AC/No.5/May 2016

American Capitalism

WRIGHT PATMAN IS DEAD: SMALL BUSINESS CONSERVATIVES AND THE POLITICS OF CAPITALISM IN THE 1980s

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Presented to the Johns Hopkins American Capitalism Seminar
March 2, 2016

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As winter turned to spring a year after Ronald Reagan took office, the economy of the United States was mired in a deep funk. Nationwide, unemployment stood at 8.5 percent in the first months of 1982 (it would peak at 10.8 percent in December and remain at that level until the summer of 1983). Inflation, while falling, was also high; consumer prices rose at a rate of more than 6.5 percent annually. New home sales hit their second lowest level on record, and car sales were down 44 percent from the previous year. Businesses failed 55 percent more often than the year before. Opening a hearing of the Senate Committee on Small Business on March 31, 1982, Lowell Weicker entered these grim facts into the public record. "On paper," the Committee chair opined, "statistics like these are known as 'unfavorable economic indicators.' In the real world, every one of them marks a living, breathing human tragedy."[1]

[1] "Hearing before the Committee on Small Business, United States Senate, 97th congress, Second Session on The State of Small Business: A Report of the President, March 31, 1982," Washington, D.C.: Government Printing Office, 1982, p. 1. For national inflation and unemployment data, see miseryindex.us.

The Reagan Recession's depressing effects were widespread, casting millions out of work, diluting consumers' purchasing power, and weakening corporate profits. Yet Senator Weicker—a liberal Republican who would eventually leave the GOP and serve as an independent governor of Connecticut— wished to draw attention to a particular constituency within that "living, breathing human tragedy": small business owners. While the macroeconomy tanked, America's shopkeepers, drycleaners, garage tinkerers, upstart entrepreneurs, and other denizens of "Main Street USA" bore the brunt of the pain. As chair of the standing Committee on Small Business, Weicker believed that his mission was to ensure that the government paid sufficient attention to the specific links between macroeconomic policy and the plight of the small business owner. For too long, he charged, American policy had focused exclusively on the giant corporations that dominated twentieth century capitalism. Yet while big companies had the resources to weather economic doldrums and await an eventual recovery, smaller firms confronted real, existential threats to their very survival. Traditional economic policy "might be very good in the overall for big business," the senator warned, "but is simply just devastating to small business."[2]

Lowell Weicker's entreaties on behalf of small business amid economic hard times formed part of a larger shift in American politics that put entrepreneurship and small enterprise center stage. Indeed, the very hearing he chaired in March 1982 existed to debate and analyze the first "President's Report on the State of Small Business," itself a product of the renewed attention to small business at the

[2] "Hearing before the Committee on Small Business," p. 18

highest levels of national politics. Two years prior, the Carter Administration had convened 2000 delegates in Washington at the first-ever White House Conference on Small Business. That event produced dozens of specific policy recommendations, including the new presidential report.[3] Convening to discuss the first such report, Senator Weicker explained that Congress had created the new requirement in the summer of 1980 as "a way of forcing the executive branch to focus its attention on the small business community and its needs, specifically."

Scholars have long noted the uptick in political attention to the concerns of small business that emerged during the economic crisis years of the 1970s and continued to shape politics and policymaking through the final two decades of the twentieth century (and beyond). Some have attributed this shift to the populist politics of leaders like Jimmy Carter, who cast himself the first "small business owner" to occupy the White House since Harry Truman and promised to help small businesses by rolling back onerous government regulations. Carter directed the Small Business Administration, created in 1953 to provide preferential lending services to small companies, to extend its lending practice to encourage small business activity among women and minorities, for example.[4] To be sure, debates rage about the degree to which Carter actually practiced what he preached, and his policy preferences—on inflation, energy, and regulation—shifted to favor large corporate and industrial interests during his term in office. Yet through his committed promotion of small business interests, including spearheading the White

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[3] Public Law 96-302, July 2, 1980.

[4] Jonathan Bean, *Big Government and Affirmative Action: The Scandalous History of the Small Business Administration* (Lexington, KY, 2001),99–102.

House Conference on Small Business in 1980, Carter played an important role putting small business issues on the map.[5]

Yet the renewed focus on small business in the late 1970s also coalesced from the bottom up. Small business interest groups formed a key part of the broader political mobilization that brought trade associations, lobbyists, and corporate CEOs more directly into the policymaking process. Lobbying groups devoted, either exclusively or in part, to small business concerns expanded their membership and political reach, galvanized in particular by the growing power of anti-statist and anti-regulatory politics. For example, the U.S. Chamber of Commerce,—the editor of whose magazine in 1950 had declared that articles on "small business problems" would be published "Over my dead body!"—pivoted dramatically toward its small business base as it expanded its membership and lobbying in the 1970s.[6] And the National Federation of Independent Business (NFIB), which since its founding in the 1940s been mostly occupied itself with taking and selling mail-order surveys, re-invented itself as an especially powerful lobbying force by the 1980s.[7]

Intellectuals likewise jumped on the small business bandwagon. Academic research into entrepreneurship and the role of small business in the economy flourished. In 1970, eight American universities offered courses on starting a new

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[5] For scholarly debates over Carter's real political allegiances and legacy, see, for example, Judith Stein, *Pivotal Decade: How the United States Traded Factories for Finance in the Seventies* (New Haven, 2010).

