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*Social Forces*, Vol. 34, No. 3. (Mar., 1956), pp. 268-277.

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*Social Forces* is currently published by University of North Carolina Press.

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# NATIONAL SECURITY AND CONDUCT IN THE STEEL GRAY MARKET

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**F**OLLOWING the outbreak of hostilities in Korea, in June, 1950, scare-buying and hoarding caused prices to rise rapidly in the United States. On July 19, 1950, President Truman spoke to the nation.

Every businessman who is trying to profiteer in time of national danger and every person who is trying to get more than his neighbor is doing just exactly the thing that any enemy of his country would want him to do.

In November 1950, the Korean conflict took a grave turn for the United States and the United Nations; Communist China joined the fighting. On December 16, 1950, the President of the United States declared the existence of a state of national emergency. He said in part,

I summon all citizens to make a united effort for the security and well being of our beloved country and to place its needs foremost in thoughts and action that the full moral and material strength of the nation may be readied for the danger which threatens us.

Economic self interest, then, was to be subordinated to the nations' interest.

Yet steel was sold at two or three times the normal price. This steel gray market, more or less active since the end of World War II, now increased in size. Most steel distributors did not participate in the gray market. Was it because they were heeding the President's appeals? Were those distributors who did participate unconcerned about national security? Or were the distributors in and out of the gray market concerned with other factors? To formulate these questions more precisely and to seek answers to them, a study was undertaken of steel distributors—warehousemen and brokers who buy steel from mills as well as other sources and sell it to manufacturers and other distributors.<sup>1</sup>

<sup>1</sup> Steel distributors of the Chicago Metropolitan Area were interviewed. 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.

## THE SETTING OF THE CASE STUDY<sup>2</sup>

The increased demand for steel following the outbreak of the Korean War was the basis of the gray market. Steel mills could not increase production enough to meet the increased demand. Nor did the mills increase the price of steel enough to reduce the demand. However, there was some increase in supply. The expensive imported steel, conversion steel, and steel produced at hand mills<sup>3</sup> became competitive and found a market. Most of this added supply was sold at a reasonable mark-up over costs; yet, it was still below the price which some customers were willing to pay. Some distributors, finding a market at higher prices, sold steel for whatever the market would bear. This high priced steel was characteristic of the gray market. Participants in the gray market are those who sold steel at the highest price at which they could find a customer, or who reported that they often sold twenty-five percent or more of their steel to non-end users. And usually both activities were practiced by the same men. This definition is based upon the activities condemned by the government as made evident in Senate hearings, public appeals, and finally as proscribed in Ceiling Price

<sup>2</sup> Ten percent of the sample refused to be interviewed, but this refusal rate was about the same for the sample drawn from the Metal Directory and Telephone Directory. Eighteen percent delayed the interview or were unavailable and when sufficient interviews had been collected they were not contacted further because they had been contacted in the late stages of the field work. In the light of past experience, most would have been interviewed if pursued further. Twenty-six percent could not be located, presumably having left the business—a few distributors who had left their businesses were interviewed to compensate for this possible bias, but this reduced the randomness of the sample.

Occasionally prodded by the interviewer, the respondents were generally frank. This is indicated by the respondents' admission of violations of government regulations and by checks, when possible, from Senate hearings and comments by one respondent about another.

<sup>3</sup> Ingots produced at one mill may be rolled at another mill into finished steel forms; this is known as conversion steel. Hand mills refer to mills in which the steel is not produced in a single continuous process.

Regulation 98. Gray market activities were not illegal until after the regulation was issued in December 1951.

Economic conduct, like all social conduct, is carried on within a normative order. This is particularly evident when some members of the society try to change the normative significance of some phases of economic conduct. The government's appeals and regulations during a national emergency may create such a situation. But the degree to which motives for economic activity and the allocation of economic resources are normatively re-defined by the government and the degree to which members of the society accept and internalize the new definitions has not been extensively studied. In this article an important aspect of this process will be examined: the role of national security considerations *as defined by the government* in the conduct of the steel distributors.<sup>4</sup>

#### CONSIDERATIONS OF NATIONAL SECURITY AND ECONOMIC CONDUCT

The distributors rarely volunteered references to any national values in discussing their own activity. Distributors who did not participate in the gray market did not explain their conduct by reference to national security. This appears striking. Since they were doing the "right thing," why not claim the most noble motives for conforming? The fact that they made no such claim might be taken as evidence that national values did not provide the framework for their conduct. But we would regard protestations of patriotism with suspicion. Perhaps that is the point: "hard-headed" businessmen must not display sentimentality. Perhaps they put themselves in a selfishly practical light as a demonstration of their business-like qualities.

