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The Political Agenda of Big and Small Business for the 1980s: A Content Analysis of Selected Publications

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THE POLITICAL AGENDA OF BIG AND SMALL BUSINESS FOR THE
1980s: A CONTENT ANALYSIS OF SELECTED PUBLICATIONS

by

Carol Spielman

A Thesis Submitted to the Faculty of the Graduate School
of Loyola University of Chicago in Partial Fulfillment
of the Requirements for the Degree of

Master of Arts

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VITA

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CHAPTER I

INTRODUCTION

The American business community, far from being a monolith, is comprised of global enterprises as well as small entrepreneurs with home-based operations. The economic giants have evoked studies and investigations, attacks and defenses since the early days of the Goulds and Harrimans, while reports, testimony, and statistics have been marshalled as evidence of small business economic inferiority. One need not be a spokesman for either side to agree that there are immense differences between big business and small business. The relevant facts illustrate this very well.

A count of the business population indicates that about 99 percent of all businesses in the United States are small. Using the definition of a small business as one employing 500 or fewer employees, approximately 15 million businesses currently fall into this category. In 1978, according to a recent Brookings Institution analysis, there were only 13,000 companies with 500 or more employees.¹

¹The State of Small Business: A Report of the President together with the U. S. Small Business Administration, The Annual Report on Small Business and Competition, transmitted to the Congress, 1982, p. 52.

Within the small business class, there is wide diversity: many firms have no employees and over two million firms have between one and twenty employees.²

One important fact about the large number of small firms and the small number of large firms is their respective contribution to the nation's goods and services. The large business sector is responsible for more than half of the production of goods and services in the United States economy. Of the 14.7 million businesses that filed tax returns in 1977,³ there were about 10,000 that operated on a national basis with over 415,000 subordinate establishments. These businesses produced more than 62 percent of the country's total output of goods and services, and they employed 53 percent of the non-government workforce.⁴

In addition to these GNP measures, the respective roles of big and small business in the general economy is shown by their share of sales and employment in certain industries. Agriculture, forestry, and fishing; construction; wholesale trade; retail trade; and services are five traditional small business sectors. Data for the year 1978 show

²Ibid., p. 3.

³This is the latest period for which detailed data are available. Economic census are taken every five years, in years ending with 2 and 7. Data from the 1982 census is not available at the time this is being written.

⁴The State of Small Business: A Report of The President, pp. 38-39.

that these industries were dominated by firms with less than 500 employees; that is, they were responsible for more than one-half of the sales and more than one-half of the employment. The small business contribution to employment and sales in other industries drops to 20 - 30 percent of employment, and 10 - 25 percent of sales.⁵

The stark contrast between big and small business is indicated also by the performance of individual firms in sales and employment. The top performer of the Fortune 500 in sales was Exxon, with \$79.1 billion. Though it ranked ninth in employees, Exxon still employed 169,000 persons that year. General Motors, second in sales with \$66.3 billion, topped all other corporations in number of employees by having 853,000 in 1979. At the bottom of the Fortune 500 list, Magic Chef achieved sales of \$409.6 million and employed more than 8,000 persons.⁶

But compare Magic Chef with Tandem Computers, the top ranked corporation in "The Inc. 100." This listing of "the 100 fastest growing publicly held smaller corporations in the United States"⁷ is based on criteria somewhat different than that used for the Fortune 500, but it is similar

⁵Ibid., p. 53.

⁶"The Fortune Directory of the 500 Largest Industrial Corporations," Fortune, May 5, 1980, pp. 276-295.

⁷"The Inc. 100," Inc., May 1980, p. 49.

because its selection is based on good performance by smaller corporations. Tandem Computers reached \$55.9 million in sales and employed 848 persons in 1979.⁸ As impressive as this seems, Magic Chef--ranked lowest among the Fortune 500--was still much larger than Tandem Computers.

Most small businesses are not incorporated; small businesses are mainly sole proprietorships, though partnerships and corporations do have significant numbers of small firms.⁹ Of the 14.7 million businesses that filed tax returns in 1977, 11.3 million were sole proprietorships, 1.3 million were partnerships, and 2.2 million were corporations. The Internal Revenue Service classifies the receipts of these enterprises in seven class sizes. The smallest is under \$25,000; the highest is \$1 million or more. Sole proprietor receipts were heavily concentrated in the under \$25,000 category; 72.7 percent of sole proprietors fell into the smallest size class based on dollar receipts.¹⁰

The survival of a firm is related to its size. Survival probabilities rise markedly after a firm passes the 20

⁸Ibid., p. 50.

⁹The IRS concept of a business firm relates to the legal entity used for tax reporting purposes. U.S. Department of Commerce. Bureau of the Census, Statistical Abstract of the United States 1981, 103rd ed., p. 531.

¹⁰Ibid., p. 534.

employee mark.¹¹ Moreover, firms with over 500 employees do not fail if they enter an economic downturn; they simply reduce operations and perhaps cease functioning at a later date. Small firms operate at marginal levels and have no "cushion" to fall back on in periods of distress.¹²

Therefore, in terms of contribution to the country's output of goods and services, the percentage of the United States labor force they employ, their long term stability, and their assets, a relatively small number of large corporations are dominant as compared with the large number of smaller companies. The business community in the United States is a dual system.

There are few studies in political science about the role of this "dual" business community in the policy process. This neglects an aspect which deserves an analysis in detail. It is especially important to the elitist-pluralist debate concerning the influence of business on government policy. Elitists and pluralists both assume, however, that business influences federal policies.

In the elitist model, influence and power is exercised through the corporate institutions of modern society. C. Wright Mills, however, does not hold the view that eco-

¹¹The State of Small Business: A Report of the President, p. 79.

¹²Ibid., p. 83.

conomic elites unilaterally make all decisions of national consequence. He contends that the higher agents in the economic, political and military domains through intricate coalitions formulate and implement the most important decisions.¹³ These higher circles, which Mills calls the "power elite" have a noticeable degree of autonomy.¹⁴ In the economic domain are found the owners and executives of the major corporations. These "corporate rich" command power within and through the corporations.¹⁵ They form an interlocking directorate with other elites in the political order and in the military establishment. Because their interests coincide, the hierarchies of economic and political power tend to create explicit as well as tacit alliances.¹⁶ And the corporate domain and the military establishment have an alliance so strong that "there is no effective countervailing power against the coalition of the big businessmen ... and the ascendant military men ..."¹⁷

Though Mills has rejected the phrase "ruling class" because it contains the assumption that an economic class

¹³C. Wright Mills, The Power Elite (New York: Oxford University Press, 1956) p. 277.

¹⁴Ibid.

¹⁵Ibid., p. 9.

¹⁶Ibid., p. 267.

¹⁷Ibid.

rules politically,¹⁸ economic determinism and the "corporate rich" are still first among equals in the power elite. Important business "pressure groups", for example, become the instruments of dominant cliques "to reveal to small-business members that their interests are identical with those of big business, and then to focus the power of business-as-a-whole into a political pressure."¹⁹

Another example of the elitist position is Who Rules America?, a study of wealth, status, and political power. The author, G. William Domhoff, is explicit that his focus is on very large corporations, banks, and insurance companies. He is aware that smaller companies with sizeable assets that are owned and controlled by the American upper class, but it is the biggest corporations that control the economy, that shape the American polity, and that control the federal government. After studying the sociological composition of the branches and departments of the federal government, Domhoff concludes that the corporate rich is the key element in the federal government.²⁰ The American business aristocracy controls the Executive branch, Domhoff

¹⁸Ibid., p277.

¹⁹Ibid., p. 247.

²⁰G. William Domhoff, Who Rules America? (New Jersey: Prentice Hall, Inc. 1967), p. 114.

says,²¹ as well as the Republican Party, the Democratic Party,²² the Regulatory Agencies,²³ and the socioeconomic and intellectual character of the federal judiciary.²⁴ The Legislative branch is not controlled by the elites, but they do have influence with it.²⁵ Domhoff argues that the income wealth and institutional leadership of the American business aristocracy earn it the designation "governing class".

Domhoff anticipates objections to his governing-class model, asking: If they are a governing class, then why do business men complain about the government? There are several reasons for business hostility to government, Domhoff counters. One reason is that most businessmen are not part of the group that controls the government. "The federal government is controlled by the corporate rich, and only a small percentage of American businesses are even incorporated, let alone large enough to sustain owners as members of the upper class."²⁶ One must be specific about which businessmen are doing the complaining: small busi-

²¹Ibid., p. 85.

²²Ibid., p. 86.

²³Ibid., p. 107.

²⁴Ibid., p. 109.

²⁵Ibid., p. 112.

²⁶Ibid., p. 154.

nessmen have good reason to complain. Domhoff's approach is elitist, but he argues that small businessmen are not among the governing elites.

In the pluralist model, the deterministic link between economics and politics is broken. The pluralist argument rejects the idea that there is a unified power structure and that economic resources are the paramount sources of power. In pluralism the independent resources of government give it the decisive balance of power within society. The government is something like a broker mediating among competing interests. Every significant organized interest is able to gain access and to affect the course of government action. There is no single pattern in the substance of public policy, because each policy area involves distinctive problems and different sets of public officials and interest groups.²⁷

The pluralist approach assumes that all organized interest groups have some kind of impact on politics. E. E. Schattschneider agrees with the basic proposition, but he cautions that the group theory of politics is overstated. The data raise questions about special interest groups being a universal form of political organization that reflect all

²⁷Kenneth M. Dolbeare and Murray J. Edelman, American Politics: Policies, Power, and Change, 4th ed. (Massachusetts: D. C. Heath and Company, 1981), pp. 40-41.

interests.²⁸ It is a myth that organized interest groups, or the pressure system, is representative of the whole community. Schattschneider says that the system is skewed and unbalanced in favor of a minority.²⁹ By the time a group organized, it may be assumed to have developed a political bias because "organization is itself a mobilization of bias in preparation for action."³⁰ And Schattschneider insists that the business community is clearly the most highly organized segment of society. Of all organized groups, business organizations dominate according to their numerical representation on lists such as the National Associations of the United States and in The Lobby Index.³¹ The business or upper-class bias of the pressure system is indicated in other ways. "There is overwhelming evidence that participation in voluntary organizations is related to upper social and economic status; the rate of participation is much higher in the upper strata than it is elsewhere."³² Hence the class bias of associational activity is what limits the scope of the pressure system and gives it a business char-

²⁸E. E. Schattschneider, The Semisovereign People (New York: Holt, Rinehart and Winston, 1960), p. 34.

²⁹Ibid., p. 35.

³⁰Ibid., p. 30.

³¹Ibid., p. 32.

³²Ibid.

acter.

In the pluralist model, however, the interests that have an impact on policy outcomes are not homogeneous for all purposes. Robert Dahl notes that each of them "is highly influential over some scopes but weak over many others;" and "the power to reject undesired alternatives is more common than the power to dominate over outcomes directly."³³ This point - that homogeneity is not constant within an interest - brings us to the rationale for this study. The objective is to determine whether the elitist or pluralist argument more accurately describes the political agenda of the business community. Even though we have a dual economy, are there two different constituencies in the business interest, as the pluralists would argue, or does American business speak with one voice, as the elitists contend?

This research analyzes the political agenda of the big and small business community in the United States for the 1980s. It contrasts the ideological themes and economic assumptions found in business publications during the 1980 with the business ideology and economic assumptions previously studied in the scholarly literature.

The Existing Literature

³³Robert A. Dahl, "Business and Politics: A Critical Appraisal of Political Science," Social Science Research on Business: Product and Potential, New York: Columbia University Press, 1959, p. 36, quoted in Domhoff, p. 141.

The literature on business ideology is not extensive when compared with other types of business literature, such as business administration or management. The limited research in this area focuses either on corporate business ideology or on small businessmen. Four studies are relevant to this research question.

The American Business Creed is the classic study. It was the first major attempt to define a business ideology. The authors, sociologist Francis Sutton and economists Seymour Harris, Carl Kaysen, and James Tobin, outlined an ideology of big business. They surveyed published materials of the late 40s and early 50s: reviewing public statements of business leaders, business advertisements, and literature published by business associations.

Sutton et al found the business "creed" has characteristics that are common to all ideologies. Ideologies are selective in subject matter and in the use of empirical evidence. They are oversimplistic even when the subject matter is complicated. They are expressed in language that arouses emotional approval or disapproval, and the public expression of policies advocated or practiced must be publicly acceptable.³⁴ These features of the business ideology are meant to influence the attitudes and actions of other

³⁴Francis X. Sutton et al., The American Business Creed (Cambridge: Harvard University Press, 1956), pp. 2-3.

businessmen and the rest of the community.

These scholars distinguished two strands of thought about American capitalism. The "classical" version centers around the model of a decentralized, private, competing economic system in which the forces of supply and demand operate through the price system to regulate the economy. The system "has been homogeneous in time and space."³⁵ The system we live under today is the same system established by the Founding Fathers; "it embraces the whole economy and the whole society, multi-billion dollar utility enterprise and corner grocery store."³⁶ The "managerial" version of the creed places more emphasis on the role of managers in large corporations who consciously direct economic forces for the common good. The managerialists see a fundamental transformation in the American economy over the last fifty years, one which poses a radical departure with the past. In fact, it is so basic that the whole system is moving towards large, professionally-managed, socially-oriented corporations.³⁷

The managerialists that Sutton and colleagues found over a quarter of a century ago are the focus of a contem-

³⁵Ibid., p. 35.

³⁶Ibid.

³⁷Ibid., pp. 35-36.

porary work by Leonard Silk and David Vogel. Ethics and Profits: The Crises of Confidence in American Business was written at the invitation of the prestigious Conference Board. Silk and Vogel were invited to be observers at a series of Conference Board meetings of top corporate executives, and they were asked to write a book about the discussions. They analyzed the deliberations by 360 participants in the eight three-day meetings which were held in 1974 and 1975 to explore current and future social and political roles of business. The candid discussions at the Conference meetings showed the executives' distrust of government and the political process, how business views its critics, and the importance of corporate autonomy and political freedom.

Silk found an emerging third strain in the business ideology. The "doctrine of political consent" (or "the consent creed") seeks to apply to the corporation the theory of John Locke that the legitimacy of government to rule depends upon the consent of the governed. The "just powers" of the corporation would be founded on democratic principles, just as governments derive "just powers from consent of the governed," according to the Declaration of Independence. This creed is not to be interpreted literally: business executives do not really want to hand over direct control of the corporation to the electorate. They do want

to assert their willingness to be responsive to public desires and rules, to be "accountable."³⁸

Two other studies relevant to this research provide analysis of small business ideology and economic assumptions. The American Small Businessman analyzes the roots and qualities of the political behavior of small businessmen. John Bunzel undertook his investigation because in the previous decade of the 50s corporate organizations and top managerial groups attracted much attention, while small entrepreneurs were largely ignored. Noting that small businessmen continued to account for substantial activity in the United States, they were a potent political force worth studying.³⁹ Bunzel focused on the small businessman using literature and government documents. His thesis was that the ideas, attitudes, and values of the small businessman's ideology have little relationship to the advanced industrial society. The ideology of the small businessman is more in the tradition of the "agrarian spirit." Bunzel argues that the small businessman is a contemporary advocate of the agrarian spirit. The values and aspirations of small busi-

³⁸Leonard Silk and David Vogel, Ethics and Profits: The Crises of Confidence in American Business (New York: Simon and Schuster, 1976), p. 137.

³⁹John H. Bunzel, The American Small Businessman (New York: Alfred A. Knopf, 1962), p. ix.

nessmen are those of a rural, smaller, and more homogeneous society. Self-sufficient individualism does not look kindly on big labor, big government, and big business. They are an "unholy alliance" with the most pernicious and corrupting tendencies in industrial society today.⁴⁰

The 1978 dissertation by Ralph William Murphy, entitled "Small Business Ideology: An In-depth Study," is based on detailed interviews with a panel of ten successful entrepreneurs. In his study Murphy explores the values, experiences, and attitudes of small business proprietors, and he finds "the values of individualism, self-interest, profit maximization, private property rights, an inherent belief in the market process, rationalism, and limited government are important values in small business ideology."⁴¹ The problem is that, although small business symbolically represents competitive capitalist values and institutions, the entrepreneurs perceive an increasingly hostile social environment which eliminates opportunities for small business. These entrepreneurs experience the impacts of corporate economy on their own enterprises as well as a social trend restricting small business opportunities. Though they

⁴⁰Ibid., p. 120.

⁴¹Ralph William Murphy, "Small Business Ideology: An In-Depth Study" (Ph.D. dissertation, University of Washington, 1978), p. 257.

do not say that corporate actions lack legitimacy, they question it at least implicitly. The values, goals, and purposes of the small businessman are diverse compared to the corporate "single-minded pursuit of profit" and "a greater extent of the market."⁴² "In many ways, their business enterprises are reactions and statements against the mainstream of the business world."⁴³

This desire to escape the mainstream of contemporary society raises "questions about whether small business is correctly understood as part of the mainstream of contemporary business."⁴⁴ Another related question concerns the effectiveness of the "escape." Murphy says that establishing a small business enterprise doesn't insulate an entrepreneur from neo-capitalist society, "it merely changes the context and terms of the interaction."⁴⁵ Nevertheless, Murphy concludes that small businessmen accept their fate. They still believe that an individual is responsible for his own success or failure, regardless of the impact of the

⁴²Ibid., p. 276.

⁴³Ibid., p. 277.

⁴⁴Ibid., p. 254.

⁴⁵Ibid., pp. 276-277.

social environment.⁴⁶ The independent individualism of competitive capitalism seems to remain in tact.

Unlike the Sutton, Silk, and Bunzel studies which examine many sources or whose analyses were based on a large number of subjects, Murphy's panel consisted of only ten members. The interviewing technique Murphy used allowed him to probe subtle dimensions and gain valuable insights about small business ideology, but his findings are limited, given his reliance on a small panel of only ten members.

This study is an analysis of the political agenda of the big and small business community in the United States for the 1980s. It addresses these research questions:

(a) to what extent and on which issues do big and small business agree,

(b) on what issues are big and small business in disagreement, and to what extent do their positions have incompatible objectives, and

(c) what are the contemporary ideological themes and economic assumptions of big and small business.

Methodology

The study consists of two approaches. The first part of the research delineates the concrete issues which

⁴⁶Ibid., p. 283.

were of concern to big and small business during 1980. This approach involves a content analysis applied to selected publications for that year. The analysis is based on a representative sample of publications which articulate the issue positions of corporate business in America and others which represent the interests of small business organizations. The second part of this research contrasts the ideological themes and economic assumptions that surfaced in 1980 business publications with the business ideology and the economic assumptions found in the studies which are cited above.

The year 1980 was chosen for analysis because it was an election year; it was assumed that issues debated in publications which represent a business constituency would be directed to presidential candidates as well as the readership of the magazines. Moreover, an event in January intensified and sharpened the discussions of the issues concerning small business. A rare White House Conference on Small Business was held from January 14th - 17th, 1980.

Fortune, Enterprise, and the Roundtable Report are the publications selected as representative of the corporate view. Fortune is a bi-weekly industrial general business

magazine with a circulation of 640,000;⁴⁷ the 12,000 member National Association of Manufacturers (NAM) publishes the monthly Enterprise; and the Roundtable Report is a monthly newsletter published by the lobbying arm of some of the largest business enterprises in the United States: the 194 member Business Roundtable.

Inc. (circulation 400,000)⁴⁸; Nation's Business (circulation 1,265,000), which is published by the U. S. Chamber of Commerce; and the Voice of Small Business, the newsletter published by the National Small Business Association for its 50,000 members, are the three monthly publications selected as representative of the issue positions of smaller businesses. While it is difficult to find identical types of publications to represent the corporate and the small business points of view, these publications are similar in important ways.

There are biases in the general circulation magazines; Fortune clearly speaks to corporate constituency and Inc. addresses a small business constituency. Both newsletters, the Roundtable Report and the Voice of Small Business, unmistakably represent a corporate business

⁴⁷Patricia Hagood, ed. The Standard Periodical Directory 7th ed. 1981-82 (New York: Oxbridge Communications, Inc., 1980), p. 951.

⁴⁸Ibid., p. 222.

association versus an association of small business enterprises. Enterprise and Nation's Business, however, are less obvious in their content. One feature that appears regularly in Enterprise in NAM's Small/Medium Business Section. The fact that small business material is found in Enterprise can affect the content tabulation. However, the explanation for having small business content in Enterprise is related to the ideology of NAM.

The American Business Creed authors noted that the NAM treatise they studied was the "most coherent exposition of the classical view."⁴⁹ The classical version of business ideology views the American capitalist system as unchanging and as embracing the whole economy, giant businesses and very small enterprises. It follows, therefore, that as the foremost exponent of this view, the mission of NAM would be to represent the interests of all size manufacturing companies.

At present, NAM's actual membership is only 22.4 percent large corporations, based on the over-500 employee criteria. But these companies contribute the lion's share of financial support to the association, because dues are based on net worth of the companies. Corporations make another major contribution: their specialists collaborate

⁴⁹Sutton, p. 34.

with the executives at NAM.⁵⁰ Despite its mission, the disproportionate contribution of corporations to the NAM leads to NAM's practice of dealing primarily with the subjects that concern the largest companies. Issues of interest to smaller companies have secondary importance; they appear in a special section of Enterprise. The articles in the Small/Medium department are treated the same as all other Enterprise material in the content analysis. About 11.5 percent of the articles or news items that have been tabulated is from this source. To that extent, the magazine does not address a corporate business constituency. But distributed among the twelve issue areas identified, the effect on the analysis is not significant. Enterprise was selected as a publication to represent the corporate point of view and indeed it does.