[6] On the political mobilization of business associations in the 1970s and 1980s, see, well, me: Benjamin Waterhouse, *Lobbying America: The Politics of Business from Nixon to NAFTA* (Princeton: 2014).

[7] National Federation of Independent Business, "NFIB: A History, 1943 – 1985," document in possession of author.

business; by 1980, 137 did. Magazines devoted to entrepreneurship emerged.[8] Within a few years, commentators regularly bragged that they were living in the "era of the entrepreneur." To quote one: "After years of neglect, those who start and manage their own businesses are viewed as popular heroes."[9]

Small business, in other words, had become a very big deal.

Yet despite the renewed political commitment to the needs of America's small businesses that seemed to animate national politics by the 1980s, no coherent policy program emerged. Small business boosters never achieved a consensus on what such a pro-small business policy regime would even look like. Progressive populists like Carter pushed for protective measures like guaranteed government contracts and preferential loans. Conservatives at the NFIB and the Chamber of Commerce wanted to reduce the regulatory power of agencies like the Environmental Protection Agency. Beyond empty platitudes about virtue, independence, and innovation, no one agreed what it meant to stick up for small firms.

This failure to agree on what the interests of small enterprises actually were, why they merited a coherent defense, and against what, set the stage for the contentious politics of small business in the last two decades of the 20th century. Yet even as progressives and conservatives dithered about how best to preserve small economic actors, an increasingly globalized, financialized, and corporatized mode of capitalism fundamentally upended the terrain on which the classical arguments

[8] Sandra Anglund, *Small Business Politics and the American Creed* (Westport, Connecticut: 2000), 122.
[9] Robert Goffee and Richard Scase, *Entrepreneurship in Europe: The Social Processes* (London, 1987), p. 1

about big and small business in the United States took place. In a globalized economy defined by economic bigness, the political "revival" of small business seemed out of place, unfolding on a cultural and rhetorical plane that was removed from, or even in contradiction with, the realities of economic life.

The historical scholarship on the politics of small business has demonstrated clearly that, while debates persisted, the conservative interpretation of small business politics largely triumphed in the 1980s. Small business owners (and, far more importantly, their self-appointed spokespeople) became a critical part of the conservative political project. By taking command of the issue, conservative small business activists fundamentally recast the central issues of small business politics: Abandoning the historical defense of competition and fairness, they redefined the debate over small business as a defense of innovation and growth.[10]

The present essay, which springs from a larger and early-stage research project, reflects my contention that this shift in small business politics in the 1980s had vital ramifications for American politics and economic life. First, I suggest that the policy agenda of conservative small business activists dovetailed entirely with the policy agenda of the economic elite. By defining small business interests in terms of deregulation, regulatory reform, and lower taxes, these policy entrepreneurs successfully blurred the distinctions between large and small firms.

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[10] Fifteen years ago, political scientist Sandra Anglund identified this important conceptual shift. Moreover, she argued that the ideational connects between small business ownership and traditional (possible exceptional) American values—what she called the "American Creed"—was itself the organizing force behind small-business political activism in the late 20th century, more than any real economic interest. See Anglund, *Small Business Politics and the American Creed*.

Ultimately, those policies created an economic environment that privileged economic elites and large, global institutions over small-scale local enterprises.

This research project seeks to use the political history of small business as a window into the contested operations of late-stage capitalism since the 1970s. The last four decades have been chiefly defined by two inter-related phenomena: the triumph of an organized conservatism dedicated to neoliberal policies, and the disruptions of globalization and mass technological change. Ironically, many of the champions of small business ideology played vital roles pushing the very policies—especially financial deregulation and trade liberalization—that hastened those developments and made life more precarious for small operators. Such complicity should not surprise historians, who can point to any number of instances where people mobilized against their economic self-interest for cultural and ideological reasons. Yet by placing examining the politics of small business alongside the history of capitalism, perhaps we can come to a clearer understanding of exactly how the central creeds of the American tradition operated, and how the conservative economic project took shape.

Studying Small Business in America: A Methodological Hot Mess

Any inquiry of the politics of small business entails some requisite throat-clearing. A variety of scholars, historians as well as social scientists, have provided helpful ways of theorizing and historicizing small business, yet important methodological hurdles remain. Small business is a tricky intellectual target, in part because its very importance and power come from its conceptual malleability. My analysis of the confluence of small business and the politics of capitalism in the

1980s depends on staking a particular position on the nature of this historical subject. So here we go. Ahem.

The first obstacle to studying small business is that we literally don't know what we're talking about. More specifically, there is no agreed-upon definition for what type of business actually counts as "small." The Small Business Administration (SBA), created during the Eisenhower Administration as a successor to the Depression-era Reconstruction Finance Corporation to provide funding for underserved (i.e., small) companies, has defined the term in several ways throughout its existence. According to the original law that created the SBA, "a small-business concern shall be one which is independently owned and operated and which is not dominant in its field of operation."[11] Today, to qualify for an SBA loan, manufacturing and mining firms generally must employ fewer than 500 employees, and non-manufacturers must have annual receipts below $7.5 million, although the government reserves the right to make exceptions.[12] In many cases, therefore, workforce size and/or total intake are sufficient to distinguish a small business.

As business historian Mansel Blackford has succinctly explained, however, many scholars prefer less numeric, more Chandlerian identifiers. Such factors include the absence of managerial hierarchies, less rigid and bureaucratic systems of labor relations, and the relationship between firm owners and their local

[11] Public Law 163 – July 30, 1953.

