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Is More *Mittelstand* the Answer? Firm Size and the Crisis of Democratic Capitalism

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Abstract: Corporate concentration is currently being discussed as a core reason for the crisis of democratic capitalism. It is seen as a prime mover for wage stagnation and alienation, economic inequalities and discontent with democracy. A tacit coalition of progressive anti-monopoly critiques and small business promoters considers more deconcentrated corporate structures to be a panacea for the crisis of democratic capitalism, arguing that small firms in competition are better for employment, equality and democracy. This paper offers a brief outline of ideas of the anti-monopoly and small business ideal and critically evaluates whether a more deconcentrated economy may live up to these promises. While we agree that the plea for strengthened antitrust enforcement contains relevant and promising prospects for reform, our analysis concludes on a decidedly critical note. In particular, we caution against romanticized notions of the small capitalist firm.

Keywords: competition, antitrust, inequality, democracy, capitalism, SME

1 Introduction

Causal accounts of the crisis of democratic capitalism suffer from an embarrassment of riches. Diagnoses of why the Golden Age of cross-pollination between democracy and capitalism—with its three core elements of stable employment, relative income equality and robust democratic institutions—came to an end in the United States and Western Europe in the 1970s are overabundant. To name just a few influential ones, the symbiosis may have been disrupted by the exhaustion of technological innovation (Gordon 2016), the inflation of popular demands for material betterment (Schäfer 2009), the incremental exhaustion of the egalitarian production regimes of the postwar years (Alvaredo et al. 2016; Soskice/Iversen 2019), or the revolt of the owners of capital against the social contract underlying embedded liberalism (Piketty 2020; Streeck 2014).

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In recent decades, a more encompassing causal narrative about what has gone wrong with democratic capitalism since the 1970s has been popularized—that of a creeping monopolization of Western economies. In this view, corporate monopolization may help explain a number of developments commonly discussed as root causes of the crisis of democratic capitalism. Monopolistic market positions are said to reduce corporate efforts to innovate and raise efficiency, which may help explain the secular decline of productivity improvements and the widening investment gap in rich economies since the 1970s. Market power in both product and labor markets may account for rising income inequalities and inequalities in purchasing power. Finally, the oft-diagnosed change of economic policy objectives away from a model of economic citizenship may be due to shifting market power bringing about shifts in political power, and hence a decline in political responsiveness of governments to democratic majorities.

Depictions of monopolization as a scourge of our time exist in many different varieties and at many different levels of analytical refinement. Their most overt manifestation is the recent American movement to reinvigorate antitrust enforcement in the United States (Khan 2018; Wu 2018). The so-called New Brandeisians—recalling antitrust ideas of the Supreme Court Justice and social reformer Louis Brandeis—are systematically pushing back against an increasingly *laissez-faire* implementation of American competition policy. A second important strand of recent research diagnosing monopolization is the empirical economics of inequality. The rise of monopsonist buyers in labor markets and their effects on inequality and aggregate demand dominated debates at the 2018 Jackson Hole meeting on monetary policy (Kehrig/Vincent 2020; Piketty 2020, 533–34; Van Reenen 2018). Monopolization has by now become a dominant explanatory factor for secular stagnation, the idea that low growth rates are the new default in rich Western economies (Stansbury/Summers 2020). Less refined varieties of the monopolization argument regularly surface in economic policy proposals from across the political spectrum. Intuitions, beliefs, and normative judgments about the conduciveness of 'small' and 'decentralized' producers to economic prosperity and a thriving democracy can be found in almost every ideological strand of modern Western political thought. Long seen as an exclusive feature of conservative belief systems (Winkler 1991), romantic notions of the small capitalist firm—small business in the US, the *Mittelstand* in Germany, or small and medium-sized enterprises (SME) in OECD parlance—today pervade political platforms on both left and right. As we document below, the principal political appreciation of small business holds across varieties of capitalism, welfare state regimes and electoral systems. This article aims to critically evaluate the case for the small capitalist firm and a more deconcentrated economy in debates about the crisis of democratic capitalism by taking a closer look at the effects of firm size on three core features of democratic

