CHAPTER ONE

A New Generation

Danaris Mazara opened the door at Sweet Grace Heavenly Cakes the day after the governor lifted the Covid pandemic lockdown on "nonessential" businesses in late May 2020.

"Thank God," she said. Her 12-year-old bakery, which had been conceived of when she was lying on her couch staring at the ceiling with $37 to her name, was back in business.[i]

Eight women were already back at work on Essex Street in Lawrence, Massachusetts, making cakes in the back of the shop. The Sweet Grace bakers turned out cakes, from five silver-festooned tiers for a wedding to two-layered dreamy dark and milk chocolate affairs. On any given day, a cake as grand as a two-foot-tall Noah's Ark birthday cake, complete with a giraffe peeking over the top, might hold pride of place in the window.

It was a parade of life events, decked out in butter and sugar, for the Dominican community that Sweet Grace served.

Twelve orders came in the day before. But a week usually brought more than 100 orders. Danaris worried whether sales would be strong

[i] Quotes from Danaris are from six interviews conducted between May 2019 and December 2020. Elizabeth visited in person in summer 2019, a visit that included a lunch in a lively Dominican restaurant.

enough to make the payroll, the mortgage, or payments on the loan she had taken to expand late last year. She recalled what the space looked like before she remodeled it. Its transformation mirrored her own, from bankrupt and nearly out of money to business owner and community leader. The space had been dim and cluttered, with abandoned fixtures and trash left by the hair salon that was its previous occupant. Now it looked like it smelled – soft, sweet, and full of energy. But not as busy as it was before the pandemic and economic crisis hit.

"I think it's normal to be afraid," she said. "You don't know what's going to happen in the future. I'm trying very hard to … " she trailed off. "Just wait and keep working," she finished.

Around the corner, the family-owned Italian bakery also opened its doors that morning. But unlike Sweet Grace Heavenly Cakes, it had been able to stay in business through the Covid-19 shutdown because of a historical relic: it baked bread. Somewhere, somebody in the state's bureaucracy had decided that bread was essential. But not cake.

That's not how Danaris saw it. For people who love to dance and sing, and who live for their families and communities, cake *is* essential. Now, she wondered if everything she had built – for her family, her community, for her workers, and their families – would survive.

Danaris and her husband had arrived in Lawrence in 2002 from Puerto Rico. Born in the Dominican Republic, her mother had moved the family to Puerto Rico when Danaris was a young girl. There she had grown up and met her husband, Andres. Moving to the mainland after they were married, Danaris and Andres started their life in Lawrence, in her brother's attic. The room had no air-conditioning, which meant it was sweltering in the summer, and had little insulation, leaving them to huddle together in the winter. But there were jobs in the factories in and around Lawrence, and the opportunity for a better life.

At the factory where she first found work, Danaris tried, tentatively, to speak a few words of English. "I didn't know that when people eat American chicken, they start speaking English," mocked the assistant manager on the production line.

She was so humiliated she couldn't bring herself to go back the next day. Instead, she found a language school. The lessons paid off and when she eventually found another job, they were impressed enough to quickly promote her to assistant manager. Right before her daughter, Grace, was born, the Great Recession of 2008–2009 hit. Her husband was laid off from his job at Haverhill Paperboard, a local manufacturer that had been operating for over 100 years. The layoff cost 174 people their jobs and livelihood.

"I was very depressed because I had a newborn baby, something I was waiting to have for many, many years. But I couldn't stay at home to take care of her. I didn't know what I was supposed to do," she told us.

Sweet Grace Heavenly Cakes was born in that moment of desperation, from the mind of a woman who, typical of today's entrepreneurs, had little in the way of resources, or even a well-resourced network, to help. The bakery succeeded in the early days because of the help of an unlikely trio of benefactors: an Indian-born billionaire, a Harvard-educated tech executive, and a banker from Brazil. They were all engaged in programs to help Lawrence, a city of old and new immigrants, come back to life. In 2018, they had pulled together to help the city recover from a gas line explosion that destroyed 40 homes and caused the immediate evacuation of 30,000 people (from a city of 80,000). Now, as the Covid-19 pandemic dragged on, Danaris wondered: if things were really bad, could she turn to them for help?

