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OCCUPATIONAL CONTROLS AMONG STEEL DISTRIBUTORS

LOUIS KRIESBERG

ABSTRACT

A steel gray market, condemned by the government, flourished in the period following the outbreak of hostilities in Korea. The steel-distribution system was analyzed to understand why some distributors participated in the gray market and others did not. Distributors were typed according to their relationship to the distribution system; each type experienced different degrees of control from suppliers, customers, and colleagues; and the norms prescribed by these agents of control also differed. This analysis then suggested some general observations about the nature of occupational norms and occupational organization.

A crisis reveals aspects of a personality or of an institution which otherwise are obscured. The inflationary market conditions following the outbreak of hostilities in Korea in June, 1950, had many characteristics of a crisis for the steel-distribution industry. A study of the way steel distributors adjusted to the changed circumstances gives added insight into the social organization of the occupation. Steel distributors are the warehousemen and brokers who buy steel from steel mills or other sources and sell it to manufacturers or distributors. The study from which this article is drawn¹ focused on the steel gray market and alternative explanations for the participation of some distributors in it. This article reports only those explanatory factors relating to the occupation itself. The analysis, then, is concerned with the occupational code of the distributors and with the sources and forms of occupational control that they faced. In order to report the findings about the occupational organization of the steel distributors, it is advisable to consider the crisis under investigation.

STEEL DISTRIBUTION AND THE GRAY MARKET

At the beginning of the Korean conflict many consumers feared shortages of goods that were scarce during World War II. For example, the demand for consumer du-

rable goods like refrigerators and washing machines increased greatly. Manufacturers tried to increase production, and the demand for steel rose; yet steel was already in short supply.

The steel mills did not markedly increase the price of steel and so reduce demand. Steel production could not be increased appreciably, and only limited additions to the supply were possible; costly imported steel, conversion steel, and steel produced at "hand" mills² became competitive and found a market. Most of this added supply was sold at a "reasonable" markup over material costs, yet still below the price at which a market could be found. Some distributors, finding a market at higher prices, sold steel for whatever the market would bear.³ These high prices, considerably above what was "normal," characterize the gray market.⁴

² Ingots produced at one mill may be rolled at another mill into finished steel forms; this is known as conversion steel. "Hand" mills are mills in which the steel is not produced in a single continuous process.

³ Steel distributors in the sample who reported that they sold steel at whatever the market would bear, or who reported that they often sold 25 per cent or more of their steel to nonend users (and usually both activities were practiced by the same men), are here considered to have participated in the gray market. This definition is based upon the activities condemned by the government.

⁴ On the basis of admittedly tenuous estimates made by steel distributors and government officials, it appears that about 3 per cent of the steel produced during the period was sold in the gray market of June, 1950, to December, 1951.

¹ "Steel Distributors, the Federal Government, and the National Emergency" (unpublished Ph.D. dissertation, Department of Sociology, University of Chicago, June, 1953).

The gray market in steel was widely condemned. For example, a United States Senate subcommittee, investigating the steel gray market, sharply attacked the "gray Market operators":

These Parasites of the steel industry perform absolutely no useful economic purpose. . . . The gray market in steel has been a vicious and reprehensible thing. . . . The entire economy has suffered. The net effect of gray markets, in steel and elsewhere, has been to inflate prices and to increase the cost of the defense program.⁵

Yet, despite condemnations and appeals, the gray market in steel persisted. An analysis of the steel distributors was made in order to understand the way different distributors adapted themselves to economic opportunities and government requests during a state of national emergency.

