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Disadvantaged Minorities in Self-Employment

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TWO GENERATIONS of social scientists have described self-employment as an economic anachronism in the process of disappearance (Lynd and Lynd 1937: 69; Mayer 1947; Vidich and Bensman 1960: 305–306; Castles and Kosack 1973: 465; Weber 1947: 427). Following Marx on this point, they observed that urbanization and the concentration of firms into ever larger units has continuously reduced the once numerous class of free enterprisers in the last century (Corey 1964: 371). Indeed, a quarter-century ago, Mills (1951; see Light 1974) traced the numerical decline of agricultural and non-agricultural self-employment in the United States between 1870 and 1940. When Mills wrote, this lengthy decline had already transformed an eighteenth-century nation of farmers and artisans into a nation of wage-earners. Since Mills, the decline of self-employment has unambiguously continued (Ray, 1975). In 1973, a slim majority of American farmers continued to be self-employed, but only 6.7 percent of non-farm workers were. Given these trends, the presumptive odds against self-employment are poorer now than ever in the past, and its rewards are meager. On the average, self-employed men earn as much as wage-earners, "but they put in longer hours" (Ray 1975; cf. Bechofer 1974; Mayer 1953).

The realization of these well known predictions lends strong and deserved support to the Marxist theory of capitalist development. Nonetheless, certain intriguing and ignored problems of development are still unresolved, especially in regard to the participation of ethnic minorities in self-employment. The theory of capitalist development has never been able to account for the clustering of some ethnic and status groups in the business population. This clustering has been a common but not invariant accompaniment of minority status in a host society (Bonacich 1973). Overseas Chinese, Japanese, Armenians, and Greeks, as well as Jews of the diaspora, are prominent examples of minority trading peoples (McElroy 1977), So, too, prior to their recent expulsion were East Indian sojourners in Uganda. The Ibo of Nigeria were long overrepresented in the business population of that nation until the Biafran war. Certain religious groups have developed business prominence. Historical examples include the Jains and Parsees of India, the Quakers of England and North America, Hutterites of the Great Plains, and even the Divine Peace Mission Movement in black America during the great depression (Raistrick 1950: 43; Stryker 1959; Nevaskar 1973; Light 1972). In contemporary America, a number of

active sects and cults encourage the business activities of adherents. Among these are the Black Muslims, the Hare Krishna, and the Unification Church of Rev. Sun Moon (*Fortune* 1970; Woodward 1976). Why have the members of such ethnic, cultural or religious groups been recurrently overrepresented in the business population? This is a valid, absorbing sociological question to which the general decline of the business population of capitalist societies provides no direct answer.

The Cultural Theory of Entrepreneurship

Two lines of theory have developed to answer this question. Disadvantage theory began from the observation that exclusion of minorities from the labor market compels them to seek a livelihood in trade. The cultural theory of entrepreneurship has investigated the cultural life of trading minorities in order to identify the qualities which endow them for business success. The most momentous formulation of the cultural theory appeared in Weber's (1958) studies of the Protestant ethic and capitalism, but commentators often forget that demagogic fulminations against "Jewish capitalism" lent Weber's problem an ethnic urgency in his time. Against the popular anti-Semites, Weber (1927: 356–366) argued that the origin of capitalism was in the religious ethos of sectarian Protestants (not the Jews!), and that the developed market system had, in any event, outgrown its transitional dependence upon religious legitimations. As subsequently modified by Schumpeter (1950), McClelland (1961), McClelland and Winter (1969), Miller and Swanson (1958), and numerous others (see Kilby 1971), Weber's notion of a capitalist ethos turned into the cultural theory of entrepreneurship. This theory has many versions. But their leitmotif is the claim that cultural and psychological characteristics of groups incline adult members toward business enterprise as a mode of achievement. The attention of writers in this group fastened upon movers and shakers of big business, leaving far behind parochial issues of business-minded minorities. The pessimistic conclusion of entrepreneurship research was the obsolescence of entrepreneurial values and personality in big business civilization (Sombart 1915: 359; Riesman 1953; Whyte 1956; Bell 1976).

