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# **Embeddedness and Immigration: Notes on the Social Determinants of Economic Action<sup>1</sup>**

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This article contributes to the reemerging field of economic sociology by (1) delving into its classic roots to refine current concepts and (2) using examples from the immigration literature to explore the different forms in which social structures affect economic action. The concept of social “embeddedness” provides a suitable theoretical umbrella, although in analyzing its specific manifestations, the article focuses on the concept of social capital. The various mechanisms through which social structures affect economic action are identified and categorized and their consequences, positive and negative, highlighted. The propositions that summarize the different parts of the discussion attempt to move these concepts beyond sensitizing generalities to hypothesis-like statements that can guide future research.

Recent work in economic sociology represents one of the most exciting developments in the field insofar as it promises to vindicate the heritage of Max Weber in the analysis of economic life and, by the same token, to rescue this vast area from the exclusive sway of the neoclassical perspective. Spearheaded by Mark Granovetter’s (1985) critique of a pure “market” approach to economic action, the sociological perspective has been reinforced by the introduction and subsequent use of the concepts of “social capital” (Bourdieu 1979; Bourdieu, Newman, and Wocquant 1991; Coleman 1988), the emphasis on the predictive power of contextual variables in addition to individual characteristics (Wellman and Wortley 1990), and extensive research on the structure and dynamics of so-

<sup>1</sup> This article is a revised version of a paper presented at the thematic session on international migration and ethnic relations at the meetings of the American Sociological Association, Cincinnati, on August 27, 1991. We thank our colleagues Melvin Kohn, Mark Granovetter, Neil Smelser, Loïc Wacquant, Rubén G. Rumbaut, and Alex Stepick for their helpful comments. The responsibility for the contents is exclusively ours. Address correspondence to Alejandro Portes, Department of Sociology, Johns Hopkins University, Baltimore, Maryland 21218.

cial networks (Marsden 1990; Laumann and Knoke 1986; Mintz and Schwartz 1985; White 1970).

Granovetter's treatment of the concept of "embeddedness" represents a veritable manifesto for those whose sociological cast of mind have led them to question individualistic analyses of such phenomena as socioeconomic attainment and the culturalistic arguments that neoclassical economists sometimes invoke when their own perspective can go no further. The concept was originally coined by Karl Polanyi and his associates (Polanyi, Arensberg, and Pearson 1957) in their analysis of trades and markets but, in its more recent formulation, it has sparked renewed interest in what sociology has to say about economic life.

The purpose of this article is to contribute to this emerging perspective by (1) delving into the classical roots of recent theoretical developments so as to refine the concepts invoked by present-day economic sociologists; (2) fleshing out the concepts of embeddedness and, in particular, social capital into more specific components; (3) using the resulting typology as the basis for a series of hypotheses amenable to empirical research; and (4) showing how this theoretical program relates to the recent literature on immigration and ethnicity and can be advanced by it.

As developed so far, the concepts of the new economic sociology represent a broad programmatic statement in need of further specification. Embeddedness, for example, provides a very useful standpoint for criticizing neoclassical models, but when turned around to provide concrete propositions, it suffers from theoretical vagueness. The observation that outcomes are uncertain because they depend on how economic action is embedded does not help us meet the positivistic goals of predictive improvement and theoretical accumulation. To fulfill these goals, we must better specify just how social structure constrains, supports, or derails individual goal-seeking behavior. Our attempt to move in this direction takes two forms.

First, we try to arrive at a more systematic understanding of the different sources of what is, today, called social capital, by tracing the roots of the concept in the sociological classics. Second, we utilize contemporary research on immigration to document the operation of some of these sources and their effects, positive and negative. In keeping with the goal of theoretical specificity, our strategy is to use knowledge about immigrant economic adaptation to generate propositions of more general applicability.

The following analysis focuses on the concept of social capital, introduced in the recent sociological literature by Pierre Bourdieu and developed in English by James Coleman, since we believe it is more suitable to the enterprise of theoretical fleshing out than the more general notion of embeddedness. Coleman (1988, p. S98) defines social capital as a vari-

ety of entities with two characteristics in common: "They all consist of some aspect of social structures, and they facilitate actions within that structure." The facilitational component is highlighted by Coleman who likens "social" to "material" and "human" capitals as resources available to individuals to attain their ends. The main difference is that social capital is more intangible than the other forms, since it inheres in the structure of relations within which purposive action takes place.

Although insightful, Coleman's contribution suffers from two shortcomings: first, a theoretical indefiniteness that leaves open the question of what those social entities facilitating individual goal attainment are and where they come from; second, a marked instrumentalist orientation that views social structural forces only from a positive perspective. This positive bent sacrifices the insight (present in Granovetter's broader analysis of embeddedness) that social structures can advance as well as constrain individual goal seeking and that they can even redefine the content of such goals. We can respecify at this point the purpose of our own analysis as an attempt to further refine the concept of social capital by (a) attempting to identify its different types and sources and (b) clarifying conditions under which it can not only promote but also constrain or derail economic goal seeking.

Before plunging into this task, it is important to say a word about the source of the empirical material used in the remainder of this article. This source—immigration studies—has been frequently, albeit haphazardly, mined by writers in the theoretical literature on economic sociology. Coleman (1988), for example, uses Asian immigrant families as an illustration of what he labels "closure" of social relations, and both he and Granovetter (1985) highlight the significance of the immigrant rotating credit association as an example of either embeddedness or social capital. This frequent utilization of immigration research is not surprising, because foreign-born communities represent one of the clearest examples of the bearing contextual factors can have on individual economic action. With skills learned in the home country devalued in the receiving labor market and with a generally poor command of the receiving country's language, immigrants' economic destinies depend heavily on the structures in which they become incorporated and, in particular, on the character of their own communities. Few instances of economic action can be found that are more embedded. The task before us will be to review this empirical literature more systematically with an eye to developing propositions of general applicability.

#### SOCIAL CAPITAL AND ITS TYPES

The effervescence of research following the reconceptualization of economic sociology in recent years has somewhat obscured the fact that

many of these same ideas have been present all along in the sociological tradition and that they are, in a sense, central to the founding of the discipline. Our purpose here is not historical exegesis but the investigation of classic sources for clues to the various mechanisms through which social structures affect economic action. We begin by redefining social capital as those expectations for action within a collectivity that affect the economic goals and goal-seeking behavior of its members, even if these expectations are not oriented toward the economic sphere.

This definition differs from Coleman's, where the emphasis is on social structures facilitating individual rational pursuits. As we shall see below, this positive emphasis is only half of the story because the same constellation of forces can have the opposite effects. As redefined here, social capital seems sufficiently general to encompass most uses of the term in the recent sociological literature. These include Bourdieu's original formulations, as well as more specific analyses concerning the behavior of various social groups in the marketplace (Light and Bonacich 1988; White 1970; Eccles and White 1988; Bailey and Waldinger 1991). However, by its very generality, the concept encompasses such a plurality of situations as to make its empirical application difficult. Thus we must further specify what those collective expectations are, what their sources are, and how they are likely to affect economic behavior.

