ECONOMIC INEQUALITY AND THE CHOICE OF SELF-EMPLOYMENT AMONG AMERICANS OF LEBANESE, PALESTINIAN, AND SYRIAN ETHNIC DESCENT*

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ABSTRACT

Self-employment dependency varies drastically between national origin groups living in the United States. Prejudicial feelings against some nations of origin make it more difficult for some immigrants or ethnics to bypass employment hierarchies that force them out of the traditional occupational structure; religion can also form strong barriers to employment. The result is that groups who face high levels of discrimination choose to form their own businesses at inordinately high rates. It is also true that within ethnic economic enclaves socially unpopular subgroups are placed at an economic disadvantage. This situation makes the rate of self-employment a key indicator of ethnic economic discrimination. This article investigates the role of social distance in promoting self-employment among Americans with Lebanese, Palestinian, and Syrian ethnicity or national backgrounds.

Borjas and others argued that immigration is a self-selecting process wherein motivated people relocate and excel via self-employment in the host country [1]. This cycle makes "the context of the migration decision itself is important for understanding labor-market outcomes for immigrants, [... including] education, ... national origin, ... time of migration [2, p. 987] and indicates that

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immigrants' ambition should help them pursue entrepreneurial self-employment at accelerated rates. New evidence shows that discrimination is also a key reason for ethnic self-employment. In addition, within ethnic economic enclaves subgroup hierarchies form discriminatory barriers to employment. Therefore, we must look beyond the ethnic enclave when investigating economic inequality among ethnic groups [3].

For example, Ivan Light and his co-authors found the Persian-ethnic community is divided into four distinct sub-group enclaves that operate independently and sometimes in opposition to each other [4]. Tension is often caused by the transfer of the premigration conflicts, and it is also often true that the home-country minority groups who have decided to relocate become the dominant community segment in the host country. In addition, prevalent majority-minority stereotypes form the basis for "sociocentrism or in-group favoritism" [5, p. 489] that support power structures within an enclave. The tendency is for incumbent subgroups to "organize into professional associations that limit and control entry and supply" [6, p. 228], and "the embeddedness of these ethnic structures impede access to outsiders" [7, p. 555].

This article looks at the role intergroup and intragroup prejudices based on national origin and religious preferences play in vocational selection and earnings in the Arab-ethnic enclave in the United States. The result of these biases is that among immigrants from the Levant region, Syrian-Americans chose self-employment the least and Palestinian-Americans the most. Muslims are also much more dependent on self-employment than Christians, but Palestinians are always at a disadvantage.

BACKGROUND

Immigrants living in the United States and the domestic ethnic groups to which they are kin are 200 to 300 percent more likely to be self-employed than the general population [8]. The reasons are not entirely clear, and research on this subject is too often biased by sociopolitical agendas. For example, much that has been written in the last decade on the role of ethnic entrepreneurship or, more accurately, ethnic self-employment, is laudatory in nature and concerned mainly with recording success stories about leading figures in a community. Even academic research tends to use this style, resulting in numerous recent articles about model ethnic groups: Cubans in Miami, Chinese in New York, and Koreans in California. Or, as is the case with Chiswick's work, immigrant entrepreneurs are observed as a class-based phenomenon [9]. There are legitimate reasons for these approaches, and it is admittedly important for ethnic groups to identify and take pride in community symbols of success. It is also vital to monitor ethnic group progress over time.

However, these approaches overlook the reasons people pursue selfemployment in the first place, which is, as Vesper pointed out, comparable

among all entrepreneurs: job creation [10]. According to him, and to Blackford, the tendency to pursue self-employment increases when economic factors reduce industrial employment, or when social support networks fail [11]. Research shows that four factors account for most ethnic self-employment: "economic deprivation," "ethnic antagonism, and the broader society's rejection of immigrants" [12, p. 130], and "natives' desire to maximize social distance from immigrants" [13, p. 45] and "undesirables" [14, p. 145].

This anti-ethnic/anti-immigrant situation is reflected in recent national opinion polls on immigration policies. As can be seen from figures presented in Table 1, Americans favor limiting immigration more now than ever [15].