Nation's Business is the second magazine which is not entirely targeted to a single constituency. Given the membership of the U. S. Chamber of Commerce, the Nation's Business constituency is small business. Ninety-one percent of its 230,000 members are firms with fewer than 100 employees.⁵¹ The overwhelming small business membership of

⁵⁰Source of these facts about NAM is Ray Dixon, Manager of Membership Services, National Association of Manufacturers, Washington D. C., in a telephone interview, 31 August 1982.

⁵¹Tom Richman, "Can the U. S. Chamber Learn to Think Small?," Inc., February, 1982, p. 81.

the U. S. Chamber is not represented exclusively, however, because the largest corporations in the Chamber pay the bulk of the dues. As with the NAM, the ideology of the Chamber reflects the tradition of the classical version of the American capitalist system, as described by Sutton et al. The president of the U. S. Chamber of Commerce, Richard L. Leshner, says that the "differences between large and small businesses are mostly imaginary."⁵² Nation's Business was selected as a publication that addresses the issues of interest to a small business constituency. It does reflect the support which the Chamber gives to small business issues, both in its articles and in various news items that appear in a regular Small Business feature. However, to the extent that Nation's Business articulates the issue positions of corporate business, the accuracy of the tabulation is weakened.

Except for Fortune, the magazines used in this study are monthly publications. Fortune is published bi-weekly. The Roundtable Report and The Voice of Small Business were each published ten times in 1980. The former eliminated February and October issues, and the latter combined January/February and November/December issues. All 1980

⁵²Ibid.

issues of the monthly magazines and the ten issues of each of the newsletters were systematically reviewed. Starting with the January 14th issue of Fortune, every other issue of the magazine was systematically reviewed.

Content Analysis

Each magazine and newsletter has its particular format. The first task in applying content analysis to these publications is to be systematic and consistent in capturing the data. What is important is material with political content.

Except for the few articles on association matters, the entire content of the newsletters was tabulated for analysis. In evaluating the magazines, all "letters to the editor" were excluded. All regular department, feature articles, news updates, editorials, and book reviews were either included or excluded based upon whether they were judged to have political content. Profiles of organization leaders is a common practice in these kinds of publications. Presidents of organizations, or other leaders who were making statements on political issues were included; personal vita type profiles were excluded.

The content analysis applied to these publications defines the parameters of the issues under discussion and delineates the relative importance of each policy area to the agenda of business. Toward that objective, each ar-

ticle, or other material was classified by topic and was coded on five dimensions.

Size, or index of space, was the first dimension. This was a straightforward square inch measurement of the article.

Second, the material was differentiated by type. The five types are: editorial; article; news item; a miscellany type which included congressional or agency testimony or statements, speeches, letters or messages, interviews, profiles, book excerpts, and reports; and, finally, a survey or survey response type of material.

The tone of the article was coded in four categories: negative and critical; positive and favorable; mixed or neutral; or motivational or arousing. This last category was applicable to action alert type articles.

The content of the article was judged according to whether it was mostly factual, mostly opinion, or if the content was mixed fact and opinion.

The article was also coded according to whom it was addressed. This dimension was the least informative since there were only few occasions when an article was directed toward political leadership. Typically, the material was directed either to the public or a membership, depending on the publication. The code for this category was membership, public, and political leadership.

Each article, news item, or other type of material was classified in one of twelve major categories, as well as in a more specialized subdivision. The major topics are: Business Environment; Corporate Governance; Energy and Natural Resources; Federal Government Administration; Fiscal Policy; General Economy; Government Regulation; Industrial Relations; International Trade and Finance; Monetary Policy; Political Process; and Small Business. The listings of the sub-topics under each major category are found in the Appendix.⁵³

Using the index of space (square inches), the content of the big business and small business publications are totalled according to issue areas and the tone in which they were discussed. The content of the publications is also summarized based on the type of material and whether the material is factual or opinion. Thus, the content of the magazines is organized for further analysis of the political agenda of big and small business.

⁵³There are technical difficulties in classifying and quantifying the material when more than one issue is discussed in an article. In those cases, we followed one procedure consistently. The article was classified by its main theme, if there was one, or it was classified under the first topic that was discussed. Since the measurement of the whole article was given to only one issue, the index of space of some topics is overstated and the index of space of other issues is understated. The sub-topics on the lists in the Appendix, however, include all the issues that surfaced, and they are considered in the analysis of the material in the following chapters.

CHAPTER II

A CONTENT ANALYSIS OF SIX PUBLICATIONS

The quantity of material that is examined in Fortune, Enterprise, and Roundtable Report totals 17,692 square inches. The Inc., Nation's Business, and Voice of Small Business material totals 15,844 square inches. Individual magazine and newsletter totals are given at the bottom of Table 1 and Table 2 as well as the number of articles coded. Table 3 summarizes the major topics in big business and small business publications in square inches and percentages.

The material analyzed is described in Table 4. The "Object" indicates that political elites are not the audience to whom these magazines direct their articles. Enterprise and the newsletter material are directed to their association members. The audience for Fortune, Inc. and Nation's Business is the general public.

The "Type of Material" category shows a small amount of editorial material in both the big business and small business publications. In the big business publications, general articles are the main source of material. The second largest source is miscellany; speeches, letters or messages, congressional testimony or statements, interviews,

TABLE 1
 MAJOR TOPICS IN BIG BUSINESS
 PUBLICATIONS, CODED BY TONE
 (In Square Inches)

Topics	Fortune				Enterprise				Roundtable - Report				Total	Percent of total Square Inches
	1	2	3	4	1	2	3	4	1	2	3	4		
1. Business Environment	127	205	237		91	201	168	237	25	114	138		1543	8.7
2. Corporate Governance			253				371		69		56	46	795	4.5
3. Energy and Natural Resources	20	29	210	82	459	34	56	488		34	44		1456	8.2
4. Federal Government Administration	133				157		45	53				24	412	2.3
5. Fiscal Policy	63	52	288		96	166	578	11	71	78	127		1530	8.7
6. General Economy	56	311	1557		236	200	1638	184	31		378	67	4658	26.3
7. Government Regulation	674	25	524		418	229	500		65	156	159	44	2794	15.8
8. Industrial Relations	140		18		228		489	75	85	40	42		1117	6.3
9. International Trade & Finance	177	272	128		43	43	385		102		147		1297	7.3
10. Monetary Policy					78		39						117	.7
11. Political Process	323	132	586			8	620	109					1778	10.1
12. Small Business						75	81	39					195	1.1
TOTAL - Square Inches	1713	1026	3801	82	1806	956	4970	1196	448	422	1091	181	17,692	
% of Total Square Inches	25.9	15.5	57.4	1.2	20.2	10.7	55.7	13.4	20.9	19.7	50.9	8.5		
	N = 66 articles coded 6622 square inches				N = 150 articles coded 8928 square inches				N = 47 articles coded 2142 square inches					

CODE

1. Negative, critical
2. Positive, favorable
3. Mixed or neutral
4. Motivational or arousing

TABLE 2

MAJOR TOPICS IN SMALL BUSINESS PUBLICATIONS, CODED BY TONE
(In Square Inches)

Topics	Inc.				Nation's Business				Voice of Small Business				Total	Percent of total Square Inches
	1	2	3	4	1	2	3	4	1	2	3	4		
1. Business Environment	271	47	99	30	16	254	507	57					1281	8.1
2. Corporate Governance					9	297	119						425	2.7
3. Energy and Natural Resources	30				8	44	1066	14					1162	7.3
4. Federal Government Administration	69	117	159		24	106	156				41		672	4.3
5. Fiscal Policy	59		21		305	348	388			74	105	20	1320	8.3
6. General Economy	272	35	293		899	133	723	10	6	110	232		2713	17.1
7. Government Regulation	361	66	288		868	88	564		76	56	221	52	2640	16.7
8. Industrial Relations			5		231	109	78		33	14		6	476	3
9. International Trade & Finance		92	19	57	112	173	411	8			20		892	5.6
10. Monetary Policy					30	18	57			12			117	.7
11. Political Process	159	74	282		217	306	1014	48		136	423		2659	16.8
12. Small Business	216	275	192	55	240	31	167		28	154	96	33	1487	9.4
TOTAL - Square Inches	1437	706	1358	142	2959	1907	5250	137	143	556	1138	111	15,844	
% of Total Square Inches	39.4	19.4	37.3	3.9	28.9	18.6	51.2	1.3	7.3	28.5	58.5	5.7		
	N = 101 articles coded 3643 square inches				N = 247 articles coded 10,253 square inches				N = 68 articles coded 1948 square inches					

CODE

1. Negative, critical
2. Positive, favorable
3. Mixed, neutral
4. Motivational, arousing

TABLE 3

SUMMARY OF MAJOR TOPICS IN BIG BUSINESS
AND SMALL BUSINESS PUBLICATIONS
(In Square Inches and Percentages)

<u>Topic</u>	<u>Big Business Publications</u>		<u>Small Business Publications</u>	
	<u>Square Inches</u>	<u>%</u>	<u>Square Inches</u>	<u>%</u>
Business Environment	1543	8.7	1281	8.1
Corporate Governance	795	4.5	425	2.7
Energy and Natural Resources	1456	8.2	1162	7.3
Federal Government Administration	412	2.3	672	4.3
Fiscal Policy	1530	8.7	1320	8.3
General Economy	4658	26.3	2713	17.1
Government Regulation	2794	15.8	2640	16.7
Industrial Relations	1117	6.3	476	3.
International Trade and Finance	1297	7.3	892	5.6
Monetary	117	.7	117	.7
Political Process	1778	10.1	2659	16.8
Small Businesses	195	1.1	1487	9.4
	<hr/>	<hr/>	<hr/>	<hr/>
	17,692	100.0	15,844	100.0

TABLE 4

DESCRIPTION OF ARTICLES

(In square inches and percentages.)

	<u>Fortune</u>	<u>Enterprise</u>	<u>Roundtable Report</u>	<u>TOTAL</u>	<u>Inc.</u>	<u>Nation's Business</u>	<u>Voice of Small Business</u>	<u>TOTAL</u>
<u>OBJECT to whom article is addressed.</u>								
1. Membership		8918 (99.9)	2142 (100.)	11,060 (62.5)			1948 (100.)	1,948 (12.3)
2. Public	6508 (98.3)			6,508 (36.8)	3643 (100.)	10,253 (100.)		13,896 (87.7)
3. Political Leadership	114 (1.7)	10 (.1)		124 (.7)				
				<u>17,692</u>				<u>15,844</u>
<u>TYPE OF MATERIAL</u>								
1. Editorial	28 (.4)	351 (3.9)		379 (2.0)	251 (6.9)	396 (3.8)	131 (6.7)	778 (4.9)
2. Article	5133 (77.5)	4293 (48.0)	1302 (60.8)	10,728 (60.6)	1446 (39.7)	6,039 (58.9)	605 (31.1)	8,090 (51.1)
3. News Item or Update	1049 (15.8)	703 (7.9)		1,752 (9.9)	861 (23.6)	1,731 (16.9)	433 (22.2)	3,025 (19.1)
4. Speeches; Letters or Messages; Congressional Testimony; Interviews; Profiles; Book Excerpts; Reports	339 (5.2)	3077 (34.5)	768 (35.9)	4,184 (23.7)	1043 (28.6)	1,145 (11.2)	153 (7.9)	2,341 (14.8)
5. Survey or Survey Responses	73 (1.1)	504 (5.6)	72 (3.3)	649 (3.7)	42 (1.2)	942 (9.2)	626 (32.1)	1,610 (10.1)
				<u>17,692</u>				<u>15,844</u>
<u>CONTENT OF ARTICLE</u>								
1. Mostly Factual	373 (5.6)	296 (3.3)	29 (1.4)	698 (4.0)	191 (5.2)	386 (3.8)	704 (36.1)	1,281 (8.1)
2. Mixed Fact and Opinion	5126 (77.4)	4773 (53.5)	808 (37.7)	10,707 (60.5)	2093 (57.5)	6,861 (66.9)	598 (30.7)	9,552 (60.3)
3. Mostly Opinion	1123 (17.0)	3859 (43.2)	1305 (60.9)	6,287 (35.5)	1359 (37.3)	3,006 (29.3)	646 (33.2)	5,011 (31.6)
				<u>17,692</u>				<u>15,844</u>

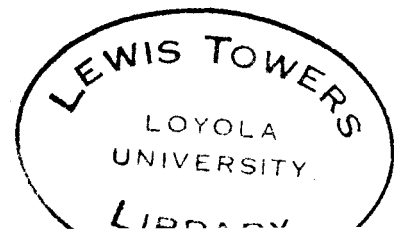
profiles, book excerpts, and reports. Use of this "Type of Material" is an indication of the interaction with the social and political environment. The extent of its use by big business publications suggests that that sector is more involved in the external environment than is small business. News Items are not used as extensively in big business publications as they are in the small business publications; in the latter they exceed the miscellaneous forms of material. The "Type of Material" category, Survey and Survey Responses, is found in three publications. Enterprise and The Voice of Small Business present presidential candidate survey responses, and reader opinion polls appear regularly in Nation's Business. These reader opinion polls ask such questions as: "Should social security benefits be taxed?" and "Should the U.S. Embargo Grain to Russia?"

The "Content" of the small business publications is slightly more factual than big business publications. One reason probably is their greater use of News Items, which present basic information. The two groups of publications have similar proportions of material in Mixed Fact and Opinion and in Mostly Opinion categories.

Table 1 and Table 2 show the major topics covered in each publication. Topics are coded by the "Tone" with which they are addressed in the articles and material. The total for each topic according to tone appears at the bottom of

each vertical column; they are given in square inches and as a percent of that publication's total inches. Except for Inc., the obvious pattern is that over fifty percent of the discussion is "mixed" or "neutral" in tone. Inc. is the most negative of the publications, and The Voice of Small Business is the only publication which is not more negative than positive. The high percentage of issues in the positive tone reflects the enthusiasm and satisfaction of The Voice of Small Business at the passage of some legislation favorable to small business as well as the prospects for future legislative battles. Since negative percentages exceed positive percentages for both groups of publications, neither business constituency can be characterized as being more critical than the other. The largest percent of material coded as "motivational" in tone is found in Enterprise; forty percent of the motivational material in this magazine concerns Energy and Natural Resources.

Sub-topics in each major category in Table 1 and Table 2 are presented in the Appendix. The number of micro topics exclusive to either big business or to small business publications is greater than the number of micro topics that appear in both groups of publications. This crude measure suggests that there are more differences than similarities in areas of concern to corporate business and small business.



By comparing Table 1 and Table 2, the major difference in topics is the relative importance of the General Economy. More than twenty-five percent of the content in the big business magazines is devoted to the General Economy, whereas small business publications devote seventeen percent of their space to this subject.

The difference regarding the general economy is consistent with other evidence suggesting that big business tends to be concerned with issues of universal effect, in addition to specialized issues, whereas small business concentrates on specific issues which have a direct impact on the small business sector of the economy. Big business thinks about big issues. They are vigilant in guarding the whole system, and the political agenda of big business includes programs for national policies and priorities.¹ Big business also sets an agenda for itself; ambitious plans call for sharing the job of fighting inflation, improvement of products and jobs, and enhancement of the economy and society.²

The differences affecting the topic Government Regulation affirm the point made above. There is almost an equivalent amount of space devoted to Regulation in the two

¹Enterprise, February 1980, pp. 2-5 and June 1980, Inside Back Cover.

²Roundtable Report, April 1980, pp. 1-4.

groups of publications. But this is an issue having a direct impact on companies, and small business debates the subject vigorously in a negative tone more often than in a mixed tone. In 1980 it is quite clear that small business is intense on the subject of government regulation; small business argues that regulation hits small companies harder than large firms.

Another topic (Table 1 and Table 2) is Political Process. In terms of space devoted to this subject, Political Process is more important to small business than big business. Roundtable Report does not debate the subject at all, which is expected, given the fact that the stated purpose of the Business Roundtable is to take stands on public issues and to recommend policies. Its members are selected based on their contribution to the discussion of public issues. Fortune, where most discussion of Political Process occurs, deals with system-wide issues such as the presidential nomination process or taming special interest groups. The revival of the Republican party and The New Right are specific issues in Fortune which were directly related to the 1980 election. Enterprise focused on presidential candidate plans for industry and the economy.

On the other hand, all the small business publications focused on presidential candidates in some format. Direct questions were asked of the presidential contenders

by The Voice of Small Business. An article based on interviews with candidates appeared in Nation's Business, and articles by an economist and an economic writer in Inc. informed the readership about what the election of each candidate would mean for the business community. Other efforts to inform their constituency about the election are reflected in articles on the Republican and Democratic party platforms, business issues (Inc. and The Voice of Small Business), congressional candidate positions on small business issues (Inc.), pro-business congressional candidates (Nation's Business), and the business community's involvement in politics (Inc. and Nation's Business).

This differing emphasis in providing election information to the two business constituencies probably can be explained in terms of need. Big business does not depend on these publications for election information. Small business apparently looks for cues from its trusted sources.

Neither big business nor small business give Monetary Policy an important place on their political agendas. This topic gets lowest priority in both groups of publications, and apparently this neglect of monetary issues is not a recent development. The Sutton study noted the failure of the business creed to apply its major themes to monetary problems. Sutton attributed this omission to the complexity of the subject and to the fact that some of the

principles of the business creed come into conflict when applied to monetary problems. The theme that the competitive market works adequately without government intervention, for example, conflicts with the claim that monetary policy is the cause of inflation. Since monetary policy is effected by restraining or stimulating private lenders and borrowers, blaming monetary policy for inflation implies that banks and their customers (businessmen) contribute to inflation and therefore need to be curbed by government action.³ Sutton's argument may not be complete, however. Another explanation is that the uncharacteristic tolerance of the business community for the Federal Reserve Board is the price it will pay for the Fed's autonomous status in providing economic stabilization.

Fiscal Policy concerns all business; all six publications deal with this topic. The budget, federal spending, and taxes are high on the political agenda of the business community, but there is still a difference in the two sectors on this topic. Big business seems to be interested in the budget and federal spending, whereas small business is more concerned about taxes. Budget and federal spending, one may hypothesize, would appeal more to big business because their impacts are universal. Taxes, on the other

³Sutton, p. 230.

hand, can be very direct and specific, and one would expect the small business publications to emphasize the issue.

Energy and Natural Resources is an issue area of interest more to corporations than to small enterprise. About eight percent of the square inch total in the big business group of publications is devoted to Energy and Natural Resources, and the topic is addressed in a motivational tone. Enterprise, in a series of interviews, tried to activate its membership on three issues. In the first the benefits of a deep seabed mining bill and a comprehensive treaty are explained and promoted.⁴ In the second interview, support is urged for the Senate Committee Alaska bill.⁵ And the third interview focused on the need for a government policy on national strategic minerals and material to assure access to national resources.⁶

These issues do not have universal impact, as was the case with the topic General Economy. But they have one characteristic that is typical when big business is interested in a subject: they are issues so major in impact that they demand comprehensive national policies and priorities. In other words, grand objectives or issues of great magni-

⁴Enterprise, February 1980, pp. 18-21.

⁵Enterprise, July 1980, pp. 18-21.

⁶Enterprise, August 1980, pp. 18-21.

tude lead to the corporate business sector.

Articles about International Trade and Finance and Federal Government Administration appear in both groups of publications. Industrial Relations is a topic that receives considerably more attention in corporate publications than in small business publications. Only Nations's Business devotes space and reports on Industrial Relations.

Corporate Governance is not a high priority for either big or small business, but naturally it would have more interest to large corporations. This topic appears in Nation's Business, which believes that business ought to speak with one voice.

The topic Small Business has little importance to the publications which speak for the corporate sector. Enterprise is an exception; it discusses the topic for the benefit of the smaller manufacturers. On the other hand, all three small business publications discuss the topic. The White House Conference on Small Business held in 1980 generated much of the discussion. In addition, this topic is discussed in connection with specific problems, such as the redefinition of a small business.

Finally, there is the topic Business Environment. Except for The Voice of Small Business, all of the publications discuss issues that comprise the Business Environment.

Summary

The content analysis has focused on the major topic categories. Based on codes by "Object", "Type of Material", and "Content of Article", the material under examination has been outlined.

This analysis indicates that there are appreciable differences in the interests of big business and small business; apparently American business does not speak with one voice in terms of the political agenda. The two sectors of the American economy share many common interests, and they concur on numerous issues, but big business and small business are not homogeneous. They are dissimilar in their perceptions and approaches to the political-economic system. Big business wants to assist in guiding the direction of the system and in maintaining it. A concomitant objective to preserving the system is to obtain a good business climate. The political objectives of small business are more immediate; they are issue-oriented. Government policies that have a direct effect, or that threaten to have an effect, generate a constituency in the small business sector. And when the business community goes politicking, the small business sector tends to its own interests. They may or may not be the same as those of corporate business, it depends upon the issue. Where business is concerned, pluralism is not limited to the regulatory arena, as Theo-

dore Lowi contends,⁷ it is operative in other areas as well.

Further support for the conclusion in this summary is given in the following three chapters. Chapter II examines the topics: General Economy, Fiscal Policy, Monetary Policy, and Federal Government Administration. Chapter III analyzes the material on Government Regulation, Energy and Natural Resources, Industrial Relations, and International Trade and Finance. Chapter IV examines the topics Corporate Governance, Small Business, Political Process, and Business Environment. In addition to studying the positions of big versus small business with respect to these topics, the ideological themes and economic assumptions of big business and small business will also be discussed.

⁷Theodore J. Lowi, "American Business, Public Policy, Case Studies, and Political Theory," World Politics 16 (July 1964): 695.