It is possible to distinguish four specific types of economically relevant expectations. The first, *value introjection*, takes its cue from Durkheim and a certain interpretation of Weber to emphasize the moral character of economic transactions that are guided by value imperatives learned during the process of socialization (Parsons 1937; Parsons and Smelser 1956). The central role accorded to this process in American functionalist sociology draws its inspiration from passages such as the following, from Weber's analysis of Puritan values: "One's duty in a calling is what is most characteristic of the social ethic of capitalist culture and is, in a sense, the fundamental basis of it. It is an obligation which the individual is supposed to feel and does feel towards the content of his professional activity, no matter in what it consists" (Weber [1904] 1958, p. 54).

Similarly, Durkheim's analysis of the "noncontractual elements of contract" provides powerful intellectual justification for a sociological analysis of economic transactions as reflections of an underlying moral order: "The contract is not sufficient by itself, but is only possible because of the regulation of contracts, which is of social origin. This is implicit . . . because the function of the contract is less to create new rules than to diversify preestablished rules in particular cases" (Durkheim [1893] 1984, p. 162).

*Value introjection* is a first source of social capital because it prompts individuals to behave in ways other than naked greed; such behavior

then becomes appropriable by others or by the collectivity as a resource. Although criticized later as an “oversocialized” conception of human action (Wrong 1961), this source remains central to the sociological perspective and figures prominently in contemporary examples of the effects of social structure on economic action (Swedberg 1991). Economists bent on dismissing the “sociological approach” to economic behavior also tend to target their criticism in this first source (Leff 1979; McCloskey and Sandberg 1971; Bates and Faulkner 1991).

The second source of social capital takes its clue from the classic work of Georg Simmel ([1908] 1955) to focus on the dynamics of group affiliation. As elaborated by exchange theorists, social life consists of a vast series of primary transactions where favors, information, approval, and other valued items are given and received. Social capital arising from *reciprocity transactions* consists of the accumulation of “chits” based on previous good deeds to others, backed by the norm of reciprocity. In contrast to the first type, individuals are not expected to behave according to a higher group morality, but rather to pursue selfish ends. The difference from regular market behavior is that transactions center not on money and material goods, but social intangibles (Gouldner 1960; Blau 1964; Hechter 1987). Nevertheless, the analogy of social capital to money capital is nowhere closer than in these exchange analyses of group life.

The third source of social capital, *bounded solidarity*, focuses on those situational circumstances that can lead to the emergence of principled group-oriented behavior quite apart from any early value introjection. Its classic sources are best exemplified by Marx’s analysis of the rise of proletarian consciousness and the transformation of workers into a class-for-itself. The passages of the *Communist Manifesto* where this type of social capital makes its appearance are familiar, but no attempt at paraphrasing can do justice to the original: “With the development of industry the proletariat not only increases in number; it becomes concentrated in greater masses, its strength grows, and it feels that strength more. The various interests and conditions of life within the ranks of the proletariat are more and more equalized. . . . The collisions between individual workmen and individual bourgeois take more and more the character of collisions between two classes” (Marx and Engels [1848] 1948, pp. 17–18).

The weapon of the working class in this struggle is precisely its internal solidarity born out of a common awareness of capitalist exploitation. This emergent collective sentiment transforms what had hitherto been individual market encounters between employer and employee into a group affair where subordinates have the advantage of numbers. Starting from an analysis of pure market competition, Marx hence arrives at sociability. It is not, however, the sociability underlying the “noncontrac-

tual elements of the contract” or that arising out of Puritan values, but the defensive banding together of the losers in the market struggle. Their individual self-interests are welded together into a higher form of consciousness that, in some passages of Marx’s writings, acquires the force for social control that Weber assigned to Puritan values.

As a source of social capital, bounded solidarity does not arise out of the introjection of established values or from individual reciprocity exchanges, but out of the situational reaction of a class of people faced with common adversities. If sufficiently strong, this emergent sentiment will lead to the observance of norms of mutual support, appropriable by individuals as a resource in their own pursuits. The social dynamics at play will be illustrated in greater detail below.

The final source, *enforceable trust*, is captured in Weber’s ([1922] 1947) classic distinction between formal and substantive rationality in market transactions. Formal rationality is associated with transactions based on universalistic norms and open exchange; substantive rationality involves particularistic obligations in monopolies or semimonopolies benefiting a particular group. With substantive rationality, we are, of course, in the realm of embeddedness, because group goals govern economic behavior. The significant point, however, is that individual members subordinate their present desires to collective expectations in anticipation of what Weber designates as “utilities,” that is long-term market advantages by virtue of group membership. The process and some of the institutional structures underlying it are summarized as follows: “Relationships which are valued as a potential source of present or future disposal over utilities are, however, also objects of economic provision. The opportunities of advantages which are made available by custom, by the constellation of interests, or by conventional or legal order for the purposes of an economic unit, will be called economic advantages” (Weber 1947, p. 165).

Social capital is generated by individual members’ disciplined compliance with group expectations. However, the motivating force in this case is not value convictions, but the anticipation of utilities associated with “good standing” in a particular collectivity. As with reciprocity exchanges, the predominant orientation is utilitarian, except that the actor’s behavior is not oriented to a particular other but to the web of social networks of the entire community.

For the sake of clarity, table 1 formalizes the typology of social capital elaborated so far. The table summarizes the processes through which individual maximizing behavior is constrained in ways that lead to reliable expectations by others; under certain conditions these expectations can be appropriated as a resource. While the first two types in the table are the core of entire schools of sociological thought, the last two have been less theorized. Both depend on a heightened sense of community and

TABLE 1  
SOCIAL CAPITAL: TYPES AND CHARACTERISTICS\*

Sources	Operating Principle	Individual Motivation for Compliance	Classical Referents	Modern Applications
Value introjection .....	Socialization into consensually established beliefs	Principled	Durkheim's ([1893] 1984) analysis of the social underpinnings of legal contracts	Functionalist economic sociology (Parsons and Smelser 1956)
Reciprocity exchanges .....	Norm of reciprocity in face-to-face interaction	Instrumental	Simmel's ([1908] 1955) analysis of exchanges in dyads and triads	Exchange and power in social life (Blau 1964)
Bounded solidarity .....	Situational reactive sentiments	Principled	Marx and Engels's ([1848] 1948; [1846] 1947) analysis of the emergence of working-class consciousness	Solidarity bonds in immigrant and ethnic communities (Tilly 1990; Yancey et al. 1976)
Enforceable trust .....	Particularistic rewards and sanctions linked to group membership	Instrumental	Weber's ([1922] 1947) analysis of substantive rationality in economic transactions	Dynamics of ethnic entrepreneurship (Light 1972; Aldrich and Zimmer 1986)

\* Social capital is defined as "collective expectations affecting individual economic behavior."



hence have the greatest affinity to the experience of immigrant groups. As the examples below will illustrate, it is the particular circumstance of “foreignness” that often best explains the rise of these types of social capital among immigrants.

The linkage is highlighted in table 1 where examples of modern analyses of the last two types are drawn from the literature on immigrant adaptation. The remainder of the article focuses on the processes underlying these two sources of social capital, seeking to formulate propositions of general applicability and to document both the positive and negative consequences of each source. The material presented is not intended to “prove” the formal propositions concluding each section, but rather to demonstrate their plausibility. As indicated at the start, our goal is to flesh out the implications of general concepts rather than to provide a definitive test of these implications.

