Economic Boom in New York's Chinatown

Before the mid-1960s, New York's Chinatown had a small, "pre-capitalistic," service-oriented economy. At its peak, the community encompassed only a six-block area, with a population never exceeding 15,000. Today its population has grown more than sevenfold, and is still increasing. According to a survey by the U.S. Immigration and Naturalization Service, New York is the first choice of Chinese immigrants. From 1965 to 1977, 22 percent of all Chinese, before their arrival in America, selected New York City as their destination.

The attractiveness of New York is understandable, since it is the largest metropolitan center in America. Immigrants come expecting a greater availability of jobs. Most of the Chinese immigrants, however, look for jobs almost exclusively in Chinatown. They have learned through the grapevine that it is easier to find jobs there than anywhere else. The 1980 U.S. Census seems to validate this claim. It showed that New York's Chinatown has an extremely low unemployment rate: 1 3.4 percent compared to the national average of 6.4 percent,
and even lower than Chinatowns in Los Angeles (4.5 percent) and San Francisco (5.2 percent).* Above all, the businesses of New York’s Chinatown have shown an ability to create jobs for new immigrants. According to the same census, 80.4 percent of the population of Chinatown were foreign-born, and 21.9 percent had lived there for fewer than five years. In addition, 54.8 percent did not speak English well, or at all, and 71.4 percent had not finished high school.

The most distinctive feature of New York Chinatown’s economy is that people find jobs within the community, working for Chinese employers. Two major industries provide the majority of jobs: some 450 restaurants employ approximately 15,000 people, mostly men; some 500 garment factories employ around 20,000 Chinese women. A new immigrant can usually find work through want ads in Chinese-language newspapers, through Chinese employment agencies, or from help-wanted notices posted on garment-factory doors or in restaurant windows.

These two industries provide the basis for the development of related businesses. A vertically integrated network of suppliers has evolved to serve Chinese restaurants: Chinese wholesalers provide vegetables; they, in turn, get their supplies from Chinese-owned farms in New Jersey and Florida; bean curd and soy-related products come from local soybean factories; canned mushrooms, bamboo shoots, and other foods are imported from China by import and export firms; noodles and dumpling wrappings are made in Chinese noodle factories; signs and interior construction are carried out by Chinese companies with Hong Kong–trained carpenters; menus in English and Chinese are printed by Chinese print shops (the reason why one finds so many amusing misspellings in English and strange names of dishes). Commercial tableware, industrial stoves, and kitchen equipment formerly had to be purchased from American wholesale

* These statistics have to be qualified by another question asked about employment conditions in 1979. A 1979 study showed that a much higher percentage of Chinese in Chinatowns in contrast to white Americans experienced at least one week of unemployment in 1979. This seems to indicate that while the Chinese were generally employed, they changed jobs often, reflecting the unstable nature of Chinatown job markets, but also their need to remain in that job market.

firms. Today, Chinese merchants have taken over half of these firms on the Bowery. This extensive local network makes starting a restaurant much easier and encourages business investment. A similar network exists in the garment industry, where there are several Chinese-owned industrial sewing-machine and parts dealerships and wholesale textile and fabric companies.

Chinatown, therefore, is able to develop new business opportunities from its established enterprises. Economists call this phenomenon the “multiplier effect.” The capacity to expand economically and to create new jobs is unusual for an immigrant community, which normally suffers from a shortage of capital.

There are various explanations why this expansion is taking place in Chinatown. Some suggest that the answer is cheap labor. Most Chinese immigrants know little English and have few marketable skills. Like most immigrants, they must work hard, usually for very low wages. However, cheap labor also exists in other immigrant and ghetto areas; it does not necessarily create jobs, unless it can serve a growing economy.

Another fashionable theory is that the Chinese are prosperous because they are willing to work with one another by pooling their resources through mutual-aid, clan, and village associations. The problem with this theory is that mutual aid has long existed in Chinese communities; it does not explain why an expansion of the Chinatown economy did not occur earlier. When Chinatown’s economy was at a pre-capitalistic stage of development, business success brought benefits to a limited number of individuals at best; it never provided impetus to the kind of transformation going on today.

Restaurants, laundries, groceries, and gift shops were the main businesses in the Chinatown of the past. These were all small-scale operations. Groceries and restaurants had an average of six employees, rarely more than twelve; almost 75 percent of the laundries were one-man or, rather, one-family operations. The only large businesses were noodle factories, food wholesalers, and machine wet-wash factories (industrial-size laundries). Even they were larger only in revenue, not necessarily in the number of people employed.
Business practices then were conservative. In the early 1960s the Chinese-language Mei Chau Daily carried an editorial which lamented that everybody in Chinatown engaged in small-service and retail trades, resulting in “hundreds of restaurant and laundry establishments, thus suffering from cutthroat competition. And yet few look to capital-intensive enterprises as an alternative.” The reason, the editorial continued, was that the Chinese had yet to develop the know-how and the ability to raise necessary capital in order to adopt mechanization and scientific management. Without these resources, even a well-run business would be limited and could create very few jobs.

Today, the Chinatown economy is able to absorb thousands of immigrants. Its large-scale enterprises have established a foundation for the development of a multitude of consumer-service and white-collar jobs. Clearly, somewhere along the line Chinatown has found the resources to make the transition into a modern capitalist economy.

A recent popular notion explaining the growth in Chinatown cites the influx of funds from the Far East but overlooks the fact that Asian investment came only when there was promise of sufficient return on capital. The “takeoff” period of Chinatown’s economic expansion occurred before the massive flow of foreign capital.

The transformation of New York’s Chinatown came as a result of a complex of reasons. No single factor was the prime cause; expansion occurred in a step-by-step process.

The growth began in the early 1960s. By that time, the traditional industries in Chinatown were in serious trouble. The hand-laundry industry, which provided a livelihood for many Chinese, was in a decline because of the introduction of modern press machinery by American competitors. Also, many middle-class families purchased washers and dryers for their homes. Without sufficient business, hundreds of small laundries were put up for sale. Those that remained faced hard times. Some older laundrymen recall that in the sixties they had to work sixteen hours a day, seven days a week. To most, the memory of getting up each morning to iron more than one thousand shirt collars by hand in one day is still a nightmare.

