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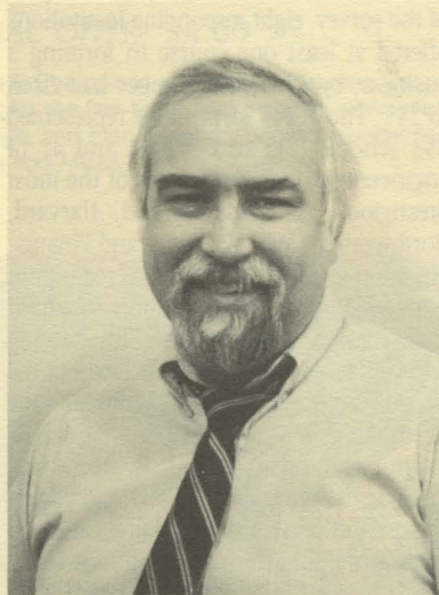
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The American Entrepreneur By William J. Dennis, Jr.

Editor's Preview: *Business Forum* magazine has noted that "Although small businesses have always been an important part of the American tradition, the past 15 years have brought an outpouring of new entrepreneurial activity. Once the media and then academe took notice, politicians finally climbed aboard the bandwagon and are now taking small business issues seriously. The tardiness of politicians' interest, however, suggests that they are not the best ones to direct the nation's entrepreneurial energy in the future."

This essay, excerpted and modified from an article for *Business Forum*, co-written by National Federation of Independent Business Foundation Fellow William J. Dennis and Temple University School of Business and Management Dean William C. Dunkelberg, served as the basis for Mr. Dennis' presentation during the February 1988 Center for Constructive Alternatives (CCA) seminar, "Against All Odds: Entrepreneurship in a Changed America."

We live in an entrepreneurial era. New businesses are sprouting everywhere, and small business owners possess a renewed measure of social status. Magazines and newspapers cover entrepreneurial personalities in the column space once reserved for movie stars. Students flock to college entrepreneurship courses. Academics produce scholarly articles on subject matters previously confined to "C" level journals. Development officials groom local small firms instead of chasing smokestacks. Politicians rush to profess their undying devotion. And the rekindled job generation machine known as American small



business leaves Europeans astonished and envious.

The New Business Explosion

None of this is news. Entrepreneurship is recognized—along with a shift to the service economy, globalization, women in the workforce, and energy price increases—as one of the fundamental changes characterizing recent American economic history. Yet few appreciate the enormous transformation in the position of smaller firms over the past fifteen years.

Many do correctly note that the United States is historically an entrepreneurial nation. Alexis de Tocqueville commented eloquently on it, and one of his contemporaries, Michel Chevalier, quotes an informant as saying our forebears were so

competitive, "if a hundred Americans were to be shot, they would contend for first place." Yet even in this context, the recent transformation in the image of small business remains remarkable.

No one knows the precise number of businesses in operation. Estimates vary from a high of about 18 million to a low of 4.5 to 5 million. Most of the discrepancy is definitional. For example; the former figure recognizes any tax return with self-employment or corporate income. The latter represents an estimate of the number of independent firms that employ at least one person beyond the owner. Even when terms are clearly defined, however, appropriate data are scarce. But no matter what the definition, or the data problems encountered, the picture is the same: The number of small businesses in the United States is skyrocketing. An entrepreneurial outburst began about 1970 and continues to this day.

Society's Mirror: The Press

The renewed vigor of and interest in small firms has been reflected by the enhanced attention given them by the press. Where the typical national business periodical carried a single annual article on entrepreneurship in the 1960s, today it features over a hundred. *The Wall Street Journal* printed just 16 articles on small business in 1968; it carried 139 in 1982. The term "entrepreneur" did not even appear as a separate heading in its *Index* until 1980. But more indicative than the increase in the absolute amount of coverage was the fact that the number of articles on small business and entre-

preneurship began to surpass the increasing space devoted to all types of business news.

Renewed interest has also resulted in a flood of new magazines directed at the owners of small and growing enterprises. *Venture* and *INC.*, both started in 1978, are among the most popular business periodicals in the nation and established journals have branched out with new columns, sections, supplements and allied publications to capitalize on this new market.