[12] "Summary of Size Standards by Industry Sector, As of July 14, 2014," www.sba.gov. The definitions shift regularly. In January 2016, for example, the SBA expanded its size restriction for certain wholesalers from 100 to 200 employees, making approximately 4000 additional firms eligible for SBA financing. Aaron Gregg, "SBA changes the definition of what it means to be a small wholesaler," *Washington Post*, January 28, 2016.

communities. Blackford prefers this "functional" approach, and cautions against adhering to hard and fast requirements.[13]

Governments typically don't exercise the freedom of conceptual ambiguity as scholars do, and policymakers' inability to precisely define "small business" as an economic unit is a well-worn cliché that often breeds comic absurdity. In the mid-1960s, for example, SBA chairman Bernard Boutin defined size in the auto and tire industries by market share—those with less than 5 percent of total sales were "small." Such a definition pleased the American Motors Company, the struggling fourth-seed in the auto industry, which boasted only 3 percent market share but employed 30,000 people and sold a billion dollars worth of cars every year.[14]

As an interest group and economic unit, therefore, small business can only be pinpointed the way Justice Stewart identified pornography—when he saw it. And even once we control for size, market share, or political power, "small business" is unwieldy in its diversity, counting everyone from the small-town dry cleaner to the wealthy software start-up. Yet as a cultural and political category—the function I find more historically important— it is easier to track, for its mythology recapitulates central components of America's longstanding political tradition. From the early days of the Republic, the idea of small business has evoked classical values like hard work and rugged individualism. The notion calls to mind a compelling narrative about scrappy upstarts in the Horatio Alger mold that carries none of the

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[13] Mansel Blackford, "Small Business in America: A Historiographical Review," *Business History Review* 65:1 (Spring 1991). See also, more generally, Mansel Blackford, *A History of Small Business in America*, 2nd ed. (Chapel Hill: 2003).
[14] This anecdote comes from Jonathan Bean, *Beyond the Broker State: Federal Policies Toward Small Business, 1936 – 1961* (Chapel Hill, 1996).

baggage we associate with “Big Business.” It evokes Thomas Jefferson’s virtuous yeoman, the small town shopkeeper, and striving immigrants.

But focusing small business as an *ideal* also raises analytical problems because, throughout history, the rhetorical and emotional defenses of small business have frequently been at odds with small business’s actual importance in the world. Like Jefferson’s idealized farmer, the small business owner has assumed an outsized place as myth and symbol within America’s political tradition that is completely out of proportion to its real economic value. Small businesses, unsurprisingly, far outnumber big businesses, and always have. Yet their real economic importance, even since the revival of small business politics in the 1980s, is vastly overstated.

Consider these statistics about the size of the small business economy. Both in raw numbers and as a percentage of all firms, small business has exploded in the past 40 years. In 1977, the U.S. Census counted a total of 5.5 million firms. About half of those companies had no employees (listed as “nonemployer” firms). Of the remaining 2.8 million, about 2.5 million employed between 1 and 499 people. In other words, approximately 90 percent of firms *with employees* met the SBA’s general guidelines for inclusion as “small business.” By 2007, the number of total firms had skyrocketed to 28 million. Far and away, the most common number of employees at those firms was zero—nearly 22 million were “nonemployer” firms.[15]

[15] The phenomenal rise in non-employer firms is a topic for a different paper. According to the SBA, “A nonemployer firm is defined as one that has no paid employees, has annual business receipts of $1,000 or more ($1 or more in the construction industry), and is subject to federal income taxes. Nonemployers account for about 3 percent of business receipts but are about three-quarters of all businesses.” Firm Size Data, https://www.sba.gov/advocacy/firm-size-data. Associate professors of

Among employer firms, 6,031,344 out of 6,049,655, or 99.7%, had fewer than 500 workers.[16]

For many policymakers—not to mention business schools, pundits, and authors selling books about entrepreneurship—these figures suggest that small businesses are especially significant to the national economy. One cannot throw a rock in Washington without hitting a politician proclaiming that "small business is the growth engine of our economy" (though one should certainly try). Yet recent scholarship has cast a pall on this received wisdom. In an important 2011 study, a team of economists found "no systemic relationship" between the size of a firm and the number of new jobs it creates. Far more important, was the age of a firm: Newer, start-up companies (particularly in fast growth industries) are disproportionately responsible for new job creation.[17] The vast majority of small businesses are not "entrepreneurial"—that is, innovative, growth-oriented ventures. Rather, they engage in labor-intensive activities like running shops, driving cabs, doing taxes, and painting houses. Moreover, even if new firms account for more job creation than established firms, they also fail at higher rates, thus acting as job destroyers. The net effect on job creation and economic growth is often a wash.[18]

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history who have a "good year" giving public talks, selling a few books, and reviewing a mess of book proposals may hit that mark and thus qualify.

[16] Figures come from *Number of Firms, Number of Establishments, Employment, Annual Payroll, and Estimated Receipts by Small Enterprise Employment Sizes for the United States, NAICS Sectors: 2007*, http://www.census.gov//econ/susb/data/susb2007.html and *1977 General Report on Industrial Organization: Enterprise Statistics.* Table 3. Company Statistics by Employment Size Class, 1977, pp. 146, http://babel.hathitrust.org/cgi/pt?id=pur1.32754076913023;view=1up;seq=156.

[17] John Haltiwanger, Ron S. Jarmin, and Javier Miranda, "Who Creates Jobs? Small Versus Large Versus Young," *The Review of Economics and Statistics*, 95:2, May 2013, 347–361.