In the meantime, restaurants, the other main source of jobs for the Chinese, were not doing much better. They could not expand because of Chinatown’s dilapidated physical condition. In fact, more than once, the Housing Division of New York State presented a “Chinese Village Plan” to the City Board of Estimate—a plan to beautify Chinatown in order to attract more tourists.

It was during this difficult period that the garment industry moved to Chinese neighborhoods, where it was fundamental in transforming the economy.

Chinese Women Workers Hold Up More Than Half the Sky

Since World War II Chinatown has experienced a dramatic social change brought about by the large influx of women, a result of the War Brides Act in the late 1940s and the “Uniting the Family” provision of the 1965 Immigration Act. In a very short time Chinatown was transformed from a bachelor society to a family-oriented community.

In the short run, the sudden influx of women and children into Chinatown further depressed the community’s standard of living. A number of social-welfare studies have shown that Chinatown in the 1960s had a high percentage of residents living below the poverty level, in substandard, overcrowded housing, and with inadequate health care, education, and social services.

It was soon evident that the newly arrived women were eager to work. Some 75 percent were between the ages of sixteen and sixty-four. Many had young children, but on the whole they provided a large pool of labor, ready to work in order to supplement family income. As it happened, opportunities opened up in the garment industry.

New York has historically been the center of the American garment business. It has had the advantage of having a seemingly endless source of immigrant women laborers. In the 1960s, however, the
New York garment industry declined because of competition from Southern states and Third World countries. Between 1969 and 1982, the number of jobs in the midtown garment center fell by almost 40 percent. Today this decline has been reversed. New York has regained its leading position in the nation. Ironically, a study commissioned by the International Ladies Garment Workers Union and the New York Skirt and Sportswear Association showed that “central to the revival of the industry’s fortunes in New York City has been the emergence and growth of the garment industry in Chinatown.” During this period, the number of Chinese women working in New York’s Chinatown garment factories increased from 8,000 to 20,000.

In the 1960s, the New York midtown garment industry lost large numbers of skilled and experienced Italian and Eastern European women because of retirement. The recruitment of workers from minority communities was unsuccessful, because the migration of Puerto Ricans and blacks from the South slowed down. Sporadic layoffs and lower wages, conditions common to the industry, deterred new workers from entering it. In addition, the rising level of public and welfare assistance in the 1960s made working in low-wage sweatshops unattractive. Further, there was little incentive for those in the industry to be committed to their jobs. Actually, the New York garment industry suffered from a shortage of labor.

Chinese women of working age with families were in a different position. As recent immigrants, they did not speak English but sought employment to provide extra income for their families. They were willing to work for low wages and to tolerate seasonal layoffs. Furthermore, the International Ladies Garment Workers Union, which recruited Chinatown garment workers, offered full health insurance for their families. This factor alone tied many women to the industry, since none of their husbands’ jobs in Chinatown offered such insurance. Garment work suited their needs. And so they became the growing work force of the garment industry.

Since the mid-1960s, 90 percent of the garment factories employing Chinese women have been owned by Chinese; many women prefer working for Chinese employers, and with Chinese co-workers.

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It was logical that in this ethnic environment, special work arrangements developed. For instance, a number of women planned flexible working hours so they could care for their young children. Sometimes they were permitted to bring children to the factories, and, of course, location of their workplace within the community was a great convenience.

For the garment industry the Chinatown situation was ideal. Not only had it solved its labor force problem but garment manufacturers could leave factory management to Chinese contractors, who handled the language problem, worked out wage scales, and even dealt with the union.

Thus, to understand the development of the Chinatown garment industry, it is necessary to examine the levels on which it operates. At the top are the manufacturers, who determine what and how much to produce; they oversee designing, pattern making; then supply the fabric and provide shipping and cutting facilities. The actual production is turned over to contractors, the factory owners, who hire workers to sew the garments. Once the workers produce the garments, the manufacturers merchandise them to retailers.

The hiring, firing, and management of workers is left to the contractors. When there is a slowdown in consumer buying, the manufacturers simply stop ordering and the contractors absorb the loss. When workers demand higher wages, it is the contractors they must confront, although the prices manufacturers pay for the finished goods dictate the wage scale.

It is not surprising that manufacturers have encouraged Chinese to get into the industry by helping them to set up factories as contractors. Start-up capital for a garment factory is not high. At today’s prices $25,000 is usually enough to set up a twenty-five to thirty-person garment shop, complete with a boiler for steam-pressure machines and the necessary electric and gas hookups from equipment suppliers. Moreover, the mushrooming of garment factories in Chinatown has been helped by what economists and the industry call the “farming out” process. In the 1960s American manufacturers, equipment suppliers, and other garment-related business firms all
provided Chinese contractors with generous and easy terms to get started: a low down payment of $6,000 to $7,000, with the remainder to be paid in installments over an eighteen-to-twenty-four-month period.

Chinese families with sufficient savings could easily enter the business. Critical for these families, though, was the decision by American manufacturers to shift their production orders to Chinatown. Thus, the industry virtually provided the capital for Chinese owners to start their businesses. The owners, in addition to making a small investment, in effect acted as labor contractors.

Once the Chinese entered the industry, garment factories multiplied in Chinatown. The first two were actually started as early as 1948 by ex-G.I.s, who hired newly arrived Chinese women. In 1960 there were 8 Chinese factories, 34 in 1965, 209 in 1974, and 500 in 1984.

The impact on Chinatown’s economy was profound. It has turned Chinatown families into two-income households, stimulating local business. A 1983 study done by the International Ladies Garment Workers Union estimated that the Chinatown garment industry, through wages and profits, put at least $125 million annually into the city’s economy: about $32 million was spent in Chinatown. The profits of the Chinese contractors enabled them to expand, as well as to venture into new fields. Many owners of today’s large restaurants and import-export companies made their money originally from garment factories.

The rise of the garment industry signaled the transformation of Chinatown from a small service-oriented economy into a community with manufacturing industries. Most importantly, these new industries no longer employ just family members or relatives; they hire dozens, sometimes hundreds of women who are not related. Capital has been concentrated in a few hands, and the polarization of classes in the community has increased.

The development of the garment industry in Chinatown occurred because Chinese women were available just when the industry needed a new source of labor. Once employed, the hardworking women made the accumulation of capital by their employers possible. These profits, when reinvested, stimulated the Chinatown economy to take off and expand.

