Chapter 24

# Networks of Ethnicity

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The concept of networks involves relational thinking. What links people together across time and space? How are things and people connected and embedded economically, politically, and culturally? In what ways do goods and information and capital flow and why are they channeled down particular vertices and nodes? The network is a useful way of thinking about cultural links, institutional formations, and general ideas about separation and connectedness; these socio-cultural analyses can then be successfully articulated with theories of the economy (Thrift and Olds, 1996). Thinking in terms of networks forces us to theorize socioeconomic processes as interwined and mutually constitutive.

Networks, furthermore, provide a useful way of thinking about economic relations that don't rely on static, bounded configurations such as the region or the nation, yet also don't ascribe everything to random flows. As Thrift and Olds (1996, p. 333) write: "The network serves as an analytical compromise, in the best sense of the word, between the fixities of bounded region metaphor and the fluidities of the flow metaphor." It is helpful in analyzing the interconnections between things, in tracing links and making translations between objects and people that otherwise are often depicted as pure, separate, and distinct.

*Networks of ethnicity* are relational social and economic ties based on various commonalities shared by a group of people. These commonalities generally include some combination of traits such as language, culture, religion, and/or home town origin: groups base their sense of social collectivity and cohesion on one or more of these common traits. Any group that identifies itself as sharing a common heritage and belonging together and distinct from other groups can be considered "ethnic;" ethnic *networks* help to extend the group's identity spatially, and are an important facet of social and economic organization, particularly within migrant communities.

Historically, networks of ethnicity have been important in traditional, pre-capitalist economies and in business involving long-distance trade. The economic networks of these trading and other business relationships were established and maintained through a dependence on personal ties such as those of co-ethnicity. Social connections based on ethno-religious commonalities formed the glue that held

economic relationships together across space and in times of economic distress. Rather than solely profit-maximizing ventures, ethnic networks operated also with an eye to internal (personal) loyalties and the maintenance of social and economic relationships over time.

Following the nineteenth- and twentieth-century German thinkers Weber, Sombart, and to some degree Marx, many social scientists have argued that the growth of industrial capitalism, urbanization, and the rise of state power has profoundly altered socially embedded economic relationships such as networks of ethnicity. These scholars argue that economic relationships are now based on universal, legal–rational precepts rather than on particularist (personal, nepotistic) ties. Weber (1981 [1922]) and Sombart (1953 [1916]), in particular, depicted a clear transition from business transactions involving communal sentiment and loyalty to those that became completely impersonal; for Weber, this shift was *necessary* for rational bourgeois "modern" capitalism to grow and flourish (see Light and Karageorgis, 1994, p. 647).

While neoclassical economists showed little interest in the impact of social relations on market processes and business organization, those following Weber's lead postulated a profound shift in the interrelationship of social and economic processes from the era of what has been labeled "traditional" capitalism to that of "modern" capitalism. Until relatively recently, the implicit assumption of most social scientists was that ethnic capitalist enterprises were limited to local, small-scale, traditional environments, and mainly found in developing parts of the world. It was thought that advanced or modern capitalism developed from and progressed beyond particularist, fraternalist, and nepotistic forms of capitalism such as those of ethnic networks. If ethnic enterprises continued to exist, it would be only in the context of more primitive economic environments; such environments would be destroyed and replaced by the efficient, regularized, and profit-maximizing form of modern enterprise should the capitalist market ever penetrate there.

In the past two decades, however, there has been renewed scholarly interest in the role of networks of ethnicity in all facets of social, political, and economic life, particularly in the movement and adaptation of migrants. Many scholars now argue that networks of ethnicity have always functioned within modern capitalism and have played a key role in the global economy. Furthermore, these networks are not purely local in operation, as argued earlier, but often stretch successfully across regional and national boundaries. The lack of recognition of the ongoing viability of ethnic networks in preceding years resulted from their invisibility to Western scholars; they were primarily operative in migrant communities and within the informal economy, areas outside the purview of traditional economists.

