Ethnic Enterprise Informality and Entrepreneurship in a Minority-Majority Region in the United States: Latinos in South Texas

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Abstract By choice and necessity, Latinos engaged in informal entrepreneurship abound in the "minority-majority" region of South Texas. By choice, some South Texans work "off the books" in order to supplement incomes, support families, and improve lifestyles through self-employment. By necessity, many self-employed South Texans scrape together informal work in order to survive. South Texas is an impoverished region populated primarily by Latinos (90%), many of whom are recent immigrants, both documented and undocumented. This chapter explores Latino informal entrepreneurship in the region with a focus on the rationale for business start-up and enterprise persistence. Additional emphases on the changing border context in the "Age of Trump" including public policy implications are discussed.

Keywords Latinos · Ethnic entrepreneurship · South Texas · Minority-majority region · Business start-up & innovation

1 Introduction

Easter is a traditional holiday widely celebrated in Latino communities across South Texas. As part of the festivities, *cascarones*, or colorful confetti-filled hollowed-out chicken eggs, are thrown to the ground or smashed over another's head by children and adults alike. By the dozens, paper-filled *cascarones* are purchased to meet their demise in family celebrations of Easter. *Cascarones* are often bought "off the books" and on the street side; half the consumers in South Texas have done so (Pisani 2013a). Ubiquitously, *cascarones* are made and stored all year long by informal entrepreneurs, often using family labor to dye and fill eggs, who seek to make a little extra money during the Lenten season. This is but one example of an ethnic product

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created and produced by ethnic entrepreneurs exchanged in an informal marketplace primarily for co-ethnics.

Presently within the U.S., Latinos are the largest minority ethnic group with over 56 million people, nearly two-thirds of who are of Mexican origin (Flores 2017). In South Texas, the percentage of Hispanics of Mexican origin is much higher than the national average. South Texas is a Latino minority-majority region of more than a million people in the state of Texas that is situated on the U.S. side of the border between Texas and Mexico. More than 90% of the population is Hispanic,[1] nearly all of Mexican origin.

Informality is endemic in the region in part a response to high levels of poverty amid structural bias,[2] generally low levels of educational achievement, and a relatively high proportion of the presence of undocumented immigrants without formal work authorization. These conditions substantially contribute to the push toward economic informality as a household survival mechanism. Yet, there are also present many pull factors into informality such as tax and regulatory avoidance, high demand for "off the books" goods and services, abundant access to co-ethnic social networks, and generally lower operational costs.[3] Notwithstanding the importance of pull forces, the push forces are very strong in this primarily Hispanic region.[4]

Central to the book's purpose is the research question: "What are the factors influencing ethnic groups to start an informal business and how does this link to the creation of innovative business activity?" This chapter explores Hispanic informal business initiation and innovation within the borderlands context of South Texas. The remainder of the chapter is organized as follows; section two introduces the socioeconomic environment of informality in South Texas, section three focuses upon informal Latino enterprises in two sections: a) the rationale for informal business creation and start-up, and b) the innovative nature of Latino informal enterprises; and section four concludes the chapter with an emphasis on public policy implications in the changing political landscape ushered in by the Trump Administration.

[1] In this chapter the terms Latino and Hispanic are used interchangeably.

[2] Richardson and Pisani (2012, p. 39) define structural bias as "a form of unintended harm resulting from imbalanced structural arrangements in which some groups have more power than others."

[3] Richardson and Pisani (2012) expand on the push/pull dynamic and add a hold/repel dimension to the overall framework in their study of the informal and underground economy in South Texas.

[4] Dana and Morris (2007) also note the importance of push and pull factors as key variables in explaining entrepreneurship among immigrants groups globally.