CHAPTER III

GENERAL ECONOMY, FISCAL POLICY, MONETARY POLICY, AND FEDERAL GOVERNMENT ADMINISTRATION

General Economy

It is typical for corporate enterprise to take a long-term and comprehensive view of the General Economy. Small business generally has a short-term view and a more parochial interest in the General Economy. NAM's concern with the outcome of the 1980 election illustrates the point. The Association sponsored a "Teleseminar," a program with experts delivering industrial post-mortems on the election and assessing its long-term impact. Enterprise reports their views.

According to one economist, Lester Thurow, the basic task for the new administration would be to remove government restrictions on investment and to curb consumption. Another economist, Arthur Laffer, an advisor to the President-elect, compares "growthist" and "redistributionist" politicians, and predicts economic growth and expansion of the overall system "the next ten or twenty years." Albert Sommers, member of the Conference Board, and Chairman of the President's Council on Wage and Price Stability, argues that the market system had been modified. "Overcon-

sumption, underinvestment, lower incentives, no productivity gain, rising costs" and "an intolerable rate of inflation" are the result. Mr. Sommers does not believe that a dedication to balanced budgets and lower rates of monetary growth are the ultimate resolution; the new administration would have "to innovate." Though more pragmatic, the statement of Alexander B. Trowbridge is still within the context of a system-wide approach. Furthermore, it conveys an attitude frequently found in big business publications - that corporate enterprise, informed and responsible, should be involved in the political process. Mr. Trowbridge notes that the business community could not be sure that the problems would be solved because of the friendly atmosphere. There would be a need for quality in the Reagan Administration. The President would need "all the help he can get. And we have to help him in terms of opening up a system whereby good personnel and good management can be brought onto the federal scene."¹

Unlike the discussion in Enterprise, a Nation's Business article, focusing on expectations from the pro-business administration, does not cover structural aspects of the economy. Tax regulation and federal laws antagonistic to business are discussed. These issues, if handled

¹"NAM Satellite Forum Probes Election Impact," Enterprise, December 1980, pp.2-8.

correctly, would "straighten out the economy."²

The issue of capital formation gives big business an opportunity to express pride in its approach to the general economy. In making recommendations to congressional committees, the chairman of the Taxation Task Force of the Business Roundtable says that "while the business community is concerned about short-term recessionary problems, we are more concerned about the long-term structural problems in the economy."³

Capital, capital formation, capital investment, and capital recovery are high priorities for both business sectors. In the Roundtable Report the need for capital is said to be "essential for increased productivity and economic progress."⁴ It takes a lot of money to create jobs and to supply the workers with tools, desks, and machines. Where capital in the past financed growth, now business must also provide safer working conditions and protect the environment.⁵ Enterprise calls the capital recovery concept "our top priority."⁶ Capital formation is one of the five

²Vernon Louviere, "A New Era for Business," Nation's Business, December 1980, pp. 22-28.

³Roundtable Report, August 1980, p. 2.

⁴Ibid., July 1980, p. 3.

⁵Ibid., April 1980, p. 2.

⁶Enterprise, January 1980, p. 6.

long-range goals in NAM's plan to revitalize American industry.⁷ NAM is clearly interested in what can be done to encourage capital investment: the presidential candidates polled by Enterprise were asked what the government should do in that matter.⁸

In the small business sector, there are numerous instances where concern is expressed about the capital formation problem. Specific proposals on capital issues were adopted at the Conference on Small Business in January. The White House Commission on Small Business, in a report to the President analyzing the recommendations of the Conference, endorsed capital retention measures and added several initiatives aimed at capital formation.⁹ The Chairman of the White House Commission on Small Business stresses the fact that the critical shortage of capital is particularly difficult for medium-size and small firms because their balance sheets and earning records are not strong enough to earn high credit ratings. Medium and small businesses are the first to be squeezed out of capital markets.¹⁰

There are other examples in this area. NSB testi-

⁷Enterprise, February 1980, p. 3.

⁸Enterprise, October 1980, p. 4.

⁹Nation's Business, June 1980, p. 43.

¹⁰Arthur Levitt, Jr., quoting John C. Whitehead, in Inc., August 1980, p. 16.

mony was given to Senate Small Business and Banking Committees on the problems of smaller enterprise with regard to capital formation and retention.¹¹ After months of hearings and investigations, a House small business subcommittee came to the conclusion that, indeed: "Capital is unavailable or too expensive, and action is needed to alleviate the problem."¹² Some of the questions posed to presidential and congressional candidates by The Voice of Small Business dealt with the issue of capital formation.¹³ But the 96th Congress left this crucial area "virtually untouched" and the NSB agenda for 1981 again stressed capital formation issues.¹⁴

Solutions to problems associated with capital, capital formation, capital investment, and capital recovery are found in tax policy recommendations. The various tax proposals advocated by corporate enterprise and the small business sector are discussed under the topic Fiscal Policy.

Economic forecasting is important to the business community. Sutton attributes the tremendous concern with forecasts as a recognition by business that fluctuations are

¹¹Voice of Small Business, April 1980, p. 4.

¹²Nation's Business, April 1980, p. 19.

¹³Voice of Small Business, October 1980, pp. 2, 7.

¹⁴Voice of Small Business, November/December 1980, p. 1.

outside its control, though much of the discussion is "in terms which are more expressive than analytically useful."¹⁵ Some of Fortune's forecasts of the U. S. economy in the 80s are based on a comprehensive review of general economic conditions. These forecasts discuss government policies in general terms such as this: "The overall effect of the federal budget" is expected to be "more restrictive" in 1981 than in the 1974-75 recession, because "the President's January budget signaled a new move toward restraint."¹⁶ In addition to the budget, interest rates, and inflation, consumer behavior and the Federal Reserve are common subjects in these forecasts. Other economic forecasts analyze pertinent aspects of a topic, including the specific effect of government policies. The "fast write-off," for example, is believed to be the curative for the automobile and steel industries, which may have to proceed with large capital spending regardless of current profitability.¹⁷

The Voice of Small Business introduced a monthly report which forecast economic conditions for a specific reason. NSB determined that small businesses are affected

¹⁵Sutton, *Ibid.*, p. 209.

¹⁶"A Deeper Recession and a Slow Recovery," Fortune, May 5, 1980, p. 41.

¹⁷"Favorable Omens for Capital Investment," Fortune May 5, 1980, p. 209.

by trends in the economy six months to one year before big companies are impacted. Government economic projections, based on large corporate enterprises, according to NSB fails to reflect the problems facing small business. It also does not anticipate improvements that occur earlier in the small business sector. The NSB Economic Outlook indicator is intended to show what that sector of the economy is experiencing.¹⁸ The single-number index is a composite of responses by NSB members to questions on twelve economic indicators.¹⁹

There appears to be some justification for the claim that trends in the economy are felt much earlier in the small business sector. In Fortune's forecast in January, for example, it looked as if the economy "will avoid a full recession;"²⁰ the NSB Index showed business owners believed the U. S. "is in a recession now."²¹ Fortune reported "signs of recession" in May; in the NSB Outlook Index business conditions were a "disaster" with predictions the

¹⁸Voice of Small Business January/February 1980,
p. 4.

¹⁹Voice of Small Business, November/December 1980,
p. 2.

²⁰Fortune, January 14, 1980, p. 7.

²¹Voice of Small Business, January/February 1980,
p. 4.

recession would worsen.²² In June, Enterprise reported that "the long awaited recession has begun,"²³ while the NSB Index dropped to the lowest level in a year and the forecast was "continued and deepening recession."²⁴ These forecasts by small business are corroborated by the bankruptcy rate for the first half of 1980. Bankruptcies, which are always considered "a good indicator of the nation's economic health," were up almost 35 percent the first twenty-four weeks, compared with the same period in 1979.²⁵

Small business felt the recession sooner, its impact was more damaging to that sector, and it was discussed more often in small business publications than in corporate business publications. Not once does Roundtable Report discuss the recession. Enterprise devotes one article to the subject. Fortune recognizes the problem in the second half of 1980, but its view contrasts sharply with the coverage given in the three small business publications. For example, Fortune describes the recession as "Washington Proof." Nothing that comes out of the capital is likely to affect the recession; it will simply run its course by the

²²Fortune, May 5, 1980, p. 41 and Voice of Small Business, May 1980, p. 2.

²³Enterprise, June 2, 1980, p. 9.

²⁴Voice of Small Business, June 1980, p. 2.

²⁵Inc., September 1980, p. 34.

end of the year.²⁶ Meanwhile, in a series of articles with the theme "The Recession Sinks In," Nation's Business delves into the plight of the U. S. automobile industry (Detroit: Surviving the Crash)²⁷, the housing industry, described as "falling to depression levels,"²⁸ and Small Business, which is seen as "Fighting to Stay Alive."²⁹ Furthermore, Nation's Business proposes ways to stop the recession.³⁰

The impact of the recession on the small business sector explains its reaction to downward economic conditions. As far as big business is concerned, in addition to being able to adjust more comfortably to an economic decline, something else explains its nonchalant attitude. Corporate enterprise views the recession as the contraction phase of a business cycle. Sutton mentions that the central question for the business creed is whether or not cycles are inherent in the System. Are fluctuations endemic to Capitalism, or are they caused by outside forces impinging on the System which, if left to itself, would be stable? If instability is inevitable and natural, Sutton says, it must

²⁶Fortune, August 25, 1980, p. 9.

²⁷Nation's Business, July 1980, pp. 25-29.

²⁸Nation's Business, July 1980, pp. 30-31.

²⁹Nation's Business, July 1980, pp. 33-36.

³⁰Nation's Business, July 1980, p. 80.

be argued that the advantages of the System are worth the price.³¹ Related to this theme is the view, held by Joseph Schumpeter and also the business creed, that cycles are "a necessary and functional concomitant of the economic progress capitalism brings." In the process of "creative destruction" inefficient producers are weeded out and progressive firms survive.³² Another theme in the business cycle view is that the economy, after the excesses of a boom, must make retribution. Painful adjustments are unavoidable and beneficial.³³ On the other hand, if outside forces are responsible for instability, then the main culprit is the government.³⁴ There is evidence that big business believes all these propositions.

Fortune's "Washington-Proof" view of the recession is a cycles-are-inherent-in-capitalism argument. Enterprise holds that same view. Not only does NAM's chief economist discuss "Business Cycles and The Inflationary Era",³⁵ he is encouraged "that political leaders finally appear willing to

³¹Sutton, Ibid., p. 210.

³²Ibid., p. 211.

³³Ibid., p. 212.

³⁴Ibid., p. 211.

³⁵Enterprise, November 1980, p. 28.

accept recession as a step toward curbing inflation."³⁶ Silk reports that there was explicit defense of hard times among the businessmen at the Conference Board discussions. Commenting on the economic decline that was going on at the time, "some businessmen hoped it would "restore sanity to the public and a renewed respect for the role of business." What these executives were far more concerned with was "the long-term economic viability of capitalism in the United States."³⁷

Inflation is a more important problem to big business: over 1100 square inches of space in their publications is devoted to the issue. "Chronic inflation at unprecedented levels" is seen as "a serious threat to the stability of our system."³⁸ Excerpted in Enterprise is the policy statement of a Committee to Fight Inflation which has a prestigious membership including W. Michael Blumenthal, C. Douglas Dillon, Henry H. Fowler, William E. Simon and George P. Shultz, former Secretaries of the Treasury; Paul W. McCracken, a former Council of Economic Advisors Chairman; Arthur F. Burns and William M. Martin, former Federal

³⁶"1980s-Getting Over The Hump," Enterprise, May 1980, p. 28.

³⁷Silk, p. 64.

³⁸"Declaring War on Inflation," Enterprise, November 1980, p. 5.

Reserve Chairmen, and congressional leaders. The statement urges prompt adoption of a program covering several areas. At stake is the survival of free competitive enterprise and our democratic institutions.³⁹

The small business community also shows serious concern about inflation. That sector's perspective on the problem, however, is associated with the short-term impact of inflation. Its solutions depend mainly on federal government fiscal programs, monetary policies, and regulatory reform. Wage and price controls as a cure for inflation are rejected,⁴⁰ while the remedy to control federal payments fueled by the consumer price index is favored.⁴¹ Many of the positions taken by small business on these matters conform, or are similar, to those taken by big business. The corporate business perspective on inflation, however, goes beyond diagnosing fiscal, monetary, and regulatory mismanagement by government and exploring cures.

Fortune gives the argument made by some political economists that democracy itself is largely to blame for the economic troubles afflicting the leading industrial nations. It is claimed that "some of the directions democratic poli-

³⁹Ibid.

⁴⁰Barry Crickmer, "An Answer: Control the Uncontrollables," Nation's Business, April 1980, p. 73.

⁴¹Ibid., p. 70.

tics have taken in recent years have generated a powerful new inflationary force" and "once inflation is raging, popularly elected governments cannot stick long enough with stern measures needed to restore stability."⁴² The "virulence of the current inflation" in the United States has its roots in the revolutionary War on Poverty and Great Society legislation. They immersed the government more deeply in the business of distribution which, until then, had largely been the function of the market.⁴³ The various groups deemed "deserving of public help" grew in number. These interest groups, the argument continues, became more influential as congressional leadership declined. It is the injurious pressures and power of interest groups that must be curbed. Some demands have to be turned down by Congress.⁴⁴

In a similar vein, David Rockefeller in Enterprise argues that "inflation is the result of the socio-political process."⁴⁵ Though no one group is to blame for the huge rise in government spending and the subsequent deficits, if

⁴²Robert Lubar, "Making Democracy Less Inflation Prone," Fortune, September 22, 1980, p. 78.

⁴³Ibid., p. 80.

⁴⁴Ibid., p. 86.

⁴⁵David Rockefeller, "Inflation-We Have Reached The End of The Line," Enterprise, December 1980, p. 12.

the headlong expansion of government benefits continues it will be impossible to control inflation."⁴⁶

Silk finds the same kinds of ideas among the executives at the Conference Board sessions. He comments: "While the critics of business worry about the atrophy of American democracy, the concern in the nation's boardrooms" is that "democracy in America is working all too well."⁴⁷ The central drama of contemporary politics is the "rising tide of entitlement" and the rapidly growing role of the state in attempting to supplement the economic wants of citizens that are unmet in the marketplace is the greatest threat to the free enterprise system.⁴⁸ Bigger government spending "will breed endless inflation and wreck the capitalist system."⁴⁹

One connotation in these complaints by big business is the perennial fear of the domination of the popular will. Bunzel argues that the "traditional fear of the government on the part of big businessmen reflects in many important respects more of an anti-Populist point of view rather than a strictly antigovernmental one."⁵⁰ The infla-

⁴⁶Ibid.

⁴⁷Silk, p. 43.

⁴⁸Ibid., p. 58.

⁴⁹Ibid., p. 60.

⁵⁰Bunzel, p. 156.

tion-democracy thesis fits well with Bunzel's argument.

Another problem of the general economy which is identified by corporate business and small enterprise is declining productivity. Looking at the general economy, Enterprise stresses a theme of industrial revitalization throughout 1980. Industrial revitalization is based on five basic goals which are set by NAM to make industry more productive. The program calls for sound fiscal policy, capital formation, productivity (economic policies to enhance industrial growth), increasing our strength in foreign competition, and regulatory reform.⁵¹ In the small business sector, the White House Commission on Small Business also came to the conclusion that productivity is a key problem.⁵² Nation's Business cites the major influences on the drop in productivity; capital formation and allocation, energy costs, changes in the labor force, and government regulation.⁵³

In addition to declining productivity and the need for reindustrialization, the business community recognizes a decline in U. S. industrial competitiveness. Big business

⁵¹John A. Fisher, "A More Productive Society to Benefit All," Enterprise, February 1980, pp. 2-5.

⁵²Voice of Small Business, May 1980, p. 2.

⁵³Barry Crickmer, "We Can Revive Productivity," Nation's Business, October 1980, p. 64.

especially is concerned about a lag in industrial innovation. Enterprise says bringing new discoveries to market "has been blunted by long years of counter-productive tax policy, regulatory excess and attrition of patent protection."⁵⁴ Inc. agrees that "government policies and a hostile economic environment take most of the blame for declining industrial innovation."⁵⁵ In general, both business sectors approve of the initiatives announced by President Carter to address such areas as the patent system and federal regulation.⁵⁶ But agreement within the business community on solutions to improve the climate for innovation may be more apparent than real. An Inc. article implies that antitrust protection is the important need of small business. The article makes the charge that incentives to innovate by smaller companies is sometimes chilled by a giant company. Small companies lose incentive if, after having developed a new product, an industry leader enters the market and attracts sales that would have gone to them. IBM, with its vast marketing strength and its reputation for excellence in the computer industry, by simply announcing it

⁵⁴A. L. Bolton Jr., "NAM Blueprint for Industrial Innovation," Enterprise, May 1980, p. 12.

⁵⁵Inc., October 1980, p. 41.

⁵⁶A. L. Bolton Jr., p. 12 and Nation's Business, February 1980, p. 17.

will introduce its own color terminal, can dry up sales for its smaller competitors. Though small business is wary of attempts to limit corporate growth, and despite the fact that antitrust laws may be offensive, it is unacceptable to hold innovation hostage by the size and practice of a single firm.⁵⁷

Fiscal Policy

This is an issue area where lines are clearly drawn between the two business sectors. Not only is there a difference in the degree of concern with the national budget and federal spending, but the subject of taxation shows a divergence of interest.

In articles throughout 1980 big business refers to the importance of controlling federal spending in order to achieve the goal of a balanced budget. This sector prefers to limit federal expenditures rather than mandating a balanced budget or limiting taxation, because it would reduce the role of government in the economy, eliminate inflationary pressures which are caused by budget deficits, and lead to tax reductions.⁵⁸ A constitutional amendment to

⁵⁷Terence D. Hughey, "Should the Big Guys Write The Rules of the Innovation Game?", Inc., February 1980, p. 16.

⁵⁸Cliff Massa III, "Time for Bold Action Against Spending," Enterprise, April 1980, p. 9.

limit spending is supported by NAM⁵⁹ and is mentioned in an article in Fortune,⁶⁰ but the most consistent support by big business is for a legislative remedy to limit federal expenditures. The big business sector backs and advocates passage of a specific bill.⁶¹

Concrete measures concerning the budget and federal spending do not get support from small enterprise. There is concern about the budget deficit,⁶² but one does not find much space devoted to discussion of possible remedies. There are two such instances. The White House Conference on Small Business recommended that the federal budget be balanced by limiting federal spending to a fixed percentage of the gross national product,⁶³ and Nation's Business surveyed business executives on the question of limiting spending by

⁵⁹John W. Fisher, "A More Productive Society to Benefit All," Enterprise, February 1980, p. 3.

⁶⁰Everett Carll Ladd, "How to Tame The Special Interest Groups," Fortune, October 20, 1980, p. 80.

⁶¹HR5371, amending the Congressional Budget Act, which provides for restraints on government spending at twenty-one percent of gross national product in fiscal year 1981 and twenty percent thereafter. Roundtable Report, January 1980, p. 2 and May 1980, p. 2, and Enterprise, April 1980, pp. 8-9 and May 1980, p. 24.

⁶²"Doubtful Assumptions Fashion 1981 Budget," Nation's Business, March 1980, pp. 42-44, and Nation's Business, June 1980, p. 7.

⁶³Voice of Small Business, January/February 1980, p. 4.

constitutional amendment or legislation, as well as limiting taxation by law. The results of the survey are reported in the magazine.⁶⁴

While small business may peruse the budget and federal spending issues, the tax side of fiscal policy is of more concern to that sector. Their emphasis on taxation would be expected. Compared with the general effect of a balanced budget and federal spending, taxes have a direct impact on a business. Corporate business is not always interested in the same taxes that are important to small business. Furthermore, what one sector proposes relative to tax reform may be incompatible with what the other sector favors. Depreciation reform is one example.

Reform of the nation's depreciation laws was a tax reduction issue high on the agenda of the entire business community. Capital formation and capital investment, it is argued, depend on favorable depreciation laws. A bill then before Congress,⁶⁵ with over three hundred members of the House and fifty-five Senators as cosponsors, was backed by a majority of both large and small business groups.⁶⁶ There was considerable anxiety about keeping all the business

⁶⁴Nation's Business, April 1980, p. 53.

⁶⁵The Capital Cost Recovery Act - HR4645, S. 1435.

⁶⁶Roundtable Report, August 1980, p. 1.

groups in line, since unified support of the bill was attracting legislators to it. NAM thought chances were good for passage of the Capital Cost Recovery Act if there was no breakdown in the business community on that particular approach to depreciation.⁶⁷ Nevertheless, NSB broke ranks, exposing sharp division over the legislation. In testimony before a subcommittee of the Senate Finance Committee, a representative of NSB's affiliated Small Business Legislative Council (SBLC) argued that the design of that tax bill would "speed the extinction of small business."⁶⁸ The complaint against the Capital Cost Recovery Act was that it would primarily benefit the 2000 largest firms, enabling them "to compete even more vigorously with small business."⁶⁹ When alternative legislation was introduced, tilting depreciation rules to favor small companies,⁷⁰ there was opposition from the corporate sector.⁷¹ The disagreement over these legislative proposals reflects the fact that the needs of one sector are basically antagonistic to the needs of the other sector.

⁶⁷Enterprise, February 1980, p. 27.

⁶⁸Inc., January 1980, p. 18.

⁶⁹Voice of Small Business, June 1980, p. 3.

⁷⁰Small Business Capital Incentive Act, HR6617.

⁷¹"Tax Cut? Big Business Says It's All Or Nothing," Inc., July 1980, p. 19.