In better times, before the pandemic hit, Sweet Grace's reputation was so good, people lined up to pay $2 just for a cup of the crumbs. Even the Immigration and Customs Enforcement (ICE) agents, whose office was menacingly outside the back door, sometimes stopped in for a cup.

"We have many customers coming from far, far away to get our cakes," she said. "Dominican people, you have to know us. We are always celebrating."

Danaris made it through seven weeks of pandemic closure by using her personal savings to pay both the mortgage on her house and the payments on her building renovation loan. She paid her employees – four of whom were women with children still back in the Dominican Republic – for a week. But she was stretched thin, both financially and emotionally.

She had been right before to trust in her ability to build a business. Her prayers had worked in the past. Now, she trusted they would again.

The *New Builders*

Danaris is a *New Builder*. She is one of the next generation of entrepreneurs defining the future of American business. These entrepreneurs are increasingly Black, brown, and female. Many are older than entrepreneurs of previous generations and, as a result, today's entrepreneurs are older than many people realize. They are talented innovators and businesspeople with an extra dose of grit. They're passionate about what they do, and their motivations are often more complex than our current definition of *entrepreneur* allows. They're apt to be driven by the idea of contributing to their community as much as by the idea of profit, though they often believe they can do both.

The entrepreneurs of today are a much broader group than the entrepreneurs that dominated our old mindset, the high-tech founders of Silicon Valley and Boston. Very few *New Builders* have businesses that fit the idealized Silicon Valley model of fast-growth, highly profitable (or at least highly valued) enterprises – but out of their ranks, we will find winners in the post-pandemic recovery. You'll find them in places as varied as Main Streets, redlined communities, and technology parks everywhere. And they come up with ideas for their businesses not tinkering in the fabled garages of Silicon Valley but in teenagers' bedrooms and around kitchen tables. Some are building technology businesses with the goal of hyper growth. Most are not. If we want them to win in greater numbers, we need to understand better who they are and how to support them. Our idea of entrepreneurship has been overtaken by a particular myth – that important entrepreneurs are White, male, and Ivy League–educated, and that the only truly worthwhile businesses are software-driven companies with the potential to grow into huge businesses. *That image doesn't reflect the reality of entrepreneurship across America*, or the fact that small businesses are not just a sentimental cause – they are critical part of our economy. It's time to take back the idea of entrepreneurship to include the incredibly rich and wide variety of businesses that are being started in America today. By not seeing *New Builders*, not supporting them and helping them thrive, we risk letting go of the entrepreneurial edge that has long set America apart from other countries.

The *New Builders* are out there. They're an invisible army, working to further themselves and their communities as they turn their business ideas into reality.

Entrepreneurs Are Everywhere

Danaris, like many *New Builders*, didn't come to start and build a business from a whiteboard or as part of a class exercise. It was her lived experience, combined with the kind of motivation that comes from the knowledge that you're not going to succeed any other way – at least, not on the terms you want. Quiet but forceful, and fiercely proud of her culture, Danaris spent years putting other people before herself, including her husband and her children. Like the mother who inspired her, she knows how to carry on through tears. But in the company of people from cultures where tears are a sign of weakness, she also knows how to hold them back. If you passed her on the street, you might not give her a second look. You almost certainly wouldn't think this Dominican woman was a community leader and small business owner.