Consequently, we cannot accept the distributors' denials of the influential role of national considerations at face value. We must examine, inferentially at times, at what points and to what degree national security considerations appear to be relevant for the evaluations and conduct of

<sup>4</sup>The Government may induce compliance to its definitions of proper economic conduct not only by appealing to shared values such as national security, but also by (1) altering the situation within which action is taken, e.g., by economic measures such as restriction of credit, by (2) issuing regulations and obtaining compliance through coercion or habits of obedience. Furthermore, persons following patterns of conduct because of one of the above reasons frequently come to define the conduct as legitimate after a time.

the steel distributors interviewed. In doing so, it is advisable to simplify the analysis by interpreting the meaning of national security as the government did. Telling arguments could be made for other interpretations, but the government's attempt to introduce national security considerations into economic conduct makes this a relevant and significant assumption.

Two stages must be distinguished in the acceptance of national security considerations as defined by the government. First, the distributors must accept national security as the ultimate standard by which economic action is evaluated. Second, the distributors must agree with the inferences drawn from this standard by the government. In this case, they must agree that economic controls are necessary, and they must agree with the definitions of improper economic conduct implicit in them. In discussing this second stage of acceptance, we shall consider its relevance for the distributors' actual conduct.

#### *Economic Activity within a National Security Context*

None of the steel distributors expressed an unwillingness to view economic activity in terms of national security. They implied that national security was properly a more legitimate standard than personal economic gain, or responsibility to family or employees, or "natural economic laws," or production for a higher standard of living, or service to humanity or God. Undoubtedly, the experience of World War II and the propaganda concerning the vital role of behind-the-lines economic activity helped convince them of this.

The distributors did discuss government controls in terms of national needs and nearly all felt that the government could act as the agent of the national welfare, that it could control economic activity for the sake of national interest—in an emergency. Even those who apparently questioned the right of the government to control economic activity, merely suggested that the government would not in fact be serving the best interests of the nation by introducing controls. However, the criterion of national security was still accepted.

Although there was willingness to accept national security considerations as an ultimate standard in an emergency, there was a question whether an emergency existed so that the standard was operative. Thus, it was necessary to ascertain the distributors' perception of the degree of danger facing the United States.

With almost no exceptions, the men interviewed saw no imminent danger from Soviet Russia. In fact, most doubted that there would be a major war in the foreseeable future. The conviction that war was not imminent left the steel distributors in a situation which they found difficult to define. In their experience, either the nation was at war, or it was at peace. They felt that they knew what was required of a man in each of those situations. The following characterization of the clarity of the call during World War II is typical.

It was hardly a free enterprise system [during World War II]—there were so many rules and regulations. But I believed in them then; we were fighting for our lives. There was no question about it. And the government ran things well. And we certainly produced; and that was what we were supposed to do.

The World War period was romanticized, but that was partly because of the vagueness of the current situation. National demands are fuzzy in a twilight peace.

In short, while acknowledgment of the supremacy of national security considerations was readily admitted for certain conditions, such as total war, those conditions were not clearly present during

the period of limited war. The distributors apparently believed that the danger was sufficient to warrant an extensive defense program and the withdrawal of productive factors from the civilian economy that that entailed. However, most distributors did not agree with the specific inferences that the government made about what was improper steel distribution conduct. This appears to be evidence that they did not believe that the United States faced danger and therefore did not accept the government inferences. The data permit us to test that hypothesis.

*Agreement with the Inferences Made  
by the Government*

Some differences in the distributors' sense of foreign danger was discernible. This makes it possible to ascertain whether those distributors who perceived a serious and immediate threat to the security of the United States, and who might have acknowledged the primacy of security considerations, tended to accept the legitimacy of government controls and the definitions of improper conduct implicit in them.

Almost half of the distributors thought that a total war was inevitable, but only one respondent thought that it was imminent. A majority thought that it was more likely there would be a series of localized conflicts or that Soviet Russia would not dare attack the United States.