Another tax issue that divided the business community in 1980 was a proposal in the Administration's plan for reindustrialization--the refundable Investment Tax Credit (ITC). NAM and Fortune argue against ITCs, which NAM views as "tax subsidies" and which Fortune fears "would convert huge chunks of American business into welfare cases."⁷² NSB, on the other hand, favors the plan whereby firms with tax credits in excess of tax obligations would receive a refund of the unused portion of the ITC.⁷³

How each sector would be affected by a Value Added Tax (VAT) is not clear to the business community. Nevertheless, the introduction of a bill to change the federal tax structure, imposing a VAT,⁷⁴ was viewed favorably by NAM, while small business was skeptical. NAM did not advocate the bill or the tax, but the association supports the effort to focus public discussion on the need to shift direction of federal tax policy to a consumption based system.⁷⁵ Again, big business approaches an issue in terms

⁷²"'No Thanks' to Tax Credits' - A Hard But Sensible Choice," Enterprise, September 1980, pp. 18, 19 and Fortune, September 22, 1980, p. 73.

⁷³"NSB Convinces the White House of The Importance of Small Business," Voice of Small Business, September 1980, p. 3.

⁷⁴Tax Structuring Act, H5665, introduced in 1979 by Rep. Al Ullman, Chairman Ways and Means Committee.

⁷⁵Enterprise, January 1980, p. 20.

of a whole system. NSB perceives the issue narrowly, in terms of the procedural effects of the tax, not its substance. NSB stresses that a VAT would create a paperwork burden which would be pressing for all small business.⁷⁶ Inc. claims it "would unleash a vast new federal tax machinery on small business."⁷⁷

In addition to areas of disagreements, each business sector focuses on its special tax concerns. Corporate business debates state taxation of foreign-source income,⁷⁸ foreign tax credits affecting multinationals,⁷⁹ and Cash Management Initiatives (an Administration proposal regarding estimated tax payments and accelerated payments of employee withholding and social security taxes).⁸⁰ But big business shows no interest in the tax issue which was the top priority of the White House Conference on Small Business--a more graduated corporate income tax.⁸¹ The issue remained on the

⁷⁶Voice of Small Business, January/February 1980, p. 2.

⁷⁷"The VAT Cure: Can Small Firms Stand the Side Effects," Inc., January 1980, p. 15.

⁷⁸Roundtable Report, May 1980, p. 2, Fortune, June 30, 1980, pp. 96-98, and Enterprise, January 1980, p. 21.

⁷⁹Enterprise, January 1980, p. 20.

⁸⁰Roundtable Report, May 1980, p. 1 and Enterprise, April 1980, p. 25.

⁸¹Voice of Small Business, January/February 1980, p. 1.

small business political agenda for the 97th Congress.⁸² In addition to favoring a more graduated corporate income tax, small enterprise lobbies for estate tax law revision to encourage the continuity of family business ownership,⁸³ deferral of capital gains taxes for roll-over of small business investments, and tax credits for small business investments.⁸⁴ They want a new equity-type security, a Small Business Participating Debenture.⁸⁵ There is interest in a bill which would increase the amount of used capital equipment eligible for an investment tax credit⁸⁶ and NSB presses for a return to the "no-strings" general jobs tax credit program.⁸⁷ The small business tax agenda is long and varied. NSB insists that existing tax laws are discriminatory; only large corporations can afford to use the exclusions, incentives, and write-offs.⁸⁸ But these complaints,

⁸²"The Small Business Quest for Relief," Nation's Business, December 1980, p. 38.

⁸³Family Business Protection Act of 1980, S. 2220. Nation's Business, December 1980, p. 38, Voice of Small Business, March 1980, p. 4, and Voice of Small Business, August 1980, p. 3.

⁸⁴Voice of Small Business, January/February 1980, p. 1.

⁸⁵Ibid.

⁸⁶Voice of Small Business, June 1980, p. 3.

⁸⁷Voice of Small Business, August 1980, p. 2.

⁸⁸Ibid., p. 1.

as well as the arguments made by big business, are remarkably similar to those noted by Bunzel and Sutton.

Bunzel, for instance, reports resentment over the failure to graduate corporate income taxes and that the 1954 Internal Revenue Code allowed "more rapid depreciation of new machinery, but not of the used machinery which small business tends to buy." Restricted stock options and pension plans to supplement after-tax pay of top management are of value to huge corporations, as is the write-off for advertising. Small business complains "that such tax revision as has taken place favors big business more than small and consequently accentuates its unequal market position."⁸⁹ Sutton meanwhile notes the creed's claim that high income taxes are harmful because they restrict the supply of capital available for risky investment. High corporate income taxes cut into the supply of capital available in the shape of retained earnings, also resulting in a reduction in private investment, thus threatening the growth of the economy.⁹⁰

Monetary Policy

One does not find in the monetary arena the extensive lobbying that occurs in fiscal affairs. Business is

⁸⁹Bunzel, pp. 51-52.

⁹⁰Sutton, p. 19.

much more passive in this subject area, and very few issues are discussed. NAM's chief economist asserts that monetary policy "will determine the economic future for all of us and everything else is secondary." But his advice to readers is merely to keep an eye on the actions of the Federal Reserve System.⁹¹ A Credit Copntrol program implemented by the Federal Reserve Board, under Presidential authorization, generates unusual negative reaction in the entire business community. Each sector responds as expected. In an article in Enterprise, Senator William L. Armstrong discusses why he introduced legislation to repeal the Credit Control Act of 1969. The Act mistakenly permits the Federal Reserve Board to fight inflation with credit control. Powers given to the Federal Reserve Board are broad enough to take the freedom out of free enterprise. Credit control, the Senator points out, also harms small firms which do not have access to alternative forms of credit.⁹² In other words, there is a universal need to repeal the Credit Control Act. Small business is critical of credit restrictions because they are more problematic for them than for corporations.⁹³ To ease

⁹¹George Hegedorn, "Monetary Policy in 1980- The Fed Will Provide the Main Show," Enterprise, February 1980, p. 28.

⁹²Senator William L. Armstrong, "Why The Credit Control Act Should Be Repealed," Enterprise, September 1980 pp. 10-12.

⁹³Nation's Business, May 1980, p. 83.

the harsh effects of credit restraints which were imposed for a short period, small business seeks a remedy for small business. NSB proposes a special "two-tier" discount rate to make money available for loans to small business. The adoption of their recommendation by the Federal Reserve Board is a "victory."⁹⁴

Federal Government Administration

Notwithstanding Parkinson's Law - that the number of civil administrators is bound to grow - the material surveyed shows less concern with the size and operation of the federal government than one might expect. There is modest interest in a Business-Government Executive Exchange Program,⁹⁵ but the bureaucracy is not an all-consuming issue. There are few instances of "anti-bureaucracy" complaints. Fortune mocks the possible expansion of a cabinet agency with the advent of a consumer advocacy program.⁹⁶ Nation's Business deplores the changing policies and other negative effects of government reorganization.⁹⁷ Enterprise (Small/

⁹⁴"The Federal Reserve Accepts NSB Proposal for Small Business Lending," The Voice of Small Business, May 1980, p. 1.

⁹⁵Roundtable Report, March 1980, p. 3. and Michael Thoryn, "Business-Government Executive Exchange Program: How the Other Half Works," Nation's Business, November 1980, pp. 65-67.

⁹⁶Fortune, March 10, 1982, pp. 43-44.

⁹⁷Michael Thoryn, "The Turnover Two-Step," Nation's Business, March 1980, p. 74.

Medium Business Section) objects to a bill which would expand the bureaucracy and at the same time deprive small business of opportunities for federal contracts.⁹⁸ Here the issue of the growth of the bureaucracy is less important than the question of federal procurement. Participation in federal contracting of goods and services is a distinct item on the small business political agenda. Several examples make the point. While the use of procurement as a "social tool" is not a laudable objective in a Fortune article,⁹⁹ Inc. notes disappointment in the small business sector with the amount of goods and services purchased by the national government in fiscal year 1980.¹⁰⁰ Inc. also discusses the illegality of contracts awarded to large companies which should have been set-aside for small firms,¹⁰¹ as well as the findings of a Small Business Administration task force which show that the government itself competes

⁹⁸HR4717 would raise or lower the personnel ceiling of Federal agencies depending on whether they let contracts out or worked on the projects with their own staff. "How to Bloat the Bureaucracy," Enterprise, July 1980, p. 16 and "Small Business Beware," Enterprise, October 1980, p. 15.

⁹⁹William G. McDonald, "Welcome to Washington, Reagan Man," Fortune, December 15, 1980, p. 101.

¹⁰⁰Isiah J. Poole, "U. S. Misses Its Small Business Purchase Goals," Inc., December 1980, p. 20.

¹⁰¹Inc., February 1980, pp. 60, 62.

with small private companies.¹⁰² Nation's Business notes objections to a proposed change in General Services Administration purchasing methods which would reduce the number of small business suppliers.¹⁰³ And there is a news item about the Agency for International Development wanting "to award more contracts to small and minority firms."¹⁰⁴ One source of the emphasis on government performance in contracting with small companies is a 1978 amendment to the Small Business Act which mandates procurement goals by all Federal agencies.¹⁰⁵ However, the issue of federal expenditures benefiting small enterprise is not a recent one. Bunzel noted the problem in connection with defense spending. According to Bunzel, SBA contracts which had been set-aside for small firms, and a voluntary sub-contracting program undertaken by major corporations, still left the small business sector disadvantaged.¹⁰⁶

¹⁰²Inc., June 1980, pp. 27-28. Also Nation's Business, April 1980, p. 5.

¹⁰³Nation's Business, September 1980, p. 7.

¹⁰⁴Nation's Business, January 1980, p. 15.

¹⁰⁵Public Law 95-507, October 24, 1978.

¹⁰⁶Bunzel, pp. 43-45.

CHAPTER IV

GOVERNMENT REGULATIONS, ENERGY AND NATURAL RESOURCES, INDUSTRIAL RELATIONS, AND INTERNATIONAL TRADE AND FINANCE

Government Regulations

By measures of total space and the number of sub-topics, government regulation is a very high priority of the entire business community. Sixteen percent of the space in the corporate publications is devoted to discussions of regulations (Table 1), and seventeen percent of the space in small business publications is devoted to this subject (Table 2). The pervasiveness of this subject area is due to the business community's immediate concern with substantive regulation. This research, however, also identified a vigilance and scrutiny of the structural and procedural aspects of how the government regulates. A third motivation is the liberal capitalist ideology and the business community's ideological allegiance to free enterprise. There is a stability in the arguments made by business; economic freedom is extolled and government interference is condemned. Similar views are found in the studies of Sutton and Silk, Bunzel and Murphy.

The American Business Creed argues that the great achievements of American capitalism are due to the unique

American version of free enterprise and limited government.¹ The Creed claims that great material benefits result from a political structure based on the principle of individual liberty and freedom. The fundamental freedom, according to the creed, is the "liberty to engage in economic activity without government regulation, direction, or control."² The corporate executives studies by Silk insist that regulations "threaten the functioning of a 'free' economy and its ability to innovate and respond rapidly and creatively to economic opportunities."³ Though new regulation of private economic activity are of particular concern, corporate executives in long-regulated industries continue to resent the interference. Silk quotes one executive: "'We have been regulated for nearly one hundred years, and we have never gotten used to being told how to run our business.'"⁴

From this strong conviction that free enterprise is a system that gives anyone a chance to move up the economic ladder, the small businessman believes the "freest economy and the most democratic society" promotes "a maximum of

¹Sutton, p. 26.

²Ibid., pp. 168-169.

³Silk, p. 52.

⁴Ibid., p. 53.

independence and a minimum of centralized power."⁵ "Except for specific self-serving purposes", Bunzel says small businessmen are "strenuously opposed to government regulation and control of almost any kind."⁶ If antitrust laws are restrictive to the giant corporations, from the point of view of small business, they are the bulwark of the free enterprise system.⁷ Murphy notes that "the growth of government regulations runs contrary to the American ideology of limited government."⁸ He points out that "property retains the traditional capitalist meaning for the small business entrepreneur", that is, "a tangible material possession which makes the entrepreneur's labor productive."⁹ The trouble is the regulatory state dictates the use and development of the entrepreneur's property.¹⁰ In fact, the regulatory state is the biggest challenge to overcome in the operation of small business.¹¹

The two business sectors give much attention to

⁵Bunzel, pp. 197-198.

⁶Ibid., p. 176.

⁷Ibid., p. 260.

⁸Murphy, p. 248.

⁹Ibid., p. 53.

¹⁰Ibid., p. 54.

¹¹Ibid., p. 248.

regulatory reform, and they agree on many measures. But the similarity of their views on specific reforms is not an accurate indication of their objectives. Corporate business consciously pursues comprehensive reform, with the executive, legislative and judicial bodies all playing important roles in the regulatory process. The Business Roundtable succinctly articulates the goal: "the regulatory agencies" (independent, as well as executive agencies) "would be brought under the effective control of the other three branches."¹² The "generic" regulatory reform program outlined by a Business Roundtable task force before a House Judiciary Subcommittee begins with the endorsement of a bill which would institute economic analysis of major rules to be promulgated by regulatory agencies.¹³ Big business wants the benefits of regulations measured against the costs. They would have economic analysis of rules subject to judicial review. Strict judicial review of agency activities is also sought in the elimination of the presumption of validity accorded to agency actions.¹⁴ Another recommendation is that monitoring and oversight of Federal regulatory agencies be centered in the "Office of the President."¹⁵ NAM and the

¹²Business Roundtable, July 1980, p. 2.

¹³Ibid., March 1980, p. 1.

¹⁴Ibid.

¹⁵Ibid., p. 2.

Business Roundtable lobby for additional congressional responsibilities in reducing the authority of agencies. "Sunset" legislation for agencies and programs¹⁶ and "Sunrise" legislation¹⁷ are supported. NAM "urges the adoption of the legislative veto."¹⁸ These recommendations are carried to the legislature and the Executive. Plans are made to provide President elect Reagan with suggestions for a 1981 Executive Order on Regulation, as well as regulatory reform agenda.¹⁹

A substantially different approach to regulatory reform is promoted in an article in Enterprise. The proposal is interesting for the exercise of power it delegates to the courts. Returning to the Sherman Antitrust type of regulation, their approach is to regulate by statutes "which prohibit or require certain conduct and are enforced directly in court proceedings."²⁰ Under the present arrangement, the rules and regulations issued by a host of agencies on the basis of the conduct of another company, or the hypo-

¹⁶Enterprise, February 1980, p. 5 and Business Roundtable, January 1980, p. 4.

¹⁷Enterprise, February 1980, p. 5.

¹⁸Ibid.

¹⁹Roundtable Report, December 1980, p. 3.

²⁰Enterprise, November 1980, pp. 18-19.

thetical conduct of a hypothetical company, apply to all companies. This means of enforcement, the author claims, sweeps the good and the bad together. The alternative, "government regulation through statutes which are enforced in judicial proceedings," permits each company to be judged "on its own facts before a court of law."²¹

There are periods and episodes when the courts do look kindly on business interests, and the famous "benzene case"²² is encouraging to big business in the 1980 environment. In a challenge to OSHA (an agency established over industry protests)²³, this case concerned the issue of the permissible level of benzene in the air at a workplace, and the costs and benefits of rules. The "eminently logical criterion" set by the circuit court, and affirmed by the Supreme Court, is that an agency does have to determine whether the benefits expected from a standard are reasonable to the costs.²⁴

Small business is less sanguine than big business

²¹Ibid.

²²Industrial Union Dept. AFL/CIO v. American Petroleum Institute et al 448 U. S. 607.

²³James Q. Wilson, ed., The Politics of Regulation, cited by Michael Andrew Scully, "Trying to Make Sense of Regulation," Fortune, August 25, 1980, p. 95.

²⁴Michael Andrew Scully, "Trying to Make Sense of Regulation," Ibid.

about judicial involvement in the regulatory process. An Inc. article warns of a trend in recent decisions in anti-trust cases that does not bode well for small business. The author notes "a trend in monopoly law spurred by a hostile judiciary and influential academicians." His message is that antipathy toward government regulation should not blind small business to the benefits of vigorous antitrust enforcement.²⁵

One issue shows small business hesitancy to resort to the courts, as well as an area where big business and small business are incompatible. When industry standard setters and their larger clients objected to Federal Trade Commission guidelines regulating four hundred standard-setting groups, Congress threatened to strike down the agency's authority in this area. Small business objected. Smaller more innovative firms which find product standards nothing more than protection for the competitive positions of larger, more established companies, would be left with no ombudsman. "The only recourse would be the courts" says one defender of small R & D firms, "and how many small business do you think can afford that?"²⁶

²⁵Thomas A. Mauro, "U. S. Needs More Not Less Enforcement of Antimonopoly Laws," Inc., July 1980, p. 14.

²⁶Inc., May 1980, p. 29 and Pat O'Brien, "Taming the FTC: Small Business May Lose Its Watch Dog," Inc., February 1980, p. 18.

The financial burden of "going to court" to contest government regulation is serious for smaller firms. The White House Conference on Small Business dealt with the problem and recommended court-cost reimbursement if a company wins a case with a government agency.²⁷ The NSB calls passage of the Equal Access to Justice Act a victory: it provides for repayment of court and attorney fees to small businesses who prevail in legal action against the government.²⁸

The principle of special treatment for small enterprise is sought in other regulatory reform proposals. A two-tier regulatory system has been advanced by NSB since 1973.²⁹ At first, under a presidential executive order, executive departments and agencies were required to adopt flexible regulation. In 1980 the obligation was extended to independent regulatory agencies with passage of the Regulatory Flexibility Act. The Act required agencies to analyze the impact of a proposed rule on small firms and it asks regulators to adjust the rule to the size of companies

²⁷The Voice of Small Business, January/February 1980, p. 4.

²⁸The Voice of Small Business, November/December 1980, p. 3.

²⁹The Voice of Small Business, October 1980, p. 1, also April 1980, p. 3; June 1980, p. 1; July 1980, p. 3; and September 1980, p. 3.

affected.³⁰

The issue of patent reform, also debated in 1980, is another example of the separate treatment sought by the small business sector. Debates about restrictions of the patent system stress the effects on business innovation and productivity. The business community argues for retaining exclusive rights to develop inventions discovered through federally financed research. Without exclusive rights to the patents, according to this argument, investments in new products are unattractive. NAM is in favor of the ideas of exclusive rights, but is against "treating small and large businesses differently in federal patent policy."³¹ On the other hand, NSB directs its efforts towards a small business patent policy reform bill. The association reports "another important victory" when the University and Small Business Patent Procedures Act clears congress.³²

Unlike differing attitudes toward court involvement and the small business sector quest for special treatment, there is some evidence that the small business community

³⁰Susan J. Duncan, "Congress Asks Agencies to Spare Smaller Firms," Inc., December 1980, p. 21.

³¹Enterprise, August 1980, p. 24.

³²The Voice of Small Business, November/December 1980, p. 3. Also see The Voice of Small Business, March 1980, p. 4; April 1980, p. 4; July 1980, p. 3; October 1980, p. 1; and Inc., July 1980, p. 29 and November 1980, pp. 34-36.

agrees that Congress should participate in the regulatory process. Sunset review of agencies, programs, and regulations, as well as single-house congressional veto of rules are among the recommendations of the White House Conference on Small Business.³³ The minimal discussion of these issues in the publications,³⁴ however, would indicate that they are not priorities for small business.

From the debates on specific government regulations, it is clear that some issues are not important to both business sectors. In addition, regulation may be equally important to large corporations and to small enterprise, but the two sectors may be concerned about different aspects of the problem. Corporate business tends to view regulations in a system-wide context, while small business concentrates on the specific part of an issue which directly relates to that sector. A few examples illustrate these points.

There is consistent opposition to wage and price controls or guidelines in the publications of corporate enterprise. In a letter to the President, the Business Roundtable recommends ending wage and price guidelines.³⁵ Enterprise crusades against controls calling an incomes

³³The Voice of Small Business, January/February 1980, p. 4.

³⁴Nation's Business, March 1980, p. 28.

³⁵Business Roundtable, July 1980, p. 1.

policy a mirage,³⁶ puncturing the claim that wage/price controls are needed,³⁷ and argues that "Controls Cut Jobs, Not Inflation."³⁸ Articles in Nation's Business show a negative attitude towards controls,³⁹ but neither The Voice of Small Business nor Inc. mention the issue. Such one-sided emphasis is reversed in other policy areas. OSHA issues (for example, exemptions from inspections) are concentrated in the small business publications.⁴⁰

Environmental concerns get attention in both groups of publications, but corporate enterprise and small business are interested in different aspects of environmental regula-

³⁶George Hagedorn, "Perpetual Motion, Incomes Policy and Other Mirages," Enterprise, December 1980, p. 28.

³⁷George Hagedorn, "Puncturing the Claim That We 'Need' Wage/Price Controls," Enterprise, April 1980, p. 28.

³⁸Stuart Butler, "Controls Cut Jobs, Not Inflation," Enterprise, May 1980, pp. 8-9. Also see Enterprise, April 1980, p. 25; Enterprise, June 1980, p. 24; "Wage-Price Standards: Enough is Enough," Enterprise, August 1980, pp. 22-23.

³⁹Nation's Business, March 1980, p. 8, Nation's Business, May 1980, p. 18, and E. Scheuttlinger, "Wage/Price Controls: Forty Centuries of Solid Failure," Nation's Business, May 1980, pp. 36-38, 43.