METHODS USED IN THE STUDY

The data are largely derived from interviews conducted between November, 1951, and April, 1952, in the Chicago Metropolitan Area. The distributors were sampled, not to obtain a representative sample of steel distributors, but to obtain distributors ranging widely in their relationship to the steel warehouse system; such a design was better suited to test the hypotheses of the study. Names of steel-distribution firms were drawn from two sources: (1) the 1950 edition of the *Standard Metal Directory* and (2) firms listed in the 1951 *Chicago Classified Telephone Directory* but not listed in the 1950 edition. Firms falling into the sample were telephoned and an appointment made for an interview.⁶

Occasionally prodded by the interviewer, the respondents were generally frank. This is indicated by their admissions of violations of government regulations and by checks, when possible, from Senate hearings and comments by one respondent about another. In addition, interviews were conducted with individuals in related occupa-

tions and with federal officials. Such interviews, newspapers, trade journals, and Senate hearings provided other data to corroborate the findings.

TYPES OF STEEL DISTRIBUTORS

Most of the steel distributors claimed that business considerations accounted for their participation or nonparticipation in the gray market. The most meaningful way to interpret this is to analyze how the distributors related themselves to the system of steel distribution.

Some of the men were warehousemen and had access to domestic mill steel; they were the *insiders*. The three other types of distributors did not have access to domestic mill steel. They differ in their evaluations about their relationship to the warehouse system.⁷ Some distributors wanted to become part of the system; they were the *strivers*. Others did not strive to become part of the system but were content to remain marginal to it; they were the *complementors*. Finally, there were others who were not striving to become part of it and were not concerned with a long-run complementary relationship; they were the "operators" who wanted to make their money quickly and move on—the *transients*.

As Table 1 summarizes, there is an association between participation in the gray market and the way the distributors related themselves to the warehouse system.

⁶ Ten per cent of the sample refused to be interviewed, but this refusal rate was about the same for the samples drawn from the *Metal Directory* and the *Telephone Directory*. Eighteen per cent delayed being interviewed or were unavailable, and, when sufficient interviews had been collected, they were not contacted further. In the light of past experience, most would have been interviewed if pursued further. Twenty-six per cent could not be located, presumably having left the business—a few who had left their businesses were interviewed to compensate for this possible bias, but this reduced the randomness of the sample.

⁷ Classification was based upon questions about their expectations upon entering the steel-distribution business, the characterizations of the steel business they would prefer, and their attitudes toward others in steel distribution.

⁵ U.S. Congress, Senate, *Report of the Select Committee on Small Business: The Gray Market in Steel* (Washington, D.C.: Government Printing Office, 1952), p. 25.

In examining the types of distributors, we will attempt to explain this association.

Insiders.—The discussion of the insider will center upon his suppliers, customers, and colleagues and their power over him and his perception of their attitudes about the gray market.

The insiders are dependent, particularly during a period of steel shortage, upon the producing steel companies for the material which they sell. Sometimes added influence arises from previous mill sponsorship of the warehouse or from admiration for the large steel mills. The power and influence of the mills make their views about the gray market and participation in it very important. All the large steel producers officially opposed the gray-market practices; some companies made it a practice to cut off supplies to those who sold steel on the gray market. Warehousemen, therefore, feared that they would offend the mills by selling in the gray market.

The insiders must have customers to whom they can sell steel. Many manufacturers apparently were willing to pay above "normal" prices, finding it more costly to stop production than to fill the supply gaps with high-priced steel. Yet, most insiders felt that providing high-priced steel to steel-short manufacturers would not improve their future business, and this was of crucial importance for the insider. They had a large capital investment in warehouse facilities; they had to do business over a long period of time, and, being part of the warehouse system, they expected and desired to do so. Most of the insiders felt that, if they raised their prices, this would be held against them when steel was again plentiful. One explanation for this was stated clearly by Mr. L.:

They [customers] buy that higher-priced steel at Joe Doakes, a street-corner broker. But they would resent it from a legitimate warehouse. For example, conversion steel was a legitimate operation, but we didn't handle any conversion steel. If we told a customer that we had to charge him 12 cents a pound for it because it was conversion, he would buy it, but

deep down in his heart he wouldn't believe it; he would resent it.

The insiders thus felt that being part of the "legitimate" steel-distribution system required adherence to certain practices and that their customers expected certain restraints from them; customers went to others when they needed services going beyond those restraints. The insiders also felt constrained from raising prices because of personal relations with their customers.

