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the first few years of transition before returning to positive growth. Other former CEs, in particular in Russia and the Ukraine, lost 50 percent of their output. In all cases, transition was accompanied by significant inflation, bordering on hyperinflation, during the first few years of transition. Even after returning to positive growth, the transition "failures" have grown slowly, if at all, suggesting that decades will be required before they recover pretransition output levels.

The CE was the most important social experiment of the twentieth century. The task of transforming former CEs into market economies has proven difficult, and, of the more than twenty-five former CEs, only a handful have made the successful transition to a market-type economy to date.

[*See also* China, *subentry on* Communist China; Marxism and Marxist Historiography; *and* Russia, *subentry on* Communist Russia.]

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COMMERCIAL AND TRADE DIASPORAS. A diaspora is any ethnic group without a territorial base within a given polity, and whose social, economic, and political networks cross the borders of nation-states. In particular, trade and commercial diasporas refer to those diasporas whose members specialized in trade and commercial activities, or more generally, in urban, skilled occupations. Historical examples include the Jews in the last two millennia, the Parsi (Zoroastrian) diaspora from Iran, the Huguenots in early modern and modern western Europe, the Armenians, the Greeks in the Ottoman Empire, the Germans throughout eastern Europe in modern times, the Chinese in many areas of Southeast Asia from the fifteenth to the twentieth century, the Indian middleman minorities of East Africa and Malaya, the Pakistanis in Great Britain, and the Lebanese Christians in eighteenth-century Egypt and contemporary West Africa.

Characteristics and Traits. Each trade and commercial diaspora has its unique features. Yet, most of them share common traits. Some diasporas, such as the Jews and the Parsis, had a permanent character because they lacked a homeland or territorial base to which they could eventually return. In contrast, other diasporas, such as the Germans in eastern Europe in modern times and the Chinese in Southeast Asia, were temporary because the people belonging to these diasporas were a segment of a larger population with a stable territorial base. Either way, Commercial diasporas are commonly formed by religious minorities, often the object of religious persecution.

Commercial and trade diasporas (and diasporas in general) have been characterized by strong linguistic skills, often consisting of the ability to speak and write in both their own language and alien languages. This enabled members of a diaspora to maintain communication networks within the group and to use alien languages for practical reasons. Thus, the Jews have continued to write in the Hebrew alphabet while employing Arabic, Persian, Romance, and Germanic dialects. In Southeast Asia, the ethnic Chinese learned the colonial powers' languages.

Maintaining the common original language is one of the means to enhance the organization of a diaspora. Other mechanisms include the establishment of communal institutions, such as the commercial coalitions among the Jews in the Mediterranean in the high Middle Ages, or the Chinese societies known as *Houei*; the development of commercial laws, norms, or codes of behavior whose enforcement is delegated to courts within the communities; and strong endogamic marriage strategies.

Trade and commercial diasporas have been credited for the emergence and growth of commercial economies, industrial development, and the transmission of innovative economic and business techniques. Diaspora members have displayed a striking occupational role specialization as most of them held urban, skilled jobs as middlemen, shopkeepers, craftsmen, traders, bankers, and medical doctors. Long-distance trade was one of the main occupations of Radanite Jews in the ninth century: these merchants traveled from France to India and China and back, bringing to Europe many products previously unknown. Long-distance trade was also the main occupation of Spanish and Portuguese Jews in medieval and early modern times, whereas the Armenians controlled the overland trade between Europe and the Middle East until the nineteenth century. When in 1475 the city of Kaffa in Crimea, administered by Italian merchants, was conquered by the Ottomans, Armenian traders and merchants were as many as two-thirds of the population there. After the big deportation of the Armenians of Julfa (now Dzhul'-fa) in 1590, ordered by the Persian Shah Abbas I (1571–1629), the survivors set the center of their transit trade in New Julfa (near the Persian capital) where they established the famous Company of the Armenian Traders of Julfa, which built its wealth on the long-distance trade of silk, luxury goods, and spices from China and India to northern Europe. Even modern members of the Armenian diaspora in Europe, Iran, and North America are mostly engaged in commercial pursuits.