Now, however, networks of ethnicity are of much greater interest, both in the academy and the popular press (Kotkin, 1992; Seagrave, 1995; Redding, 1990; Weidenbaum and Hughes, 1996). This interest grew initially within sociology and focused on the role and meaning of ethnic economies in immigrant communities. Subsequently it expanded to include the analysis of socio-geographic origins of ethnic economies, the contemporary geographies of ethnic networks, and the role of ethnic networks in the current period of accelerated globalization, flexible accumulation, and transnational migration. This newfound interest in ethnic networks has arisen at least partially as a result of the rapid growth and apparent economic

success of the Pacific Rim countries and of transnational movements such as the modern Chinese diaspora. In the following sections I examine the early interest in ethnic economies and their incipient formation, and then move to a discussion of networks of ethnicity in the contemporary period.

## Ethnic Economies

The first theorizations of the ethnic economy were promulgated by the sociologists Bonacich and Modell. In an early article (1980), they defined the ethnic economy as one in which the self-employed, the employees, and the employers of the businesses in a particular private economic sector (and controlling a large share of that sector) are coethnics. According to this definition, an ethnic economy is one in which immigrant and ethnic minorities create their own employment opportunities within a specific and separate economic sector, rather than finding employment in the general labor market. In other words, an ethnic economy is an exclusive system of business relations that is created and maintained by a group sharing various cultural commonalities such as language and/or religion (Light and Karageorgis, 1994, p. 648). The constitutive businesses are networked together in various ways depending on the type of industry and on the ethnic group (Zhou, 1998), but an integral component of all ethnic economies is the operation of some form of socio-relational ties among economic agents and firms.

The idea of social relations as an important and powerful glue for the smooth functioning of markets and production is in direct contradiction to neoclassical theories of the firm. In his early work, the neoclassical theorist Williamson (1975), for example, argued that organizational forms arise as a result of superior efficiency in reducing economic transaction costs. In this view, transactions that are frequent or sporadic will be contained within hierarchically organized firms as the most efficient and cost-effective model. (Hierarchically organized firms contain units within the organization that perform functions internally rather than contracting these functions to outsiders.) Patterns within ethnic economies, however, do not necessarily correspond to this type of model for a number of reasons. Frequent or sporadic transactions that may not provide the most cost-effective strategy for an organization in the short term might, in the long term, provide a different set of benefits for the businesses involved. These social or cultural benefits, such as the extension of a network or the maintenance of business relationships over time (and despite reduced profitability in the short term), are difficult to capture in traditional models of "rational" economic behavior. Thus the premise that a particular type of organizational form will arise because of the rationality of business "logic" relies on a definition of rationality that neglects the importance of socio-relational ties in economic transactions (Granovetter, 1985). As a result of this neglect, these types of traditional models often fail to adequately theorize alternative types of organizational forms, such as the flexible subcontracting networks prevalent in many ethnic economies.

For neoclassical economists the logic of business organization follows a purely rational, profit-maximizing conception of economic practices and behavior. Traditional models derived from neoclassical theories emphasize individualism, *laissez faire*, and regulation by market mechanisms such as the interaction of supply and

demand. The models also rely on a general economy broadly conceived, and on a Western, legal–rational framework as the conceptual basis for the workings of modern capitalism. They ordinarily do not take into account the types of socio-cultural influences represented by ethnic networks, especially within migrant economies. However, these types of ties are important for the workings of the ethnic economy (particularly in the realm of subcontracting), and determine the spatial pattern of ethnic economies, as we will see later.