In today's economy, an estimated 60 million people are entrepreneurial in some way. There were 5.6 million employer firms in the United States in 2016, the last year for which complete data are available. If you include the number of "nonemployer" businesses (sole proprietorships – what we now like to call "solopreneurs") this share goes up to 98 percent. Overlapping with these businesses are the 57 million Americans who freelanced in 2018 as part of the *gig economy*.[1]

It's easy to underestimate the impact of grassroots entrepreneurs on the economy, especially in a country that's become consumed by a fast-growth, high-tech business narrative. But recent World Bank research found that it's almost impossible to predict which companies will eventually turn into "gazelles" – their term for firms that take off quickly, grow rapidly, and employ large numbers of people. High-growth firms aren't just technology businesses (though some are). Nor are all startups in the classic sense. Rather, they are firms between one and five years old, and they're found in many sectors across our economy.[2] Likewise, important innovations are as likely to happen in Danaris's kitchen – the low-calorie cake she's been playing around with, for example – or a lab in the Midwest, as in the head of a Silicon Valley computer coder.

Early data suggest that the number of entrepreneurs is growing in the midst of the Covid-19 pandemic, as people become entrepreneurial out of necessity. As the pandemic started, the average small business had just two to four weeks of cash on hand, a fact that explains why so many folded (already numbering in the several million, as of the time of this writing).[3] Our economy needs more *New Builders*.

If the past is any guide, unless something changes, fewer and fewer Americans will choose to become entrepreneurs after the pandemic aftereffect fades. The long-term slowdown in new business activity contributes to the phenomenon of what one might describe as *ghost startups* – businesses that never got started because the founders didn't have the opportunity to get their ideas off the ground. The Ewing Marion Kauffman Foundation calls them *pre-entrepreneurship leavers*.[4] We'll never know the names of these businesses, nor the impact they might have had on a local, national, or even global scale, unless we pause to recognize how many ghost startups our current economy is missing.[ii]

The startup rate in America, the share of companies zero to two years old, fell from more than 12 percent in 1980 to about 8 percent in 2015.[5] Meanwhile, the number of people employed by small businesses – while still more than 40 percent of the workforce – fell by one-third between 1987 and 2015. The Covid-19 pandemic is exacerbating these trends and, at the same time, highlighting why small business entrepreneurship is so essential to our economy.

What we found as we interviewed dozens of entrepreneurs and small business owners – we use the terms almost interchangeably – across the

---

[ii] This is actually an area of emerging research. The Kauffman Foundation, in particular, has started to look more closely at those who have business ideas but don't end up starting companies. You can find a link to their initial report on this subject in the endnotes.

United States is that several elements are merging to make it hard to be a *New Builder.*

The systemic racism, sexism, and ageism that pervades our culture means that today's entrepreneurs often don't get enough support. Our systems of capital and networks are dominated by White men, many of whom consciously or unconsciously look for other White men to invest in. But today's entrepreneurs are increasingly women and people of color. And many of our best entrepreneurs are older.

Consider:

- Women will soon make up more than half of all business owners in the United States because the rate at which women are starting businesses is growing at more than four times the rate of business starts overall. And women of color are responsible for 64 percent of the new women-owned businesses being created, making them the fastest-growing segment of business owners in the United States.
- The entrepreneurship rate in the United States has been driven by people of Hispanic origin, whose rate of entrepreneurship is almost twice that of the average of other groups.[6] Immigrants, as well, are twice as likely as native-born Americans to start businesses.
- The average age of the leaders of high-growth startups is 45.[7] And the highest rate of entrepreneurial activity in the United States is among people aged 55 to 64.[8]

Entrepreneurs can succeed in today's economy – you'll meet many in this book – but many are struggling because our business landscape has fundamentally changed. We find ourselves in an age dominated by big business and powered by software and the consumer movement. Our current business environment is driven by a pursuit for profit, above all else, and enforced by a government that, under both Democrats and Republicans, has increasingly shifted the rules of the game to favor size. Society has become obsessed with the ability to order any item at any time on demand, the convenience of everything under the sun being delivered to our front door, and the comfort of knowing that you can get the same coffee, burger, or taco in just about any large city in our country. We have started to devalue people who pick another path, who want to be producers, rather than consumers. Even among technology companies – which most perceive as thriving – fewer people are launching new businesses. Now is the time to focus on these changes and start to do something about them.