### BOUNDED SOLIDARITY

The last riot in Miami in 1989 was triggered by the shooting of two black cyclists by a Colombian-born policeman. Officer William B. Lozano was suspended without pay from the Miami police force and found himself facing the wrath of the entire black community. To defend himself against the hostile mood among much of the local population, he hired one of Miami’s best criminal attorneys. As the legal bills mounted, the unemployed Lozano found that he had no other recourse but to go to the local Spanish-language radio stations to plead for help from his fellow Colombians and other Latinos. Lozano had no means of verifying his claims to innocence and, as a potential felon, he should have received little sympathy from most citizens. However, he counted on the emergent feeling among Colombians that he was being turned into a scapegoat and on the growing sympathy toward that position in the rest of the Latin community. After his first radio broadcast, Lozano collected \$150,000 for his legal bills; subsequent appeals have also produced substantial sums.<sup>2</sup>

The mechanism at work in this case is labeled bounded solidarity since it is limited to members of a particular group who find themselves affected by common events in a particular time and place. As in Marx’s ([1894] 1967) description of the rise of class consciousness, this mechanism

<sup>2</sup> Officer Lozano was initially convicted by a Miami jury, but an appeals court threw out the conviction on the grounds that he could not get a fair trial in the city. At the moment of this writing, the case is still pending. The venue of the retrial was first moved to Orlando and later to Tallahassee. Throughout the process, Lozano has continued to make appeals for financial support through the Spanish-language radio stations (*Miami Herald* 1990, 1991; fieldwork by authors).

depends on an emergent sentiment of “we-ness” among those confronting a similar difficult situation. The resulting behaviors are, of course, not well explained by utility-maximizing models of economic action. Instead, forms of altruistic conduct emerge that can be tapped by other group members to obtain privileged access to various resources. The fundamental characteristic of this source of social capital is that it does not depend on its enforceability, but on the moral imperative felt by individuals to behave in a certain way. In this sense, it is akin to value introjection, except that it represents the emergent product of a particular situation.

The confrontation with the host society has created solidary communities among immigrants both today and at the turn of the century. Nee and Nee (1973), Boswell (1986), and Zhou (1992) describe the plight of early Chinese immigrants in New York and San Francisco who were subjected to all forms of discrimination and lacked the means to return home. Barred from factory employment by nativist prejudice and prevented from bringing wives and other family members by the Chinese Exclusion Act, these hapless seekers of the “Mountain of Gold” had no recourse but to band together in tightly knit communities that were the precursors of today’s Chinatowns (Zhou 1992). Solidarity born out of common adversity is reflected in the “clannishness” and “secretiveness” that outsiders were later to attribute to these communities. Such communities also provided the basis for the rapid growth of fledgling immigrant enterprises. Today, Chinese immigrants and their descendants have one of the highest rates of self-employment among all ethnic groups, and their enterprises are, on the average, the largest among both native- and foreign-born minorities (U.S. Bureau of the Census 1991; *Wall Street Journal* 1991).

The confrontation with the receiving society is capable not only of activating dormant feelings of nationality among immigrants but of creating such feelings where none existed before. In a well-known passage, Glazer refers to the case of Sicilian peasants coming to New York in the early 1900s whose original loyalties did not extend much beyond their local villages. These immigrants learned to think of themselves as Italian and to band together on that basis after the native population began to treat them in the same manner and to apply to them the same derogatory labels. This situation created unexpected outcomes: “Thus the American relatives of Southern Italians (to whom the Ethiopian war meant nothing more than another affliction visited upon them by the alien government to the North) became Italian patriots in America, supporting here the war to which they would have been indifferent at home” (Glazer 1954, p. 167).

Not all immigrant groups have experienced equal levels of confrontation, which accounts, in part, for the different strength of reactive soli-

ilarity. The cultural and linguistic distance between home country and receiving society and the distinctness of immigrants relative to the native-born population govern, to a large extent, the magnitude of the clash. A second factor critical to forging solidarity is the possibility of “exit” from the host society to return home. Immigrants for whom escape from nativist prejudice and discrimination is but a cheap ride away are not likely to develop as high levels of bounded solidarity as those whose return is somehow blocked. Turn-of-the-century Chinese immigrants offer an example of the latter situation and so did Russian Jews who came escaping Tsarist persecution at home (Rischin 1962; Dinnerstein 1977). Today, blocked return is characteristic of many political refugees and higher levels of internal solidarity have indeed been noted among such groups (Gold 1988; Forment 1989; Perez 1986). The dynamics at play can be summarized in this first proposition: The more distinct a group is in terms of phenotypical or cultural characteristics from the rest of the population, the greater the level of prejudice associated with these traits, and the lower the probability of exit from this situation, then the stronger the sentiments of in-group solidarity among its members and the higher the appropriable social capital based on this solidarity.

In addition to charitable contributions, like those solicited by Officer Lozano, a more common use of this source of social capital is in the creation and consolidation of small enterprises. A solidary ethnic community represents, simultaneously, a market for culturally defined goods, a pool of reliable low-wage labor, and a potential source for start-up capital. Privileged access to these resources by immigrant entrepreneurs is, of course, not easily explainable on the basis of economic models focused on individual human capital and atomized market competition (Baker and Faulkner 1991). Aldrich and Zimmer (1986, p. 14) make essentially the same point when they note that “conditions that raise the salience of group boundaries and identity, leading persons to form new social ties and action sets, increase the likelihood of entrepreneurial attempts by persons within that group and raise the probability of success.”

However, reaction to cultural differences and outside discrimination alone do not account fully for the observed differences in the strength of bounded solidarity among different immigrant communities. We find such differences among groups subjected to similar levels of discrimination and even among those whose exit is equally blocked. The missing element seems to be the ability of certain minorities to activate a cultural repertoire, brought from the home country, which allows them to construct an autonomous portrayal of their situation that goes beyond a mere adversarial reaction.

German and Russian Jews arriving in the 19th century and in the early 20th represent the paradigmatic example of a group whose situational

solidarity, when confronted with widespread native prejudice, was not limited to an adversarial stance, but went well beyond it by taking advantage of a rich cultural heritage. Jewish-American society developed its own autonomous logic governed not so much by what “natives were thinking of us” than by concerns and interests springing from the group’s distinct religious and cultural traditions (Howe 1976; Rischin 1962). Chinese-Americans were not far behind. According to Nee and Nee (1973), the “bachelor society” of San Francisco’s Chinatown was organized along lines that reproduced in close detail the influence of Kwangtung Province, where most immigrants originated.<sup>3</sup> As in Kwangtung, the basis of social organization in Chinatown was the kinship group or clan that incorporated males who claimed descent from a common ancestor: “The Wong, Lee, and Chin families were the largest and most powerful clans in Chinatown. Basic everyday needs were dealt with within the framework of the clan unit in which a sense of shared collective responsibility and mutual loyalty were central values” (Nee and Nee 1973, p. 64).

The reproduction of Chinese practices and values to deal with adverse circumstances continues to our day (Zhou 1992). The opening chapter of Amy Tan’s (1989) autobiographical novel tells of the recreation in San Francisco of a weekly club originating in Kweilin (Guilin) during the Japanese invasion of China. Organized by immigrant women, the Joy Luck Club had the purpose of easing the difficulties of poverty and cultural adjustment by providing an atmosphere of camaraderie through good food and games. A generation later the club was still functioning with its members discussing joint investments in the stock market while they sat around the Mah Jong table.