**CHANGING TASTE**
**BOOSTED CHINESE RESTAURANT TRADE**

The large number of garment factories boosted the local restaurant business. Women working ten to twelve hours a day had little time for housework, child care, and cooking. Many Chinatown restaurants, sensing profits, hung barbecued ducks, chickens, ribs, and other cooked foods in their windows to attract the attention of seamstresses rushing home after work. To simplify their chores, the women would buy these ready-made dishes. Once home, they would put rice in automatic cookers, use their woks to stir-fry vegetables bought fresh from Chinatown street vendors, and prepare the family’s dinner.

When I first started as a community worker in the late 1960s, one thing I enjoyed was eating at Chinatown rice shops. My favorite dishes were pickled Chinese vegetables with beef on rice and the famous _san bo fan_ (“three treasures rice plate”): pieces of barbecued duck, soy-sauce chicken, and Chinese sausage on top of steamed rice. These individual servings were made even more appealing when the cook put a fried egg and vegetables on top—all for just $1.50! At that price I had no incentive to cook for myself.

That’s what garment workers had for lunch as well. They ate at restaurants or, to save time, took meals back to their sewing machines. The restaurants were designed for Chinese who wanted decent, quick, and cheap food. They were small, greasy, simple in the extreme, and always noisy and crowded. To open such a place, one needed little capital. Often cooks and a few waiters pooled their savings. There were dozens of these places in the community.

Before the 1970s, Chinese food was popular with some Americans:
it was reasonably priced and exotic. But its authenticity was eroded by the dictates of American taste. Such things as chop suey, egg foo yung, and chow mein were passed off as traditional dishes. *Chop suey* in Cantonese means literally “miscellaneous pieces”; it is a dish that combines leftovers—something no self-respecting cook would be caught making. *Chow mein* means “fried noodles”—except that the Chinese do not cook anything to the consistency of potato chips and would certainly never consider chow mein a main course. As for *egg foo yung*—“egg” is clearly English; *foo yung* is a Cantonese word indicating the lushness of hibiscus blossoms. *Egg foo yung* means “eggs in full bloom,” which tells us very little about the dish. All these names seem almost like jokes, but it’s hard to tell whom the joke is on: the chef or the patrons.

Few of the early Chinese who operated restaurants were trained in the trade. They fell into the business because other jobs were not available. The cooking tended to be home-style at best, reflecting the owner’s rural Cantonese origins. The food was not of high quality, nor was it imaginative.

Starting in the 1970s, Chinese food became very popular. Americans began to take Chinese cuisine seriously. One may, perhaps, trace this development to Nixon’s visit to China, when the American public was given details of the twelve-course state banquets, with spicy Szechuan cooking and mouth-burning Mai-Tai liquor. A “China fever” spread throughout the country.

This new interest in Chinese food, however, is really a reflection of a changing American life style. In New York City in the last twenty years, the life style has been influenced by increasing numbers of high-income professionals, managers, and white-collar workers in corporations and financial institutions. They demand sophisticated services, luxury apartments, designer clothing, fashionable nightclubs, and gourmet restaurants. They soon began to eat out more often and to try different cuisines. When they started looking for new and better-quality food, Chinese restaurant owners recognized the opportunity. In New York, Chinatown has the advantage of being near Wall Street and the municipal office buildings. Office

workers ventured into Chinatown for business lunches. In response to the demand, spacious, stylish restaurants were opened, with well-known chefs recruited from Hong Kong and Taiwan preparing the best of Chinese regional dishes: spicy Szechuan and Hunan foods, Peking duck, Cantonese *dim sum*, Shanghai steamed dumplings, and Hong Kong ten-course banquets. As more restaurants opened, each brought innovations, such as the recent emphasis on seafood for the health-conscious American public.

Nixon’s visit to China in 1972 was important in a different way. For one thing, it signaled a thaw between two bitter enemies. It became acceptable and even “chic” to be aware of things Chinese. This new attitude toward China added a new dimension to the way Americans related to the Chinese in this country. The Chinese rose in status as American interest in their culture grew. The Chinese, in turn, felt greater pride in their heritage.

The Uptown Chinese attitude toward Chinatown also began to change. Previously, many considered Chinatown a slum and were ashamed of it. As Chinatown began to develop, as the Chinese felt pride in their roots, the Uptown Chinese began to patronize Chinatown shops. They went downtown regularly to try different restaurants, to buy Chinese ingredients, even to see Chinese movies. As a result, they helped to boost the economy of Chinatown. Half a dozen new supermarkets opened to cater to their tastes. *Dim sum* and other dishes are now frozen or canned and sold to those living in the suburbs.

Thus, the development of Chinatown’s economy has been spurred by two growth industries—the garment and restaurant trades. This situation is contrary to the general notion that immigrants get jobs in declining industries. Chinese restaurants grew in response to the new American life style. Chinatown garment factories produce to satisfy the world of women’s fashions. A significant part of their work is to complete jobs for the “spot market.” This market was created for domestic producers because of the inability of foreign importers to meet changing demands for sophisticated and quickly changing women’s fashions.
In any event, once the garment and restaurant industries expanded, the foundation was laid for Chinatown’s economy to diversify, attracting Chinese of all classes to the community.

**WHITE-COLLAR WORKERS AND PROFESSIONALS**

With the increasing availability of jobs in Chinatown, more immigrants entered the country. And as the number of people multiplied, the demand for goods and services continued to grow. Most new immigrants, however, do not have the opportunity to learn English, because they start working as soon as they arrive. Thus, 54.8 percent of Chinatown residents speak English poorly or not at all. This does not mean that they are not trying to learn; in fact, there are at least two dozen English-language schools in the community, sponsored by churches, social agencies, and volunteer groups. Thousands of working people squeeze time out from their busy schedules to attend classes. However, the real problem is that they do not have the opportunity to use English on the job or with other Chinese immigrants. They soon forget the scant English they have learned.

The community has developed a number of bilingual services for the non-English-speaking immigrants. Today, a newly arrived immigrant who does not speak English does not have to be concerned. Everything in Chinatown is in Chinese. Banks, the phone company, and hospitals employ Chinese on their staffs. Local service agencies, such as the senior-citizen centers, job-training programs, and mental-health clinics, are Chinese-staffed, and often Chinese-run. Staff members at the bilingual service agencies are usually recruited from Hong Kong and Taiwan, since few Chinese Americans possess adequate command of Chinese.