This long-term decline in entrepreneurship has terrible implications for the health of our society. Twenty-five years ago, a child born in the bottom 25 percent of the economic bracket had a 25 percent chance of making it into the top 25 percent. This was the basis for the American dream – through hard work, determination, and likely a bit of luck, anyone, regardless of the circumstances from which they came, could rise up the economic ladder. Today, someone born into the bottom 25 percent of the economic ladder has only a 5 percent chance of making it into the top 25 percent. The American dream is slipping away, and we're simply watching it happen.[9]

Hope

But this is fundamentally an optimistic book, because *New Builders* are optimistic people.[iii] In a cynical age, they still believe in the American dream. In researching and meeting *New Builders,* we found a group of people across the country engaged in building a new future for themselves, their communities, and, collectively, the country. We also discovered communities that are picking up the challenge of growing their own local support networks for these entrepreneurs. The people we met in researching this book show us how fulfilling it is to own a business, how meaningful it is to be part of a community of entrepreneurs, and how rewarding it is to be responsible for your own future.

We spend a lot of time in the United States today celebrating individual spirit, but also looking to the government for help. What we found is that most things of consequence today happen in the space between

---

[iii] This point can't be emphasized enough. Over and over again we were taken back by just how optimistic the *New Builders* we met in researching this book are. It's an infectious optimism that clearly rubbed off on us as well. While it would be easy to look at some of the trends and feel a sense of dread, we feel exactly the opposite. We've seen firsthand the power grassroots entrepreneurship can have on a community. And it has left us feeling hopeful about our future.

individuals and government, in relationships between people who create change, in new networks, and in communities that are leading their own revivals.

In the coming chapters, we'll explore places like Staunton, Virginia, which is home to a local angel network that has invested more than $1 million and is home to a makerspace that has helped rejuvenate the downtown. The story of the Staunton Makerspace shows what happens when the spirit of *New Builders* takes root in a community and is nurtured there. About a year after it was opened, a fire destroyed the fledgling operation in downtown Staunton. A 92-year-old former machinist, George Saugui, read about the fire in the newspaper. "I thought we lost everything," Dan Funk, the founder of the Makerspace told us. "But he showed up." The duo hoisted George's old workbench into a truck and brought it down to the ruined Makerspace. "He sat for four weeks, repairing all of our woodworking equipment," Dan recalled. The Makerspace was rebuilt with the help of George and others in the community who turned up to rally around this important asset. It is now back in operation and has since expanded to include members working on a variety of hobbies, as well as entrepreneurial ventures in everything from textiles to 3D printing (which quickly became important during Covid-19).

Indeed, entrepreneurs, especially those with unexpected success stories, have given the United States much of our identity as a nation of builders and doers, risk-takers, and innovators, of economic prosperity and deep community identity. The story we tell ourselves about America, although part myth and part reality, is inexorably linked to this entrepreneurial spirit.

Choosing What to See

You've probably never heard of Elizabeth Keckley. Born an enslaved person in 1818 in Virginia, she learned a skill, dressmaking, which her White owners used to help support their families. As is the case with many women – especially Black women – the value of her work was not her own. Through sheer grit and determination, she scraped together $1,200 (roughly $35,000 in today's currency) and purchased her freedom. In 1860, she made her way with her son to Washington, DC, where she met and befriended Mary Todd Lincoln, becoming her personal modiste. She eventually chronicled their close friendship in her book, *Behind the Scenes: Or, Thirty Years a Slave and Four Years in the White House*, a remarkable history of her escape from slavery and her time inside the highest echelons of American political society.