Besides supplier and customer expectations and the negative sanctions which might follow a violation of those expectations, the insiders were subject to pressures

TABLE 1
PARTICIPATION IN THE GRAY MARKET
BY TYPES OF STEEL DISTRIBUTORS

Types of Distributors	Nonparticipation in the Gray Market	Participation in the Gray Market	Total*
Insiders	14	..	14
Strivers	6	2	8
Complementors	9	3	12
Transients	9	9
Total	29	14	43

* These totals do not purport to represent the actual proportions of steel distributors in the universe.

from their colleagues. The insiders want the respect of their colleagues. A prerequisite of such respect is adherence to the occupational code. Three elements of the code are of relevance to this study: pricing methods, types of goods handled, and attitudes toward gray-marketers.

Most of the insiders felt that there was a "just" price and a "just" profit. They were outraged that steel, "worth" so much at the mill, should be sold at three or four times that price. They seemed to regard prices as set by price leaders or by custom rather than as a result of the interplay between supply and demand in the market place.⁸

The second element of the code made a

⁸ A few insiders asserted that the situation was not normal and that therefore supply and demand ought not to operate; but, on the whole, discussions of supply and demand arose only in attacks on government policy.

normative distinction among different types of materials. Dealing in conversion or secondary steel (marred in handling) was not considered respectable. For example, the American Steel Warehouse Association, the dominant trade association, makes it a "policy to limit active membership to persons who stock and sell iron and steel products predominantly of prime quality."⁹

The third element in the code concerns the insiders' attitude toward gray-marketers. Most insiders spoke disparagingly of steel distributors carrying on gray-market activities.

There are those people who try to make a lot of money fast. . . . They're the leeches in the industry. They only come in when there's gravy. When the gravy's good, they'll be in there; but, when it gets bad, they'll take a vacation.

Most of the insiders shared these elements of the occupational code; but, whether the code were internalized or not, the insiders were subject to sanctions if they did not conform. Respect of one's colleagues is in itself a possible sanction; but, in addition, colleagues could refuse to trade materials and could give one a bad reputation among customers and suppliers as well as among colleagues. The three trade associations also played a role in insuring compliance to trade standards, and most of the insiders belonged to one. The associations exercise caution in selecting members in order to exclude those who have "bad reputations."

What the insiders meant when they said that it was poor business to deal in the gray market should now be clear. They were economically and emotionally committed to their enterprises; they had to consider long-run consequences. Most of them felt that gray-market activities would jeopardize their essential relations with suppliers, cus-

tomers, and colleagues.¹⁰ In addition, many of them accepted an occupational code which made them feel that it would be demeaning, if not impossible, to engage in gray-market activities.¹¹

Strivers.—In discussing the insider, the structure of the warehouse steel-distribution system has been outlined. In considering the other types of steel distributors, the discussion will focus on how they related themselves to that system. The strivers wanted to become part of it; they became steel distributors with the expectation that they would establish mill sources for steel.

The strivers had been unable to establish mill sources because they started in business after World War II, when steel was scarce. The mills sold steel only to their regular customers and in amounts corresponding to their previous purchases. The newly arrived strivers were thus shut out. They apparently had not foreseen the importance of this obstacle.¹² Unlike the insiders, only a few strivers had had previous experience in steel

¹⁰ In this occupation, in this situation, the norms of the significant sources of control were mutually supporting. Often this is not the case, and it is in part because of this that one or another source of occupational control tends to be dominant (see Louis Kriesberg, "Customer versus Colleague Ties among Retail Furriers," *Journal of Retailing*, XXIX [Winter, 1953-54], 173-77).

¹¹ Although no such cases appeared in the present sample, this does not mean that it never occurred. Sometimes added pressures led an insider to engage in activities from which he would otherwise refrain. For example, while steel was in short supply, an insider could help a close relative establish a business by selling him steel. This may have been the case in the instances in which men with mill sources sold steel to their brothers (U.S. Senate, Select Committee on Small Business, *The Gray Market in Steel, Hearings* [82d Cong., 2d sess. (Washington, D.C.: Government Printing Office, 1952)]). In some cases, employees of a warehouse company siphoned off some steel to gray-marketers. Usually, in such cases, "dummy" corporations were established in an effort to protect the reputation and future business dealings of these insiders.