2 The South Texas Socioeconomic Environment of Informality

In this chapter, the geographical outline of South Texas includes from west to east the border communities from Laredo to Brownsville and the five border counties of Webb, Zapata, Starr, Hidalgo, and Cameron and the four near border counties of Jim Hogg, Brooks, Kenedy, and Willacy.[5] South Texas has been described as the most Mexican, and hence Latino, part of the United States (Hoy 2007). If South Texas and its more than 1.6 million people were its own state, it would rank as the poorest in the union (Richardson and Pisani 2012). The numbers are striking, 2016 per capita income for South Texas was $15,243, and this amounted to just 54.8% of Texas per capita income and only 51.1% of US per capita income.[6] In the region, one in two children is raised in households earning incomes below the poverty line. While poverty is not the sole cause of economic informality, poverty certainly facilitates economic actions in the pursuit of survival strategies.

Culture and cultural traditions play a strong role in the acceptance of informality in the region.[7] As most of the population is of Mexican origin peoples with about one-fourth actually born in Mexico, Mexican ways of life significantly influences South Texas. Informality in Mexico is pervasive (ILO 2014) and permeates the history of the Texas-Mexico border region (Díaz 2015). Hence the negative social stigma associated with avoiding the law is not only universally absent for informal activities in the region, but also informal markets are often used as a strategy to stretch household consumption (Pisani 2013a). Additionally, not all residents of South Texas are fully documented to work in the region where appearance alone does not differentiate between the authorized from the unauthorized. This reality significantly increases the supply of labor working in the shadows of formality (Richardson and Pisani 2012).

Facilitating informality in South Texas are procedural transactions connected to economic exchanges undertaken with cash, the disposition of exchange paperwork, and the avoidance of state sales tax. Informal exchanges most often occur in cash as to avoid tracking the exchange. The exchange is primarily paperless, no sales receipt is typically provided and no sales are normally recorded in a bookkeeping ledger. And the state is often left out of the exchange where sales taxes are routinely uncollected.[8] Complementing procedural elements are behavioral actions—these

[5]This geographical outline is in line with that proposed by Arreola (2002).

[6]These data are from the US Census Bureau, QuickFacts (https://www.census.gov/quickfacts/)

[7]Holguin et al. (2007) suggest that informality for some Hispanic entrepreneurs found more widely across the United States may be an enduring cultural artefact.

[8]Pisani (2013a) notes that 89.5% of informal transactions in South Texas are undertaken in cash, 78.5% of informal exchanges do not include a sales receipt, and 82.0% do not involve the collection of state sales taxes.

include the morality[9] of purchasing goods and services informally, the opportunistic nature of engaging informal markets, and the mutual benefits transactions provide both buyer and seller.

Furthermore, South Texas abuts Mexico permitting the "arbitrage" of the border for enterprising informal economic actors (Richardson and Pisani 2012). In a region that serves as the primary conduit for NAFTA trade, the transnational or cross-border movement of small amounts of informal goods goes mostly unnoticed and unrecorded by government authorities (Pisani 2013b). This trade has been nicknamed the "*fayuca hormiga*" or ant trade (Gauthier 2012) because of the multitudes of small scale informal entrepreneurs engaged in actualizing Kirzrnerian market niches (Kirzner 1973). In essence, poverty, inequality, cultural legacies, the interplay of the border, and large numbers of unauthorized workers all interdependently may be considered an incubator for informality in South Texas. An informal sector that has been estimated to account for upwards of one-quarter of economic activity in South Texas (Richardson and Pisani 2012).

3 Informal Latino Enterprises

Information for this section draws upon several comprehensive and distinct surveys and interviews of informality in South Texas conducted between 2000 and 2010. Because of the illegal nature of the economic activities, the surveys were undertaken by the Borderlife project or through replication and extension of the Borderlife project utilizing embedded informants.[10] Local informants utilized non-purposive snowball sampling methods to ascertain sensitive information (e.g., informal activities and immigration status) necessary to explore "off the books" ventures.[11] Only informal ventures undertaken by Latinos in South Texas are included.

[9]In a 2010 Borderlife survey, 16.9% believed buying "off the books" was completely wrong and 14.9% believed it was somewhat wrong (Pisani 2013a). The remainder believed that "off the books" purchases where neither right or wrong (19.2%) or somewhat or completely right (49.0%)

[10]The Borderlife project was an initiative lead by Professor Emeritus Chad Richardson of the University of Texas—Pan American from 1982 to 2010. The Borderlife project was replicated at Texas A&M International University from 1998 to 2002. The extensive archives of the project containing more than 10,000 surveys, interviews, and ethnographies are now housed at the University of Texas Rio Grande Valley.