A New Freshman on Campus: Small Business

Readers of the December 1, 1977, *Wall Street Journal* undoubtedly were alternately amused and bemused by a dignified advertisement appearing in the upper right hand corner of page 3. It began: *Maybe you think that all Harvard M.B.A.'s walk around with blue chips on their shoulders.* Immediately following in smaller print came the first hint of what was to come:

That's why a group of us has spent the time and money to print this message. We're a diverse collection of over 250 men and women at The Harvard Business School who prefer the challenges of small business.

And later, the close:

So if you're an entrepreneur, venture capitalist or innovative small business executive, contact us directly

Whether you want a full-time employee or a first year student to work during the summer

Students at the Harvard Business School, the training ground for corporate America, were looking to small entrepreneurial businesses to obtain employment and

About the Author

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employment experience. How times had changed! The *Journal* ad symbolically announced a new freshman on campus.

Karl Vesper has monitored one important dimension of the rise in the collegiate fortunes of entrepreneurship and small business. Periodically, Vesper has conducted a survey of business and engineering schools to measure the extent to which these institutions are offering their students

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courses in entrepreneurship. His results have been dramatic. In 1967, the first year of the survey, eight responding institutions offered at least one course in forming a business; by 1984, the number had risen to 245. Those 245 institutions represented 253 schools (212 of business and 41 of engineering), including many of the most prestigious, such as Stanford, Harvard, Northwestern, MIT, Michigan, and Virginia. Since responses were received from somewhat less than half of those to whom a questionnaire was mailed, the absolute numbers reported are probably low. But the trend is unmistakably clear. Throughout the 1970s and 1980s, the number of academic institutions offering courses in entrepreneurship grew spectacularly, paralleling the rise in the number of small businesses. And more and more institutions offer courses specifically designed to focus on various aspects of managing a small firm.

Course offerings, however, constitute merely one indicator of the rise in importance of small businesses on the college campus. Another is the fact that entrepreneurship is coming into its own as an academic discipline, with its own programs, small business development centers and full-fledged university departments.

There has also been a major transformation in student attitudes toward small business and entrepreneurship. Not only do we find business students actively seeking placement in new, growing firms, but a national student organization promoting entrepreneurial activity among its members. The American Collegiate Entrepreneurs, formed in the basement of a Chinese restaurant less than five years ago, has 6,000 student members on 300 campuses across the United States.

The position of small and entrepreneurial business on college campuses has enjoyed a substantial reversal of fortunes. Starting at a very low ebb in the early seventies, entrepreneurship is now fashionable. Clearly, such popularity is not universal; much of it is confined to our exploding business schools. And educators as an occupational grouping remain the least favorably disposed to small business

owners, entrepreneurs, and the values they hold. But there is no doubt that the campus has changed, and it is indicative of the change that has occurred elsewhere.

The Bandwagon Rolls On

To extoll the virtues of free enterprise has always been good politics. And, why not? Small business owners and entrepreneurs have been as American as motherhood and apple pie—and almost as popular. Everyone could lay claim to them. They were visible members of both political parties and until recently had no organized agenda that might prove politically divisive. When pleading their case, particularly in Washington, they usually came as supplicants making any argument in terms of equity. They had little else—no political strength, no intellectual basis—to support their views.

Over the past decade or so, two factors transformed small business's “warm, fuzzy” image. First, small business became an identifiable interest group with its own agenda. Once-amorphous interests were translated into defined positions, communicated specifically and directly through large trade associations and politically motivated gatherings such as the 1980 and 1986 White House Conferences on Small Business. But aggressively pursued agendas implied creation of political foes as well as political friends. And this in turn meant that everyone no longer lay legitimate claim to the small business constituency.

The second factor, one that cannot be overemphasized, arose from publication of David Birch's important study, *The Job Generation Process*. No longer did proponents need to confine their arguments

to equity; small and entrepreneurial businesses were the job generators. Following the small business agenda meant following the jobs agenda—intellectually and politically—and who could oppose jobs?

were exceptions, most notably in the early 1960s when small business investment companies stirred interest, but more typical was the position of small business in “the most comprehensive reform of the nation’s tax statutes in history”: In deliberations

organized to make any demands. Eventually, OSHA would become small business’s nemesis and the single greatest factor unifying and providing a national perspective for millions of extremely independent people.