¹² Nor was it always impossible to establish a business relationship with the steel companies; two of the insiders interviewed had established warehouses with mill sources after 1945. However, both men had had personal ties with men in the steel companies.

⁹ From an official pamphlet, *This Is Your American Steel Warehouse Association*, p. 11. The few insiders dealing in other types of steel resented the "superior" attitude of the insiders who dealt only in prime steel. "We're doing the same thing the old-line warehouses did when they were new; but now they think they're lily white and Simon pure."

warehouse companies; a few others had no experience that was related to steel (e.g., one had previously been a whiskey salesman and another a schoolteacher). Most strivers had been in the scrap or wrecking business. Following the interruption of military service, they chose to start a new business—one which they felt had higher status than their previous one.

While most of the insiders were Protestants, most of the strivers were Jewish. The strivers' previous experience, listed above, provides part of the explanation. The men in the scrap industry were likely to be familiar with possibilities in steel distribution; and it is estimated that 90 per cent of those in the scrap business are Jewish.¹³ As for those who had previously worked in warehouses, a preference for self-employment may have been reinforced by the belief that mobility within a large company was limited for them.

Now let us turn to the sources of occupational control which the strivers encountered. As strivers, unable to obtain steel from the mills, they bought from warehouses, manufacturers, or small nonintegrated mills. These suppliers were often less concerned than were the large steel companies about their steel entering the gray market. The strivers usually had many suppliers, and therefore being cut off by one was a minor threat to them.

The colleagues of the strivers were also less of a restraining influence than were the insiders' colleagues. While the insiders generally did not associate with other types of distributors, not all the strivers so clearly dissociated themselves from levels other than their own. Most of their colleagues disapproved of gray-market practices, but the disapproval was not unanimous.

Yet, as Table 1 indicates, two-thirds of the strivers in the sample did refrain from gray-market practices. The most important reason for this restraint was the strivers' desire to establish firm customer relations

in order to become part of the steel-distribution system. For example, Mr. N. had been in business only four years; he sold only to end users and in that period did not raise his markup. Mr. N. explained:

The manufacturer doesn't like to pay high prices. He leans toward an unfavorable opinion about that. . . . We're trying to build an organization. We know these people. We go bowling with them and drink with them, and we just can't walk into their office and say, "You were paying ten cents for steel; now you'll pay twenty." We're friends. . . . We have good accounts. People who deal with us do so because they think we're businessmen, not just because we have steel.

Mr. N.'s comments suggest that, in addition to the desire to retain good customer relations, some strivers had personal beliefs which restrained them; and many strivers were concerned about appearing reliable and respectable (e.g., they pointed out that they took title and physical possession of the steel that they bought).

Nevertheless, some strivers did carry on gray-market activities. The restraints acting upon the strivers were not so great as those on the insiders, and there was no certainty that, if they restrained themselves, they would be rewarded as were the insiders. At the same time they may have had added inducements to participate in the gray market. For example, since they could not buy from the steel mills, many of them bought steel wherever they could. They were able to obtain only a limited amount of steel at a price low enough to offer to manufacturers without appearing to be profiteering. So the high-price steel would be sold on the gray market and the profits used to support the respectable business that was being established.

