RATIONAL CHOICE AMONG KOREANS IMMIGRANTS AND MEXICAN AMERICANS IN SOUTH TEXAS

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Abstract

The immigration of Koreans into the United States has been steady since changes in the immigration policies beginning in the middle of the 1960s. Most literature on the Korean immigrants centers on their social and economic adaptation to American urban life and their strained relations with African Americans. This paper examines the Koreans in a predominantly rural South Texas community and their relations with Mexican Americans. Rational choice theory best explains why the Koreans immigrated to a destination to which they have traditionally avoided. For the Korean immigrants it was simply weighing the advantages against the disadvantages. The Mexican origin population, which comprises more than 80 percent of the population has suffered endemic unemployment and extreme poverty. For the Koreans this population is essential because it will always provide a large pool of cheap labor. Since Koreans are engaged in small business, labor cost increases would be detrimental to their economic viability. What could be perceived as exploitation by some is the only way small business entrepreneurs can survive.

INTRODUCTION

Koreans are one of the fastest growing ethnic groups in the United States. As Takaki notes since the passing of the Immigration Reform Act of 1965, Koreans have increased their population dramatically (1990). He states,

Before the Immigration Act of 1965, Koreans were so small numerically and so spread out geographically they were a hidden minority. But the new Korean immigration has led to the dramatic emergence of Koreans as a very visible group in America, the Korean population having jumped from 10,000 in 1960 to half a million in 1985 (1990:436-437)

As the literature on economic sociology, particularly ethnic economies, suggest, "large and lucrative ethnic economies require strong entrepreneurial capacity. Entrepreneurial capacity means a group's ability to exploit demand conditions" (Light and Karageogis 1994:663-64). It is generally assumed that economic expansion and search of new markets is a main feature of capitalist economies.

Thus, I suggest that Korean entrepreneurs must seek new market locations to expand in order for their businesses to remain lucrative. Following this line of thought, Korean entrepreneurs will depend on earlier successful economic practices when searching for new markets.

This paper provides an illustration of the economic sociology perspective on ethnic economies by investigating a small community where Korean entrepreneurs have settled and developed successful businesses. This paper relies on rational choice theory to explain the selection of this small community along the U.S. Mexico border. The focus of this paper, then, centers on Korean entrepreneurs in McAllen, in the County of Hidalgo, Texas. In particular, social interactions between Korean entrepreneurs and the community are explored, primarily through their interactions with their employees and customers. I suggest that the tenets of rational choice theory provide an excellent theoretical framework and lens through which to analyze the social and economic relationships that have developed between Koreans and the local Mexican and Mexican American population.

BACKGROUND: EARLY KOREAN SETTLE-MENT IN HIDALGO COUNTY

According to an interview with one of the Korean community leaders, the first Koreans began immigrating to Hidalgo County in the mid-1980s. Relatively isolated South Texas would appear to be an unsuitable destination for migration with high unemployment and poverty levels. The local population is primarily Mexican American/Mexican national with 13.6 percent non-Hispanic whites (U.S. Census Bureau, 2000).

The Koreans in South Texas are recent newcomers to the area and due to the relative geographic isolation of the region in deep South Texas the population has had little contact with East Asians (with the exception of a growing East Indian professional group). Racially, culturally and linguistically they stand apart from the native population.

RESEARCH FOCUS

The central question guiding this research is: why did the Koreans choose to migrate to a vastly different area from the major urban centers to which they customarily migrate? It is noted that San Antonio, the largest city in South Texas, is 250 miles away. For purposes of this exploratory research I suggest that McAllen, the city in Hidalgo County where the study was conducted, for Korean economic purposes is no different from other economically disadvantaged areas such as South Central Los Angeles or Harlem where the Koreans were able to develop flexible economic structures capable of successfully adjusting to the economic conditions of the area. A cursory review of the socio-economic conditions of South Texas (Maril 1989) suggests that three significant factors account for the attractiveness of the area to the Koreans: a) a large pool of unemployed workers; b) inexpensive (when compared to Los Angeles or New York) rental properties in the old commercial center of McAllen (Texas Department of Economic Development 1997); and c) close proximity to Mexico which

provides a large market of shoppers looking for inexpensive merchandise. Eighteen percent of the four million Mexican tourists that visit Texas shop in McAllen (Texas Department of Economic Development 1996). They spend millions in retail sales, food and entertainment (Texas Department of Economic Development 1996).