Shifting political attitudes could be detected early in the 1970s, however, the first real change, at least symbolically, occurred as the House undertook a reform of its committee structure in 1974. In the process, the Small Business Subcommittee was removed from the House Banking Committee and given independent legislative authority. Three years later the Senate followed suit.

The late 1970s and the early 1980s proved to be the apogee of small business political success in Washington. The Revenue Act of 1978 (permanent graduation of the corporate income tax), the Equal Access to Justice Act (1980), the Motor Carrier Act (1980), the Economic Recovery Tax Act (1981), and the Tax Reform Act (1986) constitute examples of substantive legislation which not only benefited smaller firms, but in which they and their representative played important political roles. Add to those the reforms of OSHA, defeat of the Consumer Protection Agency and Common Situs Picketing, organized labor’s inability to increase the minimum wage, and the list of successes was impressive. Small entrepreneurs had at last developed political muscle.



Throughout the 1960s, political attitudes toward small business and entrepreneurship were characterized by fits of sentimentality and neglect. The mood of the day, as typified in John Kenneth Galbraith’s *The New Industrial State* or *Economics and the Public Purpose*, held small economic units as an anachronism. Where action to support small firms was deemed desirable, it tended to take the form of efforts of marginal or even questionable utility. There

on The Tax Reform Act of 1969, small business was generally ignored.

The Occupational Safety and Health Act of 1970 (OSHA) proved to be a classic case. Virtually no witnesses representing small firms appeared before either House or Senate committees considering the legislation. They were not part of the debate. The committees didn’t consciously deal them out; no one thought it important to ask, and small business wasn’t well enough

Editor’s Correction: The January issue of **IMPRIMIS** noted that Congress overrode the President’s veto of the Civil Rights Restoration Act by 365 to 257. The latter figure should read: 157.

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State interest in small business on the whole paralleled federal interest, the principal difference being that in some states—particularly the least populous—small business cannot be identified as a separate and distinguishable interest group. Its image remains vague and blends with other interests, depending on the issue involved.

Just as small businesses have always been plentiful, so has political empathy for them. And just as the small business population exploded, so did the political interest in them. But this attention lagged by close to a decade. Once discovered, however, politicians decided that the annual Small Business Week speech was not enough. They had to “do something.” It didn’t always matter how useful “something” was—action was required. So the pace of small business legislative activity accelerated. And, much of the activity extended into something more important than small business programs; it extended to the impact of general policy measures on the performance of smaller firms.

Who Should Lead?

The reemergence of small business in the United States has been remarkable. While small businesses have always been numerous, the past 15 years appear to have brought an outpouring of new entrepreneurial activity. Where once we measured population growth in the thousands, we now measure it in the

millions. But the phenomenon was more than enormous growth in numbers. It was a population explosion that infected other

guishing the United States from other nations and has helped to account for its unparalleled prosperity.

“Small business still means opportunity; it still means freedom and independence.”

parts of American society. The media, academe, politicians—all got caught up in it. And what might have been a rather simple economic ripple became major social and political waves.

The timing of the entrepreneurial outburst and the sequence in which the various sectors began to participate indicate that the phenomenon largely escaped the notice of state and national leadership until it was well along. In fact, the first reference to its existence was by Norman Macrae in late 1976 for *The Economist*. Two years later, the House Small Business Committee still feared for small business’s survival.

This sequence of events creates enormous suspicions about the sincerity of those in government who now want to help. Clearly, they played no role in what occurred. Most did not even understand the substantive economic role of small business until Birch published his 1979 study. How can such people seriously believe they can or should now guide the process?

Historically, cultural support of small business has been a major factor distin-

Entrepreneurial endeavor has typically been held in high regard. Each generation has recognized that owning and operating a business is an important way to improve oneself and to get ahead. Opportunity, freedom, independence—these are the watchwords of the small business owner.

But entrepreneurial values waned in mid-20th century. America and politicians must share a large part of the blame. “Thoughtful” people in government held that the state, vast corporations and “organization man,” the disinterested bureaucratic expert, were the future.

Yet just below the surface through those years, popularly and deeply held beliefs supporting individual initiative and the free market held firm. In the 1970s, they came to the fore again, despite lack of support and sometimes outright hostility from some of our leaders in Washington, D.C.

Small business still means opportunity; it still means freedom and independence. The would-be prophets of a new order were wrong, because our spirit of enterprise refuses to die. ■



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