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