[11]See for example the following research studies utilizing Borderlife surveys: Richardson and Pisani (2017) and Pisani (2013b).

3.1 Business Start–up

In a 2010 Borderlife survey of 298 informal enterprises in South Texas (Pisani et al. 2017), about half of businesses were begun out of necessity (52.7%), roughly the other half to fill a market opportunity (47.3%). Necessity entrepreneurship suggests that entrepreneurs encounter and engage in self-employment as a reaction to their dire financial circumstance within a complex economic environment (Dana 1997). On the other hand, opportunity entrepreneurship derives from seeking and fulfilling niche market openings (Kirzner 1973). As reported in Table 1, all businesses begun out of necessity reflected the need for additional household income (66.9%) or to combat recent job loss (33.1%).

Table 1 Comparing start-up with necessity- and opportunity-driven Informal Latino firms in South Texas (n = 298)

Variables		
Reason for starting business (%)	Necessity-driven	Opportunity-driven
Lost previous employment	33.1	0.0
Needed additional income	66.9	0.0
Wanted independence	0.0	59.4
Had idea to make money	0.0	27.1
Hobby into a business	0.0	13.5
Pearson Chi-Square = 281.00, df = 4, p = .000		
Start-up costs (%)	Necessity-driven	Opportunity-driven
Under $1000	64.2	38.5
$1000–$4999	24.6	32.5
$5000–$9999	3.7	15.4
$10,000 or more	7.5	13.7
Pearson Chi-Square = 20.861, df = 3, p = .000		
Source of start-up funding (%)	Necessity-driven	Opportunity-driven
A) Personal savings/family loan	76.9	78.0
B) Credit cards/bank loan	12.2	17.6
C) Side jobs	14.2	13.0
A) Pearson Chi-Square = 0.053, df = 1, p = .817 B) Pearson Chi-Square = 1.614, df = 1, p = .204 C) Pearson Chi-Square = 0.087, df = 1, p = .768		
Years of advanced planning before beginning business (%)	Necessity-driven	Opportunity-driven
Under 1 Year	79.4	67.3
1 Year or more	20.6	32.7
Pearson Chi-Square = 4.500, df = 1, p = .034		

Source: Author's calculation from own survey

In a Borderlife interview, Graciela Garcia[12] told her story how she became involved in the local informal economy. Graciela has recently retired from her job working in an elementary school cafeteria. Not old enough to receive social security benefits and her retirement pension too small to meet all her financial needs, Graciela began making a selling food plates. This was a skill she spent many years doing at the cafeteria. Graciela makes lunch plates that she sells informally to office workers for $5. She indicated, "I am not an educated woman. I was able to fix my [immigration] papers many years ago and that is how I got the job at the school district. But even though you work an honest job and pay into the system, [that] does not mean that you won't need to do something [informally] on the side to supplement your honest wage" [to make ends meet]. And food plates produced by informal vendors are consumed by over 70% of South Texans regardless of social class (Pisani 2013a) providing Graciela a very receptive consumer base.

Filling the opportunity space included startup rationale to exert economic independence (59.4%), to execute a money-making concept (27.1%), and to turn a hobby into a business (13.5%). Elena Morales is famous for making *tamales*. In South Texas, *tamales* are eaten on special occasions, though they are labor intensive to make. Ms. Morales shared in her Borderlife interview that "people would ask if I could make some *tamales* for a wedding, a *quinceniera* [a young woman's coming of age party], or just a birthday, and I never said no." In the beginning, Ms. Morales would not charge for her tamales, but accepted gratuities. After a while, Ms. Morales felt the financial pinch of not being fully reimbursed for her *tamale* ingredients, let alone her time, and her social security benefits were not covering all of her regular expenses. So Ms. Morales began making and selling her *tamales* in large batches to make ends meet as she said, "everybody needs extra money." And more than two-thirds of South Texans purchase tamales from informal vendors (Pisani 2013a).