Traditional neoclassical theories of business organization also neglect the large and growing collection of economic activities that are often described as the "informal" sector of the economy. This is part of the economy that is not directly regulated by the state, and wherein laborers are not protected or constrained by institutional rules and regulations governing work (Feige, 1990; Castells and Portes, 1989; Portes, 1995). The informal sector is described in both positive and negative terms: negative because as an underground economy it can be the last resort of the poor and low-skilled who are forced to work in unregulated, undignified, and often dangerous positions; positive because it can be an important entrepreneurial site outside the surveillance of centralized agents and an overly regulated and controlled state elite (Portes, 1994; Hart, 1990; De Soto, 1989). In either case, because it exists outside the formal institutions of state regulation and protection, the informal economy must operate on systems of enforcement that are characterized not by state sanction but by force or by trust. Systems of trust, in many societies, are often based on common membership of a group. The normalized sanctions for behavior are understood and shared by each member, and the "business code" must be followed for continued economic connections to be both possible and profitable (Wong, 1988, 1996; Kao, 1996).

Co-ethnicity is one of the most common types of group membership active in informal economies, and in some cities various ethnic networks form the backbone of vast sectors of the informal economy. These co-ethnic networks are generally composed of recent immigrants (Sassen, 1989). Portes (1994, p. 426) gives the empirical example of the informal transportation system of jitneys operating in Miami. These small, uncomfortable but cheap and flexible trucks are owned and driven almost entirely by immigrants, and compete for passengers with the air-conditioned, but inflexible city buses driven by native, unionized drivers. Another example he offers is of a Dominican entrepreneur in the Washington Heights sector of New York, who received capital to launch several businesses from fellow Dominicans in an informal credit-pooling arrangement. This type of informal arrangement based on ethnic ties manifests the many benefits immigrants and others can derive from retaining some degree of ethnic cohesiveness within cities and even across large geographical areas and borders. Furthermore, as they are not codified in bureaucratic rules, the types of flexibility that these informal connections can offer are also attractive within various sectors of the formal economy, and there are many cases in the United States of links between the formal and informal economies.

## Socio-geographic Origins of Ethnic Networks

How do ethnic economies and ethnic networks develop? One of the key processes involved in the formation of networks of ethnicity is migration. International

migration is a socially embedded process that links migrants moving between two societies to those who migrated along the same path at an earlier date. That is, there is a chain migration or path effect that binds together the knowledge, memory, and experiences of migrants traveling between the same two or more points on the globe. The immigration of the earliest cohort from an ethnic group greatly influences the formation of the ethnic community, as well as the ongoing immigrant experience of newcomers to the society (Castles and Miller, 1998). As a result of this constant interchange of information and culture throughout the migratory process, there are numerous economic and socio-cultural advantages to migrants to participate in ethnic networks, and to form and maintain ethnic communities in their destination societies.

Although early theorists of immigrant adaptation postulated a hierarchical and naturalized pattern of social and spatial assimilation following the arrival of immigrants to the city (see, for example, Park et al., 1925), recent critiques of this approach have focused on the internal and external forces that constrain and enable immigrant incorporation. Internal processes include the advantages that may be gained through self-identification as a member of a particular ethnic group – this identification brings with it access to specific resources of capital, labor, and information as described earlier. This type of identification process also limits the individual choice of the immigrant in some ways, but enables him or her to take advantage of larger social networks and the benefits accruing to them at the same time. The ability to access these types of social networks is a kind of good often labeled "social capital" following the writings of the French sociologist, Pierre Bourdieu (1984) and the empirical work of sociologists such as Coleman (1988) and Portes (1994). Portes writes that social capital "refers to the capacity of individuals to command scarce resources by virtue of their membership in networks or broader social structures" (Portes, 1994, p. 14; see also Waldinger, 1995, p. 556). Ethnic networks and economies are thus formed partially on the basis of these self-imposed definitions and identities.

At the same time, powerful external forces relating to state immigration policy and other forms of institutional racism have acted to constrain immigrant choices and operate on the formation of ethnic economies and networks. Discrimination against immigrants and other ethnic minorities affects family ties, work opportunities, residential choices, and ultimately operates on the identity of the group itself. Without question the most severe types of limits that have been imposed on many immigrant groups are state restrictions on the number and type of migrants who may continue to enter the state on a legal basis. In Canada and the United States, for example, periodic exclusions of certain groups, restrictive quotas, and the sporadic denial of entry to refugees and others seeking humanitarian assistance has played a major role in the ways that ethnic communities were formed and maintained over time.