[18] Steven J. Davis, John Haltiwanger, and Scott Schuh, "Small Business and Job Creation: Dissecting the Myth and Reassessing the Facts," *Small Business Economics*, 8 (August 1996), 297–315; Erik Hurst, Benjamin Wild Pugsley, John Haltiwanger, and Adam Looney, "What Do Small Businesses Do?"

Yet the myth of Main Street remains pervasive, largely because of the power it acquired during the resurgence in political interest in small business starting in the late 1970s. In 1978, economist David Birch created a national stir when he testified before Congress that small firms had been instrumental to recent economic growth. Between 1968 and 1976, Birch claimed, small firms had been responsible for 80 percent of all new employment opportunities. While Birch's research was not solely responsible for the outpouring of political attention to small business, it provided clear empirical ammunition for the cause. Unfortunately, it was also profoundly wrong, as critics quickly pointed out.[19] Birch himself later admitted that his 80 percent statistic was a "silly number," that most job creation came from fast-growing small firms (a distinct minority), and that small business's fortune depended mostly on how big business was doing.[20]

The wild popularity and long life of Birch's data indicate the important role that America's political tradition played in shaping debate over small business, particularly as the 1980s began. Americans loved the notion that small business, not the big industrial clunkers of the 20th century, was really the driving force of the economy both because that myth reflected the ancient Jeffersonian faith *and* because it dovetailed perfectly with the renewed populist critique that was

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Brookings Papers on Economic Activity (Brookings Institution Press, 2011): 73–142. These debates are well summarized and analyzed in Paul Nightingale and Alex Coad, "Muppets and Gazelles: Political and Methodological Biases in Entrepreneurship Research," *Industrial and Corporate Change* 23:1, December 2013: 113–143.

[19] These critics included Barry Bluestone and Bennett Harrison in *The Deindustrialization of America: Plant Closings, Community Abandonment, and the Dismantling of Basic Industry* (1982), which attacked the deliberate re-appropriation of capital away from traditional manufacturing enterprises and the broader political system's support for such a policy.

[20] For an account of the Birch data and its importance for reshaping the way the political class framed the small business issue, see Anglund, *Small Business Policy and the American Creed*, 123–132.

animating public life. Moreover, this revived campaign against bigness—Jeffersonianism for the modern age—blossomed on both sides of the partisan divide. Reality notwithstanding, small business mythology gripped American politics tightly from all sides.

Small Business Politics and American Capitalism: Best of Frenemies

In the past generation or so, historians and political scientists have successfully demonstrated that a clear small business political constituency developed in the first half of the 20th century. Prior to the advent of large, multi-unit, vertically integrated, and diversified corporations in the late 19th century, "small business" was simultaneously everywhere and nowhere. That is, because nearly all business was "small," little in the way of a self-conscious political identity emerged.[21] The advent of mass industry in the 1870s and 1880s had a modest mobilizing effect. In 1890, the Sherman Act inaugurated federal anti-trust policy in response to the monopolistic practices in industries like steel, oil, sugar, and cigarette manufacturing. (A mere 21 years later, the Supreme Court enforced the broad provisions of the legislation, forcibly breaking up John Rockefeller's Standard Oil trust and James Duke's American Tobacco Company.)

The stirrings of organization for small business developed in those early years as well. In 1895, for example, Republican political strategist Marcus Hanna and his protégé, Ohio Governor William McKinley, sought to shore up support for

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[21] On the persistence of small business, particularly the methods of small-batch production, during the "age of big business," see Philip Scranton, *Endless Novelty: Specialty Production and American Industrialization, 1865–1925* (Princeton, 1997).

the GOP's big-business positions on tariffs among mid-sized manufacturers (especially in the Democratic South). Their efforts led to the creation of the National Association of Manufacturers, the first national employers' (or peak) business association. Importantly, though, the NAM cast itself from the beginning as the voice of the *entire* manufacturing community. While the likes of Carnegie and Rockefeller didn't especially need the group's lobbying support, its members (through their affiliation with the Republican party) defined their interests as a united class of business people. Their opponents were the same as big business's: first, anti-tariff agrarians, and, within a few years, organized labor.[22]

The real boom in small business political consciousness came a generation later, as the logic and structure of industrial big businesses reshaped the world of retail. As historians like Mansel Blackford and his student Jonathan Bean have demonstrated, the rise of the chain store model in the early 1900s prompted a powerful pushback from small shop owners that galvanized a political movement in the 1920s and 1930s. The anti-chain tradition was rooted in the antitrust tradition, and had its origins in the concerns of small retailers who faced increased competition from mail order houses and department stores in the late 19th century. With the creation of the Federal Trade Commission, which institutionalized antitrust policy in the federal government, in 1914, calls for protective regulations expanded. By the 1920s, state laws emerged to place limitations on the spread of chain stores, often through punitive taxes based on the number of retail outlets a given firm operated. In 1931, the Supreme Court upheld such tax policies on the

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[22] See Cathie J. Martin, "Sectional Parties, Divided Business," *Studies in American Political Development* 20:2 (October 2006): 160–184.

grounds that chain stores were qualitatively distinct from small "mom and pop" outlets.[23]