Necessity-driven firms began operations with fewer financial resources compared to opportunity-driven firms. The bulk of start-up financing came from personal and family sources without a significant distinction between necessity- or opportunity-driven enterprises. While most informal firms were not planned over a long period of time, about one-third of opportunity-driven informal Latino firms were planned out 1 year or more in advance. In contrast, one-fifth of necessity-driven firms were planned over a 1 year time frame. Female operated enterprises comprised 52.4% of the 2010 survey with no evidence of start-up resource differences between men and women.

In a series of 448 semi-structured interviews of informal participants conducted between 2006 and 2009 in South Texas in partnership with Borderlife (Richardson and Pisani 2012), the primary paths to getting started in the informal sector were through a family member (37.5%), friend or coworker (35.4%), or simply by beginning without help from others (13.3%). Over half (52.1%) of business start-ups began operations with $100 or less. Of the interviewees, two-thirds were self-employed in the informal economy. For self-employed informal economy

[12]Respondent names used in this chapter are pseudonyms.

participants the major pathways toward enterprise start-up were through family members (30.6%), friends and coworkers (25.0%), one's own actions (16.5%), and through previous employment, training, or hobby interest (8.9%).

3.2 Informal Latino Enterprises and Business Innovation

Innovation may be purposeful or thrust upon informal entrepreneurs. In South Texas, purposeful innovation, for example, may be associated with leveraging binational differences at the border related to the legal and market environments. In contrast, innovation may be the result of necessity where inventive solutions, for example to undocumented and unauthorized work status, follow from dire circumstances to survive (invoking the adage "necessity is the mother of invention"). Both pathways are elaborated below.

The international border plays a prominent role in the South Texas economic landscape. The border mutually serves as a conduit and a barrier of informal trade. As a conduit, those informal entrepreneurs with the ability to easily and legally cross the border may find it possible to arbitrage goods and services. As a barrier, the border excludes those without the proper authorization to transit from one side to the other. For example, it is common for informal Mexican entrepreneurs to cross north into the U.S. to purchase very inexpensive surplus clothing in flea markets, garage sales, and garment warehouses and return to Mexico to sell the acquired clothing in informal markets. For the Mexican entrepreneur to cross the border, she/he must possess border crossing documents that then permit the acquisition of goods, but at the same time bars those Mexicans not able to obtain proper border crossing documents the same ability to "buy low" in the U.S. and "sell high" (relatively) in Mexico.

The innovation comes in the form of the documents used to cross the border. Governments at all levels in the U.S. encourage Mexicans to engage in cross-border shopping as a way to stimulate U.S. border economies. This cross-border shopping trade is substantial in South Texas, injecting billions of dollars into South Texas (Ghaddar and Brown 2005; Cañas et al. 2006; Coronado and Phillips 2012). The U.S. government may issue a border crossing card or B1/B2 visa to Mexicans. Known locally as a laser visa or "mica" card, the B1/B2 visa permits Mexicans to cross into the U.S. to shop and is usually valid for 10 years. The application fee for the B1/B2 visa is $160 and requires the applicant to possess a valid Mexican passport, demonstrate the financial capacity to shop in the U.S., show binding ties to Mexico as assurance to return after shopping in the U.S., and undertake an interview with a U.S. consulate official.[13] Texas encourages Mexican shoppers

[13]See "Border Crossing Card", U.S. Department of State (https://travel.state.gov/content/travel/en/us-visas/tourism-visit/border-crossing-card.html)

through an easy accessible sales tax rebate program on purchases headed back to Mexico (Mogab et al. 2005).

For Mexicans of means, acquisition of a B1/B2 visa is not difficult. Few Mexicans with means engage the informal sector as entrepreneurs. Yet, for Mexicans with little means, much planning must be undertaken to acquire the requisite documents (i.e., Mexican passport), save the necessary funds, and develop a rationale to convince a U.S. consular officer of cross-border shopping intentions. Indeed, this endeavor may take years of planning; perhaps by working in a U.S. factory in Mexico to establish credibility of return to Mexico for employment as well as financial stability.