Hers is an almost unbelievable account of the power of the entrepreneurial spirit to change one's life and a testament to the determination required to succeed. It's also a reminder – and something we'll explore over and over as we meet more *New Builders* – of the power of network and mentorship. It's a story of promise and a beacon to this day for the power of American entrepreneurship. But it's also a reminder that *New Builders* and their predecessors have been fighting for hundreds of years for recognition and support in our entrepreneurial landscape. One of the reasons we don't value Danaris Mazara is that we haven't valued Elizabeth Keckley. Former US Secretary of State Condoleezza Rice – the first Black woman to hold that position – described this fight for universal dignity and respect that many dominant communities take for granted, but that others are in a constant struggle for, in a commencement address to the College of William & Mary in 2015:

> *I grew up in Birmingham, Alabama, the Birmingham of Bull Connor and the Ku Klux Klan and church bombings, a place that was once quite properly described as the most segregated big city in America.* ***I know how it feels to hold aspirations when your neighbors think that you are incapable or uninterested in anything higher*** *... We have not and will not quickly erase the lasting impact of our birth defect of slavery, or the follow-on challenge of overcoming prejudices about one another (emphasis added).*[10]

Rice reminds us that our past is something that we can't, and shouldn't, simply forget or tuck away in some dark corner. At the same time, our history does not need to define us.

As in every other sphere of American life, racism and misogyny are critical parts of the story. Too many women and entrepreneurs of color have been written out of our entrepreneurial history – from the earliest days of our country to the present day. Immigrants played, and continue to play, a critical role in building America's entrepreneurial identity. The truth is that the entrepreneurial fabric of our country has always relied on women, people of color, and immigrants. They built great businesses and helped develop the diverse Main Streets that flourished throughout much of our history as a nation. To see the potential of present-day *New Builders*, we need to understand how easy it has been to discount entrepreneurs who don't fit the prevailing model. Because now, more than ever, we need to recognize the role these diverse business owners play in our economy and change how we support and enable them. Our economy has always relied on the success of small businesses, some of which grow and others that stay small. But we're quickly losing sight of that and, in so doing, jeopardize not just our economy but along with it our national identity.

To understand how we got to this place, where we've nearly abandoned the people who are our best hope for building a better future, we need to start with a short trip into the past, on the shoulders of that too long, too complicated, and now seemingly co-opted word: *entrepreneur*. We need to understand how, in the late twentieth century, Silicon Valley and the tech world became, first, the gold standard, and then the *only* standard that mattered for entrepreneurship. And we need to understand that our love affair with size is causing us to forget the power of small. We've also lost sight of one of the most inexorable rules of money: it will flow along the path of least resistance and highest return, which is often to the people who already have it.

What Is an Entrepreneur?

Entrepreneur comes from a French root, *entreprendre,* which means "to undertake," according to *Merriam Webster Dictionary*. The modern concept of an entrepreneur is thought to have originated with French economist Jean-Baptiste Say in 1800. In Say's telling, an entrepreneur is an "adventurer," someone who "shifts economic resources out of an area of lower and into an area of higher productivity and greater yield."

Even before Say, Richard Cantillon, an Irishman living in France at the time he published *Essai sur la Nature du Commerce au General* (*Essay on the Nature of Commerce*), referred to "entrepreneurs" as those who produce something at a fixed cost with the intention to sell it at an unknown price. He also referred to entrepreneurs as "adventurers," which maps closely to the language that Say used and is perhaps where Say took his idea. Cantillon's book was likely the first to outline a complete economic theory – coming some 50 years before Adam Smith's more famous *Wealth of Nations* (Cantillon's book was published posthumously around 1750, but sections of the work were reportedly widely read in the 20 years leading up to its publication).[11] Unlike Smith, who didn't mention the role of entrepreneurs in his seminal work, Cantillon placed entrepreneurship and the role of disruptors at the center of his economic theory. Cantillon was, in many ways, the pregenerator of modern economic theory as it relates to entrepreneurship. In his thinking, entrepreneurship stood at the center of economic activity and was the core from which broader economies developed.[12]

