

UNIVERSITY OF CALIFORNIA, SAN DIEGO

The Role of Religion and Ethnicity in an Arab American Economy

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by

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ABSTRACT

This dissertation examines the role of ethnic and religious identities in the formation of entrepreneurial networks and is based on over 100 interviews with Iraqi, Lebanese, and Palestinian entrepreneurs of Christian and Muslim faiths. The literature on ethnic groups emphasizes the importance of ethnic unity in the success of ethnic-owned firms. Entrepreneurs in this study developed ties with those who shared their ethnic and religious groups, but explained that shared religious communities provided benefits in business that were different from those provided by ethnic unity. This finding suggests future studies should further focus on the role of religion in entrepreneurship.

EXECUTIVE SUMMARY

Social and economic theorists Mills (1951), Weber (1930), Schumpeter (1934), Mill (1848), and Marx (1848) all predicted the decline of small, independently owned businesses¹. Each questioned how small firms could persist in competition with larger, more powerful and efficient corporations. Extensive scholarship has explored the factors that have enabled the entrepreneur to persevere. Leading explanations tend to stress the importance of social capital (social networks established with others who can facilitate entrepreneurship and economic success) and ethnic capital (skills, knowledge, and relationships based on shared ethnic heritage). Rarely do researchers consider the influence of religious beliefs and relationships with religious others in the role of entrepreneurship.

This dissertation examines an Arab-American ethnic² economy³ in order to explore the neglected influence of religion in entrepreneurship by asking how both ethno-

¹ It is important to clearly define the small businesses owner and entrepreneur as there is much debate amongst sociologists, economists, and other academics about what separates the small business owner and entrepreneur from the rest of the population as well as if there is a difference between the entrepreneur and small business owner. Many different definitions of an entrepreneur and small business owner exist. For some (Carland et al. 1984), the entrepreneur is more innovative and has a higher risk-taking propensity than the small business owner and thus research on the two should remain completely separate. Here, the definition for the small business owner provided by the Small Business Association (SBA) is used. According to the SBA, a small business is independently owned and operated and not dominant in its field of operation. The entrepreneur is similarly defined in this research as a person who organizes and operates his or her own firm (Reynolds and White 1997; Baumol 1993; Brockhaus 1980). In divergence from Carland et al., the entrepreneur and small business owner are used interchangeably in such a way that does not compromising the authors' original usage of the terms.

² Ethnicity and ethno-nationality, terms I use interchangeably in this dissertation, are difficult to define. An ethnic or ethno-national group is commonly defined as people sharing common national background or migration experiences (Cornell and Hartman 1988). Ethnicity is defined by common descent that can be tied to phenotypic similarities, customs, heritage, or geographic location (Weber 1968; Wade 1997; Cornell and Hartman 2007). This definition is problematic in this case as the national backgrounds of Arab Americans have changed throughout the 1900s. I will discuss in greater detail how the complex history and migration experiences of Arab Americans influence their conceptions of ethnic identity in Chapter 2. In this dissertation, I conceptualize of ethnic entrepreneurialism, in accords with Waldinger, Aldrich and Ward (1990), as "a set of connections and regular patterns of interaction among people sharing common national background or migration experiences".

national and religious identities impact people's abilities to turn an idea into a business and become a successful entrepreneur? Weber (1930) provides a clear answer to the question on the relationship between religious beliefs and entrepreneurship. For Weber, religious beliefs motivate entrepreneurship. The Reformation introduced the notion of a calling, or one's moral obligation to fulfill worldly duties, and Calvinism promoted the idea of predestination. These religious doctrines sparked what Weber referred to as the Protestant ethic: the only way one could illustrate to others and oneself that one was a member of the elect was to accumulate great wealth through a fastidious work ethic. As a result, people began developing independent firms for the purpose of wealth accumulation. Weber considered these entrepreneurial efforts propelled by religious beliefs to be one of the leading components in the development of Western-style capitalism.