The national face of the anti-chain movement was the doughy and balding visage of Representative Wright Patman, populist and segregationist Democrat of Texas. First elected to Congress in 1928, Patman made his name in the 1930s as an avid—the typical adjective is "fiery"—defender of small companies in the face of monopolistic behemoths. The son of poor tenant farmers in rural Texas, Patman fashioned himself a defender of the "little man" against the predations of eastern bankers, industrialists, and chain stores. In 1935, Patman succeeded in shepherding through Congress a piece of legislation proposed by grocery wholesalers to severely limit the discounts large retailers could offer. Soon hailed as the "Magna Charta of Small Business," the Robinson-Patman Act (Senate Majority Leader Joseph Robinson (D-AR) was the co-sponsor) became law despite President Roosevelt's personal misgivings that the law would hamper economic recovery. Patman's principle defense of the new measure was its commitment to "fairness"—by making the same discounts available to all buyers (whether at a chain store or a small grocer), the law struck a blow against concentrated wealth and privilege while still preserving the consumer cost advantages that mass distribution had created.

As numerous scholars have shown, however, the Robinson-Patman Act marked the end, not the beginning, of a coherent and systematic policy regime that

[23] Bean's *Beyond the Broker State* covers the politics of the chain store debate well. For a more narrative account of the retailing industry—with a focus on grocery stores—in the age of the Chain Store, see Marc Levinson, *The Great A&P and the Struggle for Small Business in America* (New York: Hill and Wang), 2012. On the legal and political contests over competition in the first half of the twentieth century, see Laura Phillips Sawyer, *American Fair Trade: Proprietary Capitalism, Networks, and the New Competition, 1890-1940* (Cambridge: forthcoming).

privileged small firms and used anti-trust policy to weaken large economic interests.[24] The post-New Deal and post-World War II period brought the fervor of small business politics to near collapse. As the political scientist McGee Young has demonstrated, the small business community was "divided and largely hapless" by the late 1940s, wracked by internal dissent and factionalism.[25] Moreover, bigness reigned in the postwar world. Both political culture and the structure of the national economy hailed the virtues of scale and scope. Big corporations, boasting big research grants from big government agencies and in collaboration with big universities, begat modern life—from pharmaceuticals to aerospace, from computers to communications. The classical debate between concentrated and dispersed power was replaced by John Kenneth Galbraith's notion of countervailing power. In a world of massive institutions, the populist campaigns behind the Robinson-Patman Act and other small-business policy initiatives all but disappeared from the nation's political menu.

Lobbying for the Little Guy in Reagan's America

By the time Wright Patman died of pneumonia in 1976, at age 83, his real political influence had been buried years before. Had he lived a few years more, however, he would have witnessed a pronounced revival in political attention to small business. Yet in key ways, Patman would not have recognized new ways

[24] Beyond the small business contest, Alan Brinkley argues that economic policymaking in general abandoned the anti-trust position by the end of the 1930s. See Brinkley, *The End of Reform: New Deal Liberalism in Recession and War* (New York: Vintage, 1995). On the fate of grocers and wholesalers, and the origins of the "Walmartification" of the retail industry, see Shane Hamilton, "Supermarkets, Free Markets, and the Problem of Buying Power in the Postwar United States," in *What's Good for Business: Business and American Politics since World War II*, eds. Kim Phillips-Fein and Julian Zelizer (Oxford: 2012).
[25] McGee Young, "The Political Roots of Small Business Identity," *Polity* 40:4, October 2008, 436–463.

conservatives in the 1980s embraced and defended the political interests of "the little man." Throughout his political career, Patman relentlessly defended the economically marginalized against predation by large concentrations of wealth. Indeed, he became an important political ally of Ralph Nader's consumer rights movement in the final years of his life.[26] Yet the new small business politics of the Carter and Reagan presidencies fundamentally recast the issue. Patman's Brandeisian defense of smallness as a virtue unto itself gave way to a more recognizably modern framework: smallness became the antidote to the inefficiencies of bloat, and independence the source of innovation in a tapped out, stagflating economy. Most importantly, during the 1980s, the politics of small business became, in the hands of conservative political activists, a weapon with which to attack not big business, but big government. Wrapping themselves in the cloak of small business mythology, those conservatives successfully redefined a hundred years of debate over economic size.

As the postwar growth economy began to crumble, ancient devotions to the glorious past re-emerged with increased vigor. The apparent failure of postwar liberalism created political openings on both left and right. Anti-bigness activists on the left found a hero in Ralph Nader and other populist crusaders who deployed classical anti-trust rhetoric against large corporations, calling not only for expanded regulation in the public interest, but also federal-level corporate charters and the break-up of powerful financial institutions in the Wright Patman (not to mention Louis Brandeis) mode. Yet far more powerful were the voices of organized

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[26] See Waterhouse, *Lobbying America*, chapter 5.

conservatism, who turned public distrust with large institutions into a specific rebuke of the New Deal state.

The central contradiction of modern American conservatism is that it is classically liberal at its core—dedicated to the meritocratic system that leads to and perpetuates inequalities of power. This defense of individual liberties puts conservatism at odds with the populist urge to devolve power and promote the small. As scholars of conservatism have demonstrated in myriad contexts, modern American conservative's successes nearly always flow from a successful strategy to redress, resolve, or paper over those differences, whether through invocations of a common enemy or the maintenance of a racial power structure. In a similar vein, the conservative take-over of small business politics in the 1980s likewise reflected a successful obfuscation of key interests and a redefinition of the debate.