In contrast to these pessimistic conclusions, a peripheral literature on cultural entrepreneurship grew up around Chinese and Japanese Americans. These Asian minorities had been persistently overrepresented in business self-employment in this century. By means of this industry, they had achieved outstanding rates of intergenerational social mobility, apparently in vindication of the old-fashioned virtues. The cultural theory of entrepreneurship seemed to fit this Asian case at the small business level (cf. Sombart 1915: 189). Caudill and De Vos (1956), Kitano (1969), Loewen (1971), Hsu (1972), Light (1972), Petersen (1972; cf. Bonacich 1975), Levine and Montero (1973), and Wong (1977) called attention to the contributions which Asian cultural heritage had rendered to the business success and social mobility of these American minorities. Most writers emphasized the entrepreneurial values and personality

of these Asian minorities (hard work, independence, thrift), but Light (1972), Petersen (1972) and Bonacich (1975) also called attention to the advantages of group solidarity. Although the range of explanations in this literature was broad, their leitmotif was the claim that Chinese and Japanese made a success of small business because their culture endowed them with useful resources.

Middleman Minorities

A related but situational explanation for the social mobility and business success of Asian minorities turned up in Blalock (1967) and Bonacich (1973; 1975) under the rubric of "middleman minorities." Like the cultural theory of entrepreneurship, this approach starts from the overrepresentation of certain ethnic minorities in small businesses. However, the middleman approach ignores the cultural level of analysis, claiming instead that sojourning minorities awaken hostilities in the host population; these hostilities increase disadvantage in the labor market, thus compelling the excluded minority to survive by compulsive toil, penury, and ethnic solidarity in trades. An early version of this argument was in Sombart (1951: 181), who claimed that the medieval exclusion of Jews from Christian guilds compelled them to turn their rationalist religious tradition to account for the purpose of making a living in trade. Of course, the subsequent middleman formulation greatly improves on Sombart's by pointing up common features in the sociological position of a number of trading peoples. In this sense, the unpopularity of trading Jews in Europe parallels that of trading Chinese in Southeast Asia and the West Indies, of the commercial Japanese in pre-war California, of East Indian traders in Uganda (Stryker 1974), and so forth.

Because of its superior level of generalization and the recognition of intergroup dynamics, the sojourner theory improves and expands the literature on Asian entrepreneurship. But the evidence for a purely situational explanation of middleman minorities is only mixed. The sojourner theory holds that trading is a situational response because people who long to go home have a motive for hard work, thrift, and clannishness. Cultural endowments play no role. Even if true, this formulation leaves unanswered the origin of the sojourning on which so much hangs. Sojourning may only reflect a group's sense of peoplehood and reluctance to assimilate. But a sense of peoplehood is prior in time and sociological importance to sojourning, its pallid reflection. A sense of peoplehood is also a cultural attribute, so it is unclear whether the sojourner theory can escape cultural priority.

Moreover the sojourner theory confronts interpretive difficulties. The Jews of Europe were active in trade long before Zionism made repatriation in Palestine a practical possibility. In the preceding centuries of diaspora, the myth of repatriation was a strictly cultural phenomenon, intimately connected with the religious expression of Jews and their sense of peoplehood. On the other hand, Chinese in America planned their lives around a return to China, and most actually repatriated. When repatriation is an imminent reality it engenders

situational responses (hard word, penury, etc.) which sojourning as a religious attitude may indeed duplicate; but in the latter case a cultural rather than a situational explanation is necessary.

Finally, the sojourner theory faces empirical problems. Some non-sojourners outperform sojourners in business. Jews in America were always settlers, never sojourners; yet the Jews were represented in trade in higher proportion than other foreign whites among whom sojourning was pronounced. Aldrich (1977) found that "strength of sojourning orientation" of foreign-born proprietors did not distinguish between more and less competitively operated businesses owned by Pakistanis or Indians in Britain.

Comparing native-born and foreign-born Americans of foreign stock in 1970, one also finds that native-born had higher rates of self-employment than the foreign-born (Table 1). But since one expects a sojourning attitude to predominate among the foreign-born, the observed levels of business activity of the foreign generations hardly support the sojourner theory. Moreover, the employment of unpaid family labor varies markedly among the foreign stock from the Soviet Union (heavily Jewish), Greece, China, and Japan. These are classic middleman minorities. But the Asians use more unpaid female labor

Table 1

Self-Employment and Unpaid Family Work among Selected Foreign-Stock Groups, United States, 1970

Population	*All Employed*	*Self-Employed Rate per 1,000 Employed*	*Female Unpaid Family Workers: Rate per 1,000 Self-Employed*
United States	76,805,171	78.20	48.45
Native-born of foreign or mixed parentage	11,371,191	93.46	46.33
Foreign-born	4,039,763	84.65	46.09
Soviet Union			
Native-born of foreign or mixed parentage	906,854	150.30	41.93
Foreign-born	156,249	157.99	34.88
Greece			
Native-born of foreign or mixed parentage	132,062	103.79	64.49
Foreign-born	81,484	152.09	31.30
China			
Native-born of foreign or mixed parentage	54,476	89.48	112.41
Foreign-born	98,498	110.99	113.42
Japan			
Native-born of foreign or mixed parentage	140,382	127.17	72.37
Foreign-born	44,668	119.82	73.99