The interesting fact is that there was no meaningful pattern of association between these views and evaluations of the propriety of selling steel at the highest possible price. Nor was there any association between views of the Soviet threat and support for Ceiling Price Regulation 98 (Table 1). Nor was there any association between participation in the gray market and views of the Soviet threat (Table 2). Similarly, there was no pattern of association between evaluations of the Korean hostilities or the general foreign policy and evaluations of steel distribution activities or actual conduct.

These findings clarify the question posed earlier: did the distributors believe that the threat to the security of the nation was sufficient to be given primacy? At least in a period when national security did not appear to be in dire and immediate peril, the variations in beliefs about that danger apparently were not sufficient to be related to acceptance of government deductions of improper economic conduct. National considerations can be

TABLE 1. SUPPORT FOR CEILING PRICE REGULATION 98  
BY VIEWS OF THE SOVIET DANGER

Views of the Soviet Danger	Support for CPR 98		Totals
	Support CPR 98	Oppose CPR 98	
Totals.....	23	18	41
Total war inevitable or imminent.....	8	6	14
Recurrent crises or little danger.....	15	12	27

TABLE 2. PARTICIPATION IN THE GRAY MARKET BY  
VIEWS OF THE SOVIET DANGER

Views of Soviet Danger	Participation in Gray Market		Totals
	Non-participant	Participant	
Totals.....	29	14	43
Total war inevitable or imminent.....	8	7	15
Recurrent crises or little danger.....	21	7	28

accepted as an ultimate standard, but that acceptance may be so general that it has little relevance for the evaluation of specific activities. Thus, we have evidence that the acceptance of government definitions of improper economic conduct is not determined by considerations of national security.

The distributor may agree with the government's definitions because he is in agreement about the national peril. But it is also possible that the simple authority of the government might suffice to convince the distributor that what it supports must be desirable. What knowledge of American orientations toward authority we do have makes us suspect that possibility however. In fact, most of the steel distributors did not seem to be strongly influenced by the position of the government. The distributors were asked if the government had the right to pass the controls that it did. They tended to answer the question by evaluating the controls. If the controls were thought to be useful, then the government had the right to issue them; if the controls were thought to be unnecessary, then the government did not have the right.

It is possible, of course, that the distributors were actually influenced by the government's sponsorship of the controls, but either were unaware of this influence or else would not admit it. One way to test this possibility is to find out if the distributors who acknowledged more authority to the government tended to have the same definitions of improper economic conduct as that which the government urged. One basis of governmental authority was selected to test this possibility: evaluations of the personal qualities of the government officials. Three categories of distributors were distinguished: (1) those who evaluated the officials as, on the whole, competent and correct in their intentions, (2) those who evaluated them as having the right intentions, but often, or at some levels, incompetent, and (3) those who thought the officials had neither right intentions nor were sufficiently competent.

A positive association was found between higher evaluations of the officials and approval of CPR 98 (Table 3). This finding is contrary to the earlier assertion that the distributors were not influenced by the position of the government. The issue is too complex, however, to warrant a simple reversal of the earlier hypothesis. Evaluations of the personal qualities of the officials and of the regulations issued by them seemed close enough in the

TABLE 3. APPROVAL OF CEILING PRICE REGULATION 98 BY EVALUATION OF GOVERNMENT OFFICIALS

Evaluations of Government Officials	Approval of CPR 98			Totals
	CPR 98 is a good regulation	CPR is not a good regulation but something was needed	No controls are needed	
Totals . . . . .	23	7	14	44
Competent and right intentioned . . . . .	5	—	2	7
Some incompetency but right intentioned . . . . .	13	4	3	20
Some incompetency and wrong intentioned . . . . .	5	3	9	17

minds of the distributors so that a positive association was found. Yet, when questioned about patterns of behavior that were condemned in the regulation, the association disappeared. Evaluations of the personal qualities of the officials were not related to whether or not a distributor thought it was proper or improper to sell steel at the highest possible prices. The same random relationship was found between evaluations of the officials and participation or non-participation in the gray market. Thus, the evidence indicates that acceptance of specific government definitions of improper economic conduct was not, in this case, based upon the authority of the government.<sup>5</sup>

<sup>5</sup> It is necessary to point out three factors in this case that limit the application of the finding. First, only one basis of government authority—personal qualities of the officials—was tested. Other bases of authority might very well have been more relevant, but insufficient data were collected to test them.