⁴⁰Nation's Business, March 1980, p. 7; Nation's Business, March 1980, p. 19; "Will Reform Be The Death of OSHA," Nation's Business, April 1980, pp. 55-58; Nation's Business, June 1980, p. 7; Nation's Business, November 1980, p. 7; Nation's Business December 1980, p. 17; Inc., March 1980, p. 22; Inc., June 1980, p. 52; Inc., July 1980, p. 24; The Voice of Small Business, April 1980, p. 2; The Voice of Small Business, July 1980, p. 4; and The Voice of Small Business, November/December 1980, p. 2.

tion. Enterprise reprints a corporate report on the cost of a clean environment and asks "How Clean an Environment Can We Afford?"⁴¹ NAM urges the building of regional waste water treatment plants and repeal of industrial cost recovery provisions.⁴² The Business Roundtable encourages industry to support a House of Representatives measure rather than a Senate bill on Toxic Waste Cleanup,⁴³ and reports that Roundtable studies show changes are needed in the Clean Air Act to serve air quality objectives and economic priorities.⁴⁴ With few exceptions, small business publications discuss environmental matters in terms of compliance with Environmental Protection Agency rules. Typical are items about the complexity of rules for handling hazardous industrial waste,⁴⁵ the red-tape headache expected with labeling and record-keeping rules,⁴⁶ and the short period for exemptions from EPA waste rules.⁴⁷ One company's financial success by early compliance with stricter EPA rules is the

⁴¹Enterprise, November 1980, pp. 8-11.

⁴²Enterprise, May 1980, p. 24.

⁴³HR 7020, Roundtable Report, August 1980, p. 4.

⁴⁴Roundtable Report, December 1980, p. 1.

⁴⁵Nation's Business, June 1980, p. 8.

⁴⁶Nation's Business, October 1980, p. 5.

⁴⁷Inc., July 1980, p. 23.

focus of an article on "Staying Ahead of the Regulation Game."⁴⁸ In contrast with the corporate approach, environmental affairs are addressed in a narrow subjective context.

The same pattern emerges in other issues. Fortune complains about "The \$50 Billion That IRS Isn't Collecting" because the agency is not run in a more businesslike way,⁴⁹ while the small business community opposes an IRS Debt/Equity Proposal which would "effectively kill" small business financing opportunities.⁵⁰

What results from their different emphasis on regulation are few areas of direct conflict between the two business sectors. Trucking deregulation, however, is a case of big business and small business pitted against each other. On this issue their positions are incompatible. To bring competition back into the trucking industry The Motor Carrier Reform Act of 1980 was introduced to Congress. Provisions easing motor carrier entry into the market and removing antitrust immunity of the motor carrier rate bureaus

⁴⁸Peter Reich, "Staying Ahead of The Regulation Game," Inc., April 1980, pp. 92,94.

⁴⁹Lee Smith, "The \$50 Billion That IRS Isn't Collecting," Fortune, March 10, 1980, pp. 76-82.

⁵⁰The Voice of Small Business, July 1980, p. 2 and The Voice of Small Business, September 1980, p. 4. Also see Nation's Business, August 1980, p. 21 and Royal Little, "Dear IRS: Do You Really Want to Kill Off Small Companies?," Inc., pp. 18, 20, 23.

would allow greater competition in trucking.⁵¹ Though small business supported the overall effort to deregulate the industry, an amendment to the trucking deregulation bill was strenuously opposed. The "backhaul" provision, allowing for customer pick-up of goods from a seller at "special discriminatory prices," is viewed as an erosion of small business protections of the Robinson-Patman Act. (Robinson-Patman prohibits a seller from giving large volume buyers pricing breaks that are not cost-justified.) Concerned that all retail business would have a severe competitive disadvantage with "backhaul," NSB lobbies against the amendment. When the Act is passed, NSB wants small business to "fight back."⁵²

Past studies of business ideology have found a commitment to the general idea of free enterprise. It should follow that any regulation would be opposed as interference with economic freedom, but as James Q. Wilson's The Politics of Regulation argues, generalizations are not eas-

⁵¹Sen. Bob Packwood, "On the Road: Getting Competition Back Into Trucking," Enterprise, April 1980, pp. 10-11.

⁵²The Voice of Small Business, April 1980, pp. 1, 4; The Voice of Small Business, May 1980, p. 1; and The Voice of Small Business, July 1980, p. 2, and Nation's Business, August 1980, p. 20.

ily applied to regulatory behavior.⁵³ These observations confirm the business ideology studies and Wilson's conclusions.

Energy and Natural Resources

Energy and Natural Resources are important topics to large companies. This is shown first, by the broad coverage given these subjects in Enterprise, Roundtable Report, and Fortune and, second, because they are mentioned in the significant statements of the big business sector. For example, in announcing its five-point industrial revitalization program, NAM also makes a commitment to promote legislation for adequate energy-producing resources.⁵⁴ The objectives of the NAM program basically comprise the Association's political agenda and, indeed, Republican and Democratic party platform writers are asked to adopt the program. Enterprise asks the Presidential candidates how they would deal with the nation's energy problems.⁵⁵ And Business Roundtable's "Real Business Agenda" asserts that in the 1980s "our economic survival will depend on our success in

⁵³James Q. Wilson, ed., The Politics of Regulation, cited by Michael Andrew Scully, "Trying to Make Sense of Regulation," Fortune, August 25, 1980, p. 95.

⁵⁴John W. Fisher, "A More Productive Society to Benefit All," Enterprise, February 1980, p. 5.

⁵⁵Enterprise, October 1980, pp. 2-12.

solving the energy problem.⁵⁶

In contrast to corporate business, the major papers or statements in the small enterprise publications show no concern about the subject. Nothing in the recommendations of the White House Conference on Small Business deals with energy or natural resource policy, program, or legislation.⁵⁷ Among the pre-election questions addressed to presidential candidates by NSB, none were about the national energy problems.⁵⁸ The subject is also absent in the lobby group's testimony before the Republican Party Platform Hearings.⁵⁹ The content of The Voice of Small Business and Inc. give the topic slight attention. The Voice of Small Business briefly informs NSB membership of the availability of small business energy grants,⁶⁰ while one news item in Inc. discloses a trend in Department of Energy procurement and research which hurts small solar companies.⁶¹ Nation's Business does not give these issues such short shrift: it

⁵⁶Roundtable Report, April 1980, p. 3.

⁵⁷The Voice of Small Business, January/February, pp. 1, 4.

⁵⁸The Voice of Small Business, October 1980, pp. 2-6.

⁵⁹The Voice of Small Business, June 1980, p. 2.

⁶⁰The Voice of Small Business, July 1980, p. 4.

⁶¹Inc., November 1980, p. 22.

has a series of articles on nuclear energy,⁶² solutions to the energy crisis,⁶³ solar power,⁶⁴ and the dangers of United States dependency on foreign sources for nonfuel minerals.⁶⁵

When big business publications cover energy and natural resources, the debates are purposeful. They try to show how corporate business is active in addressing these national problems. Concerned about a change in the Soviet Union's trading policies in minerals, this business sector takes the initiative in a concerted drive to place the strategic-minerals issue high on the public agenda.⁶⁶ Enterprise becomes a forum for a congressman attempting to get support for policy changes regarding strategic materials and minerals.⁶⁷ With a "mineral crises" at hand, big business wants the federal government to stop withdrawing

⁶²"Nuclear Energy: Survival At Stake," Nation's Business, January 1980, pp. 52-58.

⁶³Tony Velocci, "Energy: Elusive Solutions," Nation's Business, August 1980, pp. 22-28.

⁶⁴Tony Velocci, "How Bright is Superpower's Future?" Nation's Business, November 1980, pp. 46, 48, 50-52.

⁶⁵Tony Velocci, "Minerals: The Resource Gap," Nation's Business, October 1980, pp. 33, 34, 36-38.

⁶⁶Herber E. Meyer, "Russia's Sudden Reach for Raw Materials," Fortune, July 28, 1980, p. 43.

⁶⁷Thomas J. Hauser, "Rep. Jim Santini on the Resource War," Enterprise, August 1980, pp. 18-21.

public lands from mining activities.⁶⁸ The industry perspective on the energy problem is similar to that in natural resources. The private sector must develop the energy sources and government policies should facilitate such "vital and productive work."⁶⁹ The challenge to develop a fuels industry rapidly is a challenge that can be met if environmentalists, business, labor and government cooperate.⁷⁰

Industrial Relations

A reformulation of the Tenth Amendment by John Bunzel is appropriate in analyzing big business assessments in this area. To quote Bunzel: "The powers and services not faithfully exercised by the business world will most likely be appropriated by the federal government."⁷¹ The general approach of the Business Roundtable is "Full and Fair Employment."⁷² In specific circumstances, such as the examination of employee record privacy by the Department of Labor, Business Roundtable and NAM testimony stress the

⁶⁸Ibid. and William H. Drescher, "The Minerals Crises 'Tomorrow is Cancelled,'" Enterprise, March 1980, pp. 5-7.

⁶⁹John W. Fisher, "Energy-An Industry Perspective," Enterprise July 1980, p. 29 and Roundtable Report, April 1980, p. 3. Also see "Resources and Technology," Enterprise, January 1980, pp. 5, 18.

⁷⁰Roundtable Report, June 1980, p. 4.

⁷¹Bunzel, p. 137.

⁷²Roundtable Report, April 1980, p. 2.

benefits of voluntary standards over a federally mandated approach.⁷³ The Business Roundtable argues that a survey of corporate managers shows Government codes for worker privacy are not needed.⁷⁴ Other evidence of corporate enterprise warding off government intervention occurs when the possibility of restrictions on the closing of plants becomes a reality with the introduction of the Corporate Democracy Act of 1980. To counter that proposal, the NAM president asks if a voluntary code of notices by industry about plant closings would be a workable solution.⁷⁵ Representative John Erlenhorn, who is sympathetic to business opposition to plant-closing restrictions, suggests that fiscal policy changes would be a better solution.⁷⁶

Though big business tends to be generally defensive in this area, an offensive position is taken in one controversial issue that surfaced in the Roundtable Report and Enterprise. The issue is the Davis-Bacon Act of 1931 and the Service Contract Act. Governing pay levels of craftsmen on construction projects involving federal funds, Davis-

⁷³Roundtable Report, January 1980, p. 2 and Enterprise, February 1980, pp. 24-25.

⁷⁴Roundtable Report, January 1980, pp. 2-3.

⁷⁵Alexander B. Trowbridge, "Workplace, 1980s: Accent on the Human Factor," Enterprise, June 1980, p. 5.

⁷⁶Randolph Hale, "Rep. John Erlenhorn on Labor Legislation," Enterprise, October 1980, p. 25.

Bacon is cited as driving up construction costs in the public and private sectors, and as fueling inflation.⁷⁷ Big business wants the Act repealed or reformed. The Department of Labor, responding to its constituency, attempts to have the law strengthened.⁷⁸ Other issues that corporate business publications mention are workers compensation,⁷⁹ the doctrine of "comparative worth,"⁸⁰ sexual harassment in the workplace,⁸¹ allowing workers time off for religious observances,⁸² and that the principle of property rights is becoming characteristic of jobs.⁸³ These are not issues that are significant in terms of space or tone in the content of corporate business publications. On the other hand, a case concerning affirmative action requirements for federal contractors is discussed repeatedly. The point made in the

⁷⁷Ibid., pp. 22-25; Roundtable Report, May 1980, p. 4; and Sheldon D. Engelmayer and Robert J. Wagman, "The Case of the Missing Task Force," Enterprise, March 1980, pp. 10-12.

⁷⁸Sheldon D. Engelmayer and Robert J. Wagman, "The Case of the Missing Task Force," Enterprise, March 1980, pp. 10-12.

⁷⁹Enterprise, February 1980, p. 25 and Enterprise, May 1980, p. 24.

⁸⁰Roundtable Report, December 1980, pp. 3,4.

⁸¹Fortune, April 7, 1980, p. 42.

⁸²Enterprise, February 1980, p. 24.

⁸³Alexander B. Trowbridge, "Workplace 1980: Accent on the Human Factor," Enterprise, June 1980, p. 4.

articles is that small companies cannot meet quotas. Enterprise says, "You Can't Hire Two-Tenths of a Female."⁸⁴

Nation's Business and Inc. news items cover similar questions raised in big business publications, but they are clearly not priority issues.⁸⁵ Multiemployer pension plan legislation, which has serious consequences for small business, receives considerable attention in The Voice of Small Business. The proposed HR 3904, Multiemployer Pension Plan Amendments Act, has the potential of creating crippling liabilities if a small employer were to withdraw from a plan.⁸⁶ The Voice of Small Business reports that NSB efforts, in testifying before the House Ways and Means Committee and in working with Senate Committees, are successful in removing the onerous provisions of the meas-

⁸⁴Enterprise, Small/Medium Business Section, February 1980, p. 13. Also see Enterprise, Small/Medium Business Section, April 1980, p. 16; Enterprise, Small/Medium Business Section, September 1980, p. 16; and Herman Nickel, "Dante in the Federal Inferno," Fortune, June 2, 1980, pp. 78-83.

⁸⁵Religious observance guidelines in Inc., December 1980, p. 27 and Nation's Business, February 1980, p. 7; sexual harassment in Nation's Business, September 1980, p. 18; and workers' compensation in Nation's Business, May 1980, p. 7.

⁸⁶The Voice of Small Business, March 1980, p. 1, The Voice of Small Business, June 1980, p. 4, and The Voice of Small Business, July 1980, p. 1. Also see Nation's Business, September 1980, p. 7.

ure.⁸⁷ This incident shows the vulnerability small business feels relative to both organized labor and big business. At the House hearings the committee was told that small businesses are not likely to have access to the expertise necessary for pension planning, that they are rarely consulted about the pension plans to which they belong, and that a collective bargaining agreement generally requires them to join a pension plan. Furthermore, "what happens to the money after it goes in (to the fund) is generally determined by larger employers and the unions."⁸⁸

International Trade and Finance

Corporate business publications devoted seven percent of their space to this topic in 1980; this does not indicate that international trade and finance is a high priority. However, there is tremendous interest, accompanied by bold and aggressive proposals, in the big business discussions of this subject. For example, a Business Roundtable statement asserts that export advancement should not be sacrificed to foreign policy considerations.⁸⁹ Noting that the projected United States trade deficit is worsening, the Roundtable Report says there is a pressing

⁸⁷The Voice of Small Business, July 1980, p. 1.

⁸⁸The Voice of Small Business, March 1980, p. 1.

⁸⁹Roundtable Report, August 1980, p. 2.

need for expansion of exports. With competition in world markets increasing, the nation can no longer "indulge" in ineffectual export controls that divert business and jobs to other countries. Though the major impetus for increasing exports must come from the business community, the Business Roundtable makes recommendations to the House Ways and Means Committee about action the government should take. These involve the Export-Import Bank, the Internal Revenue Code, international application of antitrust laws, the Overseas Private Investment Corporation, and the Foreign Corrupt Practices Act. The Business Roundtable promotes the Export Trading Company Act of 1980 (S2718), which would encourage the growth of co-operative trading companies (by means of tax and financing incentives), and thus increase exports.⁹⁰ The Roundtable Report states that industry needs "to encourage the trade agencies of the Government to become forceful effective advocates of trade."⁹¹ The recent reorganization of trade functions of the Executive Branch is commendable: it gives the United States Trade Representative new coordinating and policy-making authority and it strengthens the role of the Department of Commerce in international trade.⁹²

⁹⁰Ibid., p. 3.

⁹¹Roundtable Report, January 1980, p. 3.

⁹²Ibid., p. 4.

NAM also shows considerable interest in international trade and finance. "Increasing our strength in foreign competition" is one of NAM's five goals to revitalize American industry.⁹³ In addition, the presidential candidates were questioned by Enterprise about what steps they would take "to enhance our competitiveness in overseas markets."⁹⁴ Clearly NAM's position is that the government should have a positive role in managing international trade and finance. But strengthening a White House Office with trade functions, and strengthening the Commerce Department, meet only part of NAM's objectives. It plans also to pursue the objective of a single cabinet-level Trade/Investment/Technology/Industry Department.⁹⁵ Enterprise interviews Adlai E. Stevenson, the Senator responsible for the original proposal for a separate international Commerce Department. He advocates that the United States adopt an export strategy, with government, business, universities, and labor cooperating to enhance our competitiveness. He has proposed legislation authorizing the establishment of export trading companies.⁹⁶ His statement that "the emphasis abroad has

⁹³John W. Fisher, "A More Productive Society to Benefit All," Enterprise, February 1980, p. 4.

⁹⁴Enterprise, October 1980, pp. 2-12.

⁹⁵Enterprise, January 1980, p. 24.

⁹⁶Lawrence A. Fox, "Adlai E. Stevenson on U.S. Trade Problems," Enterprise, May 1980, pp. 18-21.

been shifting from import protection to export subsidization"⁹⁷ sums up the direction that big business wants the government to go. There is no evidence of broad based support for control of foreign investment in the United States⁹⁸ or for control of "dumping" (selling a foreign product at a lower price than in an exporter's home market, or at a price below the cost of production).⁹⁹ NAM advocates reduction of export controls for foreign policy or other non-commercial reasons,¹⁰⁰ as well as the normalization of commercial relations with non-market economies.¹⁰¹ The Association thus supports the Administration's proclamation normalizing trade relations with the Peoples Republic of China.¹⁰²

Nation's Business news items deal briefly with the threat of foreign investment in the United States,¹⁰³ and

⁹⁷Ibid., p. 18.

⁹⁸Raymond J. Waldmann, "Foreign Investors: Will They Hurt Us or Help Us?," Enterprise, June 1980, pp. 6-8.

⁹⁹Steven E. Plaut, "Why Dumping is Good for Us," Fortune, May 5, 1980, pp. 212-214, 218, 222.

¹⁰⁰Lawrence A. Fox, "How to Halt U.S. Trade Decline," Enterprise, August 1980, p. 9.

¹⁰¹Enterprise, January 1980, p. 25.

¹⁰²Ibid.

¹⁰³Nation's Business, September 1980, p. 8.

that government assistance and incentives are not competitive with those of its trading partners.¹⁰⁴ The Chairman of the Chamber of Commerce of the United States takes issue with such laws as the Foreign Corrupt Practices Act and the Anti-Boycott Amendment. They are, he says, "'self-defeating and self-abusive' attempts by the federal government to use exports as an instrument of foreign policy."¹⁰⁵ But excursions into these issues of international trade and investment are not the main focus of small business. The emphasis in news items and short articles in The Voice of Small Business, Inc., and Nation's Business is on motivating small businesses to become exporters. The Voice of Small Business announces NSB co-sponsorship of export development conferences with government agencies.¹⁰⁶ The successful experience of one small company in exporting hopes to stimulate reluctant small businesses to sell overseas.¹⁰⁷ Another Inc. article encourages companies which are injured by imports to seek trade adjustment assistance.¹⁰⁸ And fi-

¹⁰⁴Nation's Business, April 1980. p. 22.

¹⁰⁵Nation's Business, November 1980, p. 36.

¹⁰⁶The Voice of Small Business, January/February 1980, p. 4, The Voice of Small Business, April 1980, p. 4, and The Voice of Small Business, August 1980, p. 3.

¹⁰⁷George M. Ryan, "A Modest Proposal for U.S. Exports Give Small Business A Boot," Inc., June 1980, p. 3.

¹⁰⁸William J. Maloney, "Fighting Off the Import Threat," Inc., July 1980, pp. 51-54, 56.

nally, much of small business is accused of being short-sighted towards foreign markets, affecting both a company's profitability and the economic health of the nation.¹⁰⁹

The Export Trading Company Act of 1980 supported by the Business Roundtable also receives the backing of the Chamber of Commerce of the United States and NSB. The Roundtable Report asserts that the Act "holds great promise for smaller firms that have export potential but are not well equipped to absorb the front end costs and risks involved in developing overseas markets."¹¹⁰ The Senate Banking Subcommittee on International Finance is given testimony that "the trading company approach would get the largest number of small businesses involved in international trade."¹¹¹ NSB asks its membership to contact their legislators about the Export Trading Company Act. Loan guarantees for exporters, the expansion of export trade services, and the formation of trading companies will help small business.¹¹² Despite the universal support given to this legislation to assist small business as well as corporate

¹⁰⁹Nation's Business, March 1980, p. 19.

¹¹⁰Roundtable Report, August 1980, p. 3.

¹¹¹Nation's Business, June 1980, p. 20. Also see Nation's Business, November 1980, p. 36.

¹¹²The Voice of Small Business, June 1980, pp. 1, 3.

business in foreign trade, the Business Roundtable shows another (incompatible) position. A Roundtable task force recommendation to the Secretary of Commerce states that government's efforts to develop an international trade promotion program "should focus on the 1,900 firms that account for 85% of United States manufactured exports."¹¹³ The Roundtable argues that the leading export firms provide approximately two-thirds of United States production and employment in manufacturing, and that they "have the experience, the international skills, and the capability to expand exports more readily than those unaccustomed to exporting."¹¹⁴ A second recommendation is to have Industry Sector Advisory Committees work with the 1,900 leading export firms to isolate and identify the few critical legislative and regulatory changes that will enhance United States exports.¹¹⁵

¹¹³Roundtable Report, July 1980, p. 4.

¹¹⁴Ibid.

¹¹⁵Ibid.