Source: U.S. Bureau of the Census 1973b: Tables 14, 43.

than the Europeans (Table 1). The employment of unpaid female labor is an index of the style of business operation, and Bonacich (1973) identified the family firm as a typical sojourner device. East-West disparities indicate that regional cultures are affecting business management which cannot be, therefore, a purely situational response to a repatriation myth. On the other hand, the foreign stock of Chinese, Greek, and Soviet origin reduced their rates of self-employment in the native-born generation. This decline contradicts generational changes among foreign-stock Americans in general, and is fully compatible with the sojourner theory.

The Disadvantage Theory

Despite these unresolved problems, the sojourner theory usefully brought into juxtaposition with the central symbols of a group's peoplehood the older, often unfocused awareness of the empirical connection between disadvantage in the labor market and self-employment. Even Weber (1958: 39) commented on the propensity of those subject to religious discrimination in the labor market to turn to self-employment for a livelihood. But religious discrimination is only one form of disadvantage. When Collins (1964) and Newcomer (1961) examined small business owners, they found a tattered army of retired, semi-literate, handicapped persons of whom many spoke no English, the "rejects of an organizational society" (Collins). They lacked "attractive alternatives" (Newcomer). "It can hardly be assumed that education beyond the grammar school level spoils young people for independent business except as it opens other opportunities for earning a living."

Among the many forms of disadvantage in the labor market, the worst is unemployment. Unpopular subgroups suffer chronic unemployment as a sanction. Some individuals then turn to self-employment rather than accommodate themselves to the repugnant life styles that outgroup employers demand of job-holders. For example, in the embittered cultural climate of the late 1960s, bearded hippies in San Francisco had to choose between shaving or unemployment with a beard. Most shaved; others became candle merchants with beards. Labor market discrimination against ethnic, racial, or religious subgroups has similar consequences, but the situation is more drastic because people cannot change their skin color to please an employer. Widespread unemployment also exerts downward pressure upon the general wage rate, thus accentuating a vulnerable group's isolation as a cheap labor threat to its neighbors (Bonacich 1972). In the intensified climate of interethnic hostility which results, the labor market offers vulnerable workers a choice between unemployment and low wages. This melancholy choice places an enormous incentive upon locating independent means of livelihood, and even marginal self-employment is likely to be acceptable to vulnerable workers.

Downswings of the business cycle result in occasional unemployment among people of majority antecedents who never encounter discriminatory barriers of life style, race, etc. Their response is augmented rates of self-employment. Many

studies (Kaplan 1948: 45; Bechofer 1971; Newcomer 1961; Ray 1975; Bregger 1963) have called attention to the countercyclical relation between size of the business population and the business cycle, such that the population of self-employed grows as unemployment increases, then declines as prosperity returns. A striking example is the growth in number of retail firms between 1929 and 1935, the worst years of the great depression – despite a depression-spawned decline in retail sales (Table 2). Distinguishing between independents and chains, one finds that small and big business responded differently to declining sales. Big business retrenched, small business expanded. Presumably big business has fixed costs to pay from receipts. Therefore, when receipts decline, big business lays off workers and closes unprofitable stores. Marginal businessmen employ only themselves or family members whom they pay nothing. Overhead is minimal so there is no money cost to doing business. Even marginal self-employment (the street-corner apple vendor) yields some income. However, when prosperity turns, the marginal businessman gladly gives up his "business" for a factory job with shorter hours and higher pay (Phillips 1958: 64–65).

Table 2

Retail Trade of Independents and Chains, United States, 1929 and 1935

Type of Enterprise	*Stores*		*Sales ($000)*	
	1929	*1935*	*1929*	*1935*
Independents	1,375,509	1,474,149	38,081	24,246
Chains	148,037	127,482	9,834	7,550
All Stores	1,543,158	1,653,961	49,114	33,161

Source: U.S. Bureau of the Census 1937: 6.