The first serious modern-day academic to think about entrepreneurship was Czech economist Joseph Schumpeter, who identified people – "wild spirits," he called them – who engaged in what he termed "creative destruction" in the business sector. It was these individuals who were responsible for virtually all of the innovation and much of the growth in the economies he studied. Schumpeter moved to the United States in 1932 and taught at Harvard University. His ideas of these wild spirits captured much of what America loved about small businesses of the middle of the century. He believed change came from individuals, from within. And the wildness he described suggested this entrepreneurial spirit could come from anywhere. Indeed, in his view, anyone could start a business and succeed. This idea fit nicely with the American ethos of the day and played directly into the long and deep-seated narrative of America as a land of opportunity, a place of adventure and risk. It was a land where people were not bound by the circumstances from which they came, but rather, by what they made of their natural abilities. It suggested a certain boundlessness to opportunities and an ability to make or remake oneself. It played to Americans' love of risk and to our celebration of individualism.

For much of America's history, the vast majority of Americans were entrepreneurs. Wild spirits colonized the West, built America's cities and towns, and created the infrastructure that supported commerce and domestic society. The early days of America found most people pursuing entrepreneurial ventures. Being industrious didn't set one apart in that time – it was table stakes for survival. And owning a small business, such as a tannery, bakery, or farm, was seen as a pathway to a better life. Consider the many early American novels that revolve around small business owners and entrepreneurs (not always successful ones!) such as Willa Cather's *O Pioneers!* or Booth Tarkington's *The Magnificent Ambersons*.

As in every other sphere of American life, race and gender have always been part of the story – and often a hidden part. It wasn't only Elizabeth Keckley who disappeared from the narrative. William Leidesdorff (1810–1848) was a Black hotel builder who owned an import/export business and a chandlery shop, as well as lumber and shipyards. By the time of his death, Leidesdorff was worth an estimated $1.5 million, and he is believed to have been the first Black American millionaire. Stephen Smith (1796–1873), an enslaved person, eventually became a successful Pennsylvanian lumber merchant and prominent abolitionist. These early, important stories of the success of people of color are often lost in our narrative, as are the stories of the many who have come after them and found success based on their entrepreneurial efforts.

Women-run ventures disappeared from the story in another way: they became part of the backdrop. Many early women-led enterprises, operations like laundry services, boarding homes, and dressmaking shops, were seen simply as an extension of normal household work, not as legitimate enterprises of their own. This has always been a mistake: these women-owned businesses could be sizable, and many required skilled labor, including dressmaking and millinery, that were learned through workplace apprenticeships.

By the late 1800s, patents obtained by women grew at three times the rate of patents issued to men. At least a tenth of urban businesspeople in the mid-nineteenth century were women, and by the early 1900s, there were tens of thousands of women-owned businesses in the United States. The sectors of our economy dominated by women were, and continue to be, undercounted and undervalued meaningful parts of the overall US business landscape.[iv]

[iv] Women have always started businesses across every economic sector imaginable, especially so in today's economy.

Small businesses were their own economic engines, turning people from workers into owners, offering prosperity and a chance to be an agent of social and economic change. Collectively, the economic power of these small businesses was enormous, and in some cases, a threat to larger corporations that tried to use their pricing and sometimes near-monopoly power to dominate industries. These monopolistic impulses were countered by government and legal action that, while varied in their effectiveness and intensity, over time largely kept some semblance of balance between large corporations and small businesses.

This has been the imperfect, sometimes challenging, sometimes wonderful story of small business and entrepreneurship in America, right up until the middle of the twentieth century.

Silicon Valley and the Rise of the Giants

By the 1950s, the United States was in the middle of the Cold War and on a mission to beat the USSR. That effort meant that a firehose of government funding landed on new and crucial innovations developed around Stanford University and the defense-related businesses located nearby. Research and development (R&D) made up 10 percent of the entire US federal budget for the first half of the 1960s, with the US federal government spending more on R&D than the rest of the world combined.[13]

Over the next few years, the pace of innovation in Silicon Valley meant that investors who poured dollars into the new companies alongside the government were making money at an enviable rate. This was also true for the other technology hotbed at the time, the area surrounding Boston known as the "Route 128 corridor" because of the cluster of technology businesses that set up in the office parks just off the highway. The technology companies spawned during this time by a scientific establishment that was overwhelmingly White and male were small businesses, too – but they were a new breed of small business, with access to endlessly deep pockets, an insatiable appetite for growth, and a new way of delivering returns to investors.