There is an increasing demand for bilingual professionals. In the mid-1970s, when Chinatown’s expansion was in its infancy, professionals were not willing to work in the community because of the low salaries. Now, due to the growing demand, salaries have improved. Some foreign students have decided to work in Chinatown after graduation. Even some second-generation professionals have settled there to work in the community. In 1973 Chinatown had only twelve lawyers; in 1986, there were approximately seventy-two.

The local Chinese-language newspapers have been able to recruit experienced reporters and editors from Hong Kong, Taiwan, and the People’s Republic. These individuals have generally a poor command of English and would have had no chance of earning a living prior to the transformation of the Chinatown economy. Today, their positions are sought by many, even by a few Chinese trained in American journalism schools. These newspaper professionals have brought the former cut-and-paste news operations to the standards of journalism practiced in Hong Kong and Taiwan.

There are nine local Chinese daily newspapers in New York. In them one finds pages of advertisements for professional services of all types: Chinese-speaking lawyers, doctors, tax accountants, stock and investment consultants, realtors, travel agents. The 1984 *Chinatown Business Directory* listed seventy-eight doctors, including many specializing in traditional medicine: acupuncturists, bone and joint healers, herbalists (who prescribe awful-tasting medicinal drinks intended to enhance one’s spirit, energy, or virility), and specialists in “operationless” treatment of hemorrhoids—a common occupational disease in Chinatown. There were also fifty-one accounting firms and eleven Chinese-managed stock-brokerage firms.12

**DYNAMIC CONSUMER INDUSTRIES**

As Chinatown’s population grew, opportunities for a variety of small-scale businesses opened up. Instead of working in sewing factories and restaurants, some immigrants started retail businesses with very little capital; they worked long hours for marginal profits.
They often shared space with others; some even began as street vendors. On weekends and during the daily rush hours, Chinatown streets became packed with vendors selling newspapers, vegetables, fish, and fruits. Now, because of very high rents, radios, watches, jewelry, clothing, shoes, and snack foods are sold right on the sidewalks.

The common impression of outsiders is that Chinatown's economy depends on the tourists in souvenir shops and chop-suey restaurants. Today, however, the community's main businesses are those patronized by resident Chinese. Due to keen competition, businesses, in order to survive, sell high-quality goods at reasonable prices; above all, they must satisfy the needs and tastes of their Chinese customers.

Businesses are surprisingly varied: taxi services by Chinese drivers on twenty-four-hour call; Chinese-speaking Honda and Buick dealers; auto driving schools which guarantee that their students with a minimum knowledge of English will be able to pass the written and road tests to get a license.

Real estate is one of the most important businesses; there are more than fifty Chinese real-estate agencies dealing with the renting, buying, and selling of factory lofts, storefronts, office and apartment buildings in Chinatown, or restaurants in the suburbs. To the upwardly mobile Chinese, they offer houses in Queens and Long Island, or even condominiums in Chinese-owned and -managed retirement villages in Orlando, Florida.

Chinatown caters to Chinese taste. There are now some 450 large and small restaurants, with a new one opening every week. Originally, there were only Cantonese and a few second-rate Szechuan restaurants. Today, the choice is wide: you can have Fukien and Soochow food, or the popular spicy Chowchou cuisine, which originated with the Hakka (“guest people”) in Kwangtung. The diner may also order a Taiwanese version of the Mongolian hot pot or easily find a quick and inexpensive meal of Hong Kong wonton, Shanghai dumplings, or Cantonese noodles. Then there are the ethnic Chinese Thai, Vietnamese, and Burmese restaurants. A couple of Hong Kong-style “nouvelle cuisine” restaurants have recently opened. There are even Chinese-run Western and Japanese restaurants serving “foreign” food modified to Chinese taste.

New businesses thrive because they are able to make the life of the immigrant easier. Aside from the Chinese daily newspapers, there are two weekly and three monthly magazines, all published locally. Most report news from the Far East, though increasingly they cover both American and Chinatown developments. Seven Chinese movie theaters show films, mainly from Hong Kong and Taiwan—the selection is not ideal: half the movies are the kung-fu variety; most of the rest are melodramatic love stories or farces. There are two Chinese direct-wire subscription radio stations, four TV production companies which rent air time from different commercial stations (mostly rebroadcasting Hong Kong and Taiwan TV programs), two amateur Cantonese opera troupes, and periodic visits by professional troupes from Taiwan. A multitude of videocassette rental shops provide Chinese “soap operas,” martial arts, or soft-core pornographic tapes produced in Hong Kong and Taiwan.

Chinatown has developed into a vital consumer center. Half a dozen supermarkets supply practically everything one can find in Taiwan, Hong Kong, or the People’s Republic of China. These businesses cater to the taste and habits of their community and thus help to preserve its distinctive Chinese culture. Many immigrants may not consciously intend to maintain their tradition and customs, but the shops constantly remind them of their heritage: in September they sell moon cakes to celebrate the Mid-Autumn Festival; in February, rice cakes for the Chinese New Year.

**CHINESE FROM ALL PARTS OF THE WORLD**

Rapid development in Chinatown has provided a wide variety of opportunities. It is no wonder that more and more immigrants are attracted to it.

New York Chinatown’s population before the 1970s consisted
only of immigrants from Kwangtung and Hong Kong, but since then it has drawn Cantonese-speaking people from around the world. At the end of the Vietnam War thousands of Vietnamese, Laotian, and Cambodian refugees of Chinese descent, who spoke Chinese and originally came from Kwangtung, came to Chinatown. Cantonese-speaking Chinese from Burma, Malaysia, Indonesia, Jamaica, Cuba, Brazil, and many other Third World countries also found their way to New York. The Fukienese, another major overseas Chinese group, many of whom were sailors, have followed the Cantonese to this country.

It seems that these new immigrants, who had wandered to different parts of the world to escape poverty and civil wars in China, found their original refuge unsatisfactory. They came to settle in Chinatowns across the United States. In this respect, New York’s Chinatown is somewhat different from those of other cities. Because of its large pool of manual labor and service jobs, New York’s Chinatown tends to pre-select immigrants of working-class origin much more than other American Chinatowns. Chinese with professional and technical skills prefer California or Hawaii, where there are already established communities of Chinese professionals. Thus, in 1979, according to an Immigration and Naturalization Service study, among all Chinese who came to the United States, 14.6 percent were professional or technical workers, but only 3.2 percent of them intended to settle in New York. New York’s Chinatown is attracting poorer, less skilled, and less educated immigrants than other Chinatowns.