Second, the range of evaluations about the officials was not great. There were those who distrusted the officials and those who did not; but there were few who had great faith in them. Perhaps only extreme admiration or distrust of the issuing group is transferred to the orders that they issue.

Third, attitudes toward government officials are to some extent a partisan issue. Distrust of government officials (under a Democratic administration) had become almost an article of faith among some Midwest Republicans. It was these men who in large proportion were Insiders and who conformed to traditional prices and practices. On the other hand, many of those who were outside of that system, in large measure Jewish, were Democrats. This fact may also affect the lack of relationship between views of the Soviet threat and

TABLE 4. ACCEPTANCE OF GOVERNMENT NORMS OF IMPROPER ECONOMIC ACTIVITY BY PARTICIPATION IN THE GRAY MARKET

Participation in the Gray Market	Type of Acceptance of Government Norms				Totals
	1. Consistently accept norms	2. Inconsistent: reject in general but accept in specifics	3. Inconsistent: accept in general but reject in specifics	4. Consistently reject norms	
Totals.....	13	5	9	16	43
Non-participant.....	11	5	7	6	29
Participant.....	2	—	2	10	14

On the whole, the evidence presented thus far does not show any consistent determinant of acceptance of government definitions. Yet steel distributors did vary in their acceptance of the government norms. In order to explain this variation we must consider a very different hypothesis than these considered so far. That is, perhaps participation or non-participation in the gray market determines acceptance of government normative definitions. Of course, even if we did find that variations in the acceptance of government norms were associated with business activity, we might conclude that that acceptance, however determined, was the factor that then determined participation in the gray market. Before deciding which is the case, let us first note whether or not there was in fact any association between business activity and acceptance of government norms. Table 4 reveals that the acceptance of the government's norms was related to participation in the gray market. Steel distributors who were in the gray market rejected the government claims; distributors not in the gray market tended to define gray market activities as wrong. Let us look closely at these men in order to appreciate the complexity of the relationship between the activity engaged upon and the evaluations of that activity.

In Table 4, four types of acceptance of govern-

acceptance of the government definitions, since views of foreign threat and foreign policy are affected by party identification (George Belknap and Angus Campbell, "Political Party Identification and Attitudes Toward Foreign Policy," *Public Opinion Quarterly*, XV [Winter 1951-1952], 601-623.) The small number of cases made it impossible to test this interpretation.

ment evaluations are distinguished according to their positions on four items. *Type 1* is relatively consistent. They believed that the controls were necessary, that CPR 98 was necessary and a good regulation. Of the thirteen men, all but three believed that steel should not be sold at the highest obtainable prices and all but four others attacked the gray marketers.

*Type 2* is less consistent. These distributors tended to reject the government evaluations about the propriety of economic controls and of CPR 98, but they did not tend to support the specific proscriptions against charging what the market would bear and the negative evaluations of the gray market and gray marketers.

*Type 3* is equally inconsistent. Distributors belonging to this category supported government controls and CPR 98; but they rejected the proscriptions of charging the highest obtainable prices and the negative evaluations of the gray market and the gray marketers.

*Type 4* is generally consistent. They rejected all four items with the exception of nine of the sixteen men in this type who did believe that some economic controls were necessary at the time.

We expect men who are not in the gray market to feel free to condemn gray market activities. Indeed they were motivated to do so by their evaluations of the gray marketers as men who were taking advantage of the situation in an uncolleague manner. Similarly, the rejection of the proscriptions and evaluations of gray market activities was a frequent occurrence among those in the gray market. We would expect people to reject values and beliefs whose acceptance would require a denigration of their own activities. In defending their activities, the gray marketers resorted to many devices for support. For example, some viewed the government's regulations as the result of their competitors' machinations. The large warehousemen, they thought, had written CPR 98. Other gray marketers did not point only to the maliciousness and power of the large corporations. To them the world seemed to be a jungle of men fighting for personal advantage. Government controls were one of the possible clubs in the fight—available to the highest bidder.

Mr. C. was a 35-year old veteran, unmarried; he had been in many businesses—whatever seemed lucrative at the time. He and his brother went into steel distribution late in 1951. In attacking CPR 98 Mr. C. argued,

Those that have steel mill contacts made up that law. They did it to get rid of the daisy chain. But they're not only getting rid of them; they're unfair; it's discriminatory; it's not American.