The salience of many cultural practices and their reenactment after immigration do not come about spontaneously, but usually result from the clash with the host society and they are, in this sense, an emergent product. The fundamental source of solidarity is still situational, since it is the reality of discrimination and minority status that activates dormant home customs (Yancey, Ericksen, and Juliani 1976).

Because of its recency, the Nicaraguan immigrant community of Miami provides an excellent example of the birth of bounded solidarity and the reactivation of a cultural repertoire brought from the home country. In the words of one community leader, Nicaraguan refugees resent that “people think we’re all uneducated, poor people without documents” (Branch 1989, p. 20). To reassert their own identity and distinctness, Nicaraguans have resorted to a variety of practices including the revival

<sup>3</sup> Nee and Nee use the Wade-Giles spelling system. In Pinyin, the romanization system now used in China, the province name is spelled Guangdong.

of near-forgotten folk items. Ethnic stores, for example, do a brisk business selling Nicaraguan products such as *cotonas* (a cotton shirt usually worn only by Nicaraguan Indians) to well-to-do refugees. As one store owner put it, “The people who always wore American brands and European clothes in Nicaragua now come shopping for a *cotona* to wear to parties” (Veciana-Suarez 1983, p. 10).

Not all immigrants have the same opportunity to reinforce the emergent solidarity arising out of confrontation with a foreign society with a sense of cultural continuity and autonomous presence. Among groups whose ethnicity was “made in America,” such as those described by Glazer, the necessary elements for construction of a collective identity may be missing or may have been forgotten, forcing the minority to borrow them from the very cultural mainstream to which it is reacting. Peasants from Southern Italy and the eastern reaches of the Austro-Hungarian empire recruited to work in American factories and mines had but a faint idea of the nations they left behind. As they clustered together in ethnic communities in America, they often had to accept definitions of their own identity based on host-society stereotypes. Similarly, Polish immigrants arriving in the early years of this century often learned about their nationality in the United States; in Poland, the rural lords were the Poles, the peasants were just peasants (Glazer 1954; Greeley 1971; Sowell 1981).

Although most contemporary immigrants have a clear idea of their national identities, exceptional circumstances still exist that prevent their reenactment in places of reception. Peasant refugees from the remote highlands of Southeast Asia resettled in American cities offer an appropriate example. Unable to reimplement cultural practices from a preindustrial past in such a vastly different environment, they often lapse into despair and various forms of emotional disorder (Rumbaut and Ima 1988). The following statement from a Hmong refugee in southern California illustrates a situation reminiscent of those recorded by Thomas and Znaniecki ([1918–20] 1984) among Polish peasant immigrants at the turn of the century: “In our old country, whatever we had was made or brought in by our own hands; we never had any doubts that we would not have enough for our mouth. But from now on to the future, that time is over. So you see, when you think these things over, you don’t want to live anymore. . . . Don’t know how to read and write, don’t know how to speak the language. My life is only to live day by day until the last day I live, and maybe that is the time when my problems will be solved” (Rumbaut 1985, pp. 471–72).

These contrasting experiences lead to the following second proposition: Social capital arising out of situational confrontations is strongest when the resulting bounded solidarity is not limited to the actual events but

brings about the construction of an alternative definition of the situation based on reenactment of past practices and a common cultural memory.

#### ENFORCEABLE TRUST

The fourth source of social capital is also based on the existence of community except that, in this case, it is not sentiments of solidarity based on outward confrontation, but the internal sanctioning capacity of the community itself that plays the central role. In his article, Coleman (1988) identifies this mechanism as the difference between open and closed social structures: "Closure of the social structure is important not only for the existence of effective norms but also for another form of social capital: the trustworthiness of social structures that allows the proliferation of obligations and expectations" (Coleman 1988, pp. S107–S108).

What Coleman refers to as "closure" is, of course, the degree to which a particular collectivity forms a group at all, as opposed to a mere aggregate of individuals. Commonalities in experiences of departure from the home country and conditions at arrival in the United States create bonds among immigrants and give rise to a multiplicity of social networks that frequently coalesce into tightly knit ethnic communities. The social capital emerging from the monitoring capacity of these communities is best referred to as enforceable trust.

As seen above, bounded solidarity shares with the first source of social capital (value introjection) an element of moral obligation. Individuals behave in certain ways because they must—either because they have been socialized in the appropriate values or because they enact emergent sentiments of loyalty toward others like themselves. Such behavior can occur even in the absence of reward or punishment. The final source of social capital discussed here shares with the second (reciprocity exchanges) a strong instrumental orientation. In both cases, individuals behave according to expectations not only because they must, but out of fear of punishment or in anticipation of rewards. The predictability in the behavior of members of a group is in direct proportion to its sanctioning capacity. Hence, the oxymoron: *trust* exists in economic transactions precisely because it is *enforceable* by means that transcend the individuals involved.

The economic-sociology literature has already noted that the rewards and sanctions administered by ethnic communities are generally nonmaterial in character, but that they can have very material consequences in the long run. A key aspect of the latter is access to resources for capitalizing small enterprises. Economic sociology has here one of the prime instances showing the utility of its approach as compared with individualistic accounts of economic attainment. For illustration, however, sociol-

ogists seem to have hit on only one example: the rotating credit association. Since Ivan Light (1972) called attention to this form of small-firm capitalization, rotating credit associations have become de rigueur as an illustration of the significance of embeddedness (Granovetter 1985), social capital (Coleman 1988), and “group solidarity” (Hechter 1987, p. 108). Other network-based mechanisms exist, however as the following two examples show.

### Dominicans in New York City

The Dominican immigrant community in New York City was characterized until recently as a working-class ghetto composed mostly of illegal immigrants working for low wages in sweatshops and menial service occupations. A study conducted under the auspices of the U.S. Congressional Commission for the Study of Immigration contradicts this description and points to the emergence of a budding entrepreneurial enclave among Dominican immigrants (Portes and Guarnizo 1991). The city-within-a-city that one encounters when entering the Washington Heights area of New York with its multiplicity of ethnic restaurants and stores, Spanish-language newspapers, and travel agencies is, to a large extent, a Dominican creation built on the strength of skills brought from the Dominican Republic, ready access to a low-wage labor pool, and the development of informal credit channels.<sup>4</sup>

New York hosts several formally registered Dominican finance agencies (*financieras*) but, in addition, networks of informal loan operations grant credit with little or no paperwork. Capital comes from profits of the drug trade, but also from established ethnic firms and savings of workers who obtain higher interest rates in the ethnic finance networks than in formal banking institutions. These sources are reinforced by flight capital from the Dominican Republic. Money circulates within community networks and is made available for business start-ups because recipients are fully expected to repay. This expectation is based first on the reputation of the recipient and second on swift retribution against those who default. Such punishment may include coercive measures but is more often based on ostracism from ethnic business circles. Outside the

<sup>4</sup> According to the Federation of Dominican Industrialists and Merchants of New York, the city hosts some 20,000 Dominican-owned businesses, including about 70% of all Spanish grocery stores or *bodegas*, 90% of the gypsy cabs in Upper Manhattan, three chains of Spanish supermarkets, and several newspapers and radio stations. Allowing for a measure of prideful exaggeration in these figures, they still point to the diversity of business initiatives in which Dominican immigrants can be found (Guarnizo 1992).

immigrant enclave, Dominicans have very few opportunities other than low-wage menial labor.