Koreans have demonstrated ability in recruiting local minority populations to work at low income, usually minimum wage jobs, generated by their business investments (Ableman and Lie 1995, Freer 1994, Light and Bonacich 1991, Min 1991. Korean relations with their local employees and customers have been, at times, fraught by ill feelings, that sometimes have led to violence as for example happened during the Rodney King riots in Los Angeles (Johnson et al. 1999).

Based on the above findings from Abelman and Lie (1995), Light and Bonacich (1991) and Min (1991) a second question is posited for investigation: what is the local perception of Korean-run businesses among the South Texas population? I recognize two plausible situations. First, the local South Texas population could indicate some level of resentment, as their counterpart did in Los Angeles, about Korean Businesses. Or, second, the local population may perceive the Korean businesses of South Texas as providing employment for an economically depressed area.

Rational choice theory is employed here to provide the conceptual basis of analysis. Following the central tenets of this theory it is argued that South Texas provides a good location for Korean immigrant businesses. Since rational choice is based upon weighing the advantages against the disadvantages in making choices (Collins 1994), it is assumed that in finding the right area for a business investment, Korean immigrants will weigh the advantages and disadvantages of the business location.

It is suggested in particular, the city of McAllen provides a very suitable location because of its geographical centrality and economic importance to the region. Accord-

ing to the statistics of the Census Bureau, McAllen has the largest population among all the cities of Hidalgo County (U.S. Census Bureau, 2000). Retail sales amount to more than a billion dollars with more than three hundred business establishments. I assume that these conditions did not go unnoticed by the Korean entrepreneurs since according to the Census Bureau, the city has the largest number of Koreans in deep South Texas (U.S. Census Bureau, 2000).

RESEARCH DESIGN AND METHOD

The research design employed in investigating the questions of the study relies on ethnographic methods. The ethnographic technique of data collection has been an important part of the social sciences and has produced some remarkable urban studies (example, Gans 1982[1962], Liebow 1967, Suttles 1968, Whyte 1993 [1943], etc.). As Suttles notes, participant observation allows for a sense of intimacy with the community. He states, "When observing from a great distance, one is apt to invent all sorts of irrational mental mechanisms to account for the behavior..." (Suttles 1968:12). It was my desire to observe first-hand the interaction between the Koreans and Mexicans.

Prior to the collection of the data, the entire downtown area was mapped to ascertain the extent of the Korean businesses. The store location in relation to each other was important because the closer the store the greater facility for mutual cooperation. The mapping showed that all the stores were in close proximity to each other (See Appendix).

Participant observation and informal interviews were the main data collection techniques. A questionnaire was developed to elicit responses specifically dealing with Korean relations with the Mexican population. Included as part of the interview schedule were demographic information concerning the Korean migrants to McAllen, unavailable through other sources.

As mandated by the objectives of the study, informal interviews were also con-

ducted with the Mexican origin population. This is in line with the second postulated objective, which aims at investigating attitudes and perceptions by the local population concerning Korean businesses in their community. It follows that the overall purpose was to find not only what the Koreans think of the Mexicans but also what the Mexicans thought of the Koreans. The collection of this type of information was important because it relates to the main research questions.

Inventories were made of the type of goods the Korean merchants had for sale. It was important to discover what kinds of goods were offered for sale, their origin of manufacture, and price. Based on my review of the literature (Hurh, Kim and Kim 1979; Jo 1992 and Kim 1981) I hypothesized, that the profitability of the Korean stores is dependent on the sale of inexpensive goods.

SETTING: THE CITY

The location of the study was conducted in Hidalgo, county, located in the Lower Rio Grande Valley, twenty miles north of the Mexican border. Eighty five percent of the 569,463 residents of Hidalgo County are Mexican origin (U.S. Census Bureau, 2000). According to 2000 U.S. census figures, Hidalgo County had 253 Koreans.

Hidalgo County is a traditionally disadvantaged area. It is one of the most economically depressed areas in the United States (Maril 1989). There is little if any industry on the American side of the border. On the Mexican side of the border there are maguiladoras, or assembly plants established by American industrial giants which benefit from Mexican low wages (Texas Department of Economic Development 1997). The economy is geared towards agribusiness, tourism and retail. During the winter months, thousands of elderly visitors from the northern states converge on the area to take advantage of the weather and lower cost of living (Texas Department of Economic Development 1997).