Once the expansion of Chinatown began, Mandarin-speaking people from Taiwan began to settle on the fringes, especially after 1976, when the Taiwanese government liberalized exit requirements. After 1979, Chinese from the People’s Republic were allowed to emigrate directly to this country. They came from all parts of China and were unprepared to deal with the American capitalistic, competitive system; they, more than any other group, needed Chinatown.

New York’s Chinatown has become the gathering place for Chinese from all parts of the world. They bring their specialized trades and distinctive tastes with them. Groups with different dialects, who cannot understand one another, concentrate in separate sections of Chinatown: Fukienese on Division Street, Burmese Chinese on Henry Street, Chinese from Taiwan on Centre Street, Vietnamese on East Broadway.

A complex community has taken shape in New York. Newcomers with diverse backgrounds have joined the community, gradually creating a previously nonexistent middle class of white-collar workers, professionals, sales personnel, and vendors. At the same time, the economy has diversified from small-scale service operations into the manufacturing, wholesale, consumer, professional, and entertainment trades.

New York’s Chinatown (and other American Chinatowns) is unlike the traditional European immigrant ghetto, where residents remained only until they found better jobs and began integrating into American society. The Chinese concentrate in Chinatown because there are jobs right in the community.

So far, I have dealt only briefly with the role of foreign capital from the Far East in Chinatown’s development. I want to emphasize, however, that the influx of capital was not the main reason for Chinatown’s economic growth. In fact, foreign capital did not play a role in the beginning; it was the dramatic increase of Chinese garment and restaurant industries that opened up new economic frontiers, and set the stage for economic boom in the 1970s. Only after the expansion of these two businesses did foreign investment pour in.

Without the promise of growth, foreign capital had no reason to come to Chinatown. The former stagnant business climate offered little incentive. In fact, since the 1950s, Taiwan and Hong Kong have industrialized rapidly and become highly developed consumer economies absorbing capital that otherwise might have come to Chinatown. However, once it became clear that the economies of American Chinatowns were growing, Far East businessmen saw opportunities. Some of the new garment-factory owners had worked
in Hong Kong firms, producing garments for export to America under contract to American manufacturers. Others opened restaurants, copying successful operations in Hong Kong. The skill and know-how of these small investors had more impact on Chinatown than the amount of capital they brought with them.

Imported capital, invested in the United States, took advantage of immigrant labor in Chinatown and reaped high profits. These profits attracted even more investments. More investments created more jobs, encouraging more immigration. This, in turn, brought more profits. This cycle generated the economic boom in Chinatown of the 1970s.

Thus, while foreign capital was not the cause of Chinatown’s economic expansion, it did stimulate it. However, by the late 1970s, the character of foreign capital from the Far East began to change. And, as we shall see, the impact of growing foreign investments undermined the very foundation of Chinatown society.

THE WOES OF FOREIGN CAPITAL

FOREIGN CAPITAL is a dirty phrase around New York’s Chinatown. It is blamed for all ills. Many people believe that much of it goes into speculating in Chinatown real estate and has caused the value of land to skyrocket. Rents have been jacked up for restaurants, garment factories, grocery stores, and residences, to the point of forcing many to relocate to Queens and Brooklyn.

PRODUCTIVE FOREIGN CAPITAL

In the early 1970s, foreign investments tended to be small, usually made by businessmen who sold their operations in Hong Kong and brought small amounts of capital to New York. Once established in Chinatown, they worked hard, took advantage of free family labor, squeezed as much as possible out of their Chinese employees, pinched every penny, and even cheated on taxes. Theirs
was considered "productive capital," its purpose and scope being in line with realistic expectations of returns. Most community people believe that such foreign investments have been helpful in creating jobs.

In the mid-1970s, the pace of foreign investment began to accelerate. Two major fears brought a flood of capital into Chinatown. First was the uncertain political climate in the Far East created by the withdrawal of the American forces in Vietnam; there was a strong fear of imminent communist dominance in the region. People in Hong Kong were also concerned about the status of the British Crown Colony after 1997, when the lease of the New Territories would end. Many expected that China would reclaim the colony and eliminate its system of free enterprise. Many Taiwanese also feared for their island's future after the United States became increasingly friendly to the People's Republic. Since most Asian countries experienced a period of rapid growth in the 1950s and 1960s, many Chinese in Hong Kong, Taiwan, and Macao, as well as the ethnic Chinese in Malaysia, Indonesia, Thailand, Burma, and the Philippines, made a great deal of money. However, political uncertainty caused them to look to the United States to shelter their fortunes. Chinese communities in this country seemed in the 1970s to be ideal for this purpose.

The second major factor influencing the movement of foreign capital into the United States was the world recession that followed the 1973 energy crisis. Most countries suffered economic depression coupled with high inflation. The United States, the center of the capitalist world economy, fared better than most. A large volume of foreign capital flowed into the country to earn the high interest rates offered by American banks. Chinese capital was part of this movement.

The volume of this capital—and its political implication—cannot be overestimated. A large number of people in Hong Kong and Taiwan began to transfer their capital as the first step in the decision to leave their homeland. They turned to North America, Australia, Britain, and Singapore as places for resettlement.

The Woes of Foreign Capital

The transfer of capital preceded their physical move. It was not simply the rich but thousands of middle-class professional and businessmen who shifted their money. While the rich moved part of their business operations to the United States, the less wealthy put their savings in the care of relatives, who made deposits in Chinatown banks to avoid complicated rules governing non-residents. Many banks were set up precisely to facilitate such transactions—they were not strict about client identification and income-tax and banking regulations. Thus, Chinatown residents of very modest means may have tens of thousands of dollars in CD accounts at the local banks. When the Golden Pacific Bank was declared insolvent in 1985, federal regulators who examined the books found hundreds of Chinese-held savings accounts over $20,000; there were 170 accounts with more than the federally insured maximum of $100,000.2 Chinese newspaper reporters speculated that many of these individuals were simply holding large sums of money on behalf of friends and relatives in the Far East.