These patterns can be illustrated by the experiences of a Dominican entrepreneur interviewed in the course of fieldwork in New York. This man whom we shall call Nicolas is 38 years old and already owns five shops in New York City and a *financiera* in the Dominican Republic. He employs a staff of 30, almost all of whom are Dominican relatives or friends of relatives. For finance, he relies exclusively on the informal system of Washington Heights. Sometimes he acts as an investor and sometimes as a borrower. As an investor, Nicolas has earned a good reputation that enables him to collect several thousand dollars to be invested in his businesses in New York and Santo Domingo. These investments generally come from other immigrants who do not yet have enough capital to initiate businesses themselves. As a borrower, he seems to enjoy ample credit. At the time of the interview, Nicolas had two active loans—one for \$125,000 and the other for \$200,000—only one of which was accompanied by some signed papers. He was paying a monthly interest of 2.6%.<sup>5</sup>

### Cubans in Miami

Conventional accounts of business success among Cuban exiles in South Florida attributed their advance to material capital brought by the earlier arrivals. Subsequent studies have shown the inadequacy of this explanation since few of the businesses that formed the core of the Miami enclave were capitalized in this fashion (Wilson and Portes 1980; Wilson and Martin 1982). The rotating credit association did not exist as a cultural practice in Cuba, so a different type of mechanism had to give rise to the first ethnic firms. By the mid-1960s, a few small banks in Miami were owned by wealthy South American families who began hiring unemployed Cuban exile bankers first as clerks and then as loan officers. Once their own jobs became secure, these bankers started a program of lending small sums—from \$10,000 to \$30,000—to fellow exiles for business start-ups. These loans were made without collateral and were based exclusively on the personal reputation of the recipient in Cuba.<sup>6</sup>

This source of credit became known as “character” loans. Its effect was to allow penniless refugees who had no standing in the American

<sup>5</sup> From field interviews in New York conducted as part of the same study (Portes and Guarnizo 1991).

<sup>6</sup> This material was gathered by the senior author during fieldwork in Miami and will be included in a forthcoming book on that city (Portes and Stepick 1993).



banking system to gain a foothold in the local economy. A banker who took part in this operation described it as follows:

At the start, most Cuban enterprises were gas stations; then came grocery shops and restaurants. No American bank would lend to them. By the mid-sixties we started a policy at our bank of making small loans to Cubans who wanted to start their own business, but did not have the capital. These loans of \$10,000 or \$15,000 were made because the person was known to us by his reputation and integrity. All of them paid back; there were zero losses. With some exceptions they have continued being clients of the bank. People who used to borrow \$15,000 on a one-time basis now take \$50,000 in a week. In 1973, the policy was discontinued. The reason was that the new refugees coming at that time were unknown to us. [Portes and Stepick 1991]

Character loans made possible the creation of a thick layer of small and mid-size firms that are today the core of the Cuban ethnic economy. Bounded solidarity clearly had something to do with the initiative since fellow exiles were preferred to other potential recipients. However, this mechanism was not enough. The contrast between the exiles arriving in the 1960s to whom these loans were available and those who came after 1973 who were ineligible for them marks the boundaries of a prerevolutionary community of business people in which personal reputation and social ties were a precondition for success. Once in Miami, these connections became all the more valuable because penniless refugees had little else on which to rebuild their careers.

The Cuban bankers, therefore, had good reasons for making these loans because they were certain that their clients would pay back. Anyone defaulting or otherwise violating the expectations built into such deals would be excluded from the community and, as it was with the Dominicans in New York, there was precious little else in Miami in the way of economic opportunity. Character loans were backed, therefore, by much more than sentiments of loyalty or a written promise to repay, but by the sanctioning capacity built into the business networks of the enclave. The fact that bounded solidarity did not suffice is demonstrated by the exclusion of Cubans who came after the exodus of the prerevolutionary business elite was complete.<sup>7</sup>

### Community Resources

As a source of social capital, enforceable trust varies greatly with the characteristics of the community. Since the relevant behaviors are guided

<sup>7</sup> For a periodicization of the stages of the Cuban exodus, see Diaz-Briquets and Perez (1981) and Pedraza-Bailey (1985).

by instrumentalist expectations, the likelihood of their occurrence is conditioned by the extent to which the community is the sole or principal source of certain rewards. When immigrants can draw on a variety of valued resources—from social approval to business opportunities—from their association with outsiders, the power of their ethnic community becomes weaker. Conversely, when outside prejudice denies them access to such rewards, observance of community norms and expectations becomes much more likely. After reviewing studies of business behavior of the overseas Chinese in the Philippines and of Asian Indians in Kenya, Granovetter (in press) arrives essentially at the same conclusion noting that “the discrimination that minority groups face can actually generate an advantage. . . . Once this discrimination fades, intergenerational continuity in business is harder to sustain.” These observations lead to the following third proposition: As a source of social capital, enforceable trust is directly proportional to the strength of outside discrimination and inversely proportional to the available options outside the community for securing social honor and economic opportunity.

What happens on the outside must be balanced, however, with the resources available in the ethnic community itself. It may be that a second- or third-generation Chinese-American or Jewish-American faces no great prejudice in contemporary American society, yet she or he may choose to preserve ties to the ethnic community because of the opportunities available through such networks. The durability of institutions created by successful immigrant groups may have less to do with the long-term persistence of outside discrimination than with the ability of these institutions to “compete” effectively with resources and rewards available in the broader society. Conversely, a resource-poor immigrant community will have trouble enforcing normative patterns even if its members continue to face severe outside discrimination.

An ongoing study of second-generation Haitian students in Miami high schools illustrates the point.<sup>8</sup> Like other immigrant groups before them, Haitian parents want their children to preserve their culture and language as they adapt to the American environment. However, Haitian parents lack the means to send their children to private schools, and, in any case, there are none in Miami that teach in French or foster Haitian culture. As a result, many Haitian-American students must attend the same high school that serves the inner-city area known as Liberty City. There Haitian students are socialized in a different set of values, includ-

<sup>8</sup> Study in progress entitled, “Children of Immigrants: The Adaptation Process of the Second-Generation.” The material presented herein comes from preliminary fieldwork conducted by the senior author in South Florida during the summer of 1990 (see Portes and Stepick 1993, chap. 8).

ing the futility of trying to advance in life through education. They find their culture denigrated by native-born minority students who often poke fun at Haitians' accents and docility. Since immigrant parents have very little to show for their efforts, and the Haitian community as a whole is poor and politically weak, second-generation students have few incentives to stay within it, and many opt to melt into the mainstream. In this instance, "mainstream" does not mean the white society, but the impoverished black community of Liberty City. As this happens, social capital based on immigrant community networks is dissipated.<sup>9</sup>

Last, the effectiveness of collective sanctions through which enforceable trust is built depends on the group's ability to monitor the behavior of its members and its capacity to publicize the identity of deviants. Sanctioning capacity is increased by the possibility of bestowing public honor or inflicting public shame immediately after certain deeds are committed. Means of communication, in particular the ethnic media, play a crucial role in this regard (Olzak and West 1991). Foreign-language newspapers, radio stations, and television spots exist not only to entertain and inform the respective communities, but also to uphold collective values and highlight their observance or violation (Forment 1989, pp. 63–64). As such, the existence of well-developed media channels within an ethnic community represents a powerful instrument of social control.