Overurbanization in developing nations offers another illustration of how unemployment can prompt self-employment. Overurbanization results from a massive migration of rural people to cities which have no jobs for them. Great unemployment ensues (Berry 1973: 91). The outlandish size of petty trading populations of these cities (20–30 percent of the labor force) is attributed by Koo (1976) and Friedman and Sullivan (1974) to unemployment among migrants and the paucity of welfare benefits, without which impoverished migrants cannot afford idleness. As Koo also notes, trade is "highly congenial" to persons subject to discrimination in wage or salary employment.

Disadvantage thus offers a plausible explanation for the overrepresentation of religious or ethnic minorities in business. These cases do seem to predominate. For example, the foreign-born have been more frequently self-employed than native-born Americans since the nineteenth century (Thernstrom 1966; Newcomer 1961; Light 1972: 13). Asians have also been more frequently self-employed than the foreign-born, a relation which one might attribute to the Asians' greater disadvantage (Table 1). But some disadvantaged

minorities have been underrepresented in business, and disadvantage cannot explain that. For example, American blacks have been persistently underrepresented in business proprietorships in the last seventy years (Light 1972: 10–11). Disadvantage did not cause the underrepresentaton of blacks and the overrepresentation of foreign whites and Asians.

Recent census publications show that various ethnic minorities still differ in their rates of self-employment (Table 3). Japanese and Chinese have high rates; blacks have low rates; and Mexicans (see Waldron 1956:25) fall between. These intergroup differences persist among the minority of ethnic firms which did hire labor in 1970, and the majority of firms which did not (Table 3). Obviously, the high-ranking Chinese and Japanese were not three times poorer or more disadvantaged than the low-ranking blacks. On the contrary, blacks are poorer and more subject to unemployment than Asians today. Therefore, if poverty, discrimination in the labor force or any other disadvantage determined rates of self-employment, blacks ought to have the highest rates rather than the lowest.

Table 3

Minority-Owned Business, United States, 1969 and 1972

Minority and Date	*Firms per 1,000 Population*			*Firms with No Employees (percent)*
	All Firms	*With Paid Employees*	*Without Paid Employees*	
Japanese, 1972[a]	30.16	6.80	23.35	77.42
Chinese, 1972[a]	30.04	9.91	20.12	66.97
All Asian and Indian[a]				
1972	23.18	5.13	18.08	77.82
1969	20.35	6.54	13.80	67.81
Mexican[b]				
1972	16.08	3.96	12.12	75.37
1969	13.96	4.53	9.43	67.55
Black[c]				
1972	8.63	1.41	7.22	83.66
1969	7.22	1.71	5.52	76.45

[a] U.S. Bureau of the Census 1975a: 66.
[b] U.S. Bureau of the Census 1975b: 78, 122–123.
[c] U.S. Bureau of the Census 1975c: 30.

On the other hand, Table 3 indicates that disadvantage really does propel people into self-employment: the rate of minority self-employment increased in every group between 1969 and 1972. A countercyclical effect was probably the principal cause. In 1969 the rate of unemployment among nonwhite men was 5.3 percent. By 1972, it had increased to 8.9 percent. Among nonwhite women the rate of unemployment increased from 7.8 percent to 11.3 percent in the same three years. Unlike the great depression, this downswing in employment did not accompany declines in retail sales or consumer prices, which actually

advanced. Increased unemployment and augmented business receipts created a favorable environment for a flow of minority workers into self-employment. Some of the growth in the number of non-employing firms might have arisen from retrenchment by employers who stayed in business for themselves after retiring their employees, but the absolute growth in number of such firms proves that many new ones opened between 1969 and 1972. Overall, both the growth in proportion of non-employer firms and the retrenchment of employer firms are compatible with depression-era business adjustments. True, the 1970s is a period of increased governmental solicitude for the commercial advancement of American minorities. No doubt federal subsidies assisted the growth in number of all minority firms, but subsidies were uneven. Asians complained that they received only token assistance (Levy 1975). Since all groups increased, but only some had subsidies, subsidies cannot account for the uniform growth.

How Many Self-Employed Are There?

Koo (1976; see also Friedman and Sullivan 1974) makes a useful distinction between small business and petty trade, with "ownership of a shop" distinguishing the two classes of self-employed workers. "Since it presupposes a modest amount of capital investment and a certain scale of relatively stable enterprise," shop ownership represents a higher level of business than peddling, the much more common mode of self-employment. This distinction has very important implications for the problem of middleman minorities, for there is no reason why the forces which produce petty trading must be identical with those which produce small business. In fact, disadvantage is a satisfactory explanation for the overrepresentation of minorities in petty trade, and is not wholly adequate only when applied to minorities in small business.