The unemployment rate in Hidalgo

County continuously hovers about 18%, one of the highest in Texas (U.S. Census Bureau). Maril states, "The Mexican Americans of the Lower Rio Grande Valley of Texas are among the poorest people in the United States" (1989:4). The per capita income level, \$10.085, (U.S. Census Bureau 1996), makes the area one of the most economically deprived areas in the country. According to the 1990 U.S. Census statistics, half of the children 5 years and under live below the poverty line. It is a part of the United States characterized by economic deprivation and for those living in the colonias their standard of living is closer to the third world than the first (Texas Natural Resource Conservation Commission 1997).

The educational attainment of the local population is one of the lowest in the country. Less than fifty percent of the persons 25 years and over in 1990 had a high school diploma (U.S. Census Bureau 1996).

RATIONAL/UTILITARIAN MODEL

I have chosen what Collins calls the rational/Utilitarian tradition (1994, p.121) to guide the inquiry and illustrate the findings. Klandermans commenting upon the importance of the model states, "A rational-choice framework...provides a device for the systematic analysis of the variety of beliefs, expectations and attitudes..."(1984:585). This perspective includes the work of scholars like, Homans (1961), Blau (1964), Hechter (1983) and Coleman (1992). Although there is some disagreement concerning the focus and tenets of rational choice theory, the underlying bond is exchange. Coleman emphasizes Münch's writing when noting that, "...basically an economic transaction that is guided by the actor's rational choice between alternative outcomes of an outcome taken in terms of its benefits and costs..."(1992:138). The rational/utilitarian model rests on the belief that human beings attempt to make choices they expect will maximize their rewards and/or minimize their costs. In other words people will always try to increase their advantages and decrease their disadvantages.

Exchange is key to understanding this theoretical perspective. Collins states "Exchange operates according to an underlying principle: if I give something to you, you should give something of equal value in return" (1994:139). Exchange is not limited to just the choice of individuals but groups as well. Blau states, "Social exchange, broadly defined, can be considered to underlie relations between groups as well as individuals..." (1964:4). The action is predicated on the belief that it is beneficial to the individual or groups involved. Based then on the idea of exchange, I have assumed that Koreans migrating to such an isolated and disadvantaged area must be receiving something of value in return. Following this perspective allows us to explore the two major questions raised by this investigation, to wit, the exchange patterns that have been established and that constantly re-establish themselves in a dynamic exchange between Koreans and the Mexican origin population.

KOREAN AND MEXICAN RELATIONS

According to interviews, Koreans in McAllen had lived in the U.S. on the average about 15 years, yet their average stay in McAllen was only 6 years. The discrepancy between the number of years in the U.S. and their shorter period of residence in McAllen can be explained by the fact that most Koreans first migrated to areas with large Korean populations like Chicago (Yoon 1997) or Los Angeles (Light and Bonacich 1991). Barringer states, "Asian Americans were the most urban of any group, with almost 94 percent living in urban areas" (1995:109).

According to data collected in interviews with Korean study participants, here limited to small business owners of variety stores in the "old downtown of McAllen", most of the Koreans living in McAllen are married with an average of two children per family. The average age of the children is 11 years, which means most of the children were born in the United States.

As the literature indicates (Hurh and Kim 1984, Kim 1981), children are an important part of traditional Korean culture and in the context of small businesses they become a source of unpaid labor.

Detailed record reviews at the McAllen Chamber of Commerce showed that there were 40 Korean owned businesses in the downtown area. Although for the purposes of this study, only Korean owned variety stores were the focus of the study, Koreans also engage in the restaurant business and fingernail salons. The same above records indicate that the location of all Korean businesses is in the older southern part of the city where property values are less expensive. The city is rapidly expanding northward where the more up-scale housing subdivisions are located.

Several key factors are important in understanding Korean and Mexican American economic relations in McAllen. The kinds of work Koreans do emphasize self-employment, long hours, and family involvement. Yoon states,

Korean immigrant businesses are labor intensive. Korean merchants put in extremely long hours and usually even work on Sundays. The average working hours of Korean merchants in our sample is 62 hours a week. Faced with small profit margins and severe competition from fellow Koreans, Korean merchants work—very long hours and use unpaid family labor to survive (1991:313).