It's not going to help the war effort. The manufacturers are not going to sell steel like they did, and that will mean there'll be less steel available.

It is difficult to evaluate to what extent some of these charges are significant ways that Mr. C. viewed CPR 98, or expedient ways to oppose it; but Mr. C. returned again and again to one of the charges in the above catalogue.

As far as the new regulations, I know there was a little corruption involved in that. A lot of money was involved to put the brokers out of business. . . . It's like here, if you pay off a policeman. It doesn't make any difference if the Republicans or Democrats are in power.

Mr. C. deals with the government claims by attributing their origin to selfish motives. In a society of such claims, his own wishes have equal legitimacy with those of anyone else.

Other gray marketers were able to argue, apparently with self-conviction, that they were doing the right thing. We might discount favorable evaluations of gray market activities by those in the gray market as mere rationalizations made necessary by the desire to do business in psychic comfort. But such evaluations may have been sincerely held in some cases without say feelings of guilt. After all, we do recognize that: (1) evaluations of the gray market contrary to those made by the government might be reasonable—certainly, many persons who were not in the gray market did have contrary evaluations, and (2) men may act in accordance with the constraints of the situation and not with their own evaluation of what is proper. These points will be clear if we examine those men in Table 4 whose activity does *not* seem to be related to their acceptance or rejection of the government norms. Five explanations for these deviant cases are noteworthy.

1. *Identification of national interest with self interest.* Men object to altering the nation even in order to defend it; if certain freedoms are perceived as a basic quality of the nation, surrender of them will be resisted. The characteristics of the nation that appear to be the most inseparable from it are often those which the individual most enjoys. He tends to identify his way of life with the national way of life. Attempts to change his way of

life are un-American. Thus, most of the distributors who were not engaged in gray market activities nevertheless rejected the government evaluations.

This opposition to the government controls as un-American could receive support from the business subculture. A trade magazine closed one editorial with the words,

. . . unless steps are taken promptly and vigorously to reverse the trend of increasing government monopoly on every phase of activity of individuals and corporations, our country is doomed.<sup>6</sup>

A news item related that General Motors bought Chinese nickel ions from a Formosan broker, paying \$1.20 a pound, and concluded, "The price of nickel anodes from regular sources is 63 cents a pound. G. M. paid more than double the normal price, but it increased its supply of nickel. Such is the ingenuity called for by today's unusual conditions."<sup>7</sup>

2. *Partisan political antagonism.* Support for opposition to the government's claims was also to be found in partisan politics. The Chicago Tribune editorialized about the report on the steel gray market by the Senate subcommittee under the chairmanship of Senator Moody.

Common sense should have told Mr. Moody that these men were not parasites and were in fact performing a most useful service. Obviously the processors who needed steel didn't know where to get it for less and wouldn't have got it at all except for the brokers who found it for them. . . .

The real parasites are the well paid New Deal bureaucrats whose price fixing has served no economic purpose.<sup>8</sup>

<sup>6</sup> *Steel*, CXXIX (December 24, 1951), 26.

<sup>7</sup> *Steel*, CXXVII (August 21, 1950), 54. On the other hand, one widely read trade daily explained in one editorial: "Some /scrap/ yard dealers have berated us for failing to perform our job of quoting the highest prices they are being offered by a few buyers who are violating the /voluntary price/ formula. . . . It does not follow that quoting such overformula prices . . . is our duty when: first, it is definitely not clear that more than a small portion of total sales are over ceiling, and second, in so doing we would be lending powerful support to those whose indifference to the economic security of the nation at this time does not betoken the highest form of patriotism." (*American Metal Market*, November 10, 1950).

<sup>8</sup> *The Chicago Tribune*, January 21, 1952.

Although there was no over all pattern of relationship between evaluations of government officials and acceptance of government definitions, some steel distributors were so antagonistic to the government that they found it impossible to agree with the government evaluations. For example, a major executive in one of the large warehouses, Mr. Q., began to explain the government policy favorably, but then recanted as if he found himself betraying the business community.

Like I sell to you and you sell to your brother-in-law and your brother-in-law sells back to me and that way they boost the prices up from four cents to sixteen cents. . . . They should have passed regulations against that. Though business would have taken care of that ourselves [sic]. They were selling automobiles and you had to pay something under the table. There are always those fringe elements.