Unfortunately, official definitions of the business population exclude petty traders, so the size range of enumerated businesses overrepresents larger firms (Churchill 1949: 19). For example, the U.S. Commerce Department excludes non-employer firms from its enumerations of the business population, thus using a definition that eliminates three-quarters of the minority business population (cf. Table 3). Additionally, since more than a third of wage or salary workers who moonlight are self-employed on their second job, counts of primary employment always understate the number of non-employer firms (Wilensky 1963). When data are compiled on the basis of income tax returns – the basis of Table 3 – the number of self-employed Americans is nearly twice that reported in Current Population Surveys (Ray 1975).

These oversights raise doubts about official estimates of the most marginal, the self-employed. Minorities are prominent in this ignored sector. Consider the recent situation on the main business street of the Harlem ghetto. Storeowners complained to the police that swarming sidewalk peddlers blocked traffic, created eyesores, and affronted customers (*New York Amsterdam News*, 1974). For every indignant storekeeper, two or three black peddlers were hanging around his door. Yet, none of the peddlers will turn up in official statistics. If the

peddlers were actually enumerated, black-nonblack differentials in rates of business self-employment would decline, possible disappear. Even as it is, blacks and Mexicans are well represented in blue-collar self-employment in junk stores (Light 1972: 16), taxicabs, domestic service, and common labor (Table 4). The exceptional interest in self-employment which polls (Mayer 1953) have detected among black men also suggests that their underrepresentation in self-employment is probably an artifact of measurements.

Table 4

Self-Employed Male Workers in Non-agricultural Occupations, by Occupational Category, Color, and National Origin, United States, 1970

	Non-Agricultural Self-employed per 1,000 Employed Urban Males, 16 Years and Older		
Occupational Category	*United States*	*Black*	*Spanish Origin*
Professional, technical and kindred workers	19.91	3.81	5.83
Managers and administrators, except farm	25.68	6.62	11.13
Sales workers	11.40	1.93	4.26
Clerical and kindred workers	1.48	0.48	0.83
Operatives, except transportation	4.00	1.42	2.07
Transportation equipment operatives	3.98	3.47	2.44
Laborers, except farm	3.50	4.33	2.88
Service, except private household	5.86	4.81	4.38
Private household workers	—	0.06	0.05
All occupations	94.89	33.73	42.51

Source: U.S. Bureau of the Census 1973a: Tables 43 and 44.

Illegal enterprise, or traffic in prohibited commodities, includes gambling, prostitution, and the sale of drugs. Official enumerations routinely ignore this sector of the business population, but the overrepresentation of minorities in illegal business has been well documented (Light 1977; Bullock 1973; Ferman and Ferman 1973). The volume of prostitution and numbers gambling also increases during business depressions, as does the rate of some predatory crime (Sutherland and Cressey 1974: 225). Presumably illegal enterprise and predatory crime increase in volume during depressions because the unemployed are casting around for non-wage income. The growth of the self-employed class during depressions reflects the same pattern. This tidy covariation underscores the empirical relationships which knit together legally discriminable activities. A firm line between self-employment in illegal enterprise and self-employment in business is a legal rather than a sociological distinction. As for predatory crime, the purse-snatcher is indisputably self-employed although the employment is in no sense a business. Given the reservoirs of unmeasured self-employment in petty trade, illegal enterprise, and crime, the documentary conclusion that blacks or Mexicans are underrepresented in self-employment clearly depends upon the definitional exclusion of those forms of self-employment in which their participation is heaviest.

Official statistics only confirm that blacks and Mexicans, among others, are underrepresented in the *measured* business population – that is, are less likely than Americans in general, the foreign-born, or Asians in particular to wind up in firms large or legal enough for government enumerators to acknowledge. Since these disadvantaged are plainly trying to locate non-wage sources of income in petty trade, illegal enterprise, and crime, their underrepresentation in small business presumably reflects lack of success rather than lack of trying. After all, anyone in need has the option of becoming a peddler, prostitute, or thief. If need were the only criterion, then disadvantaged blacks, Mexicans, and similar underdogs ought to be as well represented in small business as they are in the more marginal forms of self-employment. Since they are not, need for non-wage income is evidently insufficient to create a small business. Resources are also necessary. Needy people who lack resources cannot establish small businesses, but they can readily become self-employed in marginal pursuits requiring no resources. What, therefore, distinguishes entrepreneurial minorities from other disadvantaged minorities must be the availability of collective resources which permit individuals to translate a compelling need for non-wage income into an income-generating small business.

