment in the service sector
   d. government or civil service
   e. home government allowance or subsidy
   f. an allowance sent from abroad
   g. other ______________________________

14. Your approximate annual income is:
   a. $30,000 or less
   b. $30,001 to $60,000
   c. $60,001 to $100,000
   d. $100,001 to $250,000
   e. above $250,000

15. Your personal assets in the US are:
   a. less than $100,000
   b. $100,001 to $250,000
   c. $250,001 to $500,000
   d. $500,001 to $1,000,000
   e. over $1,000,000

16. Your approximate annual tax payments to the US IRS are:
   a. Less than $5,000
   b. $5,001 to $15,000
   c. $15,001 to $30,000
   d. $30,001 to $50,000
   e. $50,001 to $75,000
   f. $75,001 to $100,000
   g. over $100,000.

18. If you are an American-born citizen, have you ever worked in an Arab country before?
   a. yes
   b. no

19. If you answered yes in question 18, which country?
   a. Algeria
   b. Bahrain
   c. Egypt
   d. Jordan
   e. Kuwait
   f. Iraq
   g. Lebanon
   h. Libya
   i. Palestine
   j. Morocco
   k. Oman
   l. Qatar
   m. Saudi Arabia
   n. Syria
   o. Tunisia
   p. United Arab Emirates
   q. other ______________________________

20. If you answered yes in question 18, did you tend to remit a higher amount of savings to American banks than you did while employed in the US?
   a. yes
   b. no

The Business Community

21. You employ how many people?
   a. 1 to 10
   b. 11 to 25
   c. 26 to 50
   d. 51 to 100
   e. 101 to 200
   f. over 200

22. The ownership structure of your business is:
   a. sole proprietorship
   b. non-incorporated partnership
   c. incorporated partnership
   d. closely held corporation
   e. publicly held corporation

23. If your business is incorporated, are the majority of shares held by a relatively close group of family members or friends?
   a. yes
   b. no

17. Do you or your employer facilitate export trade for US produced goods that are sold in Arab countries?
   a. yes
   b. no
24. Your core business was started in:
   a. 1992-1993
   b. 1990-1991
   c. 1985-1989
   d. 1980-1984
   e. prior to 1980

25. Did you prepare a feasibility study before starting your business?
   a. yes
   b. no

26. You keep what accounting statements on a regular basis?
   a. profit and loss statements
   b. balance sheet
   c. statement of owners equity
   d. cash flow statements

27. Your approximate annual sales are:
   a. less than $50,000
   b. $50,000 to $100,000
   c. $100,000 to $250,000
   d. $250,000 to $500,000
   e. $500,000 to $1 million
   f. $1 million to $2 million
   g. $2 million to $3 million
   h. over $3,000,000.

28. Your business’ approximate annual US tax payments are:
   a. less than $50,000
   b. $50,000 to $100,000
   c. $100,000 to $150,000
   d. $150,000 to $250,000
   e. $250,000 to $500,000
   f. $500,000 to $1 million
   g. over $1,000,000.

29. If you own a manufacturing business, your main product lines are:
   a. chemicals or fertilizers
   b. clothing and apparel
   c. construction
   d. food processing (commercial)
   e. metal fabrication
   f. plastics
   g. wood products
   h. other
   g. grocery (wholesale)
   h. insurance/investments
   i. international trade
   j. legal services
   k. medical services
   l. office products/printing
   m. real estate
   n. restaurant/food service
   o. shop owner, non-grocery
   p. sales and marketing
   q. other

31. The primary mode of marketing you use is, (by percentage):
   a. person-to-person sales
   0% 10% 50% 70% 90% 100%
   b. word of mouth
   0% 10% 50% 70% 90% 100%
   c. team sales approach
   0% 10% 50% 70% 90% 100%
   d. counter or point-of-purchase sales
   0% 10% 50% 70% 90% 100%
   e. direct marketing
   0% 10% 50% 70% 90% 100%
   f. advertising in trade magazines
   0% 10% 50% 70% 90% 100%
   g. advertising in ethnic magazines, or newspapers
   0% 10% 50% 70% 90% 100%
   h. advertising in religious magazines or newspapers
   0% 10% 50% 70% 90% 100%
   i. the question does not apply to my business
   j. other