capitalism: employment relations, relative income equality and democratic stability. The political ideal of a less concentrated, more SME-based economy—as stated repeatedly in party platforms of both the left and the right—promises to further all three of these goals. Our review of available empirical evidence and systematic arguments, however, reveals that evidence in favor of SMEs achieving these goals is not very clear-cut. Many studies even find SMEs to have counteracting effects. In short, SMEs can be associated with worse jobs, more inequality and less stable democratic structures. Rather than making firm size a regulatory objective, we conclude from this exercise, governments should provide sound regulation of firms whatever their size.[1] Our threefold discussion moreover enriches Thomas Piketty's recent works on the crisis of democratic capitalism through a perspective of firm size: it shows the relevance of non-monetary income factors (quality and stability of work, income risks) and of consumer prices for income inequalities, and highlights how not only working-class votes can shift to political extremes over time, but how the social strata attached to the small capitalist firm can also become a destabilizing force.

Our paper does not contribute to the empirical investigation of inequality, concentration, or the effects of monopoly in contemporary capitalism. Rather, it aims to contribute to resulting debates about the prospects of a progressive renewal of democratic capitalism. We establish empirically that small business policies are a shared vision of political reform proposals and question their inherent progressive potential. While not proving the SME ideal wrong, we raise serious doubts about it being right. Our paper is not the first cautionary piece against small business romanticism in political economic discourse (Atkinson/Lind 2018; Brown/Hamilton/Medoff 1990; Harrison 1994). In fact, going back at least to Schumpeter ([1942] 1975), scholars have routinely cautioned against the economic glorification of the small capitalist firm. Contrary to blanket warnings—which often result in the truism that the effects of firm size are indeterminate, or in neo-mercantilist arguments about the need for national champions—our article evaluates the significance of firm size for the debate about lowering inequality and about democratic capitalism.

1 This paper is *not* a critique of the diagnosis that monopolistic tendencies in the economy pose a challenge to 21st-century society. Claiming that condition X is sufficient to bring about effect Y does not logically imply that later removal of condition X can be expected to make effect Y disappear. The latter question—if a form of direct or indirect deconcentration can be expected to have significant beneficial effects—is crucial for progressive reform, arguably at the core of movements in favor of small business in recent decades, and almost completely neglected in the political economy literature.

The article is structured as follows: *Section 2* briefly describes the contours of the field of what we call the Mittelstand, SME or small firm ideal, i.e., the economic and political promises of a more deconcentrated economy. *Section 3* then confronts this ideal with reality in three important respects: the realization of progressive policies, inequality and the democratic process. *Lastly*, we briefly summarize our conclusion regarding the potential of reforms inspired by the small firm ideal.

2 A Brief History of Ideas: Monopoly Critique and the Ideal of the Small Firm

The Western history of thought about the small capitalist firm has two main sources: one is the negative stance towards too much concentration or a critique of monopoly, the other is the positive stance towards small (and medium-sized) companies. With important early modern precursors (Dennis 1977; Rosolino 2013), widespread popular critique of monopoly and cartels goes back to 19th-century capitalism when the first wave of industrialization brought unprecedented levels of concentration into a number of key industries. Ever since, a secular decline of competition in modern capitalism has been diagnosed with some regularity, particularly in periods of non-cyclical stagnation, such as in the 1930s, the 1970s, and again in the decade after the Great Recession. A significant part of early institutional economics expected an ongoing tendency towards monopoly in mature capitalism (Morgan 1992), as did Karl Marx ([1867] 1982), Rudolf Hilferding ([1910] 1985), Max Weber (1922) and Joseph Schumpeter (1942). A pathbreaking empirical work on the rise of monopoly elements in capitalism was Arthur Burns's *The Decline of Competition* (Burns 1936). In this momentous study, Burns quantitatively traced the rise of monopolistic elements in a wide range of sectors across the American economy and collected a number of likely causal factors, such as institutional, technological, and organizational changes. During the 1970s, the economist Paul Sweezy has been the most influential academic proponent of a creeping monopolization argument (Sweezy/Baran 1966).