Complementors.—Like the strivers, the complementors interviewed were concerned with long-run business considerations; but, unlike them, the complementors were not trying to become part of the warehouse system. They were marginal and wanted to remain so. Those who had long had a complementary relationship to the steel-distribution system had other businesses. Most

¹³ William Kephart, "What Is Known about the Occupation of Jews?" in *Race Prejudice and Discrimination*, ed. Arnold M. Rose (New York: Alfred A. Knopf, 1951), pp. 131-46.

had scrap yards, others dealt in nonferrous metals, and a few dealt only in conversion or imported steel. Most of the complementors were Jewish, and this is explained by the same factors mentioned in the discussion of the strivers, particularly since the scrap business is so well suited as a base for a complementary relationship with the warehouse system.¹⁴

What was said about the weakness of colleague and supplier restraints upon the strivers holds true for the complementors as well. Their suppliers were not as concerned about the use of their steel as were the suppliers of the insiders. The colleagues with whom the complementors associated did not have the same definitions of proper conduct as did the insiders' colleagues. Mr. Z. pungently makes the point:

Like we paid more for the imported steel, say, we paid six and a half cents, but we sold it for seven and a half, and we could have gotten nine cents more; but we felt that we were making a regular markup on it, and that was enough. There were some who did get four-cent steel and sold it for ten or more. . . . I had friends who did, and they used to call us fools . . . for not doing it. We talked about it back and forth, and I guess it depends on your concept of doing business. When a guy is being forced to close because of a shortage, some would say that's the time to get the last dollar out of him, and some say you shouldn't. Sometimes I think they're right; you should get whatever you can—that's the way business is. But we just didn't do that. There's more in business than the dollar.

Colleague pressures to refrain from gray-market activities apparently were not very strong. Yet, as Table 1 indicates, most of the complementors did not participate in gray-market activities.

The quotation suggests that individual

¹⁴ There were several factors that made the men want to be marginal to the warehouse system. Many started out in the scrap or nonferrous business; they knew this business and had done well at it. When they felt that the new steel business interfered with their regular business, they withdrew from it. In addition, individual preferences for small and more manageable enterprises tended to make some men favor a marginal relationship to the warehouse system.

beliefs and self-conceptions may be of significance. Undoubtedly, personal restraints operated among complementors as among strivers and insiders. Nevertheless, the occupational pressures alone explain much of the restraint felt by the complementors. They were concerned about the future of their scrap or other business and subordinated their steel activities to the success of the business to which they were committed.

Yet some complementors did carry on gray-market activities. As in the case of the strivers, it is noteworthy that the complementors had a wider and less precisely defined range of permissible activity and that the borders were marked with fewer and less stringent sanctions than were those of the insiders. Therefore, the chance to make large immediate profits was more tempting. Also, the very position of the complementors may have induced them to carry on gray-market activities. Some of the complementors compete with the insiders by finding bargains and underselling them; in giving the steel-distribution system greater flexibility, they sacrifice business stability. Mr. D., a steel and nonferrous metal broker, argued:

It's the right of the man who has the material to sell it at what he can get. When material is plentiful and your warehouses are full, you sometimes sell without making any money. . . . Right now the shoe is on the other foot, so it pinches *them*. Now the fellow who is selling can get a little more—can you blame him if he does?

In addition, the complementor often was not treated with the same respect by the customers; they came to him only when they were desperate. The antagonism that may develop from such a business relationship tends to encourage vindictive pricing.

In short, both the complementors and the strivers were constrained from carrying on gray-market activities by consideration of the possible effects upon their customers. They desisted, too, because they felt that those activities were improper. Yet their definitions of propriety were not the same as those of the insiders. They carried on activities and handled types of steel which

the insiders did not. It appears that each type of distributor had his own definitions of proper and expeditious business conduct. Gray-market participation by a third of these men appears to be related to the fact that they faced less clear expectations from others and fewer sanctions. Other evidence in the study suggested that, in this more ambiguous situation, the kind of activity engaged in was more likely to be affected by idiosyncratic elements of the business situation and by personal values and beliefs.

Transients.—In Table 1 all the transients were categorized as carrying on gray-market activities. Unlike the other steel distributors, they were not constrained by concern that their future business would be harmed by such activities. They were not trying to become part of the warehouse system or to continue in a position marginal to it. They were interested in immediate profits.