Overseas Chinese have also transferred money to the United States by investing it in their relations' businesses or real-estate ventures. The total of all these small investors' capital has given a tremendous boost to the Chinatown economy. In addition, some Chinatown banks are suspected of being involved in the "laundering" of illegal income from drug operations in the Far East.3

Around 1978, at the time of negotiations between Great Britain and China on the future of Hong Kong, and about the time when the United States recognized the People's Republic as the legitimate government of China, political uncertainty greatly destabilized the currency values and stock markets in both Hong Kong and Taiwan. The exodus of capital drastically increased the flow of investments into New York's Chinatown.

The extent of this increase is suggested by the number of banks that opened in New York's Chinatown. In the 1940s there were only two banks: an American bank, the Coin Exchange (the forerunner of Chemical Bank), and the Bank of China, which was the official Nationalist Chinese bank, dealing mainly with dollar remit-
tances to China. The Manhattan Bank and the North American Bank were opened in the late 1960s. Only in the mid-1970s did larger banks, like Chase Manhattan, Citibank, and Franklin Savings, open branches. In the 1980s, with the deregulation of banking rules, banks literally flooded Chinatown. By 1986, there were twenty-seven banks in the community: about one-third were branches of American banks, and the rest were Chinese-owned. From 1981 to 1986, fourteen Chinese-owned banks opened. Assets of these banks, estimated to be over $2 billion in reserve, came mainly from Hong Kong and Taiwan, with the rest from Southeast Asian countries.

Part of the banking activities is concerned with import ventures. Importers from Hong Kong, the People’s Republic, and Taiwan, attracted by the growth of Chinatown, have financed the construction of supermarkets and department stores to supply dry goods, canned foods, clothing, and other consumer needs. With the rapid development of industries and the advancement of technology, the balance of Pacific Rim trade within the last twenty years has shifted increasingly in favor of the Far East. Exporters from this region are pushing a variety of expensive items, including designer clothing, electronic goods, antiques, audio equipment, and even personal computers. Chinatown, in the meantime, has been used as a testing ground for American consumers, as well as a beachhead for expansion into American markets. Wholesale distribution centers, dealerships, and import branch offices have crowded into the community.

INVESTMENT BEHAVIOR OF FOREIGN CAPITAL

Foreign investment in import ventures represents only part of the capital flow. Much of the foreign capital investments from the Far East which came to this country after the late 1970s behave differently from ordinary capital. Maximization of profits is usually not the primary objective of these investors. More important is the trade-off between possible high returns and low-risk investment. A

number of Chinese investors are also trying to escape the uncertain political climate in the Far East. To do so, they devise investment strategies to gain U.S. immigration status.

Taiwan, for example, maintains tight control over the exit of both capital and people. Owners of Taiwanese companies circumvent these laws by setting up branch offices in the United States. Such offices can send the owners or their relatives to the United States as branch officers, who can then legally move capital out of Taiwan. The officers of firms registered in the United States can apply for, and obtain, immigration status. Once this has been done, the new branch officers may travel between the United States and Taiwan without restriction, and their relatives in Taiwan may apply for immigrant status as well. In the end, the owners, their families, and their capital can move out of Taiwan whenever they choose. It is also very common to find a Chinese business family residing in two places: a husband with a green card (U.S. permanent residency status) working in Taiwan or Hong Kong and commuting to visit his family in the United States, where his children can get a better education. In such cases, the transfer of capital is used to help the immigration process.

Chinese money from the Far East flows only one way; the intention is to move capital to the United States. Profits are not returned to Asia but are reinvested in this country.

The objective is to sacrifice short-term profits for long-term growth and stability. This long-term view accepts a lower rate of return than would commonly be expected of ordinary American capital. In fact, some investors are willing to make no profit at all, and even to suffer losses for a few years, as long as they can maintain a secure financial position in this country. This last feature plays havoc with the normally competitive Chinatown economy. Many clothing stores, restaurants, and other businesses hardly have any business, yet they all continue to operate, forcing other firms to engage in suicidal competition and even driving some out of business altogether.

Adding more confusion to this economic climate is the competition between Taiwan and the People’s Republic to woo the support
of the Chinese in America. To counter the effects of the increasingly friendly relationship between Washington and Peking, the Taiwan government invested capital in New York's Chinatown in order to maintain its political hold on the community. It bought a number of important real-estate holdings and set up department stores, travel bureaus, and trade exhibition centers. Government officials have awarded lucrative franchises, business contracts, and favorable import concessions to those who are loyal to their cause. These investments are to achieve political objectives; they are not subject to the law of supply-and-demand, and those who benefit do so regardless of public need or the quality of service.

Officials of the People's Republic, on the other hand, are pouring capital into Chinatown, with the goal of replacing Taiwan's dominance. Also, the investments are part of its "united front" strategy to isolate Taiwan and to pressure it to agree to peaceful unification.

Their most heated competition is on the media front. This war has been fought mainly in New York's Chinatown. Both governments relocated their worldwide propaganda centers for overseas Chinese from Hong Kong to New York, which is recognized as the communication center of the world. In the late 1970s, each side expanded its propaganda machine, buying out small daily newspapers and television stations, setting up modern satellite transmission systems, hiring hundreds of highly qualified reporters, establishing news bureaus, and publishing local editions in major cities across the country. Editorials and news items are distributed to smaller Chinese newspapers worldwide through international networks.

REAL ESTATE AND CHINATOWN GROWTH

Foreign investors looking for low-risk ventures generally prefer non-liquid assets: real estate provides this type of investment. It requires less attention than liquid assets, its value is not likely to depreciate, and it is a valuable asset if the owners decide to relocate to this country. It is not surprising that more and more foreign capital has flowed into real estate.5

Ownership of land has always been important to the Chinese. It represents stability and power. Every association in Chinatown has to have its own headquarters building, and all tong groups define their influence in territorial terms. In rapidly expanding Chinatown there has been a crying need for space: space for stores, factories, wholesale storage, offices, and, most of all, for housing the new immigrants.

One important factor was vital to the recent growth of Chinatown—the availability of land during its period of expansion. The influx of Chinese began in the late 1960s, while New York City was in decline: manufacturing industries and corporate headquarters were moving out, causing a steady loss of jobs. Consequently, New Yorkers moved away. In 1974 the city almost went bankrupt, partly because of the loss of income from taxes. Neighborhoods on the Lower East Side of Manhattan, and especially areas surrounding old Chinatown, were in decay. Factories, offices, warehouses, and storefronts were abandoned or underutilized. Old tenement houses, built in the last century for Jewish and Italian immigrants, were in disrepair because the former residents had long since moved away. These buildings provided space for the new Chinese immigrants at a relatively affordable cost.