The conflict between the businessman and the government strongly affects Mr. Q.'s view of the role of the government in defining improper economic conduct. In explaining the reason for the government controls, Mr. Q. said,

We were too weak-kneed back in the 1930's. We let the government take over and now it's gotten so that the government is running everything. They never had a good reason. All they do is build up their own power. They use these crises as excuses for increasing their control.

Thus, some distributors were members of a business subculture that was politically hostile to the actions of a New Deal-Fair Deal Administration.

3. *Consideration of the facts of the situation.* In only a few cases did it appear that an argument as to the facts of the situation was an independent basis for disagreement with the government's interpretations of what was to be done. Even some of those who thought that the steel shortage was not great thought that the criteria of improper economic conduct the government presented were correct and that controls were necessary in the eventuality of a steel strike or an increase in hostilities.

4. *Compartmentalization of public ideals and business transactions.* Now we turn to those distributors who participated in the gray market and who nevertheless accepted a portion of the government proscriptions. All the men in the gray market agreed with the government that national security was a prime consideration and the nation faced a dangerous threat to its security. This created a

problem of adjustment for all of them. As we noted earlier, most gray marketers interpreted their conduct so that it served national values other than national security or served national security in ways the government officials did not understand.

Still other gray marketers of types 3 and 4 compartmentalized their evaluations from their conduct.

Perhaps the gray marketers' general agreement with the government is on a different level than their concerns in a particular transaction. Indeed, it would seem to be. The day-to-day pressures consist of the telephone calls of a friend or prospective large customer who pleads for steel; of offers of steel; of a colleague recounting a "killing"; and they include the inducements to buy a new automobile or a new home.

This compartmentalization of general views of improper economic conduct from views of particular business transactions is one way of dealing with conflicting claims. Inconsistencies are not perceived, and if they are pointed out, the rejoinder is, "that's too deep for me." However, this shifting of perspective from context to context cannot be regarded only as a way of escaping from the strain of conflicting obligations. The same inconsistencies, vagaries, and compartmentalizations are to be found among those who did not engage in activities they felt were condemned by the government. They existed among distributors who had no immediate motivation for them.

One reason for this is clear. The everyday activities are carried on with concrete persons and, in a sense, momentary pressures. To see them in a wider time, or geographical, or social context is not a natural phenomenon; it must be learned. Most businessmen have learned to consider the wider effect of business practices only upon their own business—that is the essence of concern about reputation. Few have learned to consider the effect of business practices upon national security.

5. *Confessions of guilt.* While most of those in the gray market dealt with government's evaluations and proscriptions in one of the ways already indicated, two men in the sample accepted the government's claims, viewed their conduct in the light of them, but nevertheless continued the activity. They pointed out that their activity was profitable, but having accepted the legitimacy of the government definitions, they felt guilty and ashamed.

Mr. H., who had been in the steel gray market for two years, defended the government regulations and attacked the gray market because the high prices "upsets the economy," reselling steel raised the price to the manufacturers.

There was an unreasonable profit in that. The profits were made by persons who weren't legitimately in the business. Not that it wasn't legal, but it just wasn't right. I don't like CPR 98 personally: it's out for my profits; but it's a good law for the country.

Mr. H. made a vitriolic attack against the gray marketers.

Those steel brokers and jobbers... weren't worried about future customers... had no ethics about business. You're not going to hear many brokers say that, but that's the truth. There are twenty-five or thirty of us in the Chicago area. We made more in one year than a dean of your university would make in ten years. I don't think that's right. . . .

Understand, I'm glad it happened. If it all happened again, I'd do the same thing, but sometimes I felt ashamed of myself. I knew that some manufacturer on the south side had to lay off forty workers because he couldn't afford to pay for the steel that I had lying in the warehouse doing nothing. . . . Still, the big companies were willing to pay the money.

Mr. H. related his economic conduct to national security with a sense of guilt,

I was an officer in the armed forces. You know, I was called up again, when the Korean War started, but I was deferred because I was in an essential industry. Essential! Being in the gray market—that was my essential business!

Why did Mr. H. continue, after the issuance of CPR 98, in actions which were then illegal? He said he thought it was foolish, and he did not know why, he only mentioned an expensive family.