Ronald Reagan, who owed his rise to power to his ability to draw support from libertarians and freedom-loving evangelicals, was well aware of what was going on in the Valley and how he might use it to his political advantage.[v] He declared the 1980s the "decade of the entrepreneur." In 1988, speaking to a crowd of 600 computer scientists in Russia, he said that freedom of thought and information enabled the surge of innovation that produced the computer chip and the PC. "No one better demonstrated the virtues of American free enterprise – particularly the low-tax, low-regulation variety beloved by Reagan – than high-tech entrepreneurs," historian Margaret O'Mara writes.[14]

To turn high-tech entrepreneurship into the perfect vehicle for a newly powerful libertarian ideology, one has to ignore some crucial facts, like the role of government in establishing Silicon Valley and the role of support systems of all kinds in building businesses. But since when have facts ever bothered marketers, politicians, or myth-makers?

As a politician, if you could equate software – easy and cheap – with innovation and job growth, it could safely be outsourced to entrepreneurs and venture capitalists. Democrats could reserve money for social programs. The newly libertarian Republicans could argue for across-the-board budget cuts or a shift in power to the states. And both could take advantage of a new, romantic, politically expedient American hero. An updated version of the lone cowboy: the risk-takers; the entrepreneurs.[vi]

The word *entrepreneur* came to take on a new meaning, a high-tech meaning. And the companies that were important in this new age of entrepreneurship were high-tech companies that often seemed to have one overriding purpose: to deliver returns to investors. They needed to look as if they can be very profitable at a considerable size. They needed to, in the language of the Valley, "scale."

Today, America is home to many big companies, many of them technology businesses that grew out of the Silicon Valley machine. They dominate our country's headlines, mindshare, and financial markets. And the very word *entrepreneurship* has been seemingly co-opted by this tech

---

[v] Reagan was governor of California from 1967 to 1975 and had witnessed first-hand the early rise of what became known as Silicon Valley.

[vi] These ideas were developed in conversations in Spring 2020 with historian Margaret O'Mara and Robert Atkinson, founder of the Information Technology and Innovation Foundation.

elite. We no longer think of the corner shop owner, restaurateur, or tailor as an entrepreneur, as they once were considered. This shifted our thinking about who really drives our economy and who deserves our support. The success of high-tech entrepreneurs hides both the truth and some of the alarming trends taking shape at the small end of the American economy.[vii]

One of the reasons that high-tech entrepreneurship has taken such a hold on our imaginations is that its rise is entwined with the idea that free markets produce the greatest benefit for the most people. Now, the consequences of libertarianism are becoming clearer in the first decades of the twenty-first century, including the negative economic consequences of a society without a safety net. If the underlying assumption is wrong we should question what innovations and founders are being ignored because of a mistaken idea that today's big businesses are the product solely of the private sector and unfettered free markets.

Because, as we discovered when we went out to find and talk to *New Builders*, the real story of American business is about small. Some of the most important businesses stay that way and become part of a collective whole that is far greater than its individual parts. Other businesses grow and create success on a different scale, sometimes measured in terms of profit or sales, and sometimes in other ways, like employment, technological advancement, or influence – but it's very difficult, if not impossible to predict which companies will grow. An environment that supports small businesses, not just a subset of them, is necessary for the economic vitality of the American economy. This is not to take anything away from tech companies, or successful larger businesses from across the business landscape and the convenience they bring to our lives. But it is worth taking a step back to consider what happens to society if the balance between big and small business gets too far out of kilter – if, in our search for convenience and lower prices, we fail to recognize what we're