But that transition was far from seamless in conservative circles. The Republican Party retained its image as the party of Big Business, and small business activists vented their frustration. Early in his presidency, for example, Ronald Reagan faced stern condemnation from small business activists over the Economic Recovery and Tax Act of 1981. Although conservative business groups like the NFIB and the U.S. Chamber had played critical roles in the lobbying efforts that resulted in that law, many small business owners complained that the legislation unduly favored larger firms, particularly through its focus on accelerated depreciation. In addition, as the economy deteriorated in 1982 and the rosy budget projections the Reagan Administration had predicted failed to materialize, small business groups complained that the federal government's deficit was creating a high-interest rate environment that hurt them most severely.[27]

Members of the Reagan Administration began to worry that their popularity among small business owners, rhetoric notwithstanding, was at risk. "Small business is bedrock Republican," White House director of Public Liaison Elizabeth Dole told Vice President George Bush in the fall of 1981. That "small business constituency" supported "the Republican ticket in overwhelming numbers in 1980, and is vital to our political and legislative success for 1982 and 1984." Yet, she warned, "segments of the small business community have the general perception that this Administration favors big business and corporate America."[28] Two years later, White House staffer Red Caveney warned that the Democratic National Committee planned to make overtures to the small business community. "[I]f we are unable to keep our populist underpinnings and become too heavily associated with the 'big' at the expense of the 'small,' this threat could pose some serious problems," he explained.[29] Moreover, in 1982, the head of the Small Business Association complained that he had never had a one-on-one sit-down with Reagan, and repeated the warning that, despite small business owners' traditional support for the broad contours of Reagan's economic vision—i.e., lower taxes, less spending, less regulation—their loyalty was not a lock.[30]

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[27] On the politics of ERTA, see Waterhouse, *Lobbying America*, chapter 7.
[28] Elizabeth H. Dole, "Memorandum for the Vice President: Consolidating Our Small Business Constituency," October 28, 1981, Dole, Elizabeth, Series I: Subject 81-83
Box 16, Ronald Reagan Presidential Library.
[29] Red Cavaney to Ed Rollins and Ed Harper, February 16, 1983, Box 102, WHORM Subject Files BE, Ronald Reagan Library.
[30] James C. Sanders to Wayne Valis, May 6, 1982, "New Small Business Strategy for the White House," Box 100, WHORM Subject Files BE, Ronald Reagan Library.

There is some evidence that the Administration took these warnings to heart. Through the deliberate efforts of people like Dole, small-business groups like the NFIB and another called the American Business Conference, made up of fast-growing mid-sized companies, got a better seat at the table. Moreover, in 1985, the Reagan administration floated and then dropped a proposal to abolish most of the Small Business Administration lending programs and transferring the rest to the Department of Commerce in the name of cost cutting. The National Federation of Independent Business came out tepidly against the plan, but its opposition was mild compared to the vehement denunciation of Congressional Democrats and Republicans, as well as the banking community. Indeed, the chair of the Senate's Small Business Committee, Lowell Weicker of Connecticut, took credit for saving the SBA.[31]

Yet on critical policy issues, the Reagan Administration did not change its view of economic conservatism to cater to small business. Rather, conservatives in the 1980s changed what it meant to speak up for small business. For the better part of a century, proponents of small business had stressed the inherent virtues of competition. Small businesses, they argued, demanded legal support—through punitive taxes on market dominators or the break-up of monopolies—because their very existence created a more competitive market place. Latter-day antitrust relics like Nader perpetuated this line of reasoning. Lowell Weicker, assessing the Reagan administration's economic policy in the hearings on the first President's Report on Small Business in 1982, worried openly that the economic wreckage of the recession

[31] Anglund, *Small Business Policy and the American Creed*, 128; Bean, *Big Government and Affirmative Action*, 131.

and a purely macro-economic focus would mean that "small businesses are not going to be there," and that the United States would never again see "the degree of competition" that it had in the past.[32]

Economic conservatives rejected this defense of small business and pushed a counter-narrative. Arguing directly with Weicker, the conservative economist Murray Weidenbaum—first chair of Reagan's Council of Economic Advisor—claimed that economic growth, not competition for its own sake, should be the central goal of policymakers. Certain sectors of the economy, including the rapidly growing service sector, lent themselves more productively to small-scale enterprises. Others, such as defense or industrial manufacturing, operated more efficiently with economies of scale. Classical anti-trusters like Weicker, he maintained, confused cause and effect in their defense of small business. A growing economy would create new job opportunities. "If that growth is in areas where small businesses have unique advantages, then the new jobs will be in small business. *It is not the small businesses that created the jobs*, but the economic growth," he concluded (emphasis added).[33] The Reagan Administration thus proposed to defend small business by defending big business, pursuing policy commitment to deregulating the financial system, limiting the regulatory requirements of federal agencies, and reducing both individual and corporate tax rates, all in the name of economic growth.

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[32] Hearing before the Committee on Small Business, March 31, 1982, 18.
[33] Murray Weidenbaum, "Weidenbaum Questions and Responses for Senate Small Business Committee," June 14, 1982, in *The State of Small Business: A Report of the President.*

If the Republican policy agenda in the 1980s blurred the historical and structural differences between small and large firms, so too did conservatives themselves perpetuate a distinct understanding of small business to reinforce their policy position. In reality, most small business owners remain in that category for as long as they stay in business, and early small business proponents in the Wright Patman mold recognized the permanency of their constituency. The evolving conservative politics of the 1980s, however, stressed a particular—and notably small—subset of the small business community: entrepreneurs.