Once obtained, however, the laser visa may be used to cross the border to engage in informal entrepreneurial activities. Richardson and Pisani (2012) report that over half (54.6%) of cross-border informal entrepreneurs in South Texas utilize a laser visa as the document to legally cross the border. Cross-border movement of clothing (and the buying selling of goods generally from one side to the other) is typical of laser visa holders who seek to earn informal income in Mexico. Also prevalent are Mexican laser visa holders who work informally in South Texas in such services as day maids, moving around to clean several houses in a day, and gardeners. Informal earnings as day maids and gardeners in the U.S. exceed that of frontline factory work in Mexico, perhaps as much by a factor of four. This relatively large earnings differential incentivizes the long term planning, persistence, and acquisition costs necessary to obtain a laser visa.

Sandra Martinez, who lives in Mexico, uses her border crossing card to work daily as a maid in South Texas. Sandra recounted her story in a Borderlife interview: "It wasn't hard at all for me to find jobs; sometimes I have to clean two houses in one day. It started off with cleaning one lady's house and her referring me to others. I work for lawyers, store managers, bankers, and teachers, [really] all types of people, which have been generous and very nice to me." More than one-third of South Texans have employed an informal maid making finding work easier (Pisani 2013a). Sandra understood the perils of using her laser visa to work informally rather than to go shopping. If caught, Sandra would lose her laser visa. Sandra added, "It is so much better working here [in South Texas] and the wages that I earn are a lot better even as a maid than what I used to earn as a supervisor at the maquiladora plant in Reynosa [Mexico]." With her maid's work, Sandra said she has been "able to remodel my home and support both my daughter and her son."

While some U.S. residents and U.S. citizens also engage in cross-border informality, they have the ability to work legally in the U.S. so the opportunity cost of fulltime informality is typically lower than fulltime formal employment in the U.S. Part-time cross-border informality becomes a path of choice for U.S. residents and citizens. Examples of such informal activities include providing entertainment for family events and birthdays, such as large inflatable castles for jumping, and the movement of slightly damaged goods from U.S. box retailers to informal Mexican retailers. In essence, these informal entrepreneurs supplement income through more specialized trading (e.g., market niches) based in part upon their formal work status and environment on the U.S. (Richardson and Pisani 2012).

Cherry picking informal work is part and parcel of supplementing formal earnings in South Texas. For example, the highest earning informal gardeners in the region are those who work fulltime in formal occupations, but work nights or weekends as gardeners in the most exclusive neighborhoods. These gardeners are able to use their formal networks to identify and service premium locations, earning unreported supplemental income.

Innovation based on necessity often finds solutions from desperate sources. For example, nearly all live-in maids in South Texas are undocumented Mexicans and unauthorized to work in the U.S. Oftentimes these girls and young women are sent to South Texas by their families in Mexico to earn money to send home. But getting across the border is a dilemma; in this way they find alternate ways, in essence innovate, to cross the border. This innovation comes in the form of access to human smugglers, deception in obtaining fraudulent or borrowed documents, or self-reliance in traversing the border (which may be a turbulent river) on one's own. Once across the border in the U.S. and working as a live-in maid, these maids are then under the control of a host family that may make their life pleasurable, bearable or distressful (Richardson and Pisani 2017). From the perspective of the informal consumer, informal maids serve as work substitutes for normal home labor at a reduced cost because of their undocumented and unauthorized work status (Pisani 2014). In essence, it is co-ethnic Hispanics buying and selling in the informal marketplace in this borderlands region.

Live-in maids are not alone in finding that necessity creates informal economic spaces to earn a living in South Texas. Particularly so for the undocumented, informality as a fulltime earnings endeavor is the primary route to survival. Raúl Sanchez was out of work and lacked work authorization. He recalled during his Borderlife interview, "When I started doing this I was desperate. I would go to people's homes and I was embarrassed to ask them if they had things they wanted to throw away. Sometimes I would offer to clean up their lot and throw away all their garbage for free. Of course I knew that anything I could take I could sell." Mr. Sanchez collected and resold metal and fixed and resold items considered broken in order to feed his family. Occupations in agriculture, food vending, construction, street vending, gardening, and general repair are typical. Earnings in these areas hover around the Texas minimum wage.[14] Like maids, many in these occupations traversed the border in similar fashion.