32. Indicate the percentage of the time credit is used for these transactions:
   a. when purchasing supplies (a/rec).
   0% 10% 50% 70% 90% 100%
   b. when selling supplies (a/pay).
   0% 10% 50% 70% 90% 100%
   c. when using business’ credit cards
   0% 10% 50% 70% 90% 100%
   d. when purchasing major equipment
   0% 10% 50% 70% 90% 100%
   e. when purchasing real estate
   0% 10% 50% 70% 90% 100%
   f. the question does not apply to my business

33. What percentage of the funds you used to make the initial investment in your business came from:
   a. personal savings
   0% 10% 50% 70% 90% 100%
   b. investments from family and friends who live in US
   0% 10% 50% 70% 90% 100%
   c. investments from family and friends who live abroad
   0% 10% 50% 70% 90% 100%
   d. a US commercial bank loan
   0% 10% 50% 70% 90% 100%
   (Choices cont’d on next page)
34. You financed expansion for your business primarily through, (by percentage):
   a. retained earnings
      0% 20% 40% 60% 80% 100%
   b. personal savings
      0% 20% 40% 60% 80% 100%
   c. Investment from family and friends living in the US
      0% 20% 40% 60% 80% 100%
   d. investment from family and friends who live abroad
      0% 20% 40% 60% 80% 100%
   e. an Islamic bank
      0% 20% 40% 60% 80% 100%
   f. a US commercial bank loan
      0% 20% 40% 60% 80% 100%
   g. a non-US commercial bank loan
      0% 20% 40% 60% 80% 100%
   h. government sponsored program
      0% 20% 40% 60% 80% 100%
   i. a venture firm investment
      0% 20% 40% 60% 80% 100%
   j. other

35. You expect to expand your business in these ways:
   a. construction
   b. relocation
   c. modernization
   d. diversification
   e. exports
   f. imports
   g. new product development
   h. other

Survey of Attitudes Toward Islamic Finance

36. Do you feel there is a finance-gap in Moslem communities in America that prevent the expansion of Muslim-owned businesses?
   a. yes
   b. no

37. Are you aware of any Islamic lending institutions in the US?
   a. yes
   b. no

38. Do you feel the Muslim community in your area would provide enough support for the long-term operations of an Islamic bank?
   a. yes
   b. no

39. If no, is the reason you feel this way because the Muslim community:
   a. is not a large enough population base
   b. is not a wealthy enough population base
   c. has a preference for commercial banks
   d. has made a habit of using commercial banks and will not change
   e. believes that American banks are less risky
   f. is too divided by ethnic barriers and conflicts
   g. because most Muslims don't really understand Islamic banking

40. If you patronize an Islamic bank, what accounts or services do you use?
   Deposit Accounts
   a. savings account
   b. current account
   c. general investment account
   d. special investment account
   e. trust management account

   Loan or financing contracts
   f. al-ijarah (lease)
   g. al-musharakah (profit-and-loss sharing)
   h. al-mudharabah (trustee profit sharing)
   i. al-murabaha (cost price and markup sale)
   j. al-qardul hasan (interest-free short term loan)

   Other services
   k. foreign exchange buying & selling
   l. remittances and transfers
   m. I do not use an Islamic bank

41. If an Islamic bank were established in your area, what percentage of liquid investments (deposits) would you keep in an Islamic bank?
   0% 20% 40% 60% 80% 100%

42. What percentage of your credit purchase transactions would you make through money provided by an Islamic bank?
   0% 20% 40% 60% 80% 100%

43. For business-oriented financing, are you willing to accept profit-sharing or partnership investments from (choose as many as is necessary):
   a. other family members only
   b. family members and friends of the family
   c. an Islamic lending institution
   d. an American-styled venture capital company

(Choices cont’d on next page)
e. a government or semi-government agency
f. you are not willing to accept an profit-sharing/partnership investments