Clearly, there is a wave of anti-immigrant sentiment in the United States that has grown significantly stronger in the last ten years. According to these figures the number of people who feel the level of immigration should be reduced has risen almost 50 percent, and the number who want immigration policy to stay the same has declined by nearly 30 percent. Moreover, the percentage of people with no opinion on the issue of immigration has dropped by 43 percent. This situation means the public is taking note of the political debate on this issue. And, in reaction to this shift in public opinion, politicians have begun to take openly hostile positions on immigrant-sensitive issues. A primary example is the trend set by state governors toward proposing legislation that is kin to California's Proposition 187 [16].

In response, disproportionate numbers of non-European ethnics opt to become proprietors and workers in informal economies [17]. Evidence shows the "occupational choices" made by foreign-born citizens and residents are imposed by xenophobia and discrimination [18] and inaccurate majority perceptions about the roles ethnic groups play in the U.S. economy [19]. The fact that immigrant population growth in recent years has happened during periods of slow economic adjustment, has created a backlash against "foreigners" and fostered

Table 1.	Public Opinion on Appropriate Levels of Immigration
	to the United States

Survey Year and Scope		Immigration Lev	els Should Be:	
	Increased %	Kept/Same %	Reduced %	No Opinion %
1965 ^a	8	39	33	20
1977 ^b	7	37	42	14
1984 ^c	8	38	40	14
1990 ^d	9	29	48	14
1992 ^e	5	28	59	8

discrimination in various forms throughout the national employment and occupational structures [20].

However, while a general backlash against ethnics and immigrants surely exists, Darity also reported major differences in the economic growth seen by some ethnic groups relative to others [21]. Aldrich and his co-authors have also noticed this phenomenon and deduced from it that immigrant succession in urban neighborhoods is often most intense among groups facing the most prejudice [22]. For example, the Lebanese, who saw an extremely negative backlash since the 1970s due to international political conflicts, have the second highest national-origin business participation rate. Syrians are in the eighth highest position.

Arab-ethnic groups' high level of participation in self-employment corresponds with recent studies that identify a wide social distance between Arab-ethnics (and Persian-ethnics) and other American populations. For example, in 1993 Sparrow and Chretien used the Social Distance Scale to test the resurgence of racism among college students [23]. In overall rankings, Iranians fell to the thirty-first position of thirty-one in all sample groups, (blacks, whites, men, and women). Lebanese, chosen as the national origin to represent Arab groups, ranked 25/31 among blacks, 29/31 among whites, 28/31 among women, and 30/31 among men. The Lebanese faired slightly better among the black respondents, who said they would accept Arabs as citizens and in the workplace. Whites would admit Lebanese into their employment, but rejected the notion of letting them live on their street or join their families or clubs. Iranians were shunned from contact at all levels [23].

In another study, Walsh approached the social distance question by studying alien-group perceptions in relation to the citizenship process [24]. Using a sample population drawn from the Toledo, Ohio area, and also using the Social Distance Scale, Walsh found that Arabs had the lowest assimilation scores, and they were seen as the least likely ethnic group in Toledo to become citizens [24]. Both the Walsh and the Sparrow and Chreiten studies show racial prejudice against Arabs and Persians has intensified in recent years and that these biases have long-term effects on the abilities of Arab-ethnics to assimilate. Combined with studies on international enmity against Arab nations [25], it is clear the level of intensity of the majority's distaste for Arabs motivates them toward discriminatory behavior.

PALESTINIANS AND THE U.S. OCCUPATIONAL STRUCTURE

This situation is worse for Palestinian-Americans, and even more distressing is the level of prejudice projected onto Muslim Palestinian-Americans. For example, two notable examples of malice against Muslim Palestinians are found in statements made on CBS' "60 Minutes" segments. In a Mike Wallace segment: "The Arab is a cancer in our midst—Islamic Fundamentalist planning to commit Holy War in the United States" [26]. Less than a month later Leslie Stahl

asked Hanan Ashrawi, "Why don't your people (Muslim Palestinians) wake up and stop this terrorism?" [27].