In the course of the 20th century, populist monopoly critique cooled off somewhat, while large parts of it became institutionalized in the form of antitrust action (Hofstadter 1964). Starting in the US in 1890, antitrust laws and authorities policing monopolistic behavior and structures spread throughout most countries around the globe, particularly after World War II (WWII) (Bradford/Chilton 2018). However, there has been a sizable return of market concentration over the last decades, associated with a growing leniency of antitrust policy, more pronounced again in countries that also display stronger increases in economic inequality. Economic

research has tried to capture the increasing comparative permissiveness of the United States regarding monopoly power with the notion of the *Atlantic divide* in antitrust policy (Gifford/Kudrle 2015). The most elaborate empirical examination of the recent Western history of corporate concentration has been produced by Thomas Philippon and collaborators (Philippon 2019). Based on a variety of sectoral concentration measures and price data, Philippon argues that American markets have become significantly less competitive than European markets since the 1990s. Particularly in telecommunications, health care, and transportation, American consumers and workers seem to be shouldering a hefty burden due to decreased competition. As increasing market power can be understood as the capability to redistribute resources from workers and consumers to shareholders, added to a probable deadweight loss, Philippon estimates that a return to competitive markets would imply $300 in monthly savings per American household, $1 trillion in added GDP and a $1.25 trillion increase in the labor share (Philippon 2019). The European experience in product markets rather seems to be one of stability, where a declining manufacturing sector and a rising more concentrated tech sector seem to balance each other out (McAdam et al. 2019). A sizable research literature is currently assembling historical and comparative evidence in how far market power can be made responsible for the long-term decline in the labor share (Kehrig 2020; Stansbury/Summers 2020). While there is substantial evidence for rising markups and concentration in European capitalism as well (Affeldt et al. 2021), concentration data on top firm market shares still suggest that the phenomenon seems to be more pronounced in American capitalism (Bajgar et al. 2019).

In broad strokes, the development of economic concentration and antitrust action bears some resemblance to the U-shaped story of economic inequality and its combatting institutions described by Piketty (2020). *Prima facie*, both started from high levels in Gilded Age capitalism, were then brought down through the creation of antitrust institutions and progressive reforms, respectively, and have started to rise again in recent decades, particularly in the United States, where antitrust discourse has witnessed a certain renaissance of late.

The second source of thinking about firm size and capitalism has its origins in the reactive countermovement of small and medium-sized firms to the rise of large corporate capitalism starting in the 19th century. In the United States, the origin of the yeoman's or small owner's ideal has been traced back to the European Middle Ages and was an important element in Jeffersonian Republicanism directed against old European landlords and big capital (White/ White [1962] 1977). It then surfaced particularly in the Jacksonian years and in postbellum railroad capitalism as part of the populist and antitrust movement (Hofstadter 1955): "Small business was also the heart of the antitrust movement: it was not the workman who most feared the giant corporations, but the small shippers, merchants, and