These observations can be summarized in a fourth proposition: The greater the ability of a community to confer unique rewards on its members, and the more developed its internal means of communication, then the greater the strength of enforceable trust and the higher the level of social capital stemming from it.

By failing to take into account the differential presence of resources giving rise to enforceable trust, orthodox economic models of minority poverty and mobility deprive themselves of a crucial analytical tool. Recent research shows that levels of entrepreneurship vary significantly among ethnic minorities and that such differences are positively associated with average incomes (Fratoe and Meeks 1985; Aldrich and Zimmer 1986; Light and Bonacich 1988; Borjas 1990). Other analyses indicate that neither the origins of ethnic entrepreneurship nor its average higher levels of remuneration are fully explained by human capital differences (Portes and Zhou 1992). Social capital arising from enforceable trust may well account for the remaining differences. These favorable consequences are, of course, congruent with those hypothesized by Coleman (1988). Having concluded the analysis of different types of social capital and the

<sup>9</sup> See n. 8 above. On the condition of Haitians in South Florida, see also Stepick (1982) and Miller (1984).

processes giving rise to them, it is appropriate at this point to consider the other side of the matter.

## NEGATIVE EFFECTS

Coleman's analysis of social capital sounds a note of consistent praise for the various mechanisms that lead people to behave in ways different from naked self-interest. His writing adopts at times a tone of undisguised nostalgia, reminiscent of Tönnies' longing for the times when there was more social closure and when *gemeinschaft* had the upper hand (Tönnies [1887] 1963). Indeed, it is our sociological bias to see good things emerging out of social embeddedness; bad things are more commonly associated with the behavior of *homo economicus*. Many examples could be cited in support of the sociological position in addition to those presented by Coleman (see Hechter 1987; Uehara 1990). To do so, however, would only belabor the point. Instead, this final section considers the other side of the question. When it is put on a par with money capital and human capital, an instrumentalist analysis of social capital is necessarily biased toward emphasizing its positive uses—from capitalizing minority enterprises to cutting down the number of lawyers required for enforcing contracts.

It is important, however, not to lose sight of the fact that the same social mechanisms that give rise to appropriable resources for individual use can also constrain action or even derail it from its original goals. At first glance, the term "social debit" might seem appropriate in order to preserve the parallel with money capital. However, on closer examination, this term is inadequate because the relevant phenomena do not reflect the *absence* of the same forces giving rise to social capital but rather their other, presumably less desirable, manifestations. The following examples illustrate these alternative facets.

### Costs of Community Solidarity

The existence of a measure of solidarity and trust in a community represents a precondition for the emergence of a network of successful enterprises. However, the exacerbation of these sentiments and obligations can conspire against exactly such a network. In his study of the rise of commercial enterprises in Bali, Clifford Geertz observed how successful entrepreneurs were constantly assaulted by job- and loan-seeking kinsmen. These claims were buttressed by strong norms enjoining mutual assistance within the extended family and among community members in general. Balinese social life is based on groups called *seka*, and individuals typically belong to several of these. "The value of *seka* loyalty,

putting the needs of one's group above one's own is, along with caste pride, a central value of Balinese social life" (Geertz 1963, p. 84). Although entrepreneurship is highly valued in this community, successful businessmen face the problem of numerous claims on their profits based on the expectation that economic decisions "will lead to a higher level of welfare for the organic community as a whole" (Geertz 1963, p. 123). The result is to turn promising enterprises into welfare hotels, checking their economic expansion.

Granovetter (in press), who calls attention to this phenomenon, notes that it is the same problem that classic economic development theory identified among traditional enterprises and that modern capitalist firms were designed to overcome. Weber ([1922] 1963) made the same point when he identified arm's length transactions guided by the principle of universalism as one of the major reasons for the success of Puritan enterprises. Hence, cozy intergroup relationships of the sort frequently found in solidary communities can give rise to a gigantic free-riding problem. Less diligent group members can enforce on successful members all types of demands backed by the same normative structure that makes the existence of trust possible.

In the indigenous villages surrounding the town of Otavalo in the Ecuadorian Andes, male owners of garment and leather artisan shops are often Protestant (or "Evangelicals" as they are known locally) rather than Catholic. The reason is not that the Protestant ethic spurred them to greater entrepreneurial achievement nor that they found Evangelical doctrine to be more compatible with their own beliefs, but a rather more instrumental one. By shifting religious allegiance, these entrepreneurs remove themselves from the host of social obligations for male family heads associated with the Catholic church and its local organizations. The Evangelical convert becomes, in a sense, a stranger in his own community, which insulates him from free riding by others who follow Catholic-inspired norms.<sup>10</sup>

Among present-day immigrant communities in the United States scattered instances of this phenomenon appear to be operating. Southeast Asian, and particularly Vietnamese, businesses in California have been affected by a particularly destructive form of collective demands from fellow exiles, including Vietnamese youth and former military officers (Chea 1985; Efron 1990). In the course of fieldwork in Orange County, California, Rubén Rumbaut interviewed a successful Vietnamese electronics manufacturer who employed approximately 300 workers in his

<sup>10</sup> Preliminary results of an ongoing study of indigenous entrepreneurship in the Andes being conducted by the Latin American School of Social Sciences (FLACSO) in Quito. Personal communication with the study director, Dr. Jorge Leon, June 1991.

plant. Not one of them was Vietnamese. The owner had anglicized his name and cut most of his ties to the immigrant community. The reason was less a desire for assimilation than fear of the demands of other Vietnamese, especially the private "security services" organized by former members of the Vietnamese police.<sup>11</sup>

### Constraints on Freedom

A second manifestation of negative effects consists of the constraints that community norms put on individual action and receptivity to outside culture. This is an expression of the age-old dilemma between community solidarity and individual freedom in the modern metropolis, already analyzed by Simmel ([1902] 1964). The dilemma becomes acute in the case of tightly knit immigrant communities since they are usually inserted in the core of the metropolis, yet are simultaneously upholding an exotic culture. The city-within-a-city sustained by the operation of solidarity and trust creates unique economic opportunities for immigrants, but often at the cost of fierce regimentation and limited contacts with the outside world. The Spanish-language media, so instrumental in maintaining community controls among Latins in South Florida (Forment 1989) also imposes, in the opinion of many observers, a virtual censorship. Joan Didion reports the views on the matter of a dissident exile banker: "This is Miami. . . . A million Cubans are blackmailed, totally controlled by three radio stations. I feel sorry for the Cuban community in Miami. Because they have imposed on themselves, by way of the right, the same condition that Castro has imposed in Cuba. Total intolerance" (Didion 1987, p. 113).