Recent work in geography, such as that of Hiebert (1990, 1993) and Anderson (1988, 1990), explores the relationship between discriminatory laws and covenants and the socio-spatial formation of ethnic communities over time. Anderson's (1988) research on the location and formation of a Chinese ethnic community in Vancouver, British Columbia, for example, demonstrates the formidable impact of state laws that closed off, and then greatly restricted, Chinese immigration between 1885 and

1967, and also municipal health and zoning laws, which served to control both business and residential location. Her work further reveals the key role that ideologies of race and essentialized notions of "Chineseness" played in *maintaining* Chinatown as an ethnic neighborhood throughout the decades. Even following the establishment of official policies of "multiculturalism" in Canada, and the curtailment of formal and informal policies of residential exclusion, the idea of the exotic "Orient" as, for example, a tourist site or dim sum center, aided in the continuation of Chinatown as an ethnic neighborhood perpetually separate from and different than other sectors of the city (see also Lowe, 1996).

Similarly, Hiebert's historical work on Jewish immigrants in Toronto (1990, 1993), shows how labor market discrimination against Jews at the turn of the century prompted collective actions such as the formation of ethnic employment networks. Rates of self-employment and the hiring of co-ethnics in this secondary labor market were far higher than for the general or "primary" labor market as a result of primary sector discrimination. (Because of racial and cultural prejudice, groups who were perceived as non-white at that time were not hired at the same rate or pay scale as "white" laborers and thus were often forced to seek employment outside the general labor market (Gordon, Edwards and Reich, 1982; Peck, 1989; Piore, 1979). Furthermore, *residential* segregation within the Jewish enclave was closely tied to employment opportunities or lack thereof, as many of the jobs in which Jews were employed were necessarily located within walking distance of most of the city's Jewish residents. This pattern of segregation is the result of a number of factors, including the cost of transportation to and from work, the lack of adequate transport services, and/or religious dictates, and it follows the general tendency of immigrant districts to be located near labor-intensive factories (see Scott, 1988; Hiebert, 1993). Thus, both employment and residential segregation were implicated in discriminatory hiring practices in the general labor market. Hiebert writes of this mutually constitutive enclave formation, "The nature of ethnic labor-market segmentation can only be understood when the interaction between ethnic residential settlement and occupational clustering is considered" (1993, p. 255).

The social and economic geographies of segregation in the workplace and at home are also often mutually reinforced by a chain of contacts and institutional sites utilized by most members of ethnic networks. As members of a particular ethnic group are most likely to garner information about the job market from co-ethnics residing near them or involved in the same church or school, their residential segregation immediately impacts the types of employment opportunities they hear about and perceive as open and available to them. As Mark Granovetter (1995) showed in his classic study, *Getting a Job*, social links greatly influence labor markets, and networking is one of the primary processes implicated in labor mobility and the overall access to employment resources. In geography, these social links have been given a spatial dimension. Scholars such as Hanson and Pratt (1995), Peck (1996) and Hiebert (1999) demonstrate how occupational segregation, for example, can be linked to the social *and* spatial relationships between home and work. This networking can be on the basis of gender (as in the work of Hanson and Pratt), but is also often based on networks of ethnicity. Thus ethnic networks of information about the job market are greatly influenced by both social and spatial segregation, which in turn serve to reinforce occupational segregation in a mutually constitutive process.

Some other key constraints influencing the socio-geographic origins of ethnic enclaves pertain to the process of urbanization itself. Urban scholars such as Massey and Denton (1993; 1987), Knox (1994), Harris (1984) and Boal (1987) have shown how discriminatory real estate covenants, discrimination in mortgage lending, redlining (denial of loans) of poorer (often minority) neighborhoods deemed "blighted" by banks, and the steering of clients to or away from certain sectors of the city by real estate agents have operated to exclude African Americans, Asians, and members of other minority groups from certain desirable neighborhoods. These processes have historical roots, but they also operate frequently in contemporary real estate transactions.