Lastly, there are some U.S. citizens and U.S. residents in poverty who work fully embedded in the informal economy. There may be many reasons for this strategy. For one, people on government assistance may choose to work "off the books" and hide income so as not to impact benefits derived from government assistance programs. Others may seek informal housing solutions (i.e., *colonias*) through self-help construction to create living spaces in otherwise unaffordable areas (Richardson and Pisani 2012).

[14]The current Texas minimum wage is set by the federal government and is $7.25/h as of March 2018.

Table 2 Comparing markers of innovation with necessity- and opportunity-driven informal Latino firms in South Texas (n = 298)

	Necessity-driven	Opportunity-driven
Birth connection (Mean generation score)	4.2	5.9
ANOVA, F = 9.607, p = .002		
Languages used in business (%)	Necessity-driven	Opportunity-driven
Mostly English	20.3	39.4
Both English/Spanish	10.1	14.4
Mostly Spanish	69.6	46.2
Pearson Chi-Square = 16.268, df = 2, p = .000		
Gender (%)	Necessity-driven	Opportunity-driven
Male	52.3	47.7
Female	53.5	46.5
Pearson Chi-Square = 0.037, df = 1, p = .847		
Immigration status (%)	Necessity-driven	Opportunity-driven
Documented (U.S. citizen or U.S. resident)	50.8	49.2
Undocumented (Laser Visa or no documentation)	66.7	33.3
Pearson Chi-Square = 3.162, df = 1, p = .075		
Paid employees (%)	Necessity-driven	Opportunity-driven
Yes	43.2	60.2
No	56.8	39.8
Pearson Chi-Square = 8.015, df = 1, p = .005		

Source: Author's calculation from own survey

More broadly, opportunity- and necessity-driven informal Latino enterprises may represent aspects of the business innovation duality discussed above. For example, birth connection to the U.S. plays a role in distinguishing necessity- and opportunity-driven informal businesses. Informal entrepreneurs with a stronger birth tie to the U.S. are significantly more likely to own and operate an opportunity-driven enterprise in contrast to informal entrepreneurs with weaker birth ties to the U.S. (see Table 2).[15] Birth connection is associated with assimilation, which perhaps indicates that those informal entrepreneurs in opportunity-driven enterprises may be further along the assimilation continuum than necessity-driven businesses.

[15]Birth tie was calculated using the generation score method operationalized by Richardson and Pisani (2012) whereby each of three generations is evaluated based upon birth location. That is, if one is born in the US, 4 points are accumulated, otherwise 0; if a parent is born in the US, 2 points are accumulated, otherwise 0; and if a grandparent is born in the US, 1 point is accumulated, otherwise 0. At each generation, up to 4 points may be accumulated for a generation score rage of 0–12 points. Higher number of points reflects higher natal ties to the US. Necessity-driven firms are operated by entrepreneurs with a generation sore of 4.2 and opportunity-driven firms are operated by entrepreneurs with a generation score of 5.9.

Related to national origin is language acquisition and use. Informal necessity-driven entrepreneurs in South Texas are more likely to use Spanish than their informal opportunity-driven counterparts. Also related is documentation status, where undocumented entrepreneurs were more likely to possess necessity-driven enterprises than the fully documented. Moving a little beyond national origin, language use and immigration status, necessity-driven informal enterprises were less likely to have paid employees (who would be informal as well) than opportunity-driven informal concerns. Lastly, no differences were uncovered by gender.

In summary, while nearly all Latino informal enterprises operate at the margins of the economy, necessity-driven informal firms exist at the furthest edges. In South Texas, necessity-driven informal businesses operate not only out of an intense need to generate household income for familial survival, but also do so with few financial resources at startup. Innovation often eludes necessity-driven businesses, though some are able to innovate as a survival strategy. On the other hand, opportunity-driven informal enterprises in South Texas are able to cobble together more financial resources at startup (though meager in amount relative to the formal sector) and possess more pathways to innovation. However, Latino informal enterprises have undertaken innovative binational strategies in leveraging border regulations and markets; perhaps their most pioneering action.