As is well documented in the literature (Ableman and Lie 1995, Choy 1979, Lee 1992 and Light and Bonacich 1991), for Koreans their day begins early in the morning and ends late at night.

According to interviews with their paid sales staff and others doing menial work at these variety stores all of whom were of Mexican origin, the Koreans of McAllen also work very long hours and are reluctant to leave their stores. According to the Mexican workers, their perception of the Korean view of hard work is a point of contention.

This perception of the Mexican employees was supported in interviews with the Korean employers who expressed concern about their Mexican workers unwillingness to work as hard as they do.

LACK OF EMPATHY WITH THE LOCAL POPULATION

According to the Korean participants, they took their business very seriously. One Korean participant noted, "I am in the business to make money." The Mexican employees perceive this business attitude and express resentment towards it. This desire to make a profit at times brings them into conflict with the sensibilities of the local population. On one occasion I asked an employee why the owner had so many "Don't Touch" signs and she said he did not trust the customers. Interviews and observations at the variety stores indicated that the Koreans expressed practically no connection to the Mexican and Mexican American workers and customers. This sense of distance and disconnection was repeatedly expressed by customers and workers alike.

Following the tenets of rational choice theory it is obvious to the Koreans that this is an area of high unemployment with a large pool of cheap labor willing to take practically any available job. In part this is one of the strongest reasons in support of Korean settlement. The availability of a large pool of inexpensive labor is attractive to recent immigrant entrepreneurs with limited capital.

Furthermore, Interviews with Mexican employees indicates they feel lucky when receiving minimum wage from their Korean employers. One informant stated:

"I am surprised my boss trusts me. I know that other Koreans do not trust anyone. A friend that I have that works across the street has told me she works 48 hours a week and that they pay her \$125 flat out. A lot of Koreans take advantage of their employ-

Benefits like health care, social security or insurance are not part of the employment package of the workers. Yet, Mexican workers feel they are lucky to have a job even if the flat rate a week when counting the hours worked for the wages paid, brings their hourly wage below minimum wage. Several informants noted that a job is "always better than being unemployed," also it was noted, that such is always better if they are undocumented Mexican nationals. As an informant noted, "whatever the Koreans pay a Mexican without papers is always more money than they can make in Mexico."

Many hours of observations at the Korean run variety stores indicate that the Koreans do little to make themselves liked by their Mexican American/Mexican customers. For example, they are abrasive to the point of being rude, in one episode with an elderly Mexican American woman who stated that the prices of the merchant's wigs was more expensive than another stores she was abruptly told by the Korean owner, "to go to the other store." This could be judged as poor business tactics but in reality their prices are very competitive, and offended or not most customers will buy their merchandise.

Most stores have signs concerning the expected behavior in the store (e.g. If you break it-you buy it or Pay before you play). The extreme vigilance gives the impression that the customer is not trusted. Mexican culture is traditionally polite which contrasts with the direct business approach of the Korean merchants.

SMALL BUSINESS AND TRADE

The choice of business for most Korean immigrants in the United States depends on the amount of capital they possess or can obtain, the amount of capital needed to run the business, location of the store and the price of the store.

For example, Yoon states that Koreans in Chicago concentrate their businesses in black neighborhoods where they sell general merchandise (26%), apparel (38%), shoes (12%), beauty supplies (10%), and wigs (9%) (1991:309).

And Kim reports that Koreans in New York concentrate in the grocery stores and

the selling of cheap wigs (1981). Kim also notes that they were able to establish a monopoly in the selling of cheap wigs from Korea. No other ethnic group could compete with the Koreans because the mainly black clientele was looking for bargains not quality (Kim 1981:140).

