firms exploit their market power, the criticisms of the Chicago School, that stress the efficiency explanation, and what they call the New School of Industrial Economics, with its emphasis on strategic behavior and the possibility that, under *some circumstances*, firm behavior may reduce competition and be harmful to welfare. The message conveyed is that we know that monopoly is not always bad, and we also know that monopoly is not always good. What we do not know is which judgment to make in any particular situation. The basic lesson for antitrust policy is, therefore, that more research needs to be done.

The book also includes a brief biographic note and a listing of the works of the late Michael Mann to whom this book is dedicated.

Although it may provide a fairly broad view on the subject, this is not what I would call a very exciting book. My lack of enthusiasm about the book reflects the fact that, the appropriate balance between economic theory and institutional detail has not always been achieved. A notable exception is the paper by White, but in general, the papers dive into a forest of legal and institutional detail at the expense of deep discussion of the economic context. This makes the book considerably less attractive for non-American readers.

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The State of Small Business: A Report of the President (of the United States), Washington, DC: U.S. Government Printing Office, 1990, ISSN 0735-1437.

The casual reader may ask why a British researcher should review a document which is directed almost exclusively towards an audience in the United States. The simple answer is that I was asked to do this by the chagrined book review editor who had tried a number of United States academics only to discover that they were either unwilling or unable to put their opinions into print. Unlike the Americans, I agreed to prepare a review of this interesting document.

I have been reading these *State of Small Business* (SSB) reports since 1985, and there is no doubt that they provide the outsider with a most valuable statement of changes in the U.S. small business scene. Each year I look forward to receiving my copy from Dr. Bruce Phillips of the Small Business Administration. I now welcome this opportunity to formally record *my* thanks to him for this courtesy and to place my well-intentioned, but possibly naive, thoughts about these documents in print.

The SSB report is undoubtedly a pathbreaking document. When I saw it for the first time in 1985, I was struck by the depth of the data and the quality of the analysis. Other than Japan, no other country at that time produced a document on the small business sector to match its considerable depth and accuracy.

In preparation for this review, I compared the 1990 SSB document to the one published for 1985. I found out that there has been little change over the years. The format is very similar, and the issues addressed are exactly the same. Yet over this five year period, a number of countries have taken the SSB document and have produced their own local versions. Within Europe, for example, EIM in Zoetermeer produced for Holland a comprehensive statement on the small business sector. In the UK a start was made in this direction in 1990, and the Bureau of Industry Economics in Australia now provides an impressive review of local, small businesses. It is fair to say that all these organizations have examined the SSB report and have drawn more or less heavily from it for ideas with which to structure their own national publications. Perhaps the most interesting development in this field are the many proposals currently under discussion at European Commission for a creation of a European document called the "State of Small Business in Europe," which would cover small businesses in all twelve community countries. Again, if such a project were to come to completion, it is likely that it would draw heavily upon the format of the U.S. Small Business Administration document now under review.

The 1990 SSB is a substantial document that runs to more than 270 pages. Of this, almost 200 are data tables in the four main appendices. The data relates to Small Business Financing, Procurement and on Women and Business in the Labor Force.

The key text of the SSB report covers a discussion of the economic environment of small business, the small business health index, the number of small businesses, business formation and closures in 1989, employment growth productivity and earnings in small firms. In addition, there are three brief reports on changes in the characteristics of workers in small firms; and a set of reports on "fringe benefits" such as health insurance, retirement plans and mandated leave policies.

What, then, are the SSB report's main findings? The following list, although not complete, will illustrate the general character of the findings:

1. The number of women proprietors of small businesses almost doubled to 4.4 million in 1987 from 2.5 milion in 1980.
2. In 1989 there were an estimated 20 million business tax returns filed with the Internal Revenue Service. This has risen from only 13 million in 1980.
3. Business failure and bankruptcy numbers indicate that business conditions worsened in 1989 for states in the Northeastern part of the country but improved in the Southwestern United States, and farm states and in the Western mountain states.
4. Small businesses (defined as those with less than 500 workers) supply about 20% of U.S. exports (measured in value terms).
5. The Small Busines Health Index (while it fell slightly in the first two quarters of 1989) was, on balance, above that for 1988.

For researchers interested in these questions, there are a number of interesting findings on the special topics covered by the document. In its report on the changing characteristics of workers in large and small firms, the SSB report again points out David Mills's, finding that, while employment levels in small firms fluctuate more widely than in larger firms, this difference is less than the difference in output fluctuations in small and large firms. This implies that small firms, more than large firms, help dampen the negative impact of output declines on employment by absorbing "bad times" rather than passing them on to workers.

I do, however, have some qualms about the research reported on the employer-provided insurance in small firms. The Report clearly shows that availability of coverage does rise with increased firm size, and it purports to provide reasons for this. Broadly, the reasons fall into three categories: first, the characteristics of the workforce, second, the cost of provision and third, the "pure" size effect. In essence, the first category covering the workforce suggests that, since small firms are more likely to be employers of groups who are covered elsewhere (part-time females) or who are likely to be very expensive (the old) that costs to employers are higher and therefore take up of insurance is less. The second group refers to costs of provision where, it is argued, that scale economies exist and furthermore the tax system discriminates against small firms. The final group of reasons are those related to statements such as "workers . . . do not want insurance" and would "prefer higher wages."

The analysis is presented, however, in a univariate framework when there is a clear need to address this in a multivariate framework. For example, a public policy initiative could be that of changing the tax system to provide financial incentives to small employers so they will voluntarily provide insurance coverage to their workers. From this analysis presented, I am unable to draw a conclusion about what level of financial inducement is needed to achieve various alternative levels of coverage.

My view is that the current document has been a model for international emulation in its current form for many years. However, if I were asked by SBA officials to make recommendations about how the format and content of the current document could be improved, there are, in my opinion, several areas that deserve serious consideration. They are:

1. First, the variety of topics covered in the Report should be expanded, and the volume of tables presented in the Appendix should be reduced. The latter could more easily be made available to interested parties either in hard copy or on disk. The increased coverage that I would like to see would include new issues such as small business financing, novel issues in international trade, the impact and evaluation of advisory services, the progress of deregulation, a more sophisticated spatial analysis, and even an examination of "best management practice."

2. A second point is that the quality of the analysis could be improved in several areas. In particular, use could be made of a technical appendix or at least a specific reference made to the research which the SBA, itself, had commissioned.
3. A third point is that report concentrates exclusively on the United States scene, and that perspective is politically undertandable. Nevertheless, surely a growing U.S. audience is interested in what is happening in Europe, Japan and Australasia. For instance, there are some key similarities in Europe to U.S. developments such as in the area of female-owned businesses and also in the rather shorter time horizon being adopted by Venture Capital funds. Also, there are clear differences such as the proportion of Venture Capital Funds devoted to early stage development (much higher in the U.S.). It is not simply statistical differences which are of potential interest. Policy initiatives in the U.S., such as SBIR, have been implemented elsewhere while a complementary interest in the Enterprise Allowance Scheme has been shown by state governments in the U.S.

In short, the Report should recognize and emphasize the international dimension to a much greater extent.

These remarks should not detract from the great respect and admiration all students of small business economics now have for the pioneering work of the Small Business Administration and its SSB report.

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