The common belief is that the only relevant resources are capital and education. These certainly help. Upper-class refugees from South Korea and Cuba have turned these resources to advantage in small business (Bonacich, Light, and Wong 1976). But cultural resources also exist (Light 1972). These resources include: information, skills, values and attitudes, motivations, institutions, and contact networks. Unlike the simply disadvantaged, middleman minorities have developed cultural resources which equip members for business. Precisely these resources explain why disadvantaged middleman minorities find their way into small business rather than, as do the unemployed, abandoning self-employment as soon as a wage-earning job becomes available.

Conclusion

Unemployment encourages people to seek non-wage income. Some find it in petty trade, illegal enterprise, or predatory crime. Disadvantage is a reasonably satisfactory explanation at this level, although disadvantage does not explain why a needy individual seeks income from crime, peddling, or illegal enterprise. There is, however, no reason to assume that all the disadvantaged unemployed have the same cultural resources for translating a need for non-wage income into a small business. The cultural theory of entrepreneurship addresses this second-stage issue. Cultural resources (information, skills, social networks, etc.) affect the manner in which people run their businesses. Some prove more successful than others (Sowell 1971: 164). This distinction clarifies the position of the world's marginal trading peoples. These excluded, non-assimilating minorities have elaborated a way of life which endows members for business success. These cultural resources permit these groups to move beyond peddling into small business.

This formulation eliminates the incongruity between cultural and disadvantage theories of self-employment: these theories actually address different levels of business. Sometimes disadvantage occurs without entrepreneurial cultural endowment, and vice versa. In the special case of middleman minorities, disadvantage and business-oriented cultural endowment come together to duplicate the intergroup dynamics Bonacich (1973) depicted. However, this dualistic conclusion corrects two shortcomings of Bonacich's sojourner theory. First, this formulation applies generally to disadvantaged minorities in self-employment, whereas the sojourner theory speaks only to the classic middleman traders. Second, this formulation clears away a serious but unnoticed error in the sojourner theory. Bonacich argues that host hostility engenders minority solidarity, and reactive solidarity encourages small business. As observed, that argument is dubious because an acute need for non-wage income does not confer the organizational resources for operating a small business.

This point bears illustration. Rotating-credit associations confer economic advantages for small business (Light 1972: 19ff.). But a compelling need for non-wage income does not confer the capacity to organize rotating-credit associations: disadvantaged West Indian blacks in New York were able to organize them but equally disadvantaged American-born blacks were not. Only in the West Indies did the rotating-credit tradition of African origin survive to emerge later in the business life of emigrants in New York (Bonnett 1976). Lacking the tradition, North American blacks were unable to resurrect it in a short period, and no extra misery would have stimulated them to do so. Clanship, regional and family solidarity are also cultural resources which prewar Asians employed in the development of a small-business system. These resources were simply present, and Asians exploited them. Disadvantage did not nor could it have stimulated the Asians to create these resources from whole cloth. Moreover, even given social solidarity, the forms of ethnic economic life still depend upon ethnic heritages (Light 1977), so social solidarity cannot explain the forms of economic life. Finally, social solidarity is not the only possible response to host hostility. In many cases, hostility begets atomization rather than ingroup solidarity (Petersen 1972: 7, 148). Atomization is fully compatible with marginal self-employment, but it contributes no collective resources to small-business success.

Another advantage of this dualistic formulation is the light it casts upon macroscopic theory of self-employment in advanced economies. Big-business competition adversely affects small business, which must meet fixed costs from declining revenues. But the business cycle and the welfare state are the principal factors governing the size of the much larger class of petty traders. Business concentration does not affect these people. Thus, it would be possible for the enumerated number of petty traders to increase in response to big-business concentration, especially if widespread unemployment accompanied this concentration. That this has not occurred in the United States is partially the result of the growing welfare state, countercyclical stabilizers, and truncated official definitions of the business population. When important sectors of the

labor force choose any form of self-employment, they reduce unemployment and underemployment, and thereby alleviate downward pressures upon the wage rate. This relief improves the bargaining position of employed workers. The criminal populations augmented from illegal enterprises and predatory crime pose sometimes severe threats to social order and business climate (Light 1977). Attractive jobs at high wages reduce this threat because they encourage petty criminals to work for wages in legitimate industries. In this manner, self-employment in illegal and marginal pursuits becomes a part of societal bargaining (cf. Bendix 1964: 76–77; Banfield 1974: 100ff.; Piven and Cloward 1971) over wage rates and labor standards for disadvantaged workers.

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