44. If you chose answer %100 in question 42, is this due to the fact that (choose as many as is necessary):
   a. you already have adequate access to finance for your business
   b. you do not adequately understand the dynamics of profit-sharing contracts
   c. you want to avoid the management interference
   d. you want to keep the business family owned
   e. you want to keep the business closely held, but not family owned
   f. you feel equity investments would raise risk
   g. you don't want to reveal others the size of your business
   h. you don't want to give away corporate secrets to potential competitors
   i. you feel profit-sharing arrangements are too expensive
   j. you prefer the ease of interest-bearing loan contracts

45. If you needed capital to expand your existing business and money was offered to you on a profit-sharing basis where the investor would share in all profits but the investor would also accept a share on the losses, would you accept the money?
   a. yes
   b. no

46. If the profit-sharing financing offer made in question 45 was made to you again but this time the lender agreed to assume all losses, would you accept?
   a. yes
   b. no

47. As a buyer of home consumption products, would you be willing to accept a leasing-type contract to finance purchases rather than a mortgage-type loan?
   a. yes
   b. no

48. Would you require an Islamic bank to provide deposit insurance before you would switch patronage from your current bank?
   a. yes
   b. no

49. Do you have an account at an American-styled commercial bank:
   a. yes
   b. no

50. If you patronize an Islamic bank, what accounts or services do you use?
   Deposit Accounts
   a. savings account
   b. current account
   c. certificate of deposit
   d. bond fund investment account
   e. stock fund investment account
   f. trust fund account

   Loan or financing contracts
   g. credit cards
   h. automobile loan
   i. household mortgage
   j. business finance loans
   k. equipment lease

   Other services
   l. foreign exchange buying & selling
   m. remittances and transfers
   n. I do not use an Islamic bank

51. Please write any comments you would like to make about the questionnaire, and please make any comments about the issues we are addressing with this survey.

If you would like to participate in any future developments, you may contact the survey coordinator directly by writing to:

J. W. Wright, Jr.,
Department of Business Management
Washington College
300 Washington Avenue
Chestertown, Maryland, 21620.

Thank you again for your cooperation and help.
CURRICULUM VITAE

JERRY W. WRIGHT
Assistant Professor in the Department of Business Management
Washington College

O) 300 Washington Avenue 2 100 Connecticut Avenue, N. W.
Chestertown, Maryland 21620 Washington, D. C. 20008

PROFESSIONAL OBJECTIVE

To work in a research-oriented environment where the value on multidisciplinary research in business and economics is accepted, to teach international business and trade development policy from management and organizational behavior perspectives, and to publish articles on the micro-economic and socio-cultural factors that determine peoples’ and nations’ (mainly Arabs and Muslims) commercial, economic, and management decisions.

RESEARCH and TEACHING INTERESTS

| Historical Debate Over Economic Inequality | History of Economic Thought - D. H. Robertson |
| Economic Inequality by Ethnicity and Religion | Comparative Microenterprise Finance (U.S.-Islamic) |
| Public Policy and Income Distribution | Social Psychology and Economic Behavior |
| Comparative Microeconomics (U.S. and Arab) | International Aid Agencies and Organizations |
| Legal Impediments to Economic Development | Avocational: Classical & Modern Arabic Literature |

EDUCATION

Loughborough University, Loughborough, England
Dissertation: "Discrimination, Entrepreneurship, and the Economics of Being Arab and Believing in Islam in America"

1993 Master of Arts in Near Eastern Languages and Cultures
Indiana University, Bloomington, Indiana
Thesis: "Issues Facing Islamic Banks: The Cases of Jordan and Saudi Arabia"

1989 Masters of Business Administration (management concentration)
University of Evansville, Evansville, Indiana

1983 Bachelors of Science in Business Administration: (finance and management majors)
University of Evansville, Evansville, Indiana

Consortium Course Work or Study Abroad:


PROFESSIONAL EXPERIENCE

Washington College, Chestertown, Maryland
1991 to Present Assistant Professor for Business Management (cross-listings in Economics) and member of the faculty of the Gender Studies Program
Courses Taught: (general) International Business, Microenterprise Theory and Models, Accounting, Financial, Management, Marketing, Organizational Behavior, and Research Methods; (special topics) Demographic Research, Target Marketing Research; (honors) Arabs' Economic History, Economic Development
Committee Assignments: Faculty Service and Scholarship (elected), Finance and Budget (elected), Faculty Affairs (elected), Benefits, Study Abroad
Curriculum Vitae
Jerry W. Wright, Jr.