Detailed observations at the Korean stores in McAllen indicate that these stores sell a variety of items such toys, costume jewelry, flowers, dinnerware, cooking items, novelties, and other inexpensive items directed at low income Mexican and Mexican American consumers. The merchandise for the most part simulates other more expensive and brand-name items but are real enough to satisfy their customers. For example, in one shop I was momentarily fooled into believing they were selling "Hello Kitty" products but upon closer inspection the merchandise said "Hello Mary." According to one informant they are able to purchase the merchandise inexpensively from Korea through Los Angeles and sell the items for a lot less than the department stores in the area. There is rarely any merchandise over ten dollars in the stores. Most items sell for between one to five dollars. Kim reports a similar phenomenon in New York to what was observed in McAllen, he notes, "...the price of any one item rarely surpasses ten dollars" (1981:107).

Korean stores sell the same items at the same mutually agreed upon prices. The inexpensive prices that Korean merchants have for their merchandise makes them attractive even if they are rude to customers. Hechter states, "Rational traders will choose to participate in the least costly type of trading network. They are likely to choose ethnically homogeneous trading networks because these economise on coordination and enforcement costs" (1996:92). Cooperation with each other is essential for their success. As noted by Hechter, "A group can only obtain high compliance of its members if they are dependent on it to achieve preferred goals. Dependence is maximized when members strongly value, or need the benefits provided by their group, and when their prospects of receiving these benefits outside the group are bleak (1983:24).

According to data collected from Korean informants in the business sector, Koreans in McAllen have incomes ranging from \$31,000 to \$50,000, an average considerably higher than the local population's income.

FAMILY ORIENTATION

Koreans in Chicago (Hurh, Kim and Kim 1979; Yoon 1991), Los Angeles (Hurh and Kim 1983; Light and Bonacich 1991) and New York (Kim 1981) rely on family members to cut labor costs. Yoon states "Korean immigrant businesses rely heavily on family labor. About 60 percent have family members who work in their stores at least part time" (1991:313). Many of the Korean businesses would be economically unfeasible if family members did not provide free labor. According to observations and interviews with key informants, Korean businesses in Hidalgo County also rely heavily on family members. For example as noted by these employees during the recent economic reverse in the Mexican economy, Mexican and Mexican American employees were terminated and replaced by family members.

The importance of family is further illustrated in the names that Korean merchants give their stores, such as Casa Julie or Casa Sharon. When I was mapping the area, my interest was piqued by the names of the Korean stores. Key informants and some of the Korean entrepreneurs indicated that it was a custom to name the stores for their children.

Hechter has pointed out that there is a problem keeping children interested in the community enterprise because they did not join out of their own volition (1996:96). This especially problematic for Koreans because like other Asian Americans they have the legacy of Confucian ideology of their homelands (Rozman 1991:25). Confucianism holds in very high esteem the

educated man. Korean Americans have one of the highest levels of education among immigrants to the United States. Hurh and Kim state, "Slightly more than half (male 61%; female 53%) of our respondents had already received college degrees in Korea before their immigration" (1984:58). According to interviews with the Korean entrepreneurs, they feel that the educational opportunities in the local area are inferior and will have to send their children away for higher education. One Korean male with two daughters said the educational opportunities were "so-so" and the "schools are a little bit poorer than average." The Korean's emphasis on education is in conflict with the educational attainment of the local population. Although only twenty percent of the Koreans of McAllen have college degrees this contrasts with the local population where only two percent have graduate or professional degrees (U.S. Census Bureau, 1990)

ETHNIC ECONOMIES

In describing the Korean economic situation it is useful to use Light and Karageorgis' discussion of ethnic group self-employment and the employment of fellow ethnics (1994:648). The Korean merchants band together to form close-knit ethnic economies that undercut the Mexican and Jewish businesses in the area. When informally interviewed a Mexican American merchant in the downtown area noted "the Koreans will not help anyone outside their group." Another business owner, a Mexican American informant that owns an auto parts store in the same location, indicated that sometimes she felt "something very uncomfortable concerning what went on in those businesses." She went on to suggest that she thought that some kind of underworld organization was in control of the Korean stores and that these serve as, "a front for money laundering." Detailed observations in the downtown area indicated that during Christmas, Koreans sell cheap Christmas lights in all their stores, but their prices do not vary from store to store. An employee informant indicated, "They will not undercut one another." The economic and entrepreneurial drive of the Koreans was indeed surprising. Observations indicate that during the early phases of the fieldwork while preparing for the ethnographic work that was to follow, most of the Korean businesses were confined to the side streets intersecting with Main Street. However, toward the conclusion of the fieldwork, they had rapidly expanded taking over the commercial enterprises on Main Street.