The Huguenots who left France after the revocation of the Edict of Nantes in 1685 and emigrated to Ireland, England, Prussia, and America brought their commercial and industrial skills, which contributed to the development of industries and trades. For example, a large group went to Geneva (which was Calvinist) and established the Swiss watch industry there. In Ulster during the seventeenth and eighteenth centuries, the Huguenots helped establish linen cloth manufacturing. Various branches of manufacturing were introduced by the French Huguenots who settled in Prussia at the end of the seventeenth century. The Parsis (from Iran) who settled in India, the China Seas (Macau, Hong Kong), and East Africa specialized in business, long-distance trade, and banking. With the European geographical expansions and the establishment of colonial rule in Southeast Asia and West and East Africa during the nineteenth and twentieth centuries, Lebanese Christians, Chinese, and Indians have contributed to the establishment of commercial economies in the European colonial empires. Chinese from the southern provinces of China established trading establishments in Indonesia and Malaya as early as the ninth century. After the establishment of colonial rule by European countries in the Indonesian archipelago, the ethnic Chinese controlled the retail trade; when the Dutch left Indonesia, this control extended to the wholesale trade. They also acted as bankers to local producers and as middlemen to peasants by supplying goods in return for agricultural produce. At the same time, they controlled most branches of industry, trucking, and river transportation. The same is true of the ethnic Chinese in Thailand.

Given their occupational selection into crafts and trade, members of commercial and trade diasporas have also displayed a common preference for urban locations.

Occupational Specialization. Various explanations have been proposed to account for the occupational specialization of some diasporas into urban, skilled occupations, such as crafts and trade. Some scholars have maintained that members of diasporas ended up in urban, skilled occupations in the destination countries because the pool of migrants mostly consisted of highly skilled individuals who already held these occupations in their own countries. Alternatively, in his theory on the economics of small minorities, Simon Kuznets (1901–1985), starting from the assumption that for noneconomic reasons (i.e., religious identity) a minority group has distinctive cultural characteristics within a larger population, has argued that the noneconomic goal of maintaining cohesion and group identity can lead minority members to prefer to be concentrated in selected industries and selected occupations.

Avner Greif has linked the successful economic performance of trade and commercial diasporas to the mutual pooling of resources, common linguistic skills, and the network of personal and family relations combined with the use of community sanctions, which reduced transactions costs. His study focuses on the Maghribi traders, the Jewish merchants engaged in long-distance trade in the Mediterranean in the high Middle Ages. Yet, his argument can be applied to other trade and commercial diasporas. According to Greif's argument, diasporas succeeded because small but distinctive minorities could reduce opportunistic behavior by fellow members by effectively excluding or ostracizing members who deviated from mutually agreed norms of economic behavior or abused the trust of other members of the diaspora. Once trust existed among members of a small group, and once cooperative norms were established, members of minorities were well equipped to take over long-distance trade because they could find kinsmen at long distances who they knew would not behave opportunistically.

In contrast to theories that rely on internal factors within the diasporas to explain their occupational specialization, other arguments have focused on the sociopolitical environment. Thus, Cecil Roth asserted that the medieval prohibitions set by European rulers against land ownership by the Jews explain why the Jews did not engage in farming and became almost exclusively associated with trade and crafts. The exclusion of Jews from guild membership in medieval and early modern Europe would account for the further segregation of Jews into moneylending and the medical profession. Similarly, the Agricultural Law of 1870 in Indonesia against land ownership by ethnic Chinese has been set forth to explain the exclusion of the Chinese diaspora from farming and agricultural activities.