In all of these examples the type of racial formation operative on a particular ethnic group at a particular time is important for an understanding of the manner in which ethnic networks and communities were formed. As Omi and Winant (1986) have shown for the United States, the historical and geographic context of specific laws and ideologies concerning race is crucial for the theorization of employment and residential strategies of minority groups, as well as for an adequate understanding of how individual and group identities are formed. It is these material and discursive processes operating both externally on the communities in terms of legal restraints and informal sanctions, and within ethnic communities in terms of strategies of resistance and accommodation, that impact the form and maintenance of networks of ethnicity over the long term.

## Geographies of Ethnic Networks

What are the spatial implications of ethnic networks? Institutional discrimination in areas such as immigration law, zoning, and mortgage lending has clearly influenced the formation of ethnic communities. At the same time, these external forces have operated on, and interacted with, internal processes of ethnic self-identification and community formation. In some cases there have been distinct advantages to working or residing in an ethnic community. As specific types of social and economic networks may be accessible only to those who inhabit the actual physical spaces of the community, proximity to co-ethnics is often considered desirable. Thus the "spaces" of ethnic communities are established and maintained as the product of both external, coercive forces of discrimination, and also of processes internal to the community.

The economic desirability of physical proximity to co-ethnics has been a major component of theories of the "ethnic enclave," which have galvanized economic sociologists and a handful of geographers in the past decade and a half. Ethnic enclaves are ethnic social structures that facilitate (some would claim, propel) business growth through spatial proximity. They are the sites where immigrant groups are spatially concentrated, and where ethnic businesses are organized to serve the co-ethnic population, as well as the general market. According to Portes (1981), one of the earliest theorists of the enclave economy, their primary feature is cooperative behavior among co-ethnic economic actors, especially in the employment of co-ethnics and the help given to start up new businesses. Portes argues that as a result of discrimination in the general economy and labor market, the enclave economy frequently offers equal or better opportunities for immigrant advancement and entrepreneurial achievement than the mainstream economy. This view was

challenged in recent years, however, as a number of scholars questioned whether these enclaves help or hinder advancement for immigrants. (For recent empirical work on the ethnic enclave phenomenon see Jiobu, 1988; Portes and Manning, 1986; Portes and Jensen, 1989; Kaplan, 1997; Logan et al., 1994).

Although the position of ethnic enclaves as "positive" sites for immigrant and minority advancement is widely critiqued, mainly from those whose empirical evidence suggests that the enclaves are zones of continuing economic marginality rather than opportunity (Nee and Sanders, 1987), both positive and negative interpretations tend to take the spatial clustering of enclaves as an "essential condition," a static container of activity without need of explanation (Zhou, 1998, p. 229). In the discussions by most immigration sociologists, space is perceived as a stage on which economic activity occurs rather than a constituent of that activity. In other words, there is a lack of understanding of the way that social and spatial relations are intertwined and mutually constitutive, rather than separate spheres. Theorizing the interactivity and mutual constitution of the social and the spatial is important for understanding the formation and maintenance of ethnic enclaves over time, because it reduces the temptation to fix either social or spatial structures in a static, hierarchical position or relationship. Recent work by geographers on the spatial structure of urban ethnic economies was showcased in a special issue of *Urban Geography* edited by David Kaplan (1998).

A second insight about the geography of ethnic enclaves is related to the critique of ethnic communities as homogeneous in character. In a number of recent studies, the idea of ethnic "solidarity," where each member of the community unilaterally advances the fortunes of co-ethnics both economically and socially, is shown to be a facile, romanticized depiction. While ethnic solidarity may occur in some contexts, particularly in the confrontation with forces hostile to the community, there are numerous other examples where class, gender, and generational divides operate equally powerfully. Hiebert (1993) and Pessar (1995), among others, have revealed the often hidden class divisions in ethnic communities, which greatly influence the form of cooperation between co-ethnics, if cooperation occurs at all. Mitchell (1998), Sanders and Nee (1987) and Fong (1994) have demonstrated the significance of generational and other divides. Similarly, Pessar (1987), Hondagneu-Sotelo (1994), Haardy-Fanta (1993), and Jones-Correa (1998, p. 326) build strong cases for conceptualizing the divisions between men and women and engaging a "gendered understanding of immigrant political socialization."