#### CONCLUSIONS

We began this article by noting that the government attempted to modify the normative definitions of steel distribution activity in accord with its interpretation of national security considerations. We did find that distributors whose behavior conformed to the definitions often agreed with those definitions, and distributors who did not conform usually did not agree with the definitions. But in the discussion of the association between conduct and evaluations of that conduct, we did

not find evidence that acceptance or rejection of the government's norms determined participation or non-participation in the gray market. Rejection of government interpretations of national security seemed to be a form of adjustment to gray market activity. Most of those distributors whose behavior conformed to government proscriptions rejected many aspects of the government norms. However, acceptance of the government definitions was associated with conduct in conformity with them in most, even if not all, cases.

So how can we have confidence in the conclusion that participation in the gray market was more determining of than determined by agreement with government norms? We have two sets of evidence. One set has been discussed thus far. We found that acceptance of government norms was largely independent of beliefs about the degree of threat to national security or of evaluations about government officials. This indicates that acceptance of government norms was not determined by factors outside of the business situation so that it could act as an independent force in determining participation in the gray market.

If another set of evidence indicated what did determine participation in the gray market, we would have more confidence in the conclusions drawn here. That evidence was presented in another article<sup>9</sup> and can only be briefly summarized here. Participation in the gray market was largely explained in terms of the business situation within which types of steel distributors operated. Four types of distributors were distinguished.

Some were warehousemen and had access to domestic mill steel; they were the *Insiders*. The other types of distributors did not have access to domestic mill steel. These were categorized according to the way in which they related themselves to the warehouse system. Classification was based upon questions about: (1) their expectations upon entering the steel distribution business, (2) the characterizations of the steel business they would prefer, (3) and their attitudes toward others in steel distribution. Besides the *Insiders*, then, were some distributors who wanted to become part of the system; they were the *Strivers*. Still others did not strive to become part of the system; content to remain marginal to it, they were the *Comple-mentors*. Finally there were those who were not

<sup>9</sup> Louis Kriesberg, "Occupational Controls among Steel Distributors," *The American Journal of Sociology*, LXI (November 1955), 203-212.

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*.

The Insiders were restrained from participation in the gray market because of the expectations of their suppliers, customers, and colleagues. The Strivers and Complementors faced more ambiguous constraints, largely from their customers, and only a fourth of them participated in the gray market. The Transients felt no restraints from their business associates; indeed, they felt some encouragement to participate in the gray market—and they did so. These findings support the interpretation that participation was largely determined by factors other than the acceptance of the government definitions, and agreement with the government norms was largely determined by participation or non-participation in the gray market.

Before accepting this conclusion, however, we must look at this study in a larger context. First, the men discussed were all active steel distributors, men who had to make some psychic adjustment to the activity in which they were engaged. Perhaps men who accepted the government proscriptions and found they could not conform to them simply did not become, or continue to be, steel distributors. Although no systematic sampling of men in related industries was made, about fifteen steel producers, scrap dealers, manufacturers of steel products, and dealers in non-ferrous metals were interviewed. In most cases, when they had the opportunity of participating in steel distribution as a gray marketer and did not do so, business considerations rather than considerations of national security as defined by the government seemed to be determinative. Only in some related cases did national security considerations seem significant. For example, a dealer in non-ferrous metals related,

After June, 1950, we were making money; prices were going up and up—you could charge whatever you wanted. I remember, someone called me up to sell me some metal. And he asked a terrific price. I got sore. I told him, how could he ask such prices when there was a war on, when our soldiers were getting killed. A few months later I felt like apologizing to him. I was in it too. You couldn't keep back. In those boom days we made so much money I had a bad conscience.

He resolved the conflict by withdrawing from the business—he took a "vacation" for several months. By then new controls and the end of scare buying had created order in his trade.

This leads us to a second qualification that must be made. In presenting the evidence, the issues have been simplified by asking simply whether or not government norms determined business conduct. Of course, in actuality, government evaluations and proscriptions were one set of factors among many others. The role played by those factors depended in each case upon the importance of all the other factors.

We would therefore expect that among distributors who faced conflicting or ambiguous pressures in their business position, government proscriptions would have a larger role than among distributors facing clear business constraints. The pressures facing the Complementors and Strivers were more equivocal than was the case of the other types of distributors. Their colleagues, customers, and suppliers had more varied expectations as to their conduct and granted them a wider range of possible activity. It is significant that government definitions of national security and proper economic conduct did play a more significant role among these men than among the other steel distributors.