(professional experience continued)

November 1988 to May 1991 Indiana Technical College, Bloomington, Indiana
Instructor of Accounting and Business Management
Courses Taught: Accounting, Finance, Insurance, and Business Management
Coordinator: Insurance licensing courses; Advisor: Business Management Program

1990-1991 Indiana University, Bloomington, Indiana
Editor: Middle Eastern Studies Program Newsletter
Assistant to the Middle Eastern Studies Program Director

Summers 1993/1994 University of Evansville, Evansville, Indiana
Program Coordinator and Visiting Instructor: Saudi Arabian Agricultural Bank
Training Program, U.S.-S.A. Joint Commission for Economic Cooperation
Adjunct Instructor: Finance, Investments

Fall 1987

September 1985 to June 1988 Hilliard Lyons, Inc., Evansville, Indiana
Investment Broker: Responsibilities: Securities and investment analysis for retail and institutional investors; approximately ten million dollars under management.

May 1983 to September 1985 The John Hancock Companies, Inc., Evansville, Indiana
Staff Manager: Responsibilities: Supervision, training for eight person sales staff.

Junior Procurement Officer: Responsibilities: Inventory analysis for a $9 million economic development program at the Saudi Ministry of Agriculture and Water.

CONSULTING ACTIVITIES


- organized panels and lectures for academics at major universities and colleges.

- co-directed the program with the Director at the University of Evansville. In 1994 the class was extended and jointly held at Washington College. Program funds provided by the U.S.-S.A. Joint Commission for Economic Cooperation

Summer 1992 Training Instructor: The Saudi Arabian Agricultural Bank, Riyadh, Saudi Arabia

AWARDS and GRANTS


June 1995 Jesse Ball Du Pont Foundation Summer Faculty Fellows program participant, accepted for participation in the 1995 Summer Seminar on "Becoming American."

March 1993 Joseph J. Malone Faculty Fellow in Arab and Islamic Studies, National Council on United States-Arab Relations, Washington, D.C.

Curriculum Vitae
Jerry W. Wright, Jr.

(awards and grants continued)

Fall 1991
Indiana University Graduate Student Conference Presentation Grant; a competitive award given each year to one graduate student by the College of Graduate Studies.

1990 - 1991
Teacher of the Year, Indiana Technical College, Bloomington, Indiana.

Applications in Progress:
W. K. Kellogg Foundation: I am the lead author of an application to the Kellogg Foundation that would allow the College to develop a leadership studies program. The application asks for $700,000., and is in the internal review process.

"Gary S. Becker, William A. Darity, and the Debate Over Economic Inequality"
An application has been filed with the National Humanities Center for a Sabbatical Research Award, that will allow me to study the historical debate over inequality.

Essay Competitions Entered:
"Discrimination, Entrepreneurship, and the Economics of Being Arab and Believing in Islam in America" entered in the MESA-Malcolm Kerr dissertation competition.

"U.S. Banking and Islamic Economics in the Israeli Occupied Territories," entered in the 1995 Arab Bankers Association writing competition.

"Masculine Allusion and the Structure of Satire in Early Abbasid Writing," entered in the Social Science Research Council's Ibn Khaldun writing contest.

PUBLICATIONS

Book Manuscript:
Self-Employment and Income Disparities Among Arab-American Christians and Muslims. Under review at the University of Michigan Press. - positive internal reviews received and external review proceeding; see publications in progress.

Edited Collections:
December 1995
Business Development in Saudi Arabia: Essays with Saudi Scholars
- a collection of articles that I co-authored with Saudi university professors; it is sponsored for publication through the Saudi Arabian Embassy and it has also been approved for distribution by the Saudi Arabian Ministry of Information.

June 1993
Saudi Arabia: Tradition and Transition,
- a collection of articles based on a lecture series at the Smithsonian Institution.