The implications were clearly that Palestinians are dangerous and should be avoided. And while spokesperson Ashrawi calmly explained the reasons such biased reporting helps no one and is based on outlandish misperceptions, the damage was done and the stereotype was confirmed in the mind of the American public. These quotes typify the tone American media, literature, and public officials have taken toward Palestinians, Palestinian-ethnics, and immigrants living in the United States [28]. They also epitomize the types of biases that have created wide social distance toward Arab-ethnics and kept Arab-Americans "hidden minorities" [29, p. 141].

I have written about the political nature of social distance against Arab-ethnics in general and Palestinian-ethnics in particular in other venues, and I will not discuss that issue further here [30]. However, when examining data segmented by the Census Bureau on Arab-ethnics, it is necessary to understand that discriminatory dynamics exist and that they have both economic and social implications. For example, among all Arab national-origin groups, Palestinians show the most resilience in self-employment in 1990, leading other groups from the Levant with a 13.8 percent self-employment rate as opposed to 9.8 percent for Lebanese-Americans and 9.0 percent for Syrian-Americans (all Americans are 7.0 percent self-employed).

It is also apparent that one of the places where Palestinians have been excluded is in the government's occupational structure. Table 2 shows "all persons" are employed by the federal government at twice the rate for Palestinian-ethnics. Even among Arab-ethnics, Palestinians have the lowest percentage government employment participation at the local, federal, and state levels. The problem is worse at the state level, where the Lebanese outpace the Palestinians in government employment by a margin of nearly two to one. This displacement of Palestinians at the local government level is particularly important to notice because it likely represents a broader level of discrimination at the grass-roots level. Other selective data on occupational choices are presented in Tables 2 and 3.

Table 2. Class of Worker
(Employed Persons 16 Years or Older) 1990 (Percent)

Category	Private Sector	Local Govern.	State Govern.	Federal Govern.	Self- Employed
Ail Persons	77.4	7.1	4.7	3.4	7.0
Arab Ancestry	76.9	5.5	4.5	2.4	10.1
Lebanese	76.7	6.1	4.5	2.3	9.8
Palestinian	76.4	3.2	3.9	1.5	13.8
Syrian	77.9	5.8	4.1	2.5	9.0

Category	Managerial and Prof.	Service	Prod., Craft., and Repairs	Oper., Fabri. and Laborers
All Persons	26.4	13.2	11.3	14.9
Arab Ancestry	36.4	10.9	7.5	8.5
Lebanese	38.1	10.2	7.6	7.2
Palestinian	33.3	9.7	7.0	9.2
Syrian	34.1	10.0	7.8	9.6

Table 3. Occupation (Employed Persons 16 Years or Older) 1990 (Percent)

The breakdown by national origin is striking, and it is also clear the Palestinians have not found (or were excluded from) economically attractive employment in other areas of the occupational structure. Of these three Arab-origin groups, Palestinian-ethnics show the lowest propensity for entering managerial and professional positions. They also see the least opportunities among people employed in the services. The same situation is true for employment on production and craft occupations. It is only in the basic labor groups where the Palestinians surpass the "all Arab" groups in categorical employment. In contrast to the Palestinians, Syrian-Americans participate in a broad range of occupations, and they show the lowest need for self-employment.

THE CURRENT STUDY: RELATIVE SELF-EMPLOYMENT FOR PALESTINIAN MUSLIMS AND CHRISTIANS

Divisions in the American Arab-ethnic community are mainly based on religious conflicts that exist in both the home and host countries. However, in the United States, Arab Christian groups and associations control most of the enclave's decision-making process. This situation often creates stress because many Arab-ethnic Christians and Muslims feel they have little in common. This lack of homogeneity is intensified by the perceived need of many Arab-Americans to assimilate into and participate fully in "white" America. Their ability to do so is impeded by harsh stereotypes held by the majority about Palestinians in general and Palestinian Muslims in particular. This dilemma is a key issue in the debate over whether the U.S. Arab-ethnic community should pursue federal recognition as a minority group.