As noted in the case of the strivers and complementors, there is little constraint from the suppliers of conversion, manufacturers' surplus, and imported steel. Transients obtained much steel from these sources. Some transients were also able to obtain some prime domestic steel; for example, some steel may have been sold to a relative as a personal favor, or a manufacturer may have traded a type of steel of which he had an oversupply to a transient in order to obtain in return a type which he needed.¹⁵ Undoubtedly, a few men with access to mill steel simply saw the market situation as a profitable opportunity. Insiders who would not themselves deal on the gray market might use a transient as a "front." Many transients also bought a significant proportion of their steel from other transients. Interested in the short run, transients could buy from these sources, untroubled by the fact that they would dry up as soon as steel came to be in good supply.

¹⁵ Sometimes trading seems to have been preferred to cash dealings on the gray market, not only as an economy, but as a more "respectable" way of obtaining steel; thus the trade might not be equal if computed at free market prices, but there is no obvious cash payment of higher prices.

The short-run view of the transients was also evident in their customer relations. As is explicit in the definition of gray-market activities, nearly all the transients sold a significant amount of their steel to other steel distributors, usually other transients. In selling to distributors, they failed to establish the business contacts which would have enabled them to carry on business when the steel shortage ended. The same pattern was evident in the practice of taking an order and then trying to locate the steel to fill the order. Failure to do so, an occasional result of this practice, would hardly increase the transient's chances of continuing business with that customer.

When the transient chose to sell to an end user, his interests were still immediate ones: "We don't want to bother with the broker; we want to go just for the high buck." In setting prices at whatever he thought the customer was willing to pay, the transient often found that the customers preferred not to trade with him. The customers tried to get steel from their regular sources; they turned to the gray market only in desperation. In such circumstances there can be little expectation of mutual respect and consideration.

The transients' suppliers and customers did not act as a constraining force, and neither did their colleagues. Most of them thought that there was nothing wrong in carrying on gray-market practices. They believed that other businessmen were more circumspect but no more righteous than they. If the transients were to do business profitably, they felt, they had to carry on the activities others declined. The transients were left with the "dirty work."¹⁶ As Mr. E. said: "The warehouses don't want to do it; they didn't want to do it openly then. They wanted themselves to look good; so I would get my hands dirty a little." A few transients did define gray-market activities as improper. They felt that they were not carry-

¹⁶ Everett C. Hughes points out that every occupation includes some activities which its members regard as "dirty work" ("Work and Self," in *Social Psychology at the Crossroads*, ed. John Rohrer and Muzaffer Sherif [New York: Harper & Bros., 1951], pp. 319-21).

ing on a worth-while or even legitimate business. Yet they themselves persisted in the gray market.

The discussion of the transients has emphasized the absence of constraints. It is as though we had asked, not why some went into the gray market, but why everyone did not. Nor is this emphasis altogether strange. Monetary rewards are commonly considered a strong motivation in this society. This motivation is common to all the steel distributors. We have discussed how it was manifested by distributors in different types of business situations. But who are the men who chose the transient relationship?

Some transients began dealing in the steel with long-run considerations, but the gray-market practices were easy and their implications not evident. Once in the gray market, the transients were encouraged to continue by the situational pressures outlined.

Other transients did not merely drift into the gray market. They had no experience related to steel distribution but saw a chance to make some money. Some of these men maintained their association with their other occupations so that, when the gray market disappeared, as they expected it would, they could continue in their regular occupation. Those who were in occupations in which part-time transfers were possible were thus more likely to enter the gray market than were those who would have to abandon an established full-time occupation. Similarly, those who were unsuccessful in their previous occupations, or for some other reason were uncommitted to another occupation, would be the ones to seek this new opportunity, as did a bookmaker who found the federal gamblers' tax an inconvenience.

Still other factors are needed to explain recruitment into this occupational subcategory, one such factor being awareness of the opportunity. Those who had been in related industries would naturally have heard of the steel shortage and the opportunities thereby presented; most of the others reported that they first learned of the possibilities through conversations with friends and relatives.