Although the classical definition of "entrepreneur" simply invoked someone who started a new business (the French, *pace* George W. Bush, means "undertake"), the word acquired a new connotation in the late twentieth century.[34] "Entrepreneur" in the modern sense connotes growth orientation; while a mere small business owner may persist in remaining small, an entrepreneur seeks to strike it rich and become a powerful economic player. In short, entrepreneurs are small business owners that don't want to remain small business owners.

Although far more research is needed to trace out the evolution of this concept, I suggest as a preliminary contention that the rising popularity of the concept of entrepreneurship formed an integral part of the conservative intellectual project to blur the distinctions between small and large firms. Rhetorically, President Reagan himself helped perpetuate this shift. Reagan—whose pre-political private sector experiences lay in Hollywood and at General Electric, two exemplars

[34] Although firm evidence is lacking, Bush is alleged to have told British Prime Minister Tony Blair that "the trouble with the French is that they don't have a word for entrepreneur." See Alison Coleman, "Entrepreneur: The French Do Have a Word for It," *Forbes*, February 14, 2014.

of mid-20th century big businesses—positioned himself as a populist defender of the people even while promoting an economic vision rooted in the interests of concentrated wealth. Hailing the recovered economy in his sixth "President's Report on the State of Small Business" in 1987, he insisted that America's "small businesses fare best with stable prices, low interest rates, and steady growth." Moreover, "America's entrepreneurs are continually experimenting with new products, new technologies, and new channels of distribution." Small businesses, in other words, achieved their value through their innovative contributions, rather than servicing or maintaining an existing system.[35]

Yet Reagan gave up the game as he continued to praise the critical role small businesses played in American economic life. "The great industrial and commercial centers of our Nation were built by innovators like Henry Ford and Alexander Graham Bell," he announced, "whose small businesses grew to help shape a new economy."[36] At a stroke, Reagan—perhaps unintentionally—betrayed the conservative position on small business: small firms' inherent worth came not from promoting competition or preserving local values, but rather from their potential to *cease to be small businesses*. Left out of this formulation, of course, were the millions of dry cleaners, fast food franchisees, accountants, housekeepers, cosmetics sellers, photography studios, restaurant owners, boutique operators, small town

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[35] Recently, historians and other scholars concerned with science, technology, and the role of the state in those domains have urged a refocus on "maintainers" rather than "innovators." For an example of this new scholarly turn, see http://leevinsel.com/blog/2015/11/30/the-maintainers-a-conference-april-8-2016-stevens-institute-of-technology.

[36] Ronald Reagan, "1986 State of Small Business: A Report of the President."

lawyers, and florists who would never become the next Ford Motor Company or AT&T.

Reagan may make for an especially appealing punching bag, but the process extended far beyond him. The most powerful and well-organized lobbyists for small business concerns in the 1980s, including especially the NFIB and the Chamber of Commerce, likewise perpetuated the conservative vision of small business and the fixation on economic growth and innovation. Ironically, then, as small business became increasingly important in American politics, the most dominant players reflected a view of small business that excluded the vast majority of its putative members.

The history of small business is teaches us, in part, that there is really no such thing as a coherent "small business interest," since small businesses themselves are far too varied and idiosyncratic. What matters instead is the contest for who gets to speak for small business, and it is on that terrain that the politics of small business play out. In the 1980s, small-government conservatism—mobilized through the anti-liberal, anti-New Deal politics—became the principle political mouthpiece for small business, and self-consciously deployed the imagery of small business in the service of that agenda.

Small Business and the Politics of Capitalism (a sort of Coda)

Just as the cycle of American history running from the New Deal to the 1970s can be thought of chiefly as a period of bureaucratic expansion and political liberalism, so the age that has just passed, running from about 1970 to the Great

Financial Crisis and Recession, can be considered an age of manic contradiction: globalized atomization. Commerce, production, capital flows, and information transfer all occurred at levels of complexity unparalleled in human history, yet American political culture became increasingly fragmented into smaller and smaller group. From the breakdown of party authority to the rise of hyperpartisanship, from residential and educational re-segregation to the cultural divergences wrought by media segmentation, fracture was king.[37] The bigger things got, the more powerful came the clamor to get small.

Importantly, this manic contradiction between the massive scale of modern life and the powerful siren call of the atomized locality extended beyond civic life and high political culture. In fact, it lay at the heart of a fundamental and destabilizing transformation in the operations of capitalism itself.

This period in the history of capitalism entailed, among other things, the breakdown of what is frequently described as the "Berle and Means" corporation—shareholder-owned but manager-controlled, highly bureaucratic, and deeply interconnected massive organizations. Since the end of the conglomerate wave of the late 1960s, corporate structures grew increasingly atomized. The hippest and most innovative firms turned their focus to core competencies, a major theme during the M&A movement of the 1980s, and embraced outsourcing with greater

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[37] Robert Putnam diagnosed this relatively early on in *Bowling Alone: The Collapse and Revival of American Community* (New York: Simon and Schuster, 2000), and plenty of commentators built on the notion. Daniel Rodgers provided the most sophisticated historical and intellectual synthesis of fracture as an organizing feature of late 20th century life in *Age of Fracture* (Cambridge: Harvard University Press, 2012). But diagnosing the symptoms is not the same as locating the source of the pathogen. More scholarly work is needed to explain *how* political fracture and civic isolation spread from the disintegration of unifying social and bureaucratic structures. A "history of capitalism" approach could be especially helpful.