These divisions are revealed in economic terms in two ways. The first is that both the Palestinian and the Muslim subgroups within the Arab-ethnic enclave have relatively high levels of self-employment dependency. The second is that these segments gain relatively low level of earnings from entrepreneurship. Table 4 and discussions that follow make this point because of the disparities they uncover. A survey was distributed to the 1107 members of the American-Arab

Anti-Discrimination Committee (ADC) who live in Delaware, Maryland, Virginia, and the District of Columbia, and to 1872 Arab-ethnics who are donors to the Council for the National Interests (CNI), a Washington-based Middle East advocacy group [31]. Two hundred forty-two ADC members and 291 CNI supporters returned usable responses to a questionnaire designed to collect both demographic and economic information; 235 were Muslim and 262 were Christians; 124 Lebanese, 177 Palestinians, and fifty-five Syrians; 160 people said they owned or managed small businesses. The first examples of disparities appear in the following table on rates of self-employment.

Light's assertions are supported by the responses given in this survey because Muslims indicated higher rates of business participation regardless of the national origin group presented. Divisions of this magnitude indicate serious biases in the occupational structure, and they suggest that religious and national origin prejudices form the basis of the enclaves' labor segregation. The spread between Muslims and Christians is largest for the Lebanese and represents a major division that exists among the American Lebanese community in terms of religion, premigration conflicts, and levels of wealth. The U.S.-born Christian Lebanese are a much more homogeneous community that has been more able to organize and control participation in its enclave. By comparison, the Muslim Lebanese are a more diverse, Arab-born group that has had problems being accepted into the traditional Arab-ethnic enclave. A similar situation exists for Syrian-Americans, among whom the Christians have lower self-employment dependency. This shows that the more-established and Christian Arab-ethnics are more likely to exclude Muslims and immigrants from their economic enclaves.

The Palestinian responses again show they have the highest overall participation in entrepreneurship. This is true for both Muslims and Christians, but the most notable comparisons come from responses made by Christians. For them, the rate of self-employment dependency is 30 percent higher than it is for either the Lebanese or the Syrians. In addition, Palestinian Christians have a higher rate of self-employment than all other Christian Arab-ethnics tested (eighteen in total). This indicates that the majority-led hierarchy that discriminates against Palestinians has been recreated in the U.S. Christian Arab community. This

Table 4.	Comparisons of the Percentage Dependency on
	Self-Employment by National Origin

Category	Muslims (%)	Christians (%)
National Origin		
Lebanese	42.31	23.53
Palestinian	41.67	34.62
Syrian	36.00	22.22

situation makes Palestinians an out-group segment who, as a consequence, are forced to choose self-employed entrepreneurship at an inordinately high rate.

However, numerous studies show that foreign-born American groups exceed native groups after periods of ten to fifteen years because of the excess returns they receive for taking entrepreneurial risks [32]. It follows that Palestinians, too, should earn higher incomes over time. The next question, then, is whether or not the occupational gaps illustrated above have had an effect on the long-term earning abilities of Palestinians. In fact, they have not, and the Muslim and Christian divisions continue as well in comparisons made by nation of origin; among Levant immigrant groups, Palestinians and Muslims are generally placed at a disadvantage in terms of annual earnings and occupational segregation. These are shown in Table 5, on religion and nationality.

In Table 5 for the first time, Muslims show an earnings advantage over Christians. They Syrians are the oldest and most established group among Arab-Americans, and therefore their Muslim segment should have had the most time to overcome disadvantage through entrepreneurship. In this case Chiswick's argument may hold, but the support he receives is tenuous when the rate of self-employment is also considered. Syrians Muslims earn 6.65 percent more annual income than do their Christian co-ethnics. According to Chiswick's argument, this premium is the compensating balance for bearing the weight of entrepreneurship. However, this is not a substantial reward given the relative level of risk assumed by Palestinians and Muslims. Among the Syrian subgroup Muslims pursue self-employment at a rate of 1.80 times that of Christians. This is a further indication that economic divisions between these groups grow over time.