Until a few years ago, San Francisco's Chinatown was a tightly knit community where the family clans and the Chinese Six Companies ruled supreme. These powerful associations regulated the business and social life of the community, guaranteeing its normative order and privileged access to resources for its entrepreneurs. Such assets came, however, at the cost of restrictions on most members' scope of action and access to the outside world. In their study of Chinatown, Nee and Nee (1973) report on the continuing power of the clans and the Chinese companies and their strong conservative bent. What put teeth in the clans' demands was their control of land and business opportunities in the Chinese enclave and their willingness to exclude those who violated normative consensus by adopting a "progressive" stance. One of the Nees' informants

<sup>11</sup> This interview was conducted in June 1985 and is reported in Portes and Rumbaut (1990, pp. 3–4).

complained about this conservative stronghold in terms similar to those of the Miami banker above:

And not only the Moon Family Association, all the family associations, the Six Companies, any young person who wants to make some changes, they call him a communist right away. He's redcapped right away. They use all kinds of tricks to run him out. You see, in old Chinatown, they didn't respect a scholarly person or an intelligent person. . . . They hold on to everything the way it was in China, in Kwangtung. Even though we're in a different society, a different era. [Nee and Nee 1973, p. 190]

Like Chinatown in San Francisco, the Korean community of New York is undergirded by a number of associations—from traditional extended family groups and various types of *gye* (rotating credit associations) to modern businesses and professional organizations. The role of this associational structure in generating social capital for collective advancement follows closely the pattern of enforceable trust already described. The flip side of this structure takes, however, a peculiar form among Koreans. As described by Illsoo Kim (1981), the South Korean government, represented by its consulate general, has played a very prominent role in the development of the ethnic community. “Partly because Korean immigrants have a strong sense of nationalism and therefore identify with the home government, the Korean Consulate General in New York City . . . has determined the basic tone of community-wide politics” (Kim 1981, p. 227).

This position has, in the past, enabled the South Korean government to promote its own interests by rewarding “loyal” immigrants with honors and business concessions and by intimidating its opponents. Especially during the government of Park Chung-hee, the Korean CIA (KCIA) was active in the community rooting out anti-Park elements and silencing them with threats of financial ruin or even physical harm. In an American context, this heavy political hand became excessive, leading other community organizations to mobilize in order to weaken its hold. The consulate remained, however, an integral part of this community and a significant institutional factor.

The solidarity and enforcement capacity that promote ethnic business success also restrict the scope of individual expression and the extent of extracommunity contacts. Combined with the first type of negative effect discussed above, these examples can be summarized in the following fifth proposition: The greater the social capital produced by bounded solidarity and community controls, then the greater the particularistic demands placed on successful entrepreneurs and the more extensive the restrictions on individual expression.

### Leveling Pressures

The first two negative effects above are not intrinsically at odds with economic mobility, but represent its marginal costs, as it were: successful individuals are beset by fellow group members relying on the strength of collective norms, and highly solidary communities restrict the scope of personal action as the cost of privileged access to economic resources. The last form discussed in this section conspires directly against efforts toward individual mobility by exerting leveling pressures to keep members of downtrodden groups in the same situation as their peers. The mechanism at work is the fear that a solidarity born out of common adversity would be undermined by the departure of the more successful members. Each success story saps the morale of a group, if that morale is built precisely on the limited possibilities for ascent under an oppressive social order.

This conflict is experienced by the Haitian-American teenagers discussed above, as they are torn between parental expectations for success through education and an inner-city youth culture that denies that such a thing is possible. Assimilation to American culture for these immigrant children often means giving up the dream of making it in America through individual achievement.<sup>12</sup> The neologism “wannabe,” arguably the latest contribution of inner-city youth to the cultural mainstream, captures succinctly the process at hand. Calling someone by this name is a way of ridiculing his or her aspiration to move above his or her present station and of exercising social pressure on the person to remain in it. In his ethnographic research among Puerto Rican crack dealers in the Bronx, Bourgois (1991) calls attention to the local version of the “wannabe” among second-generation Puerto Rican youngsters—the “turnover.” He reports the views of one of his informants:

When you see someone go downtown and get a good job, if they be Puerto Rican, you see them fix up their hair and put some contact lens in their eyes. Then they fit in. And they do it! I have seen it! . . . Look at all the people in that building, they all turn-overs. They people who want to be white. Man, if you call them in Spanish it wind up a problem. I mean like take the name Pedro—I'm just telling you this as an example—Pedro be saying (imitating a whitened accent) “My name is Peter.” Where do you get Peter from Pedro? [Bourgois 1991, p. 32]

In their description of what they label the “hyperghetto” of Chicago's South Side, Wacquant and Wilson (1989) speak of a similar phenomenon in which solidarity cemented on common adversity discourages individuals from seeking or pursuing outside opportunities. Notice that in each

<sup>12</sup> For a similar situation confronting Mexican and Central American immigrant children in California schools, see Suarez-Orozco (1987).



such situation, social capital is still present, but its effects are exactly the opposite of those found among other immigrant communities. Whereas among Asian, Middle-Eastern, and other foreign groups, social capital based on bounded solidarity is one of the bases for the construction of successful enterprises, in the inner city it has the opposite effect.

This contrast is all the more telling because it often involves groups from the same broad cultural origin. In this regard, the use of Spanish in Miami and in the Bronx is instructive. In the Bronx, shifting to English and anglicizing one's name is a sign that the individual aspires to move up by leaving behind his or her ethnic community. In Miami, the same behavior would bring exclusion from the business networks of the enclave and the unique mobility opportunities that they make available. In both instances, public use of Spanish signals membership in the ethnic community, but the socioeconomic consequences are very different.

Perhaps the most destructive consequence of this negative manifestation of social capital is the wedge that it drives between successful members of the minority and those left behind. To the extent that community solidarity is exclusively based on an adversarial view of the mainstream, those who attempt to make it through conventional means are often compelled to adopt majority opinions antithetical to their own group. Bourgois (1991) illustrates this point with the example of a former Bronx pusher, now a born-again Christian and insurance salesman in the Connecticut suburbs:

If anything when you look at me you know I'm Hispanic. When I jog down the neighborhood, people get scared. It's not a problem for me because I have self-confidence . . . every once in a while I used to get a crank call in the house, saying "Hey, spic," you know "spic" and other stuff, but I don't worry about that.

In a sense, I've learned to be in their shoes. You see what I mean. Because I've seen what minorities as a group can do to a neighborhood. So I step into their shoes and I understand, I sympathize with them. Cause I've seen great neighborhoods go down. [Pp. 34–35]

For the lone escapee from the ghetto, "self-confidence" takes the place of group support. Confronting prejudice alone often means accepting some of its premises and turning them against one's own past. The suburban white, perceived from the ghetto as an adversary, is transformed into a sympathetic figure "in whose shoes" one can stand.

It is beyond the scope of this article to explore the contextual forces leading to the widely different outcomes of ethnic solidarity. The existing literature suggests, however, one common strand in every manifestation of this last type of negative effect based on downward leveling norms. Each such instance has been preceded by extensive periods of time, sometimes generations, in which the upward mobility of the group has been

blocked (Marks 1989; Barrera 1980; Nelson and Tienda 1985). This has been followed by the emergence of collective solidarity based on opposition to these conditions and an accompanying explanation of the group's social and economic inferiority as caused by outside oppression. Although correct historically, this position frequently produces negative consequences for individual mobility through the operation of the mechanism discussed above. These observations lead to the following sixth and final proposition: The longer the economic mobility of a group has been blocked by coercive nonmarket means, then the more likely the emergence of a bounded solidarity that negates the possibility of advancement through fair market competition and that opposes individual efforts in this direction.