Current scholarship on entrepreneurship rarely evokes Weber's theory on the importance of specific religious beliefs in economic growth and entrepreneurship. Recent studies tie the success of the entrepreneur to social capital established through relations of social networks with others. Those entrepreneurs who form networks with previously existing business owners, suppliers, bankers, lawyers, etc. are more likely to

³ The ethnic economy, according to Bonacich and Modell (1980) who first defined the concept, consists of the self-employed and their co-ethnic employees and unpaid family workers. In contrast, Portes and Bach (1985), following their study of Cubans in Miami, included the spatial concentration of immigrants and immigrant run businesses to the definition and relabeled it an ethnic enclave economy. Light (2000; 2005) has similarly proposed that distinctions should be made concerning ownership and control aspects within the ethnic economy. It is important to acknowledge the various distinctions that have been drawn regarding the ethnic economy. Here however, I use the concept of ethnic economy to discuss both the spatially clustered Arab-owned businesses as well as those Arab-owned businesses that have spread to suburban and urban areas outside the original historical enclave. I provide further descriptions of the regions in which these businesses are located in Chapter 2. Additionally, it is important to note that while the ethnic economy is typically defined as an economy of co-ethnic owners with co-ethnic employees and co-ethnic customers, the ethnic economy I am studying has non-Arab employees, customers, and network members. The diversity of these network members will be the focus of the dissertation.

be successful entrepreneurs (Johannisson 2000; Aldrich et al. 1986; Robinson 1982). The importance of social networks may be best illustrated in research on ethnic entrepreneurs. Ethnic entrepreneurship consists of interactions with others who share a national background or migration experience (Waldinger, Aldrich, and Ward 1990). Interactions can consist of co-ethnics providing loans, advice, employment, referrals, and discounts to one another. Ethnic bonds, or social networks established with co-ethnics, enable entrepreneurs to cut costs, create alliances, attract customers, and aid in hiring (Zhou 2009; Waldinger and Lichter 2003; Rauch 2001; Min and Bozorgmehr 2000; Min 1996; Waldinger, Aldrich, and Ward 1990).

These studies that highlight the importance of establishing relationships and communities with others are in direct opposition to the Weberian perspective that religious beliefs motivate economic actions. Social and ethnic capital theories stress the importance of solidarity in entrepreneurial success, while leading scholarship on religious beliefs points to individualism, competition, and anxiety in directing economic outcomes. Furthermore, Barro and McCleary (2003) theorize that religious organization participation can actually distract from money earning as countries with higher levels of religious participation have lower levels of economic growth.

In addition to neglecting to consider religious beliefs, the majority of the research that focuses on ethnic bonds does not acknowledge the influence of religious social networks. Similar to ethnic group membership, participation in a religious community can facilitate beneficial relationships, cultural traditions, social services, and economic support (Lim and Putnam 2010; Kim and Kim 2001; Ebaugh and Chafetz 2000; Hurh and Kim 1990; Min 1992; Goldscheider and Zukerman 1984). Considering the potential

importance of religious-based bonds, it is possible that religion may alter entrepreneurship in a different way than Weber theorized. Yet, researchers of ethnic economies and immigrant religions also neglect to consider the independent role of religious communities and beliefs in the economic sphere (Yoo and Chung 2008; Cadge and Ecklund 2007; Min and Kim 2002; Kwon, Kim and Warner 2001; Ebaugh and Chafetz 2000). Those studies that do acknowledge religion often consider it an unremarkable component of the ethnic ties that bind individuals and conflate the two identities (Zhou 2009, 2005; Gilbertson 1995; Portes and Guarnizo 1991; Min 1988; Coleman 1988b; Portes and Rumbaut 1996; Portes and Bach 1985). Without systematically analyzing the role of religion in the ethnic economy, it is likely that previous research has left religion under-theorized while overstating the contributions of ethnic bonds.

RESEARCH DESIGN

In order to better understand the relationships between entrepreneurship, ethnicity, and religion, I conducted 102 semi-structured interviews with Christian and Muslim Arab Americans in Metropolitan Detroit. Ninety-three of these interviews were with immigrant and U.S.-born Christians and Muslims of Iraqi, Lebanese, and Palestinian descent who owned businesses in Metropolitan Detroit. I also interviewed seven religious and two ethnic organization leaders who served these business owners.