The strivers and complementors, who were largely Jewish, could pass on this information, and, given the ethnic groupings in the United States, most of their friends would be Jewish. Once in the gray market, their friends were told of the opportunities and urged to participate. This helps to explain the finding that most of the transients were Jewish.

This may not be a sufficient explanation of the ethnic recruitment pattern. Members of ethnic groups, feeling excluded from certain channels of mobility, may search for other channels which promise easy ascent and large monetary reward. If those with whom business is transacted expect this of ethnics, a cycle of reinforcing pressures for more purely monetary motivations tends to be set up. Perhaps the sense of exclusion leads to a general rebelliousness against the social norms and authorities which may be expressed in certain forms of economic conduct.¹⁷ Some ethnic groups may also have group definitions of proper economic conduct that differ from the dominant group's definitions. Nevertheless, Clinard did not find any evidence that ethnic group members were OPA violators "in excess of the normal distribution in a particular trade."¹⁸

The role of the transient appears to have been particularly congenial to some of the personalities involved. Little concern about the future of their businesses seemed to be a part of a general tendency to consider only immediate consequences. These transients complained, for example, that, despite high earnings, they had no savings. Mr. C. explained: "You know, when you're making a lot of money, you live at a higher level, and, when income-tax time comes, you're a poor man." This immediacy orientation was expressed, too, in the way they viewed their operation. They liked it because it was risky and exciting. Mr. E. exulted: "It's fast. . . . It's legitimate, and it's glamorous. It really is glamorous. When you deal with a carload

¹⁷ This is suggested by Robert M. MacIver, *The Web of Government* (New York: Macmillan Co., 1947), pp. 77-78.

¹⁸ Marshall B. Clinard, *The Black Market* (New York: Rinehart & Co., 1952), p. 291.

of steel, there's a lot of money involved." They delighted in the excitement and the reflected glory of dealing with large corporations.¹⁹

In summary, this discussion of the types of steel distributors seems to explain adequately the differential participation in the gray market as summarized in Table 1. Alternative hypotheses are possible; participation in the government-decried gray market may be accounted for by varying political beliefs, such as the degree of support of the Administration and its domestic and foreign policies, by varying perception of foreign danger, or by varying degrees of acceptance of governmental authority.²⁰ Space limitations do not permit here a discussion of these hypotheses, except to note that the role of these ideological factors, in the case studied, was limited.²¹ But, rather than evaluate the relative roles of these and other possible explanations for gray-market participation, I would like to suggest some tentative generalizations about the relationship between occupational norms and organizations.

CONCLUSIONS

In what would appear to be purely economic behavior, we found a social organization and a normative order. The norms had somewhat paradoxical consequences for the social organization of the occupation and for the existence of the gray market. In discussing the insiders, three elements of their business code were mentioned: the idea of a normal price, of proper types of steel, and of proper forms of steel distribution. These elements of the code inhibited gray-market

¹⁹ To some extent these attitudes may be a mark only of youthfulness: the transients were in their twenties and thirties. Perhaps as they become involved in business and family, they will be led to take longer-run considerations into account.

²⁰ A discussion of the relationship between occupational demands and national loyalties may be found in Morton Grodzins, "The Basis of National Loyalty," *Bulletin of the Atomic Scientists*, VII (December, 1951), 356-62.

²¹ For a full discussion see Louis Kriesberg, "National Security and Conduct in the Steel Gray Market," *Social Forces* (in press).

participation; at the same time they contributed to the rigidity of the steel-distribution system. Patterns of activity, adequate for the situation in which they developed, become customary and persist even when the situation has changed. This is particularly the case when the patterns take on a moral quality, and, as is generally the case, the inner fraternity of successful members of the occupation attempts to maintain conformity with them. In each occupational system there may be mechanisms that operate to keep an occupational system fluid.²² But the pressures making for rigidity are omnipresent. The successful members of an occupation attempt to control performance within the occupation, and this is possible because they often have some control over entrance into the occupation and career advancement within it.²³ Clearly, such colleague control is greater in the professions than among businessmen; but, just as clearly, the insiders of the steel warehouse system were in a position to affect crucially the growth of a newcomer to the industry. One source of this power was their relationship to other powerful groups—the mills and also, in this case, the government agencies.