In the case of Latin American immigration to New York City, for example, Jones-Correa (1998) argues that men and women socialize and organize differently, with men tending to favor continuity with the social organizations of the past, while women tend to favor a greater degree of change and adaptation to the new society. These differing patterns of socialization, moreover, are directly implicated in the spatial patterns of the community. For a number of reasons, especially because of their children, women tend to come into contact with more public institutions than men (Jones-Correa, 1998, p. 327). Their greater access to public spaces and institutions means greater mobilization both politically and spatially. Numerous other examples of differences between men and women in the migratory process as well as the process of incorporation into a host society show that the heterogeneity of the ethnic community impacts its geographical formation and transformation.

Another insight of the enclave literature is the over-emphasis on ethnic networks as inherently "minority" networks. Although rarely codified as such, the tenor of enclave scholarship is that these ethnic enclaves are the preserve of the "dominated," who retreat into them as a refuge against discrimination in the labor and housing markets, and thus create an internal resource of capital and labor. It is important to remember, however, that there is a geography of ethnic enclaves utilized by dominant groups. Scholars such as Pierre Bourdieu, for example, examined the uses of social or cultural capital by a French ethnic elite, who derive tremendous advantages from spatial "power" networks formed in exclusionary educational sites (Bourdieu and Passeron, 1998). The enclaves, which are formed, in part, through the exclusion of others (who do not belong to the elite ethnic group), facilitate long-term networks that directly impact access to resources and economic as well as social transactions. These types of elite enclaves and the resultant ethnic networks they promulgated were directly implicated in the formation and maintenance of the colonial empire by the British in the eighteenth and nineteenth centuries. They are also formative in the business success of contemporary elite Chinese and Indian ethnic groups (Ong, 1999; Wong, 1988; Mitchell, 1995).

Geographers have recently begun to offer more sophisticated understandings of the spatial implications of ethnic enclaves by introducing other factors besides "ethnicity" into the spatial equation. For example, in her study of the location strategies of three different kinds of producer service firms in Los Angeles, Zhou (1998, p. 228) analyzed the convergence of two forces – ethnic networks and industrial networks. She found that "While Chinese firms show markedly different spatial patterns from their non-Chinese counterparts, each type of producer service also differs from the others in spatial pattern." She argues therefore that both ethnic networks *and* industrial networks play a significant role in affecting the location strategy of Chinese businesses; thus it is necessary to "go beyond 'ethnic'" as the only factor in understanding the location of Chinese industries. In her research, the New Industrial Space (NIS) thesis concerning the link between industrial networks and territorial agglomeration is also of overriding importance in explaining why these firms locate in particular places.

In Zhou's work it is clear that the rise of high technology, information, and services transformed the types of industry and industrial services that characterize a large share of production and employment opportunities in California. As the types of opportunities available in both the general labor market and in ethnic enclaves shift alongside changes in the global economy, the geography of ethnic networks and ethnic enclaves are also transformed. Any theorization of spatial networks of ethnicity must take these types of broad-based transformations into account. Scale is a key factor in understanding the impact of these changes. As industries evolve and spaces become increasingly compressed, the geographic formation of the ethnic "community" may no longer be limited to a neighborhood based on physical proximity. A sense of community might be connected to a particular neighborhood, but equally there might be strong connections to other neighborhoods in different cities or even different countries. The question then arises, are these transneighborhood, transborder, transnational ethnic communities something new, and if so, how do they operate within the contemporary global economy?