In order to tease out the importance of multiple identities in business life, I sought out a diverse sample. Following comparative sample techniques similar to Kwon (2003) and Sabagh and Bozorgmehr (1994), I selected three different ethnic groups (Iraqis,

Lebanese, and Palestinians) and two different religious groups (Muslims and Christians) (see Table 1.1).

Table 1.1: Completed Interviews

	Christian	Muslim	Total by Ethnicity
Iraqi	20	7	27
Lebanese	15	23	38
Palestinian	17	11	28
Total by Religion	52	41	93 total entrepreneurs

A religiously and ethnically diverse population enabled me to see how religion and ethnicity operate in business dealings. For example, does a Palestinian Muslim supplier work mostly with other Palestinian business owners regardless of their religious identities, or does she mainly network with Muslims regardless of their ethnic heritage?

I selected semi-structured in-depth interviews as the main method of inquiry in order to explore how people talk about religion, ethnicity, and business in their lives and communities. To supplement these interview findings, I conducted participant observation over a nine-month period. Participant observation provided me with additional knowledge of Arab American culture and community life and increased trust among interview subjects. I attended community cultural events, prayer services at mosques and churches, and the social events of some respondents, such as engagement and dinner parties.

To better understand the role of religion and ethnicity in social capital, I collected network data from each entrepreneur. I obtained information on each business owner's ego-centered networks—those consisting of the relationships one business owner has with others (Knoke and Kuklinski 1982). Using techniques similar to those implemented by Fischer (1982) and Granovetter (1973), I asked each entrepreneur to name the three

people most important to his or her businesses. When talking about each network member, I asked the business owner to provide the ethnic and religious identity of the individual, if they had not offered those data in previous conversation. I also collected demographic data on the entrepreneur's suppliers, customers, employees, and those who helped fund the business.

All data from interviews were entered, coded, and analyzed with a combination of inductive and deductive coding schemes using computer assisted qualitative data analysis software, which facilitated the examination of the patterns discussed in the findings (Abramson 2009; Dohan and Sánchez-Jankowski 1998)

KEY RESEARCH FINDINGS

There are three major findings from this study. First, ethnicity and religion both matter in economic activities, but in different contexts and for different reasons. Second, religion plays an influential role in the ethnic economy through religious capital (Iannaccone 1990), a set of skills, relationships, beliefs, and knowledge based on membership in a religious community that can alter economic outcomes. Entrepreneurs in this study develop beneficial business relationships based on religious identities. This finding suggests that previous research may have overstated the influence of ethnicity in the success of ethnic entrepreneurs.

Third, I explain the different role that religious identities play from ethnic identities in business actions among my subjects. I argue that religion includes shared religious moral codes, a component that makes religion distinct from ethnicity. These religious moral codes provide business owners with a behavioral guide. If an entrepreneur does not follow these moral codes, interview subjects reported that he or she

will face economic sanctions from the religious community, religious leaders, and divine religious authority. Religious-based moral codes make religious identities more salient in business because abiding by moral codes can mark a person as a trustworthy group member and contribute to economic profit.

Religious beliefs can be internalized, which encourages one to act according to moral codes (Durkheim [1912] 2001; Geertz 1973; Weber 1930). It is also possible that enforcement of these moral codes (Swidler 2001; Derné 1995) from the business community and religious leaders persuades people to adhere to these moral codes of behavior even if they do not personally believe in the importance of moral codes and the power of divine authority and religious leaders.

IMPLICATIONS FOR FUTURE RESEARCH

By not exploring the role of religious capital and shared religious moral codes in the ethnic entrepreneurial process, it is likely that previous studies have mistakenly credited ethnicity with providing the benefits and strength of ties in business, when in fact religious capital is also responsible for entrepreneurial success through a different mechanism than ethnic capital. This finding and the theory of religious can be further explored in future studies of entrepreneurship, social networks, and immigrant and ethnic communities.

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