gusto. Liberalized policies toward international trade and cross-border capital flows accelerated what is often termed the "Nike-fication" of production. These trends birthed a world where unknown and underregulated sweatshops in developing countries pay paltry wages to workers who manufacture items adorned with a global brand. Finally, the Internet revolution since the 1990s has created previously unfathomable opportunities for immediate global communication, and firms have responded by outsourcing and off-shoring far more than production. Spinning off their financing, distribution, advertising, human resources, and customer service functions to the lowest bidder, many of the world's leading companies appear today as little more than coordinators of a massive network of nodes.[38]

The atomization of business operations and the dissolution of the classical corporation emerged alongside a new business focus on portfolio management and short-term valuation. Such managerial priorities reflected the rising ideological and economic clout of the "shareholder-value" movement as well as a broader, and perhaps more ephemeral, commitment to a neoliberal vision of value. Together, these trends marked the ascent of the financialized economy.[39]

This breakdown of the corporation as an economic and social institution was a critical feature of the age of fracture, but also the age of manic contradiction. These gigantic corporate bureaucracies had structured American business life for

[38] See, for example, Gerald F. Davis, "After the Corporation," *Politics & Society* 41 (2), June 2013, 283–308.
[39] On the policies and politics of financialization, see Greta R. Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance* (Cambridge: Harvard University Press, 2011).

generations, however much bemoaned by mid-century social critics.[40] The disintegration of this old order, although couched in populist language of “shareholder democracy,” generated uncertainty and dislocation as well as freedom and opportunity, and those ups and downs were not distributed evenly. To be sure, the well-educated with privileged access could take advantage of the new niches that opened up. Those in the lower tiers, however, confronted a deteriorating employment landscape pockmarked by wage stagnation, decreased mobility, and lower-paid and low-benefit service jobs. Social safety nets evaporated, and wealth inequality expanded.

It is in this macro-economic environment that the new politics of small business has developed, shaped by conservative nostrums about growth, innovation, and individuality. Small business—redefined around the hope of entrepreneurial successes—took on a new salience, both as a cultural ideal and as a life option.

We can see the links between late-stage capitalism and the draw of small business in a number of contexts, some more favorable than others. The tech boom of the 1990s, for example, spawned an entrepreneurial culture of tech start-ups—fetishized ad nauseum and later buried with widespread schadenfreude during the dot-com collapse. In the financial services world, day traders and independent financial consultants heeded the call of abandoning large corporate structures to strike out on a small scale to make their fortunes.

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[40] See, for example, William H. Whyte, *The Organization Man* (1956), Sloan Wilson, *The Man in the Gray Flannel Suit* (1955), or, like, anything by C. Wright Mills.

At the same time, non-entrepreneurial small business ownership has also taken on a new level of importance. The decline of older, more traditional opportunities is the compelling story of the age of manic contradiction, and more Americans turn to self-employment as a means of survival. Self-sufficiency has always been part of the allure of opening one's own business. In the globalized, atomized economy, it has also become an unstable lifeline.

Such uncertainties and contradictions also manifest in the rise of the so-called "sharing economy," through which underemployed Americans try to bolster their standard of living by monetizing previously static assets—renting a room through AirBnB, for example. At the same time, the politics of small business animate that company's anti-regulation campaign, which its leaders justify on the grounds that AirBnB "is expanding the economic pie for ordinary Americans at a time of rising income inequality." The rhetoric of small business once again reasserts classically conservative—neoliberal, actually—economic nostrums, even implying that income inequality is an immutable fact of life, rather than a result of policy decisions.

The history of capitalism provides a helpful prism for understanding the politics of small business. Indeed, small business owners themselves are a critical theoretical component of the capitalist order—the petite bourgeoisie of classical Marxism whose position blurs the distinctions between worker and owner. Capitalism has always centered on the unpleasant paradox of "creative destruction." Adding to that contradiction in the late 20th century was a new one—the *global atomization* that has defined the cultural, political, and economic experience of late-stage capitalism. A “flatter” world (to invoke Thomas Friedman’s by-now clichéd formulation) turned out to be a bigger, nastier, and scarier world.

My point is to suggest that the *politics of capitalism*—the contours and dynamics of debates among interested parties in response to rapid and unstable economic changes—were critical to the policy decisions that ultimately determined *how* those changes in capitalism actually manifested. Capitalism, historically speaking, is not an all-powerful force that steamrolls over human affairs, subject only to its immutable logic. Rather, it is a set of logics, beliefs, assumptions, and incentives that operate in a very human milieu. As historians of capitalism, our task is not to bear witness to capitalism’s unchecked destruction (no matter how creative), but rather to understand the very human actors at the heart of *making* capitalism.

By eliding the political agenda of small business and large business, conservatives in the 1980s laid the foundation for a set of policy developments that hastened the globalizing forces of late-stage capitalism and failed to mitigate its effects. Reagan Administration officials and lobbyists for the NFIB effectively captured small business politics in the name of market fundamentalism, directing their fire at government regulation and fiscal policy. By presuming that small business was uniquely, or exceptionally, innovative, they ignored the real world of small business owners and perpetuated a devastating myth that judged small companies by their ability to become big businesses. In so doing, they missed the most critical developments in global capitalism: the simultaneous decline of “big businesses” as they had historically existed and the rise of an isolated, privileged global elite that marginalized and weakened the vast majority of small businesses.