The six propositions presented above are summarized in figure 1, which attempts to formalize the discussion of antecedents and effects of solidarity and trust. As indicated previously, the propositions have the character of hypotheses that have been drawn from past and ongoing research on immigration, but will be subject to the test of additional evidence. The present state of knowledge does not allow a more refined analysis of the character of relationships between antecedent and consequent factors including, for example, whether they involve additive or interactive effects. Such refinements and possible corrections to the set of hypothesized relationships must await additional work.

Figure 1 does not fully resolve the apparent ambiguity in the final proposition which, at first glance, contradicts earlier ones concerning the positive effects of bounded solidarity. In fact, it supports them: the reactive mechanism giving rise to bounded solidarity in response to outward discrimination is the same as outlined earlier. The crucial difference lies in the extent of discrimination and its duration. Protracted periods of oppression, especially in a no-exit situation, undermine the cultural and linguistic resources available to a group for constructing an alternative definition of the situation (second proposition). A situation of permanent subordination also deprives a collectivity of the resources necessary to reward or punish its members independently (fourth proposition), so that its enforcement capacity is entirely dependent on outside discrimination that forces its members to band together (third proposition). The downward leveling pressures reviewed here are a reaction to the partial breakdown of this last source of sanctioning capacity, as fissures in the barriers confronting the group allow some of its members—"wannabes" or "turnovers"—to escape its hold.

## SUMMARY AND CONCLUSION

In this article, we have attempted to contribute to the reemerging field of economic sociology by delving into its classic roots and by using empirical

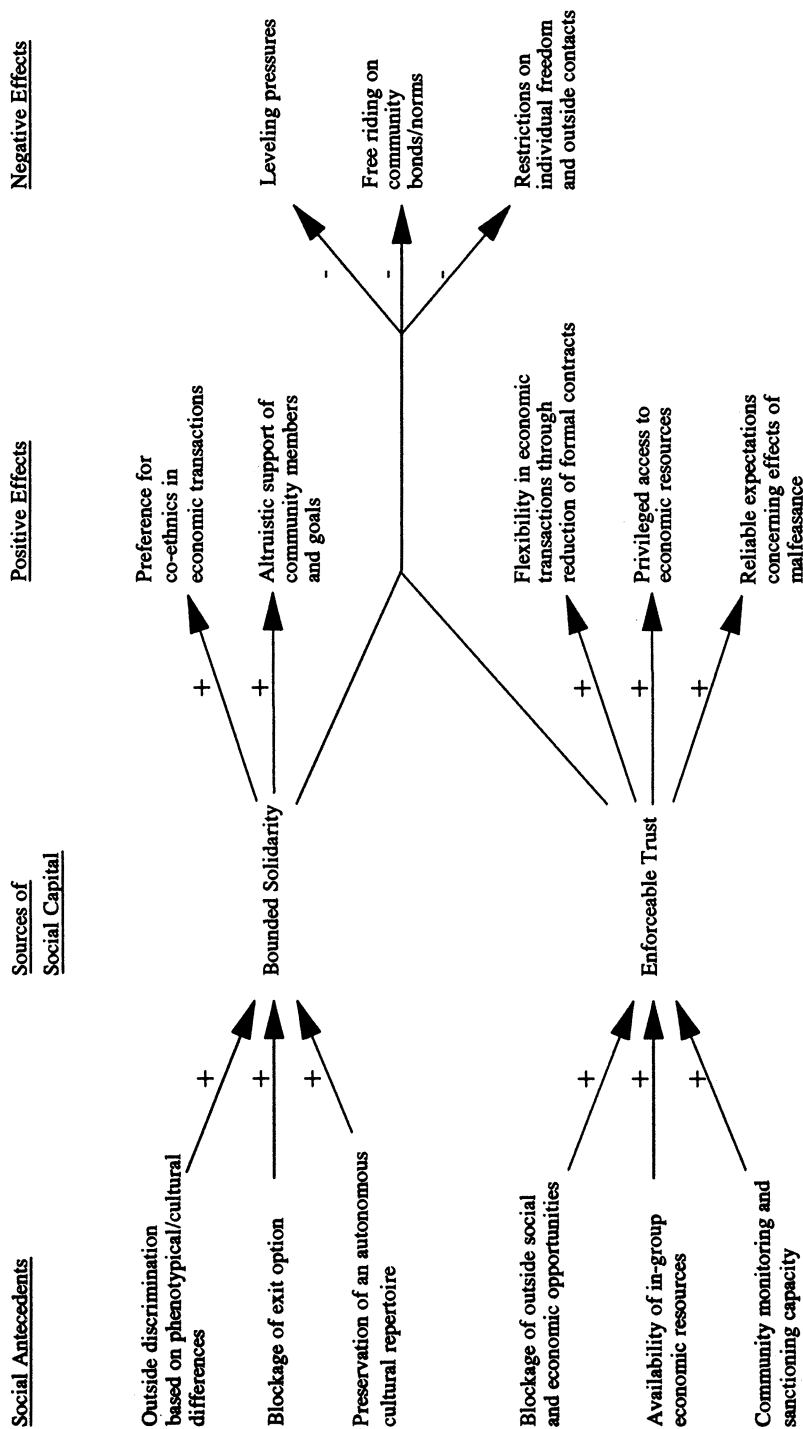


FIG. 1.—Antecedents and effects of two types of social capital among immigrant communities

examples from the immigration literature to explore the different forms in which social structures can affect economic action. Social embeddedness provides a suitable conceptual umbrella for this exploration although, to analyze its specific manifestations, we have focused on the concept of social capital. We have argued that previous analyses of this concept have been too vague concerning its origins and too instrumentalist about its effects. Accordingly, the aim of our analysis has been to identify the various mechanisms leading to the emergence of social capital and to highlight its consequences, positive and negative.

Economic sociology traces its origins not only to Max Weber and other sociological classics, but also to economists such as Joseph Schumpeter who saw in this field a needed corrective to the simplifications of classical economy theory. Schumpeter and other "historical school" economists in Germany, as well as Veblen and later institutionalist economists in the United States, struggled mightily to stem the growing tide to convert individuals into "mere clotheslines on which to hang propositions of economic logic" (Schumpeter 1954, pp. 885–87; Swedberg 1991). The effort to highlight the economic significance of what Schumpeter called "social institutions" collapsed, however, under the relentless expansion of individualism and rational utilitarian models, to the point that these perspectives have begun to make significant inroads into sociology itself.

In this context, the efforts of Granovetter (1985, 1990), Block (1990), and others to reopen space for social structures in the analysis of economic life represent a commendable, but still fragile venture. In our view, such efforts will not prosper if limited, as in the past, to a critique of neoclassical theories without there being anything proposed to replace them. A viable strategy for filling this gap is not to ground sociological perspective in armchair speculation, but in established bodies of empirical knowledge. The modest but rapidly growing immigration-research literature offers a rich source for such efforts, exemplified but not exhausted by the exercise in these pages.

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