For example, Mr. T., a Complementor, was an iron and steel scrap broker who sometimes sold new steel. At the outbreak of the Korean hostilities, he joined the game of buying and selling steel at spiralling prices. But after President Truman's appeal against price increases, in December, 1950, Mr. T. stopped dealing in the gray market. He "wanted to comply with the request," explaining,

We wanted to avoid price controls. In December, 1950, we were getting the Hell beat out of us in Korea. I thought we had little to gain and something to lose by going ahead the way we were. By we, I mean the industry. I thought prices were running away; I wanted to get back to normal prices.

This concern for price stability was part of Mr. T's general conservatism. After a while he withdrew from the new steel market entirely, because he expected a break in the market and did not want to have any inventory. He constantly referred to himself as "bearish," expecting prices to drop and selling early.

Thus, for Mr. T. and some others, national se-

curity considerations, as interpreted by the government did play an important role in their conduct. But in Mr. T.'s case, as in the others, several other factors were supportive. He had no great hostility to the Administration that had to be overcome in order to agree with its interpretation of what was best for the national interest. Additional factors were important in influencing his actual conduct. Mr. T. did not deal in high price steel partly because his cautiousness made him fearful of a price drop. Also, his scrap business was such that he could restrict his new steel sales without endangering his livelihood.

In short, government definitions play only a minor role, among many other factors, in structuring the normative perception of conduct and

thus influencing the choice of conduct. This is true even where actual conduct does conform to the appeals and regulations of the government.<sup>10</sup>

Of course, national values in general, and even national security considerations as defined by the government, may be more significant in other circumstances. National values, for example, may serve to legitimate stringent government measures, particularly for those not directly affected. But the point is that national values do not directly determine conduct so that collective action will be pursued.

<sup>10</sup> For a general discussion see Morton Grodzins, *The Loyal and the Disloyal* (Chicago: University of Chicago Press, 1956), esp. pp. 39-68.

## METHODOLOGICAL PROBLEMS IN THE STUDY OF PSYCHIATRIC WARDS\*

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**T**HERE is a growing concern with methodology in the conduct of research in the social sciences. This is a healthy tendency insofar as it leads to the improvement of techniques and the critical use of them. It is unhealthy when the preoccupation with methodology leads to the sacrifice of breadth or depth in theoretical and factual dimensions. When, for example, sources of financial support choose among applicants on purely methodological criteria or even when they merely insist on an elaborate statement of research design in advance, the tendency may have undesirable results.

To the extent that theory determines method, the methodology of a specific research project may be planned in advance. But method also depends on the subject matter of research; techniques have to be tailored to fit the concrete (and often highly refractory) phenomena that are the subject of study. If enough is known about the subject matter as the result of previous research, of course, methodological planning can benefit. The anthropologist who neglects to inform himself concerning

the experience of other investigators in eliciting response from the members of the tribe he intends to study or the industrial sociologist who fails to draw on the counsel of previous students deserves only censure.

Yet in spite of the most careful preparation there is a limit to the pre-planning of methodology. Unexpected problems will always be encountered, and unexpected opportunities, too. Allowance must be made for a certain amount of trial and error, and there must be a willingness to improvise new techniques and sometimes to abandon techniques that looked good on paper. The methodology of a successful piece of research may represent a considerable modification or amplification of the original research design.

This may be illustrated by the experience of a research team of anthropologists and sociologists in studying the culture and social structure of a large neuropsychiatric hospital.<sup>1</sup> The problem was

\* This is an expanded version of a paper read before the seventeenth annual meeting of the Southern Sociological Society, Atlanta, Georgia, March 26, 1954.

<sup>1</sup> The research on which this paper is based was conducted for the Veterans Administration by the Institute for Research in Social Science, University of North Carolina. Project staff during the period covered by the paper comprised John Gillin, director; Frank M. LeBar, executive director; the writer, field supervisor;

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### **[Footnotes]**

#### <sup>5</sup> **Political Party Identification and Attitudes Toward Foreign Policy**

George Belknap; Angus Campbell

*The Public Opinion Quarterly*, Vol. 15, No. 4. (Winter, 1951-1952), pp. 601-623.

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#### <sup>9</sup> **Occupational Controls Among Steel Distributors**

Louis Kriesberg

*The American Journal of Sociology*, Vol. 61, No. 3. (Nov., 1955), pp. 203-212.

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