In both the Lebanese and the Palestinian sample groups, Muslims continue to be at a disadvantage in terms of earnings. It is the Palestinian Muslim who earns the least, 25.55 percent less than the Syrians, a situation that ignores the fact that the Palestinians have a much higher self-employment dependency than the Syrians. For the Palestinians, Muslims earn 22.80 percent less annual income than Christians. Among the Lebanese, Muslims earn 20.95 percent less than Christians. In both cases this disparity indicates that the Christian segment of the immigrant population received more support from the established ethnic enclave.

Table 5. Dollar Earnings Comparisons by Religion and Nationality

Category	Muslims	Christians
Lebanese	83,458	105,577
Palestinian	77,880	100,876
Syrian	104,600	97,646

It is also significant that the total Palestinian population seems to have received less support from the enclave than members of other national origin groups. This factor has in turn affected their ability to earn higher-than-average earnings. Among Christian segments, Palestinians earn 4.76 percent less annual income even though they are 32.03 percent more likely to be self-employed. This indicates that Palestinian Christians must assume more risk in order to receive relative returns for their investment. Palestinians and Lebanese have very similar dependencies on self-employment, but the Palestinians earn an average of 7.16 percent less than their co-immigrants from Lebanon. These differentials indicate that the enclaval divisions described earlier have led to separation of Palestinians from the Arab-American ethnic enclave. In response their earnings are lower.

The next step in this research was to identify reasons for the income disparities between Palestinian and other Arab-owned businesses. One possible reason is that Palestinians had less access to capital and could not expand their businesses. A Series of the survey questions addressed the problem of perceived and real finance gaps. It was here that individual perspectives on finance gaps were sought. Two hundred forty-one people responded. Their answers were presented in Table 6.

The Arab-ethnic small business community is clearly concerned about finance gaps in their communities. Overall, 78.08 percent of the people who owned businesses felt the community had a liquidity problem, versus 73.03 percent of the whole population. Among Muslim Lebanese business owners who felt the greatest need for more credit or equity, 83.33 percent felt there was a finance gap, as did 75 percent of Muslim Palestinians. This situation indicates a significant problem exists for the Lebanese and the Palestinians because they are the most dependent on self-employed income. Their position is contrasted to that of the Syrians, who are the least dependent on self-employed earnings and most of whom felt there was no finance gap. These opposing positions show that even among Muslims, divisions are apparent, probably based on the

Table 6. Percentage of Self-Employed Who See a Finance Gap

Category	Yes (%)	No (%)
Overall Arab population	73.03	26.97
Small Businesses: All businesses	78.08	21.92
Lebanese Palestinian Syrian	83.33 75.00 54.54	16.67 25.00 55.46

perpetuation of pre-immigration political dissension among Syrians, Palestinians, and Lebanese.

This latter idea is further supported by information on perceptions about finance gaps among nonbusiness owners. These figures are seen in Table 7.

People obviously feel there is a finance gap in the community, but not all segments feel it as much as others. For example, among Syrians only 59.26 percent felt constrained by a finance gap, while the Lebanese and the Palestinians felt much greater credit constraints: 77.05 percent of the Lebanese segment and 73.44 percent of the Palestinians believe there are finance gaps, indicating Lebanese-ethnics and Palestinian-Americans feel they face higher barriers to economic assimilation than do the Syrians.

But are the perceptions real? The information presented above leads to the expectation that Palestinians will have the least access to capital because 1) they have the highest relative need for capital because of their self-employment dependency, and 2) because of their exclusion from both enclave and majority markets. It is likely that Syrians have the most access to capital. The data on this question are shown in Table 8.

The first thing that is clear from these figures is that the Palestinians rely much more on personal savings to fund investments. At the new-venture stage (Table 8) Palestinians used savings to fund 66.14 percent of their capital structures, while the Lebanese used savings for only 41.16 percent, and the Syrians for 31.76 percent of their initial investment. This means the Palestinians rely on savings 1.61 and 2.08 times more, respectively. A similar situation exists for Palestinians at the point of expansion (Table 9). While the overall use of personal savings declines for all groups, the divisions between them are no less dramatic. At the point where funds are needed for expansion, Palestinians provided 2.16 times more of the capital investment from personal savings than the Syrians and 1.28 times more than the Lebanese. Similarly, the Palestinians were able to count on fewer funds for continuing investment from family and friends.