CHAPTER V

CORPORATE GOVERNANCE, SMALL BUSINESS, POLITICAL PROCESS, AND BUSINESS ENVIRONMENT

Corporate Governance

Concepts of "social responsibility," "accountability," and "the legitimacy of corporate power" indirectly ask the question: "for whom" and "for what" are corporations governed? Sutton and his associates found that the classical creed upheld the profit orientation of business. The creed views the devotion to private profit as compatible with social welfare: it is a prerequisite of economic efficiency. The classical creed defines the business organization in terms of property rights and contractual relationships. Employees, customers, and suppliers are described as "outsiders." This restricts the businessman's responsibility to others.¹ The managerial creed considers stockholders, employees, customers, and the general public to be the responsibility of corporate management. Competing claims on profits of the enterprise need to be balanced by determining fair wages, fair prices, fair dividends, and prudent re-

¹Sutton, p. 356.

serves.² At the 1974-1975 Conference Board meetings, Silk found that the classical strain seemed dominant among the conferees.³ Many accepted the principle that the corporation has responsibilities beyond its owners, but they contended that outside constituencies are served best if a company fulfills its obligation to itself.⁴ Statements of business leaders quoted by Silk, however, reveal a unique aspect in the doctrine of corporate social responsibility. By this modern "consent doctrine", the corporation is no longer the sole judge of how management fulfills its external obligations. Society itself has "a right to define and shape corporate actions and objectives."⁵ Silk and Vogel contend that the countervailing political factions, laws and controls that portray executives as balancing their own interests with the competing interests of shareholders, consumers, employees, communities and government agencies is a reasonable description of reality. In a real sense, they claim, the political mobilization achieved by various movements, and the power of government, reinforces the principle that "the corporation's power is based

²Ibid., p. 357.

³Silk, p. 137.

⁴Ibid., p. 138.

⁵Ibid., p. 146.

on public consent."⁶

The studies of small business ideology scarcely touch the subject of corporate governance. John Bunzel suggests that the corporate manager acknowledges responsibilities toward customers, employees, the community, the "American way of life," as well as to stockholders.⁷ Murphy reports that small business entrepreneurs feel that the corporate economy and the regulatory state exercise a level of power which lacks legitimacy.⁸ But Murphy does not address the problem of governance of large corporations with respect to government power.

The issues that arise under Corporate Governance in 1980 are concerned with accountability and the reach of government power. A new policy adopted by NAM "recognizes the 'joint responsibility' of government and business to define and enforce rules of fairness in competition."⁹ At the same time, the policy warns against legislation that would impair corporate efficiency, flexibility, or innovation.¹⁰ Referring to an American Enterprise publication,

⁶Ibid., p. 148.

⁷Bunzel, p. 136.

⁸Murphy, p. 280.

⁹Enterprise, March 1980, p. 24.

¹⁰Ibid.

the Roundtable Report argues against new legislation to restrict conglomerate mergers. The newsletter claims that the record shows that mergers benefit shareholders, employees, communities, and consumers.¹¹

The year 1980 is the 25th anniversary of the "Fortune 500," and the magazine analyzed changes in the composition of the largest 500 industrial corporations by comparing their 1955 and 1980 lists. Their analysis does not "provide much ammunition for those inclined to harbor trust-busting notions about big business."¹² Big companies do not inexorably get bigger. Of the original group, two hundred sixty two companies are on the 1980 list.¹³ And small companies do manage to enter their ranks.¹⁴ Thirty companies in the 1980 Directory did not exist in 1954.¹⁵

This illustration of fluidity in the ranks of business, as well as the argument about the benefits of acquisitions or mergers, are defenses against reforms to constrain the activity and conduct of corporations. Of importance to the new reform movement is the concept that cor-

¹¹Business Roundtable, July 1980, p. 4.

¹²"Twenty-Five Years of Change in the Fortune 500," Fortune, May 1980, p. 88.

¹³Ibid., p. 89.

¹⁴Ibid.

¹⁵Ibid., p. 91.

porate accountability to the public good rests in the independence of Board of Directors. Provisions of the proposed Corporate Democracy Act of 1980 strictly define the structure, organization and activity of corporations. Standards for the composition of Boards of Directors decreased management, banker and lawyer representation, and increased female, academicians, and former government official representation. NAM opposes such changes in corporate governance.¹⁶ "The New Crusade" seems to be an attempt to substitute 'social concerns' for those of corporate earnings and capital formation. . ."¹⁷

The Business Roundtable is equally opposed to a bill introduced in the Senate to protect shareholder rights.¹⁸ Every corporate governance mechanism embodied in the bill is already subject to state legislature, court, Securities and Exchange Commission, and corporate board review and enforcement.¹⁹ The Business Roundtable argues that to prescribe

¹⁶Sen. Charles McC. Mathias, "Is There A Place for Uncle Sam in Corporate Governance," Enterprise, February 1980, pp. 7-9; Enterprise, March 1980, pp. 5-7; and Harold M. Williams, "Accountability and the Corporate Board," Enterprise, July 1980, pp. 7-8.

¹⁷"The New Crusade," Enterprise, February 1980, p. 8.

¹⁸S. 2567, "Protection of Shareholder Rights Act of 1980."

¹⁹Roundtable Report, November 1980, p. 3.

and mandate Shareholder Democracy is to ignore,

the lack of any evidence that shareholders or the public accept arguments that corporations should be restructured to reflect politically democratic models. Political models are irrelevant to corporate organizations.²⁰

Nation's Business addresses the issues of the role of shareholders,²¹ corporate social responsibility,²² and corporate size and mergers.²³ In each case the position of the Cham-

²⁰Ibid.

Political scientists, critical of democratic elitist system and low rates of a political participation, have proposed that "political" be redefined more comprehensively to include the largest corporations. Peter Bachrach claims General Motors and other "giant private governments," are similar to the United States government in that they authoritatively allocate values for society. Therefore, they "should be considered part of the political sector in which democratic norms apply." Peter Bachrach, The Theory of Democratic Elitism (Boston: Little Brown & Co., 1967), p. 102. Carole Pateman has argued that industry be recognized as a political system in its own right, in order that confusing ideas about democracy in the industrial context can be removed. Carole Pateman, Participation and Democratic Theory (Cambridge: University Press, 1970), p. 106. And Robert Dahl, whose concern was with "private rulers" rather than the development of a democratic political culture, suggested "workplace democracy" for the "corporate leviathans" which have appropriated public authority. Robert A. Dahl, After The Revolution: Authority in a Good Society, p. 115, cited by Carole Pateman, "The Civic Culture: A Philosophic Critique," in The Civic Culture Revisited, ed. Gabriel A. Almond and Sidney Verba (Boston: Little Brown & Company, 1980), pp. 89-90.

²¹Robert Hessen, "Are Shareholders Being Victimized," Nation's Business, April 1980, pp. 75-78.

²²"SEC Chairman Williams Warns Business: Clean Up Your Act," Nation's Business, September 1980, pp. 57-61.

²³Nation's Business, April 1980, p. 6.

ber of Commerce of the United States is similar to that of big business. NSB, however, criticizes merger policy. In testimony before a House Subcommittee the Association argues that smaller businesses need an "effective national merger policy" which would produce "greater growth for small and medium-sized businesses than for big business and big government."²⁴

Small Business

This analysis shows that less than one percent of the space in the corporate business publications is devoted to a discussion of Small Business as a general issue area. In contrast, the 1489 square inches of space in small business publications given to this subject represents more than nine percent of the total. The Sutton study may explain this lack of special attention to Small Business in publications directed to a corporate constituency. Classical ideology, Sutton says, emphasizes that business firms are generally small and that the powers of large firms are narrowly circumscribed by competition. But the main emphasis of the classical creed is on the system as a whole, rather than on its units.²⁵ "The function of the ideology in unifying the business community," according to Sutton, is what

²⁴The Voice of Small Business, April 1980, p. 4.

²⁵Sutton, p. 57.

explains "the relative silence of the ideology on issues on which the interests of businessmen diverge."²⁶ (And Sutton does note that the defection of small business from large business is always a possibility.)²⁷ Silk and Vogel show that anxiety about the System persists. Insecurity about the unique American experiment with capitalism was evident in the speeches at the Conference meetings.²⁸ Silk does not report that the chief executives expressed any concern about small business deviation.

Murphy and Bunzel describe the self-consciousness of small business. Murphy comments that "the panel feels influenced and tied into the larger economic structure, and they perceive distinct differences between their small business world, and their perceptions of corporate business."²⁹ These entrepreneurs feel that "the larger economy threatens small business property either from competitive advantages, or from establishing a social demand for regulation..."³⁰ Bunzel notes that a difference exists between problems inherent in the nature of small business

²⁶Ibid., p. 383.

²⁷Ibid.

²⁸Silk, pp. 29-30.

²⁹Murphy, p. 247.

³⁰Ibid., p. 54.

and those arising as a result of a stacked deck.³¹

Bunzel points out the complexities in defining "Small Business."³² There are a number of ways to establish "small business" criteria, but it is difficult to find a generally acceptable definition. This is a problem that arises in 1980. The Small Business Administration proposed changes to re-define "small business." Nation's Business, Inc., and The Voice of Small Business notify, discuss, and urge their constituencies to respond to the Small Business Administration proposal.³³ Changes in the standard affect eligibility for loans and loan guarantees, management assistance, and procurement set-asides. The Small Business Administration's potential field of clients would be reduced from ninety-nine percent of the nation's businesses to ninety-six percent.³⁴ The proposed changes are significant to small companies, but Fortune and The Roundtable Report do not mention it to their readers, and Enterprise discusses the re-definition in one article.³⁵

³¹Bunzel, p. 46.

³²Ibid, pp. 28-29.

³³Nation's Business, February 1980, p. 17 and Nation's Business May 1980, p. 19; Inc., May 1980, p. 24 and Inc., October 1980, p. 28; The Voice of Small Business, April 1980, p. 2.

³⁴Inc., July 1980, p. 20.

³⁵Enterprise, May 1980, pp. 15-16.

Fortune and The Roundtable Report also disregard the White House Conference on Small Business.³⁶ The year-long interest in the 1980 Conference clearly show this to be a major event for small business. Beyond the opportunity to formulate and present a comprehensive political agenda, the small business sector perceives its role as being given priority on the Administration's political agenda. The following outline of news items and articles in the small business publications indicate the significance attached to the Conference. Nation's Business, Inc., and The Voice of Small Business feature editorials and essays at the time the White House Conference opens. Concerned about the Conference agenda, Nation's Business points out that the last national inquiry into the subject was President Eisenhower's Cabinet Committee on Small Business. Landmark statutes, such as private venture capital companies and the Subchapter S provisions of the Internal Revenue Code were produced then.³⁷ An Inc. article advocates that the conference staff concentrate on the commonalities within small business and not emphasize the differences between groups, such as women in business and minorities. The two thousand delegates

³⁶Enterprise discusses the "gathering clout" of small business, Enterprise, February 1980, p. 14 and the recommendations resulting from the Conference, Enterprise, March 1980, pp. 14,16.

³⁷Nation's Business, January 1980, p. 80.

ought to focus on long-term goals, not short term palliatives.³⁸

At the conclusion of the Conference, the NSB newsletter devotes seventy-five percent of an issue discussing the event. The recommendations made by the delegates are listed. An editorial calls the resolutions of the Conference "an agenda for the coming session of Congress, and beyond" and it declares "the era of small business has begun."³⁹ The recommendations of the Conference are also listed in Nation's Business⁴⁰ and Inc.⁴¹ In addition, the two publications evaluate the report of the White House Small Business Conference Commission. That report, which analyzed the Conference proposals, is criticized as having put the recommendations into too general objectives.⁴² The NSB response is to "forget the report and press on with the

³⁸Inc., January 1980, pp. 31-32.

³⁹The Voice of Small Business, January/February 1980, pp. 1,4.

⁴⁰"The Verdict: More or Less a Success: But What's Next?," Nation's Business, March 1980, pp. 70,73.

⁴¹"Small Business Discovery in D.C.: We Have Clout," Inc., March 1980, pp. 20,22.

⁴²"The Small Business Report That Tried," Nation's Business, June 1980, pp. 43-45; "Small Business Needs More Than Good Intentions," Nation's Business, June 1980, p. 92; and Inc., July 1980, pp. 20,22,23.

legislative momentum on Capital Hill."⁴³ The Association does follow the legislative route. The Voice of Small Business reports that the NSB affiliated Small Business Legislative Council (SBLC) Implementation Task Force will bring leaders and experts to the effort.⁴⁴ Eventually three groups announce plans to track conference recommendations through Congress.⁴⁵

These developments are viewed as signs of a burgeoning movement. What gives it importance is that high on the agenda of small business is that of becoming a priority on the government's agenda.

Political Process

Sutton notes that a difficult problem for the business creed is the continued "misbehavior" of government. The bad results have to be reconciled with belief in the political system and the values of individualism and democracy. The creed cannot assert that the democratic process is corrupt and that aristocratic rule ought to supplant it, if the creed is to conform with the general values on which it is based.⁴⁶ Silk and Vogel also observed that norms of

⁴³"The Small Business Report That Tried." Nation's Business, June 1980, p. 45.

⁴⁴The Voice of Small Business, July 1980, p. 3.

⁴⁵Inc., November 1980, p. 29.

⁴⁶Sutton, p. 204.

the political culture, at least publicly, inhibit the corporate executives. They have a problem with American democracy. Far from atrophying, as business critics fear, it is "working all to well."⁴⁷

Their view of the political process is that the public opinion, revealed through the polls, is translated to the political agenda and often becomes government policy.⁴⁸ They see several government policies over the last decades as a series of defeats.⁴⁹ Thus, they conclude that their ability to influence government decisions is diminished, and they perceive themselves as becoming politically impotent.⁵⁰ Business cannot rely on much support beyond its own ranks (about ten percent of the population), which means that the survival of the free enterprise system rests on the attitudes of about four-fifths of the public. Many businessmen feel that the public is wrecking the system out of ignorance; free enterprise, they contend, will be destroyed by a multitude of policies, each appearing reasonable on its own terms.⁵¹

⁴⁷Silk, p. 43.

⁴⁸Ibid., p. 44.

⁴⁹Ibid., p. 67.

⁵⁰Ibid., p. 45.

⁵¹Ibid., pp. 70-71.

Businessmen complain that policy decisions made by government are based on a short time horizon (that is, election intervals), while many problems require a longer time horizon. Corporations frequently have five, ten, or twenty-year plans. Given the increasing interdependency between business and government, this "undisciplined democratic process" is now more disruptive for business.⁵² National economic planning would make government policy more consistent over time and less vulnerable to public press. However, the overwhelming majority of business leaders at the Conference reject any form of economic planning.⁵³ They would not want to endorse the centralization of political power, which they suspect would be required to make government policies more consistent. They see the uncoordinated market as their protector, Silk says, and that the inconsistency of government policies is a "cherished and deeply ingrained characteristic of American political life."⁵⁴

The security of corporations does not depend on changing the political system into one they can dominate.

⁵²Ibid., p. 79.

⁵³Ibid., pp. 86,89.

⁵⁴Ibid., pp. 89-90. Silk points out that this is the major theme of Theodore Lowi's The End of Liberalism (N.Y.:W.W. Norton, 1969), as well as Grant McConnell's Private Power and American Democracy (N.Y.: Alfred A. Knopf, 1966).Ibid., Note 7, p. 242.

Preservation of the existing legal and constitutional system is seen as the guarantee of security. The basic legitimacy of the state is what stands between the corporation and an increasingly hostile public.⁵⁵

Many of the businessmen Silk and Vogel observed blame themselves for not getting deeply enough involved in the political process. They feel they must strive to correct the economic illiteracy of politicians and government officials.⁵⁶ The 1980 issues of the publication Enterprise show that big business fulfills its educative mission, and that it attempts to inspire political involvement. Small business publications are concerned with political involvement, but they do not promote the education of politicians, government officials, or the public.

In a monthly report, the NAM Chairman argues that, if employees understand the major issues of the eighties and had the facts about them, those employees would support the sound public policies of business leadership and would speak out for them.⁵⁷ Enterprise notifies its small and medium business readership that, if they are committed to encouraging political participation by employees, NAM resources

⁵⁵Ibid., p. 76.

⁵⁶Ibid., p. 51.

⁵⁷Enterprise, March 1980, Inside Cover.

are available.⁵⁸ Another NAM Chairman's report tells business leaders that the key word is "involvement." Active and positive leadership has to be provided to politicians, communities, and employees. He says, "we must make believers out of others."⁵⁹ In addition, Enterprise alerts NAM members to the profound stake business and industry have in the outcome of redistricting in 1981, and that many opportunities exist for business organizations to play a significant role in the process.⁶⁰ The Business Roundtable objective is political involvement by executives who manage the very largest corporations. However, Fortune is critical of the Business Roundtable. An article claims that the Roundtable evades certain big issues or that the organization is ambiguous about them. Political scientist Norman Ornstein is quoted as saying that the strength of the Roundtable "should come from a coherent ideology, but they don't seem to know what that is anymore."⁶¹ Though Ornstein argues that the Roundtable could lose its "image of greatness," it is a formidable organization.

Bunzel makes the point that the political organiza-

⁵⁸Enterprise, August 1980, p. 13.

⁵⁹Enterprise, November 1980, Inside Cover.

⁶⁰Enterprise, September 1980, p. 6.

⁶¹Walter Guzzardi Jr., "A New Public Face for Business," Fortune, June 30, 1980, p. 49.

tion of big business into power groups reflects the political needs and resources of corporations.⁶² But the ability of small business to influence the body politic was inhibited for some time by an "organizational lag." While the NAM was organized in 1894,⁶³ small business organizations appeared on a national scale "in the last 25 years or so."⁶⁴ In 1935 a National Federation of Small Business was organized. A number of groups were formed following the 1938 conference of small businessmen which President Roosevelt had convened. But most of these organizational efforts were short lived.⁶⁵ In 1946 a report of the House Committee on Small Business stated that it is "an accepted fact that small business is the only important segment of the economy which is still unorganized." There are numerous organizations, but the total number of small businessmen belonging to such groups is "but a handful" compared with the number of small firms in existence.⁶⁶ In addition to low association membership, inter-group problems arise. In 1980 Inc. reports that disputes and rancor mark small business

⁶²Bunzel, p. 61.

⁶³Ibid.

⁶⁴Ibid., p. 63.

⁶⁵Ibid., p. 64.

⁶⁶Ibid., pp. 65-66.

groups. "The search for the true voice of smaller companies goes on, but the sound is like a Tower of Babel."⁶⁷ Dissatisfied with the effectiveness of existing groups, Inc. reports that top executives of a dozen smaller companies met to lay plans for another "more effective" organization.⁶⁸

According to Inc., small business lobbyists do their best work on Capital Hill. Yet Congressional staffers say they would be more effective if they could agree among themselves what the small business position is on an issue. Legislation won't move without complete support, and it may not be introduced if it is known that there is no unity. "Big business and labor learned that lesson long ago."⁶⁹ Small business is disadvantaged in directing its primary efforts toward Congress. They miss "the most essential connection of all" - the regulatory agencies. The Securities and Exchange Commission Office of Small Business Policy and a Special Assistant for Small Business at the Occupational Safety and Health Administration claim that the national small business associations do not contact them. These agencies have responsibility in areas that are top priorities of the White House Conference recommendations -

⁶⁷Inc., September 1980, p. 30.

⁶⁸Inc., January 1980, p. 18.

⁶⁹Susan Duncan, "The Washington Connection: It's Not Working for Small Business," Inc., December 1980, p. 77.

capital formation and over-regulation.⁷⁰ While small business lobbyists rest their case with Congress, industry trade associations actively lobby the regulators; often they do not speak for the interests of small companies. Industry groups respond to the small number of members who provide the major part of their income. "They do not address the specific, disproportionate effects of regulation on smaller firms."⁷¹

Both sectors of the business community emphasize the election of a pro-business Congress in their political agendas.⁷² And they would like the lawmakers in Washington to include some members from their own ranks. "Seven years ago we had one hundred fifty five business people in the House of Representatives; now we have one hundred twenty seven."⁷³ The increase in corporate and association Political Action Committees (PACs), as well as the rise in donations by small business owners and CEOs shows broad-

⁷⁰Ibid., p. 73.

⁷¹Ibid., p. 76.

⁷²Enterprise, August 1980, p. 13; Enterprise, November 1980, Inside Cover; and Vernon Louviere, "Pro-Business Congress May Come to Washington," Nation's Business, September 1980, pp. 40-42, 44-45. The survey of all congressional candidates indicates the importance NSB attaches to a pro-business congress. See Voice of Small Business, October 1980, pp. 8-12.

⁷³James Kilpatrick, "How to Play The Political Game," Nation's Business, September 1980, p. 13.

based support for pro-business candidates.

There is little doubt that the Republican party ought to have the congressional majority, and the Presidency. Certain that the GOP would support the free market approach, Nation's Business says the party is "more conservative and pro-business."⁷⁴ Inc. reports that legislative ratings done by the National Federation of Independent Business shows Republicans generally score better on small business issues than Democrats.⁷⁵ Fortune argues that the Republican revival can "affect elections,"⁷⁶ while an Inc. article advises small entrepreneurs to vote for the Republican presidential candidate if they care about the future of their companies.⁷⁷ Fortune assesses the chances of candidate Reagan to win the election.⁷⁸

Some discussion on this topic supports the thesis that big business guards the "system," as well as specific corporate interests. For example, Fortune presents to their

⁷⁴Vernon Louviere, "Pro-Business Congress May Come to Washington," Nation's Business, September 1980, p. 41.

⁷⁵Inc., October 1980, pp. 24,26.

⁷⁶Michael J. Malbin, "The Republican Revival," Fortune, August 25, 1980, pp. 85-88.

⁷⁷George Gilder, "We Couldn't Have a Clearer Choice," Inc., October 1980, p. 48.

⁷⁸Everett Carll Ladd, "Why Carter Will probably Win," Fortune, July 28, 1980, pp. 86-89.

constituency a lengthy analysis of the nomination process of presidential candidates.⁷⁹ Another article examines the harmful effects of special interest groups.⁸⁰ Political scientist Carll Everett Ladd, the author of these articles, builds a case for changing the political environment by taking the necessary steps toward reasonably cohesive and responsible parties.