4 Conclusion

This chapter began with Latino informal vendors making, storing, and selling *cascarones* during the Easter holiday season in South Texas. This example illustrates an informal ethnic product, produced and sold by informal ethnic vendors, for primarily co-ethnic informal consumers during the Lenten season. By social class in South Texas, more than half of lower class (53.6%) and middle class (53.7%) households purchase *cascarones* informally; even more than one-third (36.9%) of the upper class participates in buying informal *cascarones* (Pisani 2013a). Few are bothered by these informal sales and local governments ignore the informal transactions because of the general pervasiveness and acceptability of the activity.[16] While not a fulltime endeavor, roadside *cascarones* vendors supplement household incomes through seasonal sales. Business startup occurs during normal household food consumption saving eggshells for later handling. The innovation happens through decoration and seasonal sales in meeting a temporal market niche. In a small way, this seemingly trivial example reflects upon this chapter's and book's

[16]Dana and Morris (2007, p. 806) suggest that many governments choose "to look the other way" because of the small scale and unobtrusiveness of ethnic informal enterprises. This, in essence, permits informal entrepreneurs to provide for themselves without government intervention (i.e., lax enforcement) or government financial obligations (i.e., avoidance of social safety net expenditures)—a win-win solution for both parties.

central research question focused on the factors that influence ethnic groups to start and innovate within informal enterprises.

South Texas is a special case because of its ethnic makeup as a minority-majority region in the United States. No other region in the U.S. is as geographically large and comprised of a super-majority (about 90%) of Hispanics. Also particular to South Texas are the high levels of poverty, the cultural connectedness to Mexican traditions and Mexican origin peoples (both documented and undocumented), the proximity of the international border with Mexico, and the prevalence of the various facilitation mechanisms (i.e., procedural and behavioral) associated with informality.

There are notable differences between informal businesses begun out of necessity in contrast to those started to fulfill a market opportunity. Necessity-driven informal businesses are created in response to job loss or immediate need for extra household income. Few other options exist for the majority of undocumented entrepreneurs who conduct business with co-ethnics primarily in Spanish, perhaps with a substantial percentage of other undocumenteds. This immediacy and need reduces the ability to access sufficient startup funds or rely much on prepared plans. In comparison, opportunity-driven informal enterprises are able to secure more startup funding, engage in more pre-planning, and do so in an environment of choice.

Recently, the rhetoric of President Trump has unsettled border communities including those in South Texas. NAFTA has been very good to Texas and Texas border communities (Cañas 2016), generally good for the United States (Hufbauer and Schott 2005; McBride and Sergie 2017), and especially transformative for particular sectors such as agriculture (Phippen 2017) and automotive (Dziczek et al. 2017). Presidential candidate Donald Trump ran on a platform that debased NAFTA, Mexicans, and Mexican immigrants. The inauguration of U.S. President Trump in January 2017 meant his rhetoric and the unorthodox policy choices pursued by his administration would have an impact on the Mexico-U.S. relationship. The *Wall Street Journal* recently reported that border retailers in San Ysidro, California (across from Tijuana) are feeling the pinch of a decline in Mexican cross-border shopping reportedly a consequence of Trump's ill-will toward Mexico and fluctuations in the value of the peso (Carlton 2017). These news reports span the length of the border (Woody 2017; Peinado 2017; Crossman and Kornegay 2017) while Texas border retailers continue to rely on and invest in Mexican cross-border shoppers (O'Donnell 2017; Taylor 2017). This open discord has spilled over into the informal sector provoking fear in the undocumented and higher transaction costs in crossing the border.

Public policy may be better formulated to include the high density of Latino informal businesses in South Texas. This may be done through relaxed regulations on small scale enterprises, bringing what is hidden in plain sight to the foreground to regularize petty exchanges. More important for many informal Latino entrepreneurs, however, is a comprehensive solution to U.S. immigration policy that includes the many economic contributors without proper work authorization. Along with immigration reform is a minimum call to for the status quo ante for NAFTA or at the most a modernization of NAFTA to include progressive labor movement across the NAFTA partners.

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