---

[vii] Both Seth and Elizabeth know the world of technology startups well. Seth is the co-founder of a venture capital firm, Foundry Group, that has been an investor in many successful technology companies. Elizabeth is a long-time business journalist. We celebrate the innovation that comes out of this world at the same time sounding the alarm that our conception of entrepreneurship has been overtaken by it in a way that is counterproductive to our overall economy and hides fundamental truths about the state of our broader entrepreneurial ecosystem.

losing when we give up on small businesses and the unique relationship those businesses have to our communities and to our society as a whole. It will take some work to bring our economy back into better balance. It will also take a realignment in our thinking about entrepreneurship and about the role of small business in our economy.

To start, it will require a new understanding of who the next generation of American entrepreneurs actually are, and how critical it is to support them.

Endnotes

1. "Facts & Data on Small Business and Entrepreneurship," SBE Council, copyright © 2018, https://sbecouncil.org/about-us/facts-and-data/
2. Arti Grover Goswami, Denis Medvedev, and Ellen Olafsen, *High-Growth Firms: Facts, Fiction, and Policy Options for Emerging Economies* (Washington, DC: World Bank, 2019), https://openknowledge.worldbank.org/handle/10986/30800 License: CC BY 3.0 IGO
3. Diana Farrell, "For Small Businesses, Cash Is King," JPMorgan Chase & Co., September 2016, www.jpmorganchase.com/institute/research/small-business/insight-cash-is-king.htm; Alexander W. Bartik, Marianne Bertrand, Zoe Cullen et al. (2020), "Impact of COVID-19 on Outcomes and Expectations," *Proceedings of the National Academy of Sciences* 117, no. 30 (2020): 17656–17666, www.pnas.org/content/117/30/17656
4. Sameeksha Desai and Travis Howe, "Who Doesn't Start a Business in America? A Look at Pre-Entrepreneurship Leavers," *Ewing Marion Kauffman Foundation*, December 3, 2020, https://www.kauffman.org/entrepreneurship/reports/pre-entrepreneurship-leavers-in-america/?utm_source=newsletter&utm_medium=email&utm_campaign=currents-newsletter12_08_2020
5. "The US Startup Is Disappearing," *Quartz*, 2018, https://qz.com/1309824/the-us-startup-company-is-disappearing-and-thats-bad-for-the-economy/
6. Gonzalo Huertas and Jacob Funk Kirkegaard (2019), "US Entrepreneurship Rate Is Mostly Driven by Hispanic Population," *PIIE*, February 11, 2009, www.piie.com/research/piie-charts/us-entrepreneurship-rate-mostly-driven-hispanic-population
7. "Attention Millennials: The Average Entrepreneur Is This Old When They Launch Their First Startup," *Inc.*, 2018, www.inc.com/melanie-curtin/attention-millennials-average-entrepreneur-is-this-old-when-they-found-their-first-startup.html
8. "Older Workers Are the Economy's Most Underrated Natural Resource," *Quartz*, 2018, https://qz.com/1490044/older-workers-are-the-economys-most-underrated-natural-resource/

9. David M. Smick, *The Great Equalizer: How Main Street Capitalism Can Create an Economy for Everyone* (Perseus Books, 2017)
10. Condoleezza Rice, "College of William and Mary Address – May 16, 2015," Commencement address, Iowa State University Archives of Women's Political Communications, https://awpc.cattcenter.iastate.edu/2017/03/09/college-of-william-mary-commencement-address-may-16-2015/
11. Christopher Brown and Mark Thornton, "How Entrepreneurship Theory Created Economics," *Mises Institute*, 2014, https://mises.org/library/how-entrepreneurship-theory-created-economics
12. Ibid
13. American Association for the Advancement of Science, "Historical Trends in Federal R&D," https://www.aaas.org/programs/r-d-budget-and-policy/historical-trends-federal-rd
14. Margaret O'Mara (2019), *The Code: Silicon Valley and the Remaking of America* (New York: Penguin Books, 2019)