## Networks of Ethnicity and Globalization

Long-distance trade between co-ethnic groups has occurred for centuries. The networks of ethnicity that formed to facilitate these types of business transactions across space are manifest in some of the earliest global trading routes such as the Silk Road and the Mediterranean sea links (Abu-Lughod, 1989). Nevertheless, the globalization processes of the contemporary period have ushered in a qualitatively different component to long-distance ethnic networks in the last two decades. With the global extension and spatial fragmentation of production, the ever-increasing deterritorialization of finance capital and credit, and the volume and speed of cross-border movements of people, commodities, and information, contemporary networks of ethnicity are now "transnational" in a new way. This concept requires a brief elucidation of the larger economic context of globalization in the post-Fordist era.

As discussed by numerous scholars in the past few years, the post-war global economy has been characterized by a qualitative transformation in capitalist social formation (Harvey, 1989; Dicken et al., 1997; Giddens, 1990; Amin and Thrift, 1994). Following the oil crisis and severe recession of the early 1970s, new regimes of accumulation were marked by a "startling flexibility with respect to labor processes, labor markets, products, and patterns of consumption" (Harvey, 1987, p. 260). The new flexibility was not limited to the arena of production and consumption, but was aided and abetted by a widespread deregulation of financial systems and markets across the globe. An increasing lack of national control over finance facilitated the rapid movement of capital across international borders, and enabled the simultaneous decentralization and consolidation of economic functions worldwide. Industrial plant closures in former manufacturing centers reflect both the relocation of production systems to new areas, and the overall segmentation of production into a number of geographically separate functions (Bluestone and Harrison, 1982; Piore and Sabel, 1984).

The changing nature of economic activity and social life within this new regime of "flexible accumulation" has been immense. Increasing speed and flexibility in all realms of economic transactions became an overriding concern for many corporations, who faced burgeoning global competition. One of the most important transformative processes vis-à-vis ethnic networks is the overall shift in the production process to faster, more globalized, and more flexible systems that operate on a "just-in-time" rather than a "just-in-case" basis. These new, increasingly flexible production systems, which characterize recent capitalist restructuring, are based largely on subcontracting networks. The smooth functioning of these flexible, high-speed networks relies, at least partially, on social relations characterized by long-term bonds of trust and reciprocity (Saxenian, 1994). Despite the inherent difficulties in extending subcontracting networks across space, a number of long-established ethnic subcontracting networks continue to operate smoothly and efficiently between spatially distant locales. Difficult transactions based on partial information, or business deals that may have proved unprofitable in the short term for one party, can be held together over the long term by the "social glue" characteristic of successful ethnic networks.

In addition to the transformation of production systems, qualitative shifts have occurred in the international financial system that have had major implications for the use of money and credit worldwide. Perhaps the most important change has been the growing elasticity of national borders, as economic and political sovereignty in the monetary realm were undermined by the growing liberalization of international finance (Leyshon and Thrift, 1992, p. 50). With the rapid and extensive restructuring of the finance system, control by the nation-state over money supply, allocation, and value declined, the creation and extension of credit and debt occurred on an unprecedented scale worldwide, and money became increasingly mobile and unconstrained – moving through time and across space with ferocious rapidity.

Through the innovation of new financial instruments, the ability of nation-states to control the production and circulation of money and credit through traditional forms of regulation, including compartmentalization and the restriction of financial institutions to prescribed areas, was greatly reduced. As financial flows became unmoored from national space economies and increasingly global in focus, there was an evolution towards a general "deterritorialisation of credit" (Leyshon and Thrift, 1992, p. 54). In this new fragmented and schizophrenic period of credit creation, the ability of family networks to produce relatively cheap credit for industrial borrowers through internal processes of subsidization was notably efficient (Mitchell, 1995). This internal subsidization occurs when extended family networks are willing to loan money to other network members for lower interest rates and slower turnaround times than the "standard" bank rates. As with the earlier discussion of organizational form, the "rationale" for these loans is not solely economic but based also on factors such as the long-term health of the network as a whole.