In terms of funds from commercial banks, all groups showed a low level of usage, but at both points when investment was needed Palestinians faced a

Table 7. Percentage of Nonbusiness Owners Who See a Finance Gap

Category	Yes (%)	No (%)
Overall Arab population	73.03	26.97
Nationality:		
Lebanese	77.05	22.95
Palestinian	73.44	26.66
Syrian	59.26	40.74

Table 8. Percentage of Funds Received for Initial Investment by Nationality

Category	Lebanese (%)	Palestinian (%)	Syrian (%)
Personal savings	41.16	66.14	31.76
Investments made by family and friends	12.89	8.43	9.44
U.S. commercial bank	19.18	13.78	22.32
Islamic banks	n/r	n/r	n/r
Government-sponsored program	2.60	n/r	n/r
Venture capitalist	2.60	n/r	n/r

Note: n/r = no response

Table 9. Percentage of Funds Received for Expansion by Nationality

Category	Lebanese (%)	Palestinian (%)	Syrian (%)
Retained earnings	37.90	33.00	22.32
Personal savings	13.88	17.86	8.26
Investments made by family and friends	2.08	8.43	11.80
U.S. commercial bank	12.86	11.34	14.16
Islamic banks	n/r	n/r	n/r
Government-sponsored program	n/r	n/r	n/r
Venture capitalist	2.60	n/r	n/r

Note: n/r = no response

funding or capitalization disadvantage. For example, the Lebanese received 19.18 percent the Palestinians 13.78 percent, and the Syrians 22.32 percent from commercial banks to fund their initial capital structures (Table 8). This shows that the more established predominantly Christian Syrian business owner had substantially more access to commercial credit. In comparison, Syrians received 38.26 percent more bank credit than Palestinians when starting their businesses. This relative finance gap narrowed but did not disappear at the point of expansion. Here, the Lebanese used bank credit 12.86 percent, the Palestinians 11.34 percent, and the Syrians 14.16 percent to fund expansion (Table 9). This means the Palestinians had 24.87 percent less access to bank loans when planning to renovate or expand the businesses they own.

CONCLUSIONS

While Gary S. Becker focused on distinct, individual causes of majority—minority discrimination, in this article I have focused on the combination of religion and national origin as a justification for biased behavior, anti-immigrant prejudice as an inducement for ethnic self-employment, and intra-ethnic discrimination as a motivator for enforcing unfair socioeconomic hierarchies. The combination of religion, immigration, and intra-ethnic factors for discrimination is new, and it "emphasizes that, while certain kinds of contact may be a cure for discrimination, others may cause it" [33, p. 154]. In this case the cancer within is not the "Islamic fundamentalist" referred to in Mike Wallace's report or the "Palestinian terrorist" referred to in Leslie Stahl's report (quotations [26, 27]), but it is the fear of contact with Arab-ethnics in general and Arab Muslims in particular that creates for them social distance, discriminatory behavior, and economic exclusion.

The net result of this situation is that Palestinian-ethnic Muslims and Christians hold leading positions in ethnic and immigrant business participation rates not only among the U.S. population, but also within the Arab-ethnic enclave. In addition, Palestinian-ethnics are constrained in their abilities to foster business development because they face greater finance gaps than other Arab groups. This lack of capital also leaves them at a disadvantage in the relative earnings structures available through self-employment, leaving Palestinians in continued disadvantage.

The implications of this study are widespread because in this case there seem to be social costs placed on Palestinian-ethnics in the United States because 1) the majority believes they have perceived links to Palestine, and 2) they are associated with Muslim fundamentalism (even though the majority of Palestinian-Americans are Christian). At the same time, this study shows how majority-minority occupational segmentation based on nation of origin causes problems that are magnified for Palestinians in the Arab-ethnic community. For them, economic and political exclusions do not stop within the traditional occupational

structure; they face additional barriers that are erected within the ethnic enclave. In essence Palestinians assimilate less quickly and gain less support from a tightly controlled set of enclaval organizations. The effect is that Palestinian-Americans are not as able to climb the occupational ladders or to expand their businesses.

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