The successful are particularly likely to support the old standards because they are adept at them; in part they are successful because of their adeptness. Accustomed to the established norms, the successful want to conserve them. This seems to be the case in the steel-distribution industry, although the dominance of a few large steel companies is

²² Competition is one such mechanism, and it is never completely absent, but neither is it ever unlimited. Competition is always channeled—expressed to different extents and in different forms. The inner fraternity competes with each other within narrow limits; the competition takes the form of reliability and cordiality of service. The transients compete by offering immediate delivery of desperately needed material with little regard for price during a period of steel shortage; when the supply of steel is adequate, those who remain in the business become complementary and compete by price-cutting.

²³ Theodore Caplow, *The Sociology of Work* (Minneapolis: University of Minnesota Press, 1954), pp. 10, 109.

another important factor increasing the tendency toward rigidity.

The successful members of an occupation are also likely to play a dominant role in providing the definitions of what is proper occupational conduct; what is more, they are likely to obtain public agreement with their definitions. The excluded members, carrying on the less-approved types of conduct, are denied not only assured large financial rewards but also the honor and prestige which the successful center monopolizes. This would lead them to emphasize monetary rewards,²⁴ and their position often gives them greater freedom in their pursuit.

These patterns of differential reward are a source of dissatisfaction, of conflict between the successful insiders and the others, and also of tension tending to weaken the universality of the occupational norms. All this would be the case in a stable situation in which complementary functions were conducted by clearly differentiated suboccupational categories. Dissatisfaction, conflict, and tension are increased when, in addition, some persons strive to become part of the fraternity of successful men. Such strivers are seen as disrupters or are patronized, as when the new steel-distribution firms were called "war babies" by the insiders.

These tensions among the members of an occupational group are indigenous to it; from time to time, however, the occupational system may face a crisis which increases tensions. A crisis in the system poses a problem for those of the successful center: it may be an opportunity for greater consolidation or for breaches in their control. Control by the successful is more vulnerable to breaches when their standards tend to cut them off from practices which could best exploit the opportunities created by the crisis. To remain successful, adaptiveness is essential. The new techniques and the men of the new techniques must be absorbed. The crisis in the occupational system may be part of a general crisis which at

²⁴ I am indebted to Professor E. C. Hughes for pointing out these implications to me,

the same time frees men to try to enter the occupation. For example, the steel shortage made it difficult for manufacturers to carry on their businesses, and some of them became distributors of steel. In a more general way, World War II disrupted many businesses, and the returning veterans were freer to choose a new business, unencumbered by past commitments and perhaps with a greater concern for short-run goals and also with an increased sense of new opportunities revealed by wartime mobility.

Partly from ignorance, as well as from ingenuity, a newcomer to the occupational system is freer to carry on types of activities of which the successful fraternity disapproves; a crisis in the system (e.g., the steel shortage) makes these new practices possible. In this case the performance of those practices gave an additional flexibility to the steel-distribution system.²⁵ The complementors who entered the system expanded the functions which it performed, as, to a certain extent, did the transients. Perhaps every occupational system requires the addition of new members to handle the emergency problems that arise. In handling such emergencies, they are not likely to conform to the rules of the successful center.

To some extent, the role of these additional members is also institutionalized. The roles making up this intraoccupational division of labor are maintained by a set of expectations and sanctions. The existence of such a division of labor, with its normative classification of the various roles, raises questions about the types of persons who are recruited to play the roles. Some suggestions on this point, relating to the steel distributors' time perspectives, have been made; but here, as at so many other points, additional research is needed.

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²⁵ Compare the black-market operations in the Soviet Union (Joseph S. Berliner, "The Informal Organization of the Soviet Firm," *Quarterly Journal of Economics*, LXVI [August, 1952], 342-65). Of course the cost of the additional flexibility may be considered too high by some groups or by the government,