With the 1970s global debt crisis and attempts by regulatory authorities to impose measures of financial securitization, numerous international investors became wary of banks as either untrustworthy or costly, and chose to lend directly to borrowers without the "aid" of a banking intermediary (Leyshon and Thrift, 1992, p. 56). The reliance on informal credit channels and direct, unmediated contact between creditor and debtor, made the credit system more personalized and less dependent on institutional norms and sanctions. This type of particularist connection was akin to the type already practiced by a number of ethnic entrepreneurs. Thus when financial flows became less constrained by state regulations during this decade, numerous family-based ethnic networks were well positioned both to compete with and articulate with the increasingly maverick financial institutions.

One prominent example discussed in both academic circles and the popular press was the success of many Chinese "extended" family networks in the global economy. In the practice of seeking informal channels for credit accumulation, Chinese investors and borrowers were far in advance of their Western counterparts because they were able to rely on previously established ascribed and achieved social relations that formed the core of their informal credit networks. This gave them a distinct advantage in a number of business situations in Asia, and, increasingly, worldwide (see Mitchell, 1995; Mitchell and Hammer, 1997; Redding, 1990).

Case studies of Chinese conglomerates lend insight into the complex interlinkages between companies and families. Many of these conglomerates form "interlocking directorates" based on personal trust and ethnic ties that are critical to understand-

ing investment patterns among the largest and most successful companies in East and Southeast Asia (Mitchell and Hammer, 1997, p. 87; Wong, 1996). According to scholars like Backman (1995, p. 161), these linkages lead to "colleagues and not competitors at the top." An examination of some of the leading Chinese conglomerates in Southeast Asia, the Chearavanont, Riady, Kuok, and Liem family businesses, shows the ongoing importance of personal and ethnic connections. For example, Liem Sioe Liong, who emigrated from Fujian to Indonesia in the 1930s, and now controls Indonesia's largest conglomerate, the Salim Group, expanded his business through extensive links with other Hokkien families from China's Fujian province. These ethnic Hokkien links include partnerships with large-scale capitalists and politicians such as Robert Kuok, Khoo Kay Peng, and Mochtar Riady (Rees and Sullivan, 1995, p. 61). Personal, family ties are also common. In the Chearavanont family, for example, the youngest daughter followed the trend among Thai-Chinese family businesses by marrying a member of another powerful family in Thailand's Teochiu Chinese community (Mitchell and Hammer, 1997, p. 91). According to Seagrave (1995), this kind of intermarriage of the scions of Chinese business and finance is common, and is continuing now on a global rather than just a regional scale.

The brief example of the Chinese business networks discussed above is one example of the new ways that transnational ethnic networks are developing in the context of a restructuring global economy. In an effort to capture the capital and remittances of new transnational players such as these, many states have begun to offer the possibilities of dual citizenship and various economic and social incentives to its citizens living and working overseas (Basch et al., 1994; Smith and Guarnizo, 1997). Governance itself is thus clearly affected by ethnic networks that cross increasingly porous state boundaries. Transnationalism has led to new kinds of migrant experiences, new meanings of citizenship and state–society relationships, and new types of ethnic networks for migrants and businesspeople working in more than one national locale.

## Conclusion

Networks of ethnicity have always been an important part of economic systems worldwide. Early research emphasized the role of ethnic networks in local systems and immigrant enclaves, but it became increasingly apparent that ethnic networks function effectively within "modern" and global capitalist economies as well. At the same time, scholarly interest in networks of all kinds has grown markedly in the past few years, and what was initially a field dominated by migration studies branched out to include large sectors of the social sciences as a whole.

Although they were always a key component in long-distance trading relationships and immigrant economies, ethnic networks are now important facilitators of an ever-increasing transnational movement of people, information, and capital. With the changes brought about by global restructuring, understanding the role of ethnic networks has become increasingly important in analyses of global commodity chains and transnational migration, and in theorizations of how capitalism operates internationally. In contrast with earlier assumptions of ethnic economies as static and fundamentally local in their operations, current research indicates ethnic networks

to be both dynamic and international in scope. The "particularist" ties that Weber and others postulated would keep ethnic economies from developing in conjunction with modern capitalism have, in contrast, been shown to be both resilient and adaptable to global restructuring and the modern international economy.

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