Chinese landlords and groups of investors gradually bought the old buildings. Chinatown began to move into surrounding neighborhoods: north into Little Italy, leaving only small pockets of Italian restaurants, cafés, and elderly residents; east into the half-deserted old Jewish neighborhood—with some of its most famous immigrant landmarks, like the Jewish Daily Forward building—and even into parts of the Orchard Street market; south to City Hall and the court buildings; and west beyond Broadway to SoHo, which was in the process of becoming a community of artists, chic galleries, restaurants, and shops.

The area of expansion was very large. Most people have the impression that Chinatown housing is expensive because there is a shortage of buildings. This is only partly true; the high cost of renovating the
century-old buildings pushed up the price of housing. When a Chinese landlord acquired a building and didn’t have the capital to renovate it, he would wait until demand for the housing became so great that he could charge high rents. Then he would proceed with renovations.

Chinatown since the late sixties has been a classic case of community development through the hard work of the people, who created the condition for real-estate owners to make high profits. The owners speculated in real estate and pushed the prices well beyond the reach of residents. This eventually undermined the community economy.

**SPECULATIVE CAPITAL AND THE COMMUNITY**

A few years ago any thoughtful observer could predict that Chinatown would continue to expand rapidly. When the United States normalized relations with the People’s Republic of China in 1979 and the government increased the Chinese immigration quota from 20,600 to 40,600 a year, there would be more Chinese coming and seeking living quarters. An investor in Chinatown real estate could double his investment in two or three years. For instance, I lived in an old, dilapidated warehouse building on East Broadway for eleven years. When I first moved there in 1973, the rent was $140 a month for a 2,000-square-foot loft. In 1975 the Jewish owner sold the five-story building to a Hong Kong developer for $270,000. In 1984 the new owner forced all the tenants out and put the building up for sale for $3 million.

This situation has encouraged real-estate dealers to buy buildings, with no intention of improving them. They hold them only long enough to sell them at much higher prices. The next owner does the same thing. This practice is familiar to most Chinese from Hong Kong, where it’s called “frying the real estate in a wok”: property gets hotter and hotter. There is a lot more money to be made, but the stakes get larger and larger, until only well-financed players have the money to continue. A number of very large Hong Kong developers, veterans in this game, moved part of their operations to New York. Today, several such firms own hundreds of buildings in the community.

The price of buildings has leaped out of proportion to the rental income. As this process continues, landlords will continue to jack up rents. New York City has no rent control on commercial buildings, and once the leases came up for renewal, some Chinese landlords increased rents by 200 to 300 percent. What is worse, the landlords did not give long leases. Thus, businessmen face increasing uncertainties.

Retail space has become so scarce that unusual situations have developed: newspaper stands are located underneath a building staircase; souvenir vendors rent sidewalk space from store owners and use a basement hatch door opening as behind-the-counter space; a small store has fish for sale on one side and radios on the other. Merchants pay dearly for the use of such space. One vegetable seller on Canal Street rents a 150-square-foot storefront, which he uses only for storage, and displays his produce on stands set up on the street. He pays $1,500 a month for the storefront, having also paid $20,000 as “key money” to the landlord. A number of smaller businesses have simply been forced to close.

The desire of Chinese retailers to locate in the heart of Chinatown is so strong that they are paying unbelievable prices. According to a study done by the Real Estate Board of New York, the annual rent per square foot for retail space on Canal Street is $275. That is higher than rents on Madison Avenue above Forty-second Street ($255), and higher than the most desirable parts of the Upper West Side, and it is far higher than on Wall Street, where the rents are around $175 per square foot.

Compounding the problem is the rejuvenation of New York City. Real estate, particularly in Manhattan, is going through what is called the “gentrification” process: poorer neighborhoods are being converted to high-rise and condominium communities. The same pattern is occurring in Chinatown. As the gap between the prices of buildings
and the real income from them increases, landlords are no longer content with just getting tenants who will pay higher rents. It is even more profitable to convert old commercial and industrial buildings into office use. On East Broadway alone, at least ten garment factories closed down between 1983 and 1986 because their buildings were converted for use as offices. In fact, East Broadway is now known as the “Wall Street of Chinatown”: five new banks have opened on the street since the factories closed.

For real-estate interests to take full advantage of this speculative fever, they need to displace low-income residents from the existing standard, five-story, rent-controlled tenements where most of Chinatown’s working people live. The profits from such conversions are so tempting that some landlords use unethical means to drive tenants out. The most notorious case concerns the East-West Tower on Henry Street. A development corporation, reputed to be financed by the Burmese ethnic Chinese, applied to the City Community Board for a special zoning permit to build a 33-story residential apartment complex on a plot occupied by several rent-controlled tenements. The new building was intended for upper-middle-income residents willing to pay a minimum $150,000 for an apartment (at 1982 values). A permit was granted to the Overseas Chinese Corporation after a formal hearing before the Community Board in the fall of 1981. By then the developer had already evicted the tenants and demolished the buildings. The former residents filed a suit against the development corporation, charging it with harassment, gang intimidation, arson, and deprivation of basic services to force them out—even before it had been granted the city permit. The New York City Department of Investigation inquired into and confirmed the tenants’ charges. Their report generated enough opposition in the community to force the Community Board to revoke the permit.

Since then, several attempts have been made to win approval of other high-rise condominiums. Developers claim that there is a great shortage of housing in the community. But with the present cuts in federal assistance for low-income housing, developments are much more likely to be for upper-income families. Furthermore, builders point out that there are more than enough Chinese tenants willing to pay high rents. This may very well be true—condominiums in Chinatown are ideal for overseas investors. The value will appreciate, the space can be rented, relatives can live in them, and, in some cases, children of the owner can live in them while going to American colleges.

The very prospect of these housing changes has destabilized the community. No one is certain about the future. People do not know whether they will be able to afford to stay in Chinatown.