Discriminatory taxation of diaspora members is another factor that has been considered to explain their occupational choice. Members of many diasporas have usually been required to pay a poll tax. This has been the case of the ethnic Chinese in Southeast Asia, or non-Muslims in the Muslim empire. In some instances, the type of taxation might have discouraged members of the diasporas from engaging in certain occupations. For example, Salo Baron contended that the deteriorating profitability of agriculture and discriminatory taxation of Jewish farmers in the late Roman Empire might explain the shift of Jews from agriculture to crafts and trade, a transition that started in that period and reached its apogee after the Arab and Muslim expansions.

The relationship between diaspora members on one hand and the local population and rulers on the other hand has been double-edged. Rulers have usually tolerated and often protected the diasporas as they appreciated the comparative advantage of these minorities in terms of labor skills, communication abilities, and availability of capital and credit they could supply. For example, members of most diasporas were employed as tax farmers: this is true for the Jews in the Muslim empire and in Spain, the ethnic Chinese in Southeast Asia, the Germans in Russia, and the Armenians in the late Ottoman Empire. At the same time, rulers often regulated to their own advantage the businesses in which diaspora members were engaged. Thus, town and state governments taxed the Jewish moneylenders and asked them to advance loans to the governments themselves. In exchange, they offered protection to the Jewish minority against possible violence from the local populations. Similarly, the European colonial powers in Southeast Asia and Africa protected the ethnic Chinese and the Indian middleman minorities; in the Middle Ages, Muslim rulers extended the same protection to Christian and Jewish merchants. In some instances, though, rulers substituted one diaspora for another if they perceived the change to be advantageous for them. Thus, in nineteenth-century Hungary, the Jews took the jobs that once were held by the urban German diaspora. In the Ottoman Empire, Catholic Levantines, who held the leadership in crafts and trade in the fifteenth century, were replaced by the Jews in the sixteenth and partly the seventeenth centuries, followed by the Greeks until the beginning of the nineteenth century and the Armenians during the nineteenth century.

The concentration of most diasporas into urban, skilled occupations brought a noticeable divergence in the living standards of their members compared with those of the indigenous populations. The members of the commercial and trade diasporas were, on average, more affluent than the majority of the population in the countries in which they lived.

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COMMERCIAL PARTNERSHIPS. It has been argued that the economic preeminence of the West rests on its ability to combine many people's resources by developing new methods of business organization and capital formation. Since antiquity commercial partnerships—any associations of persons who share ownership of some goods or enterprise—have enabled businesspeople to organize and finance their trades using someone else's resources. Yet the practice of doing business with other people's resources became a basic feature of only Western commercial life. It took root in the Middle Ages with the emergence of both multiple *commenda* partnerships and the family firm and culminated in the mid-nineteenth century with the introduction of the modern corporation as a limited-liability joint-stock company. Today commercial enterprises typically adopt the form of proprietorships, limited partnerships, or corporations.

The proprietorship or ordinary partnership (*société en nom collectif*) agglomerates the capital of various individuals, all of whom are jointly and severally liable for the partnership's obligations. The limited partnership (*société en commanditeé*) distinguishes between the managing partners, who are jointly liable for the whole of the firms' debts, and the passive partners or equity investors, whose liability is limited to the amounts they have invested in the partnership. Both the proprietorship and the limited partnership are legally dissolved each time a partner dies or decides to leave the firm. The closing of the partnerships is followed by the distribution of the profit or loss among the partners in proportion to their capital investments. In sharp contrast, the corporation (*société anonyme*) offers unlimited liability for all equity investors, ensures the continuity of the corporation independently of the partners' status, and enables capital to be raised by the sale of readily marketable shares or stocks. The investor's stockholding determines his or her share of the profit or loss through both the disbursement of dividends and the capital gains and losses realized in secondary markets.

The oldest form of business partnership is the proprietorship, which dates back to the Greco-Roman *societas* contract. This survived into medieval times under the name *compagnia* and was utilized throughout Europe,