A comparison between the questions Enterprise and The Voice of Small Business asked presidential candidates in 1980 also shows the difference in their concerns. "What would your administration do to revitalize industry and put the economy back in shape?" was the thrust of the nine questions that NAM asked the candidates.⁸¹ NSB questioned the candidates about what policy objectives they had for small business.⁸² Job creation solutions and regulatory reform are issues NAM and NSB inquired about. Enterprise's other questions dealt with holding down federal spending, energy problems, competition in overseas markets

⁷⁹Everett Carll Ladd, "A Better Way to Pick Our Presidents," Fortune, May 5, 1980, pp. 132-135,138,142.

⁸⁰Everett Carll Ladd, "How to Tame The Special Interest Groups," Fortune, October 20, 1980, pp. 66-68,72,76,80.

⁸¹"I Pledge, if Elected," Enterprise, October 1980, pp. 2-12.

⁸²The Voice of Small Business, October 1980, pp. 2-6.

and reversal of declining productivity,⁸³ while the Voice of Small Business asked the candidates about graduated business taxes, target levels of small business participation in government contracting, small business capital formation measures, and policies to encourage small business innovation.⁸⁴

Business Environment

A discussion in Fortune about the economy and the industrial corporations during the mid-1950s argues that 1955 was the "vintage year" of a "marvelous golden age." Beyond favorable statistics such as no inflation, a consumer price index that fell, and a gross national product that grew, Fortune refers to the zeitgeist: "the basic climate of ideas in which the corporation either withers or flourishes. "Business was not unregulated in 1955, and it did have its critics, but Fortune argues that there were no fundamental challenges to the corporation."⁸⁵

What disturbed corporate enterprise in 1980 was a campaign by a coalition of consumer, labor, and other interest groups to "expose" and "repair" large businesses. A

⁸³Enterprise, October 1980, pp. 2-12.

⁸⁴The Voice of Small Business, October 1980, pp. 2-6.

⁸⁵Daniel Seligman, "The Year There Was No Inflation," Fortune, May 5, 1980, pp. 98-100, 104.

day of anti-business activities was planned to rally support for the Corporate Democracy Act of 1980. The proposed legislation ultimately would require corporate chartering, would prescribe the composition of boards of directors, establish an employee bill of rights, and would require two years notice prior to relocation or closing of a plant. Roundtable Report says "Big Business Day" is to persuade people to have more government controls imposed on big business.⁸⁶ Enterprise views it as a substitution of "social" concerns for corporate earnings and capital formation for economic growth⁸⁷ and the President of NAM refutes charges by the organizer of "Big Business Day."⁸⁸

The Roundtable Report states that "anti-business activists are charging that American business has some sinister plan to misuse power." In response, the newsletter cites the progress and plans in areas of consumer concerns, the composition of boards of directors, efforts for disadvantaged youth, and in philanthropy.⁸⁹ It also notes that a Business Roundtable Task Force is sponsoring exhaustive studies by scholars on the role of the corpora-

⁸⁶Roundtable Report, March 1980, p. 2.

⁸⁷Enterprise, February 1980, p. 8.

⁸⁸Enterprise, May 1980, p. 24.

⁸⁹Business Roundtable, April 1980, p. 4.

tion in the United States. The studies are to provide guidance for business leaders against accusations made by critics. In addition, business needs to take the initiative to form and work with coalitions on an "issue-by-issue basis" in order to confront and disarm "the broad spectrum of business critics."⁹⁰ The newsletter argues that the focus on big business by antagonists flows from a historic populist concern over large concentrations of economic resources and authority over people's lives.⁹¹ Another article in the Roundtable Report gives highlights of a book by Dr. John Desmond Glover on the role of large corporations in society. Its thesis is that there is no way that the massive needs of the American people could be met "without the workings of very large productive entities like our largest corporations."

And yet--large corporations stand in stark contrast to a traditional political and social philosophy that idealizes small proprietor-owned-and operated local businesses. On the one side, we hanker for an industrial and business structure characterized by vast numbers of small firms of negligible size. On the other, we are utterly dependent for our very way of life upon the presence and workings of the large modern industrial organization, a breed of enterprise far removed from the Jeffersonian and Jacksonian ideals. This tension is an

⁹⁰Business Roundtable, June 1980, p. 4.

⁹¹Ibid.

uneasy, major fact of the American scene.⁹²

The author's prescription for resolving the "tension in American thought and policy" is threefold. First, legislative representatives, the executive government, and the judiciary must accept the large corporation for the "indispensable economic instrumentality" that it is. Second, a new body of economic thought is needed to update and improve our perception and understanding of the complex industrial and business apparatus of modern, evolving America. Third, business management, that is directors and executives, must realize the important institutional nature of our large corporations - that they are inescapably clothed in the public interest.⁹³

With one exception, criticism of big business and rebutals to critics surfaced only in the corporate publications.⁹⁴ The issue is given much attention in the area of Business Environment. Both defensively and offensively corporate enterprise seeks better understanding and appreciation of its role in society. Public and government elite

⁹²Dr. John Desmond Glover, Revolutionary Corporations: Engines of Plenty, Engines of Growth, Engines of Change, (Dow Jones Irwin), excerpts in Roundtable Report, November 1980, pp. 1-3.

⁹³Ibid., p. 2.

⁹⁴One article appears in Inc. Cochrone Chase, "Nader's Fight With Big Business We Can't Afford," Inc., May 1980, pp. 18,20.

attitudes do matter if mistaken policies are to be avoided. The drive for public approbation is very much a part of the political process and is an objective of the big business political agenda in 1980.

As suggested by Fortune, criticism of big business is not new. Sutton reports that businessmen have felt misunderstood more or less chronically. According to Sutton, in the era of business dominance, around the turn of the century, business frequently protested against misunderstandings.⁹⁵ Silk says that public discontent and animosity toward big business in the Progressive Era, 1902-1912, and the Great Depression, 1929-1939, raised fundamental questions that led to major changes in the political and economic system.⁹⁶ The conferences that are the focus of Ethics and Profits: A Crises of Confidence in American Business stressed deep concern about communicating adequately with the public. In fact, the failure of communication is defined as "the basic threat to the enterprise system."⁹⁷

Discussions about economic theories and the economic system are debated in both groups of publications. Much of

⁹⁵Sutton, p. 95.

⁹⁶Silk, p. 31.

⁹⁷Ibid., p. 104.

this material is descriptive. Neo-classical price theory is resurrected as supply-side economics, and it has supporters in both business sectors.⁹⁸ Enterprise explains the basic principles: government tax and spending policies influence the behavior of the private sector by changing the relative costs it confronts. Keynesian theory holds that fiscal policy affects the private sector's activities by changing disposable income. The application of supply-side analysis to fiscal policy, in place of Keynesian analysis, changes the focus to a reduction of marginal income tax rates to reduce "the existing tax bias" against working, saving, and investing.⁹⁹ According to Enterprise, the economy urgently needs a supply-side tax cut.¹⁰⁰ Nation's Business also advocates tax cuts on the basis of the supply-side macro-economic model.¹⁰¹

Political and economic thought in 1980 appeared to be affected to a large extent by interest-group politics and by

⁹⁸Sutton found that the classical creed explained the functioning of the economy in terms of the laissez-faire views of the classical economists and from the neo-classical theory of perfectly competitive general equilibrium. Sutton, pp. 162-171.

⁹⁹David Raboy, "Norman B. Ture on Supply-Side Economics," Enterprise, June 1980, pp. 18-19.

¹⁰⁰Ibid., p. 21.

¹⁰¹Nation's Business, April 1980, p. 88 and Nation's Business, June 1980, p. 8.

the way democracy works. Fortune argues that liberal capitalism "is a system for the delivery of material goods." And, the system "does work." However, there were such enormous tangible rewards passed out in the fifties and sixties that there was a decline of gratification in the face of rising expectations. Extravagant materialism caused liberal capitalism to lose its "moral grounding."¹⁰² In addition, the political apparatus was shattered by the mass movements begun in the late 1960s. "Participatory democracy" transposed "interest-group demands into compromises and ad-hoc majorities." Now groups of activists are in the political fray.¹⁰³ The task is to construct a balanced polity which has reconciled its values and that will redirect liberal capitalism "to earn enough to pay for defense and welfare without bankrupting ourselves."¹⁰⁴

The books and ideas of two economists are reviewed in Fortune. One article discusses zero-sum politics, the name given to the consequences of interest-groups politics by Lester Thurow, an MIT economist. The theme of zero-sum politics is that the nation cannot solve its major problems "because any solution would impose losses on some group or

¹⁰²Walter Guzzardi Jr., "The Past As Prologue: A Fabulous Fifty Years," Fortune, February 11, 1980, p. 47.

¹⁰³Ibid., p. 54.

¹⁰⁴Ibid.

groups in our society," but that each group is "in a position to veto the solution."¹⁰⁵ The second economist, Thomas Sowell, is concerned about the deteriorating health of the free market.¹⁰⁶ The culprits are the politicians and government administrators. However, there are forces that drive them to "wage war on market arrangements." One is the pressure to change things. The political "independents" of today are more willing to do this than are members of a political machine. Since machine politicians have an investment in future elections, they have longer time horizons. "Independents" are tempted to sell short-run blessings regardless of long-run costs. This "temporal bias" of legislators favors today's voters at the expense of the voters of tomorrow. Bureaucrats also have a perverse effect on market arrangements. Regulators have a bias favoring established businesses, and they tend to discriminate against businessmen who might want to compete in an industry. Labor unions also play a role in upsetting the price mechanism.¹⁰⁷

Another economist, Nobel laureate Milton Friedman,

¹⁰⁵Robert Lubar, "Where Zero-Sum Politics Come From," Fortune, October 20, 1980, pp. 157-8.

¹⁰⁶Professor Sowell's argument is based on the price mechanism - the neo-classical theory of perfectly competitive general equilibrium.

¹⁰⁷Daniel Seligman, "The Politicians and The Free Market," Fortune, June 30, 1980, pp. 117-118.

argues in Nation's Business that the fragmentation of power and conflicting government policies emanate from a democratic system that enacts "detailed and specific legislation." This system "gives undue political power to small groups that have highly concentrated interests and gives greater weight to obvious, direct and immediate effects of government action than to possibly more important but concealed, indirect and delayed effects."¹⁰⁸ Bureaucrats are not the villains: they have not usurped power, nor have they tried to subvert the democratic process. They have had responsibilities and power thrust on them. Friedman argues against a case by case approach in attempting to move toward a freer society and a more limited government. What we should do is "lay down broad rules limiting what government may do." We need an Economic Bill of Rights, amendments comparable to the First Amendment, which would limit government power in the economic and social areas.¹⁰⁹ Friedman's amendments would either prohibit or restrict federal tariffs, price controls, and interference with pursuit of occupation. He would repeal the sixteenth amendment and replace it with an amendment authorizing a low flat rate income tax on all income. And he would have an amendment to require the mone-

¹⁰⁸"Milton Friedman's Economic Bill of Rights," Nation's Business, July 1980, pp. 69-71.

¹⁰⁹Ibid., p. 70.

tary authorities to keep the percentage rate of growth within a fixed range.¹¹⁰

In the context of concern about limited government and the future of capitalism, an article in Nation's Business argues that there were three main parts to what once served as an economic constitution. The Apportionment Clause in Article I, Section 9 of the Constitution (until the Sixteenth Amendment in 1913) restricted Congress from placing a disproportionate share of the tax burden on a minority of the electorate.¹¹¹ Article I, Section 8, reinforced by the Tenth Amendment, acted as a check on federal spending. However, they have been enfeebled by modern interpretations of the commerce and welfare clause. The suggested spending limitation amendment would replace the restraints originally provided by Article I, Section 8. "If it is no longer practical to limit the purposes for which Congress may spend, an alternative is to limit spending in the aggregate."¹¹² The Contracts Clause in Article I, Section 10, supplemented by the Fifth Amendment, protected private property. Article I, Section 10 prohibited states from passing laws impairing contract obligations, and the Fifth Amendment declared no

¹¹⁰Ibid., p. 71.

¹¹¹Dorothy M. Tella, "Let's Amend Our Economic Constitution," Nation's Business, October 1980, p. 88.

¹¹²Ibid., p. 90.

one should be deprived of property without due process, or have property taken for public use without just compensation. But these portions of the Constitution do not provide protection against the most pervasive threat to property - regulation. According to present court interpretation, regulation does not meet the Fifth Amendment tests of public purpose, due process, and just compensation. The Economic Bill of Rights suggested by Milton and Rose Friedman merely restores constraints on government that the Constitution formerly provided.¹¹³

Nation's Business uses an imaginary interview with the Founding Fathers to continue its advocacy of limited government. In the process of quoting and reformulating the philosophies and ideas of the statesmen, the publication conveys the message that an excess of governmental power can nurture the excess of private power. However, "if the citizens restrain the first, competition will restrain the second."¹¹⁴

Some news items and articles in Inc. made the point that business should accept the risks and rewards of private

¹¹³Ibid.

¹¹⁴"What's Happened To Our America?," Nation's Business, May 1980, pp. 27-28, 30-31.

enterprise, rather than seek security and stability.¹¹⁵ This seems to corroborate Murphy's contention that "small business enterprise recalls the image of atomistic, competitive capitalistic society; individuals testing themselves in the marketplace, building and creating private property through their own efforts, personally accounting for their success or failure."¹¹⁶ Inc. is also the forum for the view, in the tradition of Joseph Schumpeter, that the essence of capitalism is creative destruction. The argument is that many current and proposed policies reward obsolete industries at the expense of the next generation of enterprises.¹¹⁷ For example, tariffs, import quotas, accelerated depreciation and other tax policies are most useful to settled firms.¹¹⁸ The future of American capitalism depends on a shift by the government from defending the past to a "progressive embrace of the future."¹¹⁹ In contrast to that bold proposal, NAM would have the government establish a

¹¹⁵Inc., January 1980, p. 23; Inc., June 1980, p. 7; Inc., September 1980, p. 7; and Robert D. Kephart, "In A Free Market No Small Business Should Get Special Breaks," Inc., December 1980, p. 16.

¹¹⁶Murphy, p. 4.

¹¹⁷George Gilder, "Should We Sacrifice Our Future To Presever The Past?," Inc., November 1980, p. 93.

¹¹⁸Ibid., p. 96.

¹¹⁹Ibid., p. 98.

pattern of predictable policies. Enterprise argues that business cannot operate in a vacuum. When government policies are not consistent and reasonably predictable, business cannot plan effectively for the future.¹²⁰ The evidence is slight, but these two views do suggest that corporate business is looking for a stable environment, and small enterprise views change more positively.

¹²⁰John W. Fisher, "Needed: Predictable Government Policies," Enterprise, May 1980, Inside Cover.

CHAPTER VI

SUMMARY AND CONCLUSIONS

Summary

This content analysis of six publications during 1980 shows that the corporate sector and small business do share many common interests. Few cases of discord in their positions were found. Rather, there are many subject areas which are important to one business sector, but are inconsequential to the other sector. This suggests that there are a great number of divergent interests.

One issue on which the business community is cohesive is its need for capital. Capital formation, capital recovery, and capital investment are basic to giant enterprises and to small businesses. Addressing the problem in terms of business' needs and the general economy, business groups lobby for solutions through fiscal policy. The issue of inflation galvanizes and unifies the business community. Both sectors focus on such cures as restraining government spending and facilitating capital formation. Corporate enterprise stresses this problem more than small business, and it places the blame on interest groups and the socio-political process. There is agreement in the business community that productivity is declining. The problem can be

solved with regulatory reform, improvements in energy policy, and capital formation.

In different degrees, big and small business focus on the importance of a balanced federal budget. Toward that end, the corporate sector lobbies for legislation to limit federal spending. Both sectors object to credit restrictions imposed by the Federal Reserve Board. However, they oppose credit controls for different reasons and they also respond in different ways.

There is solid accord in the business community on the need for regulatory reform. Detailed analysis shows an identity of interests on few issues (legislation for "sunset" review of agencies and programs, and the legislative veto). Electing a Republican pro-business Congress and a Republican President are goals of both business sectors. There is also support for supply-side economics and supply-side tax cuts.

Conflicting views are found on the issue of recession. The corporate view remains close to Sutton's business creed; the recession is seen as the natural contraction of the business cycle, which is not necessarily a bad thing. Thus big business does not lobby for government action. Small business feels the recession more acutely and favors loans and tax reductions. Open conflict is seen on the important issue of depreciation law, because small business

refused to support a bill which it believed would benefit mainly a small number of the largest firms. And big business balked at the bill favored by small business.

There is also disagreement over a proposal to refund the unused portion of tax credits in excess of tax obligations. Presumably small firms would gain more from refundable investment tax credits; hence they favor them. Big business objects on the grounds that it is a subsidy and that huge numbers of American business would be converted into welfare cases.

The interests of the two sectors of the business community directly collide in the area of government contracts. Though federal procurement of goods and services is mandated by law, corporate business does not favor using contracting as a "social tool." At the same time, small business questions the legality of contracts awarded to large firms.

Conflicting interests seem to explain why positions are taken by the Business Roundtable regarding international trade. On one hand, the organization joins small business in backing the Export Trading Company Act, partly because of the potential benefits which the Act holds for smaller firms. On the other hand, the Business Roundtable asks the government to favor the largest companies in developing an international trade program.

There are instances when the business community unites in terms of a general objective, but divides over specific legislation. For example, there was unified support for deregulation of the trucking industry, but small business vigorously opposed an amendment to the bill introduced in Congress, because it would erode protections of the Robinson Pateman Act. In the case of patent policy reform legislation, small business argued that it needs special treatment.

The strongest evidence showing that big and small business do not speak with one voice has to do with issues concerning one sector but not the other. The tax side of fiscal policy is the outstanding example. Corporate business arguments focus on state taxation of foreign source income, foreign tax credits affecting multinational companies, and cash management initiatives. Small business has no interest in these taxes. An entirely different tax program is promoted by small enterprise: a more graduated income tax; estate tax law revision; deferral of capital gains tax for roll-over of small business investments; tax credits for small business investments; a new equity-type security for small business; an increase in used capital equipment eligible for investment tax credits; and the general jobs tax credit are on the small business political agenda.

Big business also has strong convictions about how

to develop energy sources, strategic material and mineral resources. Government's role is to facilitate industry's efforts in research and development of energy and mineral resources. The United States Chamber of Commerce publication makes that case, but the other small business publications do not.

In general, industrial relations issues are not a major concern, but each business sector has special problems. Claiming that construction costs are driven up as a result of the Davis-Bacon Act, big business favors its repeal or reform. Different legislation is the focus of small business attention. The National Small Business Association lobbies against provisions of the proposed Multiemployer Pension Plan Amendment Act because of the serious liabilities that they could impose on a smaller employer who might withdraw from participation in a plan.

The corporate publications debate international trade and finance in terms of foreign policy. In contrast, small business publications essentially are a campaign to interest smaller companies in exporting their products.

The Corporate Democracy Act of 1980, which caused much consternation in the corporate sector, was unimportant to small business, whereas the White House Conference and the SBA redefinition issues were ignored by big business. And corporate business discussions of becoming politically

involved and educating politicians, communities, and employees have no counterpart in publications aimed at small business.

Pluralism accurately describes the business agenda in the United States. By examining the publications of big and small business, the dual nature of the business community becomes evident on the demand side of the political process. Conflict is manifest on some issues, and big business and small business concerns are dissimilar more than they are similar. Furthermore, there are issues where the likelihood of conflict is indicated. For example, in the case of the Multiemployer Pension Plan Amendment, small business objected to a provision in the bill, but no position held by the corporate sector was found. As this issue is presented in the 1980 publications, therefore, it is of concern only to one sector. However, NSB testimony at hearings of the House of Representatives relates the issue to pension plans and the disposition of pension funds. NSB complains that they are usually determined by larger employers and unions. The problem described by NSB suggests that the two sectors would have conflict periodically in the area of pension plans. Similarly, there is a lack of controversy surrounding certain tax reform measures introduced by small business. But they are subject to competition or opposing action at the time Congress debates them.

For example, small business would like corporate income tax rates reduced at the low end of the scale and raised at the top end of the scale.¹ Taxation is a subject that arouses intense conflict, as was shown in the case of depreciation law reform.

Conclusions

Big business and small business both claim to be proponents of limited government and free enterprise. No less than five editorials in Inc. argue about infringements of the free market and private enterprise, and the interference of government. One editorial admonishes business for its demand on government.² The Business Roundtable contends that our society should "return to the notion of the limited-purpose organization," letting the government and business do the things they do best.³ But the business community embraces no consistent and coherent approach to promoting the goals of free enterprise and limited government. To a great extent the opposition to regulation constitutes business' current attempt to limit government power. Big business frequently offers to cooperate volun-

¹Voice of Small Business, August 1980, p. 2.

²Inc., June 1980, p. 7; Inc., August 1980, p. 7; and Inc., September 1980, p. 7; Inc., October 1980, p. 7; and Inc., December 1980, p. 16.

³Roundtable Report, June 1980, p. 2. Also see Roundtable Report, May 1980, p. 4.

tarily in order to avoid regulation.

The most radical idea considered to restrict government power is to enact a constitutional amendment, but there was little support for limiting government spending by constitutional fiat. Too little evidence indicates that corporate enterprise subscribes to any Galbraithian concept of "countervailing powers." One statement in the Roundtable Report touches on the idea: it notes that large corporations together with other institutions in the private sectors counteract the "enormous political power of governments."⁴ Ideologically big business is sympathetic to the basic ideas of economist Milton Friedman. Friedman says that "the preservation of freedom is the protective reason for limiting and decentralizing power." But, he adds, "the constructive reason" for limiting the power and functions of government is that achievement and advances of civilization have never come from centralized government."⁵ That view is explicit in the "limited-purpose organization" argument and it is implied in other debates. Enterprise says, "Consider any major problem now besetting the country. Much as all roads used to lead to Rome, so all solutions pass through a re-

⁴Roundtable Report, November 1980, p. 2.