**CHINATOWN ECONOMY IN THE 1980s**

Higher rents have reduced the profits of restaurants, factories, and other businesses. Higher rents have cut deeply into workers’ already low wages. Businesses have cut staff and increased the work load of the remaining work force. Workers are faced with frequent layoffs; they are overworked, underpaid, or underemployed. Without steady income, their consumer power has been reduced. If this trend continues, the garment factories will disappear and thousands of residents will lose a major source of income. Restaurants, groceries, and other businesses dependent on factory workers will also close. The economy of the community will collapse. Real-estate speculators and banks will have killed the goose that laid the golden egg.

Still, real estate continues to attract a larger and larger share of investments which previously went into industry. New banks have been established to take advantage of this situation. With deposits of foreign capital, they move aggressively into land acquisitions and offer credit to developers and speculators.

On the other hand, loans for restaurants and garment factories are harder to get, since they are considered high-risk ventures. In fact, those who have made money in garment and restaurant businesses are now moving money into real estate. This exodus of capital has created a situation where only the large enterprises can survive. Thus
there is a concentration of capital in the community economy; fewer and fewer individuals own more and more businesses.

While most of the community is aware of the seriousness of the housing problem, few agree on solutions. There are those who feel that further gentrification is inevitable; it has happened elsewhere. Chinatown residents from Hong Kong certainly experienced it before they emigrated. According to their viewpoint, Chinatown simply has to cope with the situation. Officials of the Chinatown Planning Council advocate the decentralization of Chinatown into satellite communities in the outer boroughs of Queens and Brooklyn. They argue that factories and residents should move out so that Manhattan's Chinatown can be developed into an upscale business area.

An estimated 40 percent of Chinatown workers already live outside the area. Pockets of Chinese concentrations have emerged along the various subway lines leading to Chinatown. The largest is in Queens. The main street in Flushing is lined with supermarkets, grocery stores, and restaurants, owned mainly by Chinese from Taiwan, and some garment factories have moved to Long Island City.

This process of decentralization, aside from the tremendous hardship involved for those relocating, means that Chinatown will never be the same. That's why some people in the community oppose the dispersal. As they see it, real-estate interests and speculative capital should not be allowed to destroy people's homes and livelihoods. Several activist groups are working to counter this process. The Asian American Legal Defense and Education Fund took action to block a high-rise, high-rent development on Henry Street, because it would have a damaging environmental impact on the community. It won the case.

The real-estate business in Chinatown is highly competitive. Speculators have the financial power and political leverage to get what they want. And they know what they want, because they have spent time and energy analyzing the community. It is difficult for ordinary residents, especially recent immigrants, successfully to confront such a powerful interest group.

Most land-use experts, who have observed the transformation of other parts of Manhattan, are not optimistic about saving China-

town, particularly because it is so close to Wall Street and all the major transportation arteries. Also, as 1997 approaches, the pressures will increase as more immigrants and capital flow in from Hong Kong.

However, there are several unique factors that might spare Chinatown from destruction. The core area—Mott, Pell, Mulberry, and Bayard Streets—is owned by Chinese associations. So far, they have not been involved in real-estate speculation, partly because members of these groups cannot agree on a common plan. Second, a large section of Chinatown consists of hundreds of units of rent-controlled tenement housing. Gentrification of these buildings is difficult, because they are fully occupied. The only possible targets are the less than a dozen empty lots which are too small for high-rises. If the existing tenements are protected and zoning restrictions are maintained, it will not be possible to displace the present residents. The areas subject to intense speculation are loft buildings on streets outside the core area. That's where new businesses are competing for space and where rents have reached unbelievable heights. With speculation getting out of hand, land values will eventually fall to their real worth. The price will be determined by the real economic activities of the community. Prices can continue to rise only if there are new customers willing to pay higher prices. But Chinatown buildings are appealing only to Chinese businesses. Non-Chinese firms will find the prices too high and the space utilization peculiar to the Chinese. So if the existing businesses cannot afford to pay the rents, the buildings will become vacant. In the last five years there has been a rash of conversions of factory lofts to office space; now that there is a glut, the per/foot value has fallen. There has also been a rash of conversions of storefronts into mini shopping malls, where dozens of retailers share one subdivided space. In 1987 there are too many of these.

In the meantime, other market forces will affect land speculation in Chinatown: factory owners will move uptown and large real-estate investors will switch their money into non-Chinatown properties—less money for more returns.

The present situation offers a real opportunity to form a com-
munity coalition to block gentrification. As the housing situation deteriorates, the general lines of the conflict are becoming clear, cutting to the very heart of the community problem. The community is objectively split: landlords, banks, real-estate dealers, and foreign investors versus the "productive" business interests, individual workers, residents, and some traditional associations. A united front could be formed by the latter groups around a very specific strategy focusing on maintaining rent-control laws, fighting the violation of tenants' rights, restricting zoning changes, and advocating development of low-income public housing. In the meantime, several groups in Chinatown are already forming political alliances with other Lower East Side black, Puerto Rican, church, and tenants' groups to block gentrification of the old working-class neighborhood. Others are organizing around the concept of "community control" by bringing political pressure on the city's housing-related agencies and by joining community boards in order to promote policies against the speculative fever in Chinatown.

In any event, foreign capital has pushed the community economy to a new stage. From a self-employing, small-business community, New York's Chinatown experienced a period of rapid growth in manufacturing and consumer industries in the 1970s, through capital accumulation based on the labor of women garment workers. Then, in the early 1980s, the economy moved into high finance and real-estate speculation, because of the profitability of landholdings and the influx of foreign capital. But unrestrained foreign investments have led to rising rents, inflated property values, and a shortage of investments in productive businesses. Thus, the economy of Chinatown has slowed down. Two bank runs in Chinatown during 1985 seem to have brought it to a new stage.

There have been a number of success stories in Chinatown—immigrants who have become millionaires. Several real-estate giants started out as small, family-run restaurant owners. However, in most instances, Chinatown millionaires are either individuals who have been here since the 1960s or wealthy Hong Kong immigrants who had money before they came. Very few new immigrants who came in the 1970s have prospered. Success is difficult in today's large-scale economy, where capital is concentrated, rents and real-estate values are high, and competition is vicious. One is reminded of a Chinese saying: "For the fame of one general, ten thousand corpses are left on the battlefield." The success of one businessman depends on the exploitation of many immigrants under him.

But the image of widespread success persists. The notion began with the publication of the 1970 Census. It made available for the first time significant statistics on the Chinese in America. The general public was surprised to learn that the Chinese had a higher education level and a higher percentage in professional fields than the national