farmers" (Friedman 1980, 310). SMEs were, however, rarely well-organized before the 1920s and had to wait for the Depression and New Deal to find political support, particularly the Robinson-Patman Act of 1936 against 'price discrimination' through undercutting maintenance prices and the Miller-Tydings 'Fair Trade' Act of 1937 (Holtwick 2000). Whereas 19th-century small businessmen had still protested against undeserved privileges of big business, they did vie for economic protectionism themselves, while generally displaying an anti-government and anti-corporatism attitude (Rowland 1980). Since the 1950s, the Small Business Administration has given them an institutionalized voice in federal government; since 1941 the concerns of small business have been represented by a standing House Committee in the US Congress (Friedman 1980). With the rise of the knowledge economy, the SME lobby again received growing attention (Blackford 2003). In public discourse, the American consumer rights movement and counterculture, as well as the continental European green movement, have been staunch proponents of a monopolization argument and of dedicated support structures for small businesses (Jungk 1977; Nader/Seligman/Green 1977). The virtues of small businesses were also hailed in comparative political economy. Post-Fordist consumer markets were seen as requiring a degree of flexibility and sophistication in production that large vertically integrated firms were not able to provide. The rediscovery of the industrial district (today often called a *cluster*) composed of flexible small firms combining artisanal and industrial production was discussed as a viable path out of the industrial crises of the 1970s and 1980s (Piore/Sabel 1984).

A key characteristic of European and German small business development, in particular, was that of the stronger feudal remnants of institutions in the protection of small firms on the continent. The German small business movement, for instance, started relatively early by way of artisans drawing on the traditional institutions of their medieval crafts organization. By the 1890s, the notion of the Mittelstand arose—including shopkeepers and family farmers—i.e., a new electorate and promising 'buffer' between labor and capital. Although they did indeed side with government and big capital against socialism before WWI, the Mittelstand increasingly turned away from the Weimar Republic and—contrary to their US counterparts—from the coalition with big capital after WWI and radicalized politically (Winkler 1976). While heavily squeezed in the postwar East German economy, the Mittelstand became a central element of the West German economy with a set of institutions such as the elaborate dual training systems, the Chambers of Commerce and Crafts, as well as lobbying and research institutions (Herrigel 2000).

Against the backdrop of rising concentration and struggling small businesses, political movements such as American populism and the German Mittelstand movement started to influence political parties with the goal of limiting the power

of big business and protecting small and medium-sized companies. A good source for tracing the history of these political ideas are historical party manifestos, which we have assembled from a combination of sources dating back to the late 19th century and up to the present day (Mommsen 1960; Treue 1954; Volkens et al. 2011; Wooley/Peters 2016). We focus on US and German manifestos to make the analysis feasible and because their take on big business and small companies is often seen at polar ends, with the US championing antitrust and Germany permitting a cartelization of the economy before 1945 (Djelic 1998, Ergen/Kohl 2019). In every manifesto, we singled out the policy propositions regarding problems related to firm size, qualitatively analyzed the policy proposition and manually coded them into two binary content variables corresponding to the two main sources from the history of ideas outlined above: Does a party see concentration and monopoly in the economy as a problem so as to suggest antitrust measures? Does a party speak in favor of protecting and promoting the activity of small businesses? In the following, we briefly use this content analysis to trace the evolution of the SME ideal over time.

In the United States, both Democrats and Republicans have mobilized against monopolies and rallied in favor of small property holders in their manifestos since the late 19th century. The first mentions against monopolies go back to the manifestos of the 1870s, when the main thrust of both parties was directed against railroads, Eastern financial centers and absentee owners of land living at the cost of the small, independent farmers.[2] Only rarely did parties mention small businessmen or artisans in the period before WWI, during which time the populist antitrust element was slightly more common and pronounced among Democrats. It was certainly more pronounced and began earlier than in pro-cartel Germany at that time (cf. Figure 1). The main small business category receiving support from both parties during this time was that of small farmers and homesteaders settling in the West.