⁵Milton Friedman, Capitalism and Freedom (Chicago: The University of Chicago Press, 1982), p. 3.

juvenated industry."⁶ The Business Roundtable contends that only "through the mechanism of the private enterprise system - will the world's expanding population be able to progress."⁷ Though specific changes which Friedman advocates would radically restrict the power and functions of government, his perception of limited government includes the function "to foster competitive markets."⁸ Big business attempts to stimulate that government function in one way. (The Business Roundtable wants federal trade agencies to become forceful and effective advocates of trade.)⁹ Small business continues to depend on that government function in another way (for antitrust protection).¹⁰

In addition to the themes of limited government and free enterprise, the content analysis shows that big and small business have distinctly different orientations toward the political and socio-economic system. Big business has a macro perspective. Its immediate concerns and tactical proposals are cast in terms of long range goals and main-

⁶Joseph Kraft, "Declining U. S. Strength - The Remedy's There in Big Red Letters," Enterprise, April 1980, pp. 2-3.

⁷Roundtable Report, April 1980, p. 4.

⁸Friedman, p. 2.

⁹Roundtable Report, January 1980, p. 4.

¹⁰Terence D. Hughey, "Should The Big Guys Write The Rules of the Innovation Game?," Inc., February 1980, p. 16.

tenance of a stable capitalist system.

One thing that obstructs the proper functioning of the system are interest groups. Corporate arguments in 1980 were exactly opposite Schattschneider's claims that the pressure system is skewed and that it has a business bias. The excesses of hordes of interest groups and independent politicians with weak party connections have played havoc with the system. Big business perceives a malfunction of government power due to the accommodation that government makes to interest groups. The business sector is searching for ways to restore traditional pluralism (in the Madisonian sense), where government mediates competing interests instead of complying with their demands. Corporate enterprise does not argue for control of the socio-political-economic system, but rather an understanding of business needs in a capitalist society. Though the corporate attitude toward government tends to be critical, there is a desire that relations not be adversarial. Industry does not doubt the economic and business concepts which guide its operations. Somewhat elitist, confident knowing what is right for the system in the long run, for the national interest, and for business, the government is to be lobbied and the public is to be educated. Big business wants to have its share of influence over the course of events, and it believes that a united business front makes that effort

easier. The implication of this position is that small business at times is actually another troublesome interest group. A unified business community translates into a large number of votes for legislators to consider. Also, Congress can accommodate a single business interest easier than a business interest divided. Furthermore, a cohesive business community of large and small enterprises can allay suspicions about larger companies. This study affirms Sutton and C. Wright Mills that big business works to sustain a single business community. Consider the National Association of Manufacturers and the United States Chamber of Commerce, which try to represent the interests of businesses of all sizes. The content of their publications is a by-product of that approach.

Small enterprise believes it has an interest independent of big industry. According to Inc., that sector wants and needs "an independent policy and power grid that belongs to it alone."¹¹ This research also affirms Murphy's view that small business feels it has been squeezed into a shrinking sector of the economy by the growth of government and the growth of big business. Thus small business lobbies for catch-up growth policies. The Small Business Omnibus Bill of 1980 is intended to insure an economic climate con-

¹¹Milton Stewart, "What We Must Do To Speed Growth for Small Business," Inc., September 1980, pp. 18,21-23.

ductive to small business. That legislation resulted from a four year NSB effort.¹² An editorial addressed to the pro-business President-elect appeals to him to recognize that small business is different than big business and to treat them alike is unfair to both.¹³

Small business policy recommendations tend to specify small business interests. It has a micro perspective, a short-term and narrow focus compared to that of corporate enterprise. Conscious of the effects of politics and economics on its interests, small business lobbies, but does not assume responsibility for the system. The big and small business sectors are very different. It is a difference which invades each sector's orientation to the political-economics system, as well as the big business and the small business political agenda for the 1980s.

This research analyzed publications of the two business sectors over a short period of time. Longitudinal studies, using resources such as congressional hearings, would greatly increase our knowledge and understanding of the inter-relationship among big business, small business and the political system. This study suggests at least three directions for future research. It would be worth-

¹²The Voice of Small Business, July 1980, pp. 1,3.

¹³The Voice of Small Business, November/December 1980, p. 2.

while to examine the business community in terms of specific topics, such as taxation, federal procurement, or Federal Reserve policies. A second thrust is to analyze business behavior relative to the themes of free enterprise and limited government. Finally, the present study suggests this major research question: In what ways, and to what extent does corporate business act on its concerns about the ill effects on interest-group democracy in America? The subject of business and government is fertile ground for political science investigation.

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- Nation's Business, January - December 1980.
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APPENDIX

Appeared in: For-
tune, Enterprise, or
Roundtable Report

Appeared in: Inc.,
Nation's Business,
or Voice of Small
Business

1. BUSINESS ENVIRONMENT

Sub-Topic

American Enterprise Day	X	
Anti-Business Campaign		X
Attitudes Toward Business	X	
Big Business Day	X	X
Business and		
Consumers	X	
Employees	X	X
Government	X	X
Labor Unions	X	X
The Media		X
The National Interest	X	
96th Congress	X	
The Public	X	
Society	X	X
The States		X
World Events		X
Criminal Code Revision		X
Criticism of the Corporation	X	X
Economic Theories	X	
An Economic Constitution		X
The Free Market	X	X
Laffer Curve	X	X
Milton Friedman's Economic		
Bill of Rights		X
Liberal Capitalism	X	X
Monetary Theory	X	X
Supply Side Economics	X	X
Lester Thurow's Zero Sum		
Theme	X	
Faith in the Country		X
Frost Belt and Sun Belt	X	X
Governmental Power	X	X
Reagan Administration and		
The New Congress	X	X
Supreme Court Cases on Busi-		
ness Issues		X
U.S. Transportation System		X

Summary: 32 Sub-Topics

14 Issues in Both Groups of Publications

8 Issues in Only Big Business Publications

10 Issues in Only Small Business Publications

Appeared in: For-
tune, Enterprise, or
Roundtable Report

Appeared in: Inc.,
Nation's Business,
or Voice of Small
Business

2. CORPORATE GOVERNANCE*

Sub-Topic

Accounting Standards for		
Corporate Earning Reports	X	
Conglomerate Mergers	X	
Corporate Free Speech		X
Corporate Governance**	X	
Corporate Growth and Mergers	X	X
Corporate Philanthropy	X	X
Corporate Responsibility	X	X
Corporate Shareholders		X
Corporate Stockholder Causes		X
Protection of Shareholder		
Rights Act of 1980	X	

Summary: 10 Sub-topics
 3 Issues in Both Groups of Publications
 4 Issues in Only Big Business Publications
 3 Issues in Only Small Business Publications

* Refers to all aspects of governing a corporation.

** Refers to a specific issue, that of having the members of the Board of Directors come from outside the corporation.

Appeared in: For-
tune, Enterprise, or
Roundtable Report

Appeared in: Inc.,
Nation's Business,
or Voice of Small
Business

3. ENERGY AND NATURAL RESOURCES

Sub-Topic

Department of Energy		X
Deep Seabed Mining	X	
Department of Energy Research		
Grants	X	X
Development of Energy Sources	X	
Energy Conservation		X
Energy Policy		X
Federal Water and Farm Size		X
Gasahol		X
Gas Tax Rationing Plan		X
Minerals	X	X
Natural Gas Policy Act	X	X
Nuclear Energy	X	X
Private Lands	X	
Public Land Use	X	
Solar Energy	X	X
Synthetic Fuels	X	X

Summary: 16 Sub-topics
 6 Issues in Both Groups of Publications
 4 Issues in Only Big Business Publications
 6 Issues in Only Small Business Publications

Appeared in: For-
tune, Enterprise, or
Roundtable Report

Appeared in: Inc.,
Nation's Business,
or Voice of Small
Business

4. FEDERAL GOVERNMENT ADMINISTRATION

Sub-Topic

Congress	X	X
Congressional Committees on Small Business		X
Executive Department	X	
Executive Department Agencies		X
Executive Department Reorganization		X
Federal Agencies	X	
Federal Appointments	X	X
Federal Bureaucracy		X
Members of Congress	X	X
President's Executive Exchange Program	X	X
Procurement		X
Contracts to Small and Minority Firms		X
Minority Business Par- ticipation		X
Outside Contracts		X
Small Business Partic- ipation	X	X

Summary: 15 Sub-topics
5 Issues in Both Groups of Publications
2 Issues in Only Big Business Publications
8 Issues in Only Small Business Publications

Appeared in: For-
tune, Enterprise, or
Roundtable Report

Appeared in: Inc.,
Nation's Business,
or Voice of Small
Business

5. FISCAL POLICY

The Budget	X	
Balanced Budget	X	X
Budget Cuts		X
Budget Deficits	X	
Budget Process	X	
Constitutional Amend- ment to Require Balanced Budget		X
1981 Budget	X	X
1981 Budget Cash Manage- ment Initiatives	X	
Federal Spending	X	X
Constitutional Amendment to Limit Federal Spending	X	
Education Amendments of 1980	X	
Increase Defense Spending	X	X
Limit Federal Spending	X	X
Taxes and Tax Policies	X	X
Capital Cost Recovery Bill	X	X
Capital Gains Investment Rollovers		X
Tax Credits	X	
Tax Credits for Job Creation		X
Tax Cuts	X	X
Depreciation Reform		X
Depreciation Tax Policies		X
Estimated Tax Payments & Payment Schedules	X	
Estate Taxes	X	X
Foreign Tax Credits	X	
Income Tax on Overseas Earnings	X	X
Income Taxes		X
Corporate Income Tax		X
Indexing Income Tax		X
Individual Income Tax	X	X
Tax Increases	X	X
Inheritance Tax		X

Appeared in: For-
tune, Enterprise, or
Roundtable Report

Appeared in: Inc.,
Nation's Business,
or Voice of Small
Business

FISCAL POLICY
continued

Inheritance Tax on Farmland		X
Investment Tax Credits	X	
Kemp Roth Bill	X	
Limit Federal Taxation		X
Social Security Taxes		X
Social Security Tax Cuts		X
Stock Option Taxation	X	
Taxation of Social Security Income		X
Supply-Side Tax Cuts	X	X
Tax Reform		X
Value Added Taxes	X	X
Windfall Oil Profits Tax	X	X

Summary: 43 Sub-topics
15 Issues in Both Groups of Publications
12 Issues in Only Big Business Publications
16 Issues in Only Small Business Publications

Appeared in: For-
tune, Enterprise, or
Roundtable Report

Appeared in: Inc.,
Nation's Business,
or Voice of Small
Business

6. GENERAL ECONOMY

Sub-Topic

Automobile Industry	X	X
Bankruptcies	X	X
Business Cycles	X	
Capital	X	X
Capital Formation	X	X
Capital Investment	X	X
Capital Recovery	X	
Confidence in the Economy		X
Consumer Spending	X	X
Economic Development Agency		X
Economic Forecast	X	X
Economic Growth	X	
Economic Policy	X	X
Economic Strategy	X	
Election Impact on the Econ- omy and Business	X	
Financial Markets	X	
Government Price Raising Actions	X	
Health Care Cost Containment	X	
Hospital Cost Containment	X	
Housing Industry	X	X
Indexing the Economy	X	
Individual Savings	X	
Industrial Innovation	X	X
Industrial Policy	X	
Industrial Revitalization	X	
Industrial Strategy	X	
Inflation	X	X
Inflation and Democracy	X	
Inflation - Impact on Small Business		X
Inflation - Measuring		X
Job Creation		X
National Debt		X
President Carter's Anti- Inflation Plan		X
President Carter's Economic Revitalization Program		X
Productivity	X	X
Profits	X	X
Recession	X	X

Appeared in: For-
tune, Enterprise, or
Roundtable Report

Appeared in: Inc.,
Nation's Business,
or Voice of Small
Business

GENERAL ECONOMY
continued

Sub-Topic

Recession Policies		X
Science and Technology	X	X
Small Business Partic-		
ipating Debentures (SBPDs)		X
Small Business Sector		X
Unemployment	X	X
Urban Zones Proposal		X

Summary: 43 Sub-topics
16 Issues in Both Groups of Publications
15 Issues in Only Big Business Publications
12 Issues in Only Small Business Publications

Appeared in: For-
tune, Enterprise, or
Roundtable Report

Appeared in: Inc.,
Nation's Business,
or Voice of Small
Business

7. GOVERNMENT REGULATIONS

Sub-Topic

Antitrust Laws	X	X
Antitrust Reform	X	X
Bank Deregulation	X	
Civil Aeronautics Board (CAB)		X
Clean Air Act	X	
Commodities Futures Trading	X	
Consumer Programs		X
Consumer Protection	X	
Costs of Federal Regulation		
Compliance		X
Costs vs. Benefits	X	
Council on Wage and Price		
Stability		X
Department of Labor Rules	X	X
Domestic Oil Price Decontrol	X	X
Employee Stock Ownership		
Plans	X	X
Energy Department Efficiency		
Standards		X
Enforcement		X
Environmental Laws	X	
Environmental Policies	X	
Environmental Protection		
Agency Regulations	X	X
Environmental Protection		
Programs	X	
Environmental Regulation		X
Equal Access to Justice Act	X	X
Federal Agency Rules		X
Federal Air Pollution		
Policies		X
Federal Paperwork	X	X
Federal Trade Commission		
(FTC)	X	X
FTC Rules		X
Food and Drug Administration		
Actions	X	
Impact on Small Business		X
Incomes Policy	X	X
Industrial Cost Recovery	X	
Internal Revenue Service (IRS)	X	
IRS Policies		X

Appeared in: For-
tune, Enterprise, or
Roundtable Report

Appeared in: Inc.,
Nation's Business,
or Voice of Small
Business

GOVERNMENT REGULATIONS
continued

Sub-Topic

IRS Property Seizures		X
IRS Regulations	X	X
Judicial Decisions on Regulatory Agencies Rules	X	
Minimum Wage		X
Occupational Safety and Health Act	X	X
Occupation Safety and Health Administration	X	X
OSHA Inspections		X
OSHA Reform Bill		X
OSHA Regulations	X	X
Oil Import Control Plan		X
Oil Industry Regulation	X	
Patent and Trademark Policy	X	X
Product Liability	X	X
Product Liability Insurance	X	X
Railroad Deregulation	X	X
Reduction of Federal Regulation		X
Regulatory Agencies	X	X
Regulatory Agency Rules	X	
Regulatory Flexibility	X	X
Regulatory Flexibility Act		X
Regulatory Reform	X	X
Scientific Risk Analysis	X	
Securities and Exchange Commission		X
Securities and Exchange Commission Regulation		X
Toxic Waste Cleanup	X	
Toxic Waste Cleanup Costs	X	
Toxic Waste Cleanup Legislation	X	
Trucking Deregulation	X	X
Two-Tier Minimum Wage	X	
University and Small Business Patent and Procedure Act		X
Wage-Price Controls	X	X
Wage-Price Guidelines	X	X

GOVERNMENT REGULATIONS
continued

Summary: 65 Sub-topics
24 Issues in Both Groups of Publications
19 Issues in Only Big Business Publications
22 Issues in Only Small Business Publications

Appeared in: For-
tune, Enterprise, or
Roundtable Report

Appeared in: Inc.,
Nation's Business,
or Voice of Small
Business

8. INDUSTRIAL RELATIONS

Sub-Topic

Affirmative Action	X	X
Davis-Bacon Act	X	X
Doctrine of "Comparative Worth"	X	X
Employee Benefits and Com- pensation	X	
Employee Privacy Standards	X	
Employee Retirement Income Security Act Amendments (ERISA)		X
Federal Contract Hiring Rules	X	X
Full and Fair Employment	X	
Government Labor Policies	X	
Government Pension Plan Policies	X	X
Jobs as Property Rights	X	
Job Training - CETA	X	X
Labor Unions		X
Multiemployer Pension Plans		X
Multiemployer Pension Plan Act		X
National Health Insurance	X	
Occupational Safety and Health	X	
Plant Closing Restrictions	X	X
Proposed Religious Guidelines	X	X
Public Sector Strikes		X
Sexual Harassment Guidelines	X	X
State Right to Work Laws		X
Workers Compensation	X	X
Work Identity Cards		X

Summary: 24 Sub-topics
10 Issues in Both Groups of Publications
7 Issues in Only Big Business Publications
7 Issues in Only Small Business Publications

Appeared in: For-
tune, Enterprise, or
Roundtable Report

Appeared in: Inc.,
Nation's Business,
or Voice of Small
Business

9. INTERNATIONAL TRADE AND FINANCE

Sub-Topic

American Export Trading Companies	X	X
Bank and Company Claims Against Iran	X	
The China Market		X
Department of Commerce	X	X
Dumping	X	
Export Controls & Foreign Policy Considerations	X	X
Export Development		X
Export Expansion Program	X	
Export Financing and Credit	X	
Export-Import Bank Financing	X	X
Foreign Corrupt Practices Act Guidelines		X
Foreign Investment in U.S.	X	X
Foreign Ownership of American Banks		X
Gold Standard	X	X
Government Export Incentives	X	X
Grain Embargo to Russia		X
Limit Automobile Imports	X	X
Multilateral Trade Negotiations Agreement (MTN)	X	
Risks for International Businesses		X
State Taxation of Foreign Source Income	X	
Trade Adjustment Assistance		X
Trade Agreement with China		X
Trade Agreement with Japan		X
Trade Restrictions	X	X
U.S. Boycotts of Foreign Goods	X	
U.S. Exports	X	X
U.S. Trade Deficits	X	
U.S. Trade Policy	X	X
U.S. Ventures in Egypt		X

Summary: 29 Sub-topics
 11 Issues in Both Groups of Publications
 8 Issues in Only Big Business Publications
 10 Issues in Only Small Business Publications

Appeared in: For-
tune, Enterprise, or
Roundtable Report

Appeared in: Inc.,
Nation's Business,
or Voice of Small
Business

10. MONETARY POLICY

Sub-Topic

Credit Control Act	X	
Credit Control		X
Dual Prime Rate		X
Federal Reserve Board	X	
Federal Reserve Board Money for Small Business Loans		X
Fed "Two-Tier Discount Policy"		X
Interest Rate	X	X
Money Supply	X	X

Summary: 8 Sub-topics
 2 Issues in Both Publications
 2 Issues in Only Big Business Publications
 4 Issues in Only Small Business Publications

Appeared in: For-
tune, Enterprise, or
Roundtable Report

Appeared in: Inc.,
Nation's Business,
or Voice of Small
Business

11. POLITICAL PROCESS

Sub-Topic

Business-Community Involvement in Politics	X	X
Business Lobbying Organizations	X	X
Congressional Candidate Positions on Small Business Issues		X
Corporate Political Action Democratic Party	X	
1980 Election Campaigns		X
1980 Elections		X
Election Laws		X
Election of Ronald Reagan	X	
The New Right	X	
Political Action Committees	X	X
Political Parties	X	X
Presidential Candidate Plans for Business		X
Presidential Candidate Plans for the Economy	X	X
Presidential Candidate Policies for Small Business		X
Presidential Election	X	X
Presidential Nominations	X	
Pro-Business Candidates for Congress		X
A Pro-Business Congress	X	X
Public Financing of Congressional Elections	X	
Reapportionment and Redistricting	X	
Republican Party	X	X
Republican and Democratic Party Platforms	X	X
Republican Party Platform Hearings	X	
Small Business Lobbying Organizations		X
Special Interest Groups	X	

Summary: 26 Sub-topics

9 Issues in Both Publications

9 Issues in Only Big Business Publications

8 Issues in Only Small Business Publications

Appeared in: For-
tune, Enterprise, or
Roundtable Report

Appeared in: Inc.,
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Business

12. SMALL BUSINESS

Sub-Topic

Commercial Credit Report- ing Act		X
Federal Agencies' Help	X	
Omnibus Small Business Act	X	X
Report of White House Commission on Small Busi- ness		X
Senate Task Force on White House Conference of Small Business Recommendations	X	X
Small Business Administra- tion (SBA)		X
SBA Assistance to Women's Business Enterprise	X	
SBA Data Base for Small Business		X
SBA Disaster Loan Program		X
SBA Loans		X
SBA Procurement Automated Source System (PASS)		X
Small Business Bill of Rights	X	
Small Business Investment In- centive Act		X
Small Business Task Forces		X
Small Business "Movement"	X	X
State Small Business Initiatives	X	X
White House Commission on Small Business		X
White House Conference on Small Business		X
White House Conference on Small Business Recommenda- tions	X	X

Summary: 19 Sub-topics
 5 Issues in Both Publications
 3 Issues in Only Big Business Publications
 11 Issues in Only Small Business Publications

APPROVAL SHEET

The thesis submitted by Carol Spielman has been read and approved by the following committee:

Dr. Raymond Tatalovich, Director
Associate Professor, Political Science, Loyola

Dr. Barbara A. Bardes
Associate Professor, Political Science, Loyola

The final copies have been examined by the director of the thesis and the signature which appears below verifies the fact that any necessary changes have been incorporated and that the thesis is now given final approval by the committee with reference to content and form.

The thesis is therefore accepted in partial fulfillment of the requirements for the degree of Master of Arts.

December 5, 1983
Date

Raymond Tatalovich
Director's Signature