Occasional Paper:
May 1995

Journal Articles and Reviews (peer reviewed):
forthcoming
"A Cross-Cultural Investigation of Personality Traits Among Arab and American Business Students," Social Behavior and Personality, (with Jennifer Hozik), (accepted and expected to be printed in the winter edition).
forthcoming

forthcoming

April 1995

June 1993

June 1993

July 1992
"Had Mercury Learned English at an Arab University Could He Have Gotten a Job?" *Journal of the Institute of Muslim Minority Affairs*, 1992, pp. 16-22.

October 1991

Articles published in Edited Volumes and Conference Proceedings (peer reviewed):

forthcoming

April 1995

October 1993

November 1992

Articles published on Arabic Literature (peer reviewed):

forthcoming

forthcoming
Curriculum Vitae
Jerry W. Wright, Jr.

Journalism:

December 1992

April 1991
"New York, Los Angeles Beware: Massachusetts based mutual funds have a long-term edge over national rivals," Industry Magazine, pp. 87-89.

July 1990
"Are Arab Universities Meeting the English Needs of Students?" Jordan Times, Amman, Jordan.

August 1990
(A four article series on Iraq's Invasion of Kuwait written in Amman, Jordan.)

Student Publications Supervised:

Book Manuscripts:


Articles in Journal and Edited Collections (peer reviewed):


PUBLICATIONS in PROGRESS

Book Manuscript: Self-Employment and Income Disparities Among Arab-American Christians and Muslims. Written as an expansion of my dissertation, this manuscript transfers Edward Said's work into a discourse on economic, social, and wage discrimination. The analysis reveals serious wage and occupational biases between Arab Christians and Muslims in the U.S. Data is drawn from responses made by Arab-ethnic business owners and professionals. The revised version will also include data drawn from members of the Arab-American Medical Association and the Middle East Studies Association. The manuscript is under review for publication at the University of Michigan Press. Early reviews are positive.
Collections Under Review: The Economics of Middle East Peace. I am currently editing a collection of articles by key diplomats and economists who are active in the Middle East Peace Process. We hope the collection will be published on the anniversary of the Amman economic summit. Confirmed contributors include Paul Findley, Peter Gubser, Emma Murphy, Sherif El-Musa, Sara Roy, William Stoltfus, Rodney Wilson, Valerie York, and myself, among others. A letter of interest has been received by an editor at the Macmillan Press, Ltd., and a prospectus is currently under review.

New Perspectives on Middle East Diplomacy, Economy and Literature: The Washington College Lectures 1990-1995. Washington College has hosted over thirty lectures on topics relating to the Middle East. The speakers involved range from Nobel-Prize nominee Nawal El-Saadawi to several U.S. Ambassadors to the Arab region, to leading economists that write on the region. The College plans to publish these lectures in a collected edition, which I will edit. Prospectuses on this collection are under review at three presses that publish on the Middle East.


"Introducing the Largely Land-Locked Business Student to Cross-Cultural Similarities," The Journal of Management Education.


"The Demographic Context of Arab Immigration," Arab Studies Quarterly.


Proposed Manuscript: Disparate Incomes, Similar Approaches, Polar Opposite Conclusions: The Debate Between Gary S. Becker and William A. Darity Over Economic Inequality. This text will investigate the debate over economic inequality and the opposing traditions these men's works have caused in the recent economic thought.
CONFERENCE PAPERS and INVITED LECTURES


September 1995  "The Structure of Satire in Early Abbasid Poetry," University of California at Berkeley Center for Middle East Studies, Berkeley, California.


April 1994  "American Trade and Islamic Economics in the Occupied Territories," Department of Near Eastern Civilizations, Yale University, New Haven, Connecticut.


April 1994  "Trade with the Arab-Muslim States," Rutgers University Middle East Studies Program, West Brunswick, New Jersey.


October 1993  "The Saudi Kings' Attitudes Toward Development Planning," The Center for Middle Eastern and Islamic Studies, Durham University, Durham, England.


March 1992  "Between Liminal States: Defining Manhood Since Moslem Medievalia,"
Popular Cultures Association Conference, Louisville, Kentucky.

March 1992

"The Responsibility of Thought is Enormous: Political Themes in the Movies of Tawfiq Al-Hakim," conference on Film and Individualism, Baltimore, Maryland.

July 1991