Starting in the 1920s, then, small businessmen (first men, later also women) entered the political agenda, again, of both parties, with a leaning to the right this time. The Democrats' first mention of 'small tradespeople and small industrialists'

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2 In this, extolling the virtues of SMEs often comes in the package of favoring rural or small-town life more generally, where big cities become associated with the presence of big employers. The American, but particularly the German, thought tradition has rich anti-urban repertoires (Lees 1985), as when cities were perceived as loci where characters and social ties were destroyed, poverty and inequality was born and where democracy was endangered through faceless masses and centralized rule. No one less than C. Wright Mills (1946) found 'small business cities' to act as a counterweight to these big-business centers thanks to mixed industry, more stable employment and wage equality leading to more civic engagement, and social services.

occurs in the 1928 manifesto, replacing the small farmer in the rallying cry against Wall Street. By 1952, the Democrats' platform settled on the standard slogan in favor of SMEs:

> Small and independent business is the backbone of American free enterprise. Upon its health depends the growth of the economic system whose competitive spirit has built this Nation's industrial strength and provided its workers and consumers with an incomparably high standard of living.

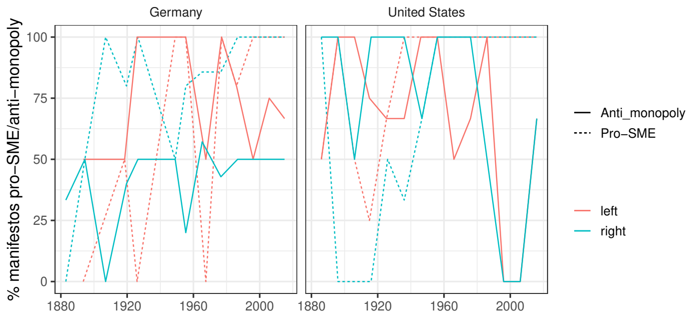
With the civil rights movement, founding one's own business entered the Democratic charter of basic human rights and requirements for equal opportunity, such that small businessmen were grouped together with social minorities requiring dedicated support, subsidies, and help on capital markets (e.g., homeowners), and the particular needs of businesswomen and minority business owners received their own subsections in Democrat manifestos, which had come to include a SME subsection as standard. Meanwhile, the original populist rage against monopolies gradually faded and gave way to pro-SME support only.

Republicans discovered the small business slightly later, but moved to defend it with even more fervor, emphasizing it as 'seedbed of innovation and invention,' job motor and potential to realize the American dream (1972). Small businesses are used particularly to criticize all kinds of government regulations and interference, as it is usually SMEs that struggle disproportionately with regulatory and bureaucratic burdens. By 1980, the Republican manifestos also contained established subsections praising SMEs and promising increased subsidies:

> Small business is the backbone of the American economy, with unique strengths and problems which must be recognized and addressed. For more than half of all American workers, the workplace is a small business. Small business is family business both in the sense that many of them are owned and operated by single families, and also because most American families rely not only on the goods and services, but on the jobs produced there for their livelihood and standard of living.

As the latest turn, SMEs are promised to become the basis of a new era of rapid technological progress in the course of the 21st century (2016).

Fig. 1: Decennial averages of anti-monopoly and pro-SME positions in party manifestos



Note: In the US, left and right refer to Democrats and Republicans; in the German multi-party system, we follow the left-right grouping from the manifesto project's party family code and code 'right' everything right from social democrats (Volkens et al. 2011).

Among German political parties, the position against monopolies was more a reserve of left-wing parties, which were not necessarily against big firms per se but against the private ownership of big firms, which they suggested should be expropriated. Meanwhile, conservative parties began addressing the 'strengthening of the Mittelstand in cities and the countryside' (Deutsche Konservative Partei 1892), which feared both the economic immiseration and the potential expropriation, if socialists were to take over. The Weimar years rather entrenched this partisan cleavage line. The Deutschnationale Volkspartei set the tone in 1919:

> We consider the preservation and extension of an independent *Mittelstand* in agriculture, trade and commerce as the most effective means to bridge social contradictions, because it allows the lower strata to rise to economic independence and promotes a healthy stratification of the population. We are in principle opposed to any transfer of Mittelstand-companies into state or city ownership and we oppose their discrimination in favor of consumer cooperatives.