There are now twelve Korean stores on Main Street when compared to none at the beginning of the study. Observations further indicated that the number of non-Korean stores are closing at a fast rate. Old established stores are closing in response to changing economic conditions and the Koreans demonstrate eagerness to replace them, since observations indicate that they rent these locales almost immediately after the old stores closed down.

The fact that Koreans coming to the United States arrive with capital to invest helps them to establish their ethnic economies. Since 1981, the Korean government has allowed Koreans to take up to \$100,000 out of the country (Takaki 1990:440).

When personal capital and business loans are insufficient for a new business. Koreans can use the rotating credit networks known as Kye for additional support. Light and Bonacich state, "Koreans in Los Angeles were familiar with kye and continued to use it for social and business purposes" (1991:247). Fieldwork interviews suggest a similar network in the McAllen area. For example, several key employee informants and Mexican business owners agreed on the existence of these rotating credit institutions in the area. A Mexican store owner whose store neighbors a Korean variety store noted that the Koreans, "have a business pool where they all contribute money in order to buy at bulk rate prices from abroad."

Following the exchange theory, it is assumed that not only is capital necessary for starting a business but also the knowledge

of where to locate your business. It is important to know where you can maximize your profits with little capital expenditure. Recent Korean immigrants ask already established Koreans where to locate their stores, what to sell, who to buy their stores from. For example, Kim (1981) points out that the advice given to new immigrants is to buy their stores from older Jewish businessmen. He further notes that Koreans assume that the Jewish businessmen want to get out of the neighborhood and that the Jewish children are not going into the business. The Korean will be able to have a clean and profitable establishment for a fair price (Kim 1981:111). According to one important Korean entrepreneur in McAllen Korean newcomers to McAllen establish their businesses there because they had either family or friends who advised them on where to lease the stores.

Conclusion

The purpose of this paper was to explain the settling of Korean entrepreneurs and their social relations with the local community in a relatively isolated city in South Texas along the Mexico border. Rational choice theory was used in framing the study's main assumptions and in determining the focus of study. In general, findings from studies conducted on Koreans residing in Major urban centers suggest that distrust, fear and suspicion color the relationships between Koreans and local minorities (Light and Bonacich 1991). Sometimes these relationships end in violence, such as the New York boycotts (Min 1991:14) Empirical data obtained for this study reveal a degree of ambivalence in the feelings of Mexican and Mexican American employees and business owners of neighboring stores who both admire and distrust Koreans. There have never been any reports of violence directed against Korean merchants by the local Mexican and Mexican American population. However, the Korean business relationships with their employees, customers and non-business neighbors frequently generate negative perceptions and attitudes toward Korean business practices.

Koreans and Hispanics did not have hostile relations in Los Angeles, but Ableman and Lie report that the Korean stores were looted mostly by Hispanics (1995:161). The negative feelings were hidden but palpable. According to Johnson et al. "...Hispanics' negative rating of Asians...was one of the touchstones for the burning, looting and violence that took place in Koreatown..." (1999:396)

Empirical research conducted for this paper indicates that Koreans were fully aware of the economic advantages afforded to their investments in South Texas. Repeatedly, they commented on the low property prices in the downtown, the large pool of workers and a market for their goods. Hence, empirical results point to the usefulness of rational choice theory in explaining why Korean entrepreneurs chose McAllen as a place suitable for their economic investment. The relationship that results from such structural conditions ultimately leads to an exploitative relationship between employers and employees, since long daily hours are demanded in return for a flat low weekly salary. Thus, results form this analysis generally support Freer's work in Los Angeles. For example, she comments on a similar situation when she states, "They are simultaneously exploiting and are exploited participants in the economy of impoverished areas like South Central Los Angeles" (1994:183). Given the Koreans' work ethics what is perceived as good business practice in terms of generating income may, and does, create at times tensions because of the stereotypes and ill feelings that workers are likely to develop when they perceive their working conditions as exploitative. Jo cogently states, "Misconceptions and misrepresentations abound among both minority groups and serve only to aggravate the situation" (1992:398). Jo's observations may be aptly applied to the relationships that have developed in this region between Koreans and their employees and general perceptions of their business practices that have aroused from the community at large, but in particular their neighboring merchants and customers.

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