The Mittelstand even formed a radically right party of its own in 1920 (called the Mittelstandspartei in 1925), while socialists in Germany—unlike in other countries—refrained from embracing the small property holders as a new constituency (Unterstell 1989).

The American occupation and postwar years meant a complete turnaround from pro-cartel to ordoliberal antitrust views which were in principle shared by all established political parties. It also meant a clear turnaround for the SME stance of the German social democrats: before 1945, left-wing parties in Germany

remained a specter haunting all small property holders, and not a single instance of small firm support can be found in their manifestos. The most is the affirmative mention of small property being spared the envisioned complete socialization of property—a clause even the Communist party did not do without in its postwar manifestos. WWII also turned around the traditional pro-cartel stances: big business was now seen as one of the dominant causes in bringing about Nazism, and the SPD became a crucial defender of the newly established antitrust institutions (Callaghan/Höpner 2012). Initially still the target in manifestos for this reason, the strong anti-big business rhetoric gradually faded. Instead, Social Democrats discovered in the Mittelstand a means to check the growth of big business and politics (manifesto 1949), worthy of political privileges like public companies (manifesto 1959). Throughout the manifestos, it was increasingly seen as the guarantor of democracy, freedom, independence, economic modernization and innovation. The Mittelstand also became routinely hailed as being committed to regional development, consumer welfare, and employment and training.

The Christian Democratic Union (CDU) in turn, had already institutionalized a section on the promotion of the Mittelstand in their platform in 1949 which has permeated its manifestos ever since. Meanwhile, the strong anti-monopoly rhetoric was completely lost—among both SPD and CDU—and was only revived on the left from the 1980s by the rising Greens, who saw economic concentration additionally as an ecological danger (manifesto 1980). They were seconded by the liberal FDP, whose usual anti-monopoly and pro-competition stances peaked once more when the East German economy and then the federal state monopolies were privatized in the 1990s. All parties agreed, however, on the attractiveness of SMEs, albeit on different grounds: as saviors of the East German economy, as hubs for innovation (new technologies or the green revolution),[3] as job engines, pillars of the vocational training system and breeders of virtues such as personal responsibility, risk-taking and civic mindedness; in short, the 'backbone of the economy and guarantor of general wealth' (CDU 2013).

What stands out from this analysis is that political ideas against monopoly and for small firms do not follow a ready-made partisan logic and are also not necessarily stable for given parties over time (Callaghan/Höpner 2012). Particularly the support for SMEs—e.g., in farming (family farmers), retailing (shopkeepers) or production (artisans)—has developed into a widely shared, bi-partisan position

3 As when the Greens proclaimed in 2009: "Creativity drives the digital economy, which mostly is a Mittelstand affair. We want to provide company founders, creative minds and the Mittelstand with excellent background conditions by eliminating obstacles to establishing new firms and by promoting a climate of innovation in society. We put Mittelstand firms and artisans centerstage in our economic policy." (All translations from the German originals are ours.)

such that there is hardly a political manifesto today that does not speak out in favor of promoting SMEs, even though the right and left might have different reasons for meeting on this common platform. The list of objectives that less concentration and more small businesses were supposed to achieve is ambitious and seemingly endless. Small businesses appear like a panacea to which is attributed the potential to cure capitalism from its problems, a place where individual virtue creates more equal societies and healthier democracies.

3 Limitations of the Small Firm Agenda

In the following, we single out three of the virtues extolled both by opponents of big business and proponents of small business. While we are selective in the areas we touch on—oft-discussed 'myths' of small firm romanticism concern technological innovation and environmental performance—we cover the three main areas discussed in debates about democratic capitalism: the quality of employment, the problem of monopolies for inequality, and the dangers of corporate concentration for the democratic process.

3.1 Firm size, quality of work, and the great risk shift

The virtue most frequently attributed to SMEs in party manifestos since the early 1980s is probably their potential to generate jobs. Along these lines, a Republican manifesto of 1992 promised that:

> [The] engines of growth in a free economy are small businesses and jobs. Almost 99 percent of all businesses in America are considered small. Small business is the backbone of the American economy ... Small business generates 67 percent of all new jobs. Employment in industries dominated by small business increased more than twice as fast as in industries dominated by large businesses … What happens on Main Street drives what happens on Wall Street.

The question of how much truth there is to such assertions has sparked a lively debate since the publication of Birch's (1979) seminal study on the job generation process. While there exist countless studies presenting evidence in either direction, overall assessments of the association between size and job creation can be read as largely inconclusive on such a high level of abstraction (insightful recent studies are Decker et al. 2014; Moscarini/Postel-Vinay 2012). Instead of delving into these increasingly complex debates, we look at an issue area with more conclusive

evidence for size effects but arguably equally high importance for the stability of popular consent to democratic capitalism: non-monetary benefits to workers.

A major contention of the recent literature on the rise of corporate concentration since the 1970s is that concentration tends to hurt workers in affected sectors. This may be the case because concentrated employers enjoy bargaining advantages (Krueger 2018), or because the recent creed of superstar firms is extremely productive and hence labor-saving (Autor et al. 2020). There is indeed evidence that US income inequality is to a large extent driven by inequalities *within* big companies. Overall, such accounts tell a historical story about workers losing out in increasingly monopsonistic labor markets. One aspect that is rarely discussed in such historical narratives is that large, highly productive, and market-dominating firms have often been shown to fare consistently better in the provision of *non-monetary* benefits, and especially in shielding employees from displacement and hence income risk. While such factors may be negligible for the big macroeconomic questions at the core of the recent economic literature, they should arguably play a main role in comparative estimates of workers' experienced well-being. As laid out by Jacob Hacker (2006) for the American case since the 1960s, the incremental cutback of employer-provided components of the social safety net such as retirement plans, family assistance, and health care may even account for a much larger hit to workers' overall well-being than stagnating wages. While some large firms, such as in retail and manufacturing, have been among the most aggressive offenders in shifting risks onto employees during the last five decades, a rather consistent finding in the comparative literature is that firm size is positively associated with non-monetary benefits to employees.

From a history of ideas perspective, the appreciation of small and medium-sized firms as employers in present day discourse is in stark deviation from postwar Western thought. A large share of postwar labor market research, for example, took the giant firm with internal labor markets to be the new 'core' of modern economies. Models of the 'dual economy' divided the economy into a center—composed of large integrated firms with up-to-date technology and international outreach—and a periphery—small firms in competitive markets plagued by all kinds of backwardness (Averitt 1968; Hodson/Kaufman 1982). Workers at the center of the dual economy—typically male members of the given ethnic majority—appeared to enjoy access to the internal labor markets of large firms and hence to higher standards of work, opportunity, and other benefits. To provide a sample of how common the view of the large firm as the focal point of capitalist development was at the time, political scientist Suzanne Berger (1981, 71) introduced her treatise on Italy's small firm sector with the statement that: "Like other advanced industrial states, Italy regards the survival of its traditional sector as a temporary if necessary evil … the

small shops, the small industries, and the small farms … are now identified by Italian political elites as traditional, unproductive, and in some sense, parasitic."

While much has changed in how we think about small firms and the location of 'the new economy' since the 1980s, most existing empirical work on the effects of organizational size on workplace characteristics either directly emerged from the debates about advanced industrial capitalism or largely mirrors its findings. Typical empirical findings are that large employers offer better pay, better returns on training, and higher levels of fringe benefits (for an early summary of the voluminous literature, see Brown/Hamilton/Medoff 1990). Even though the more recent literature on monetary and non-monetary benefits of bigness for workers arrives at increasingly more nuanced results, large firms still seem to offer, on average, higher-paying, more stable jobs and are more productive, while small firms grow faster (Moscarini/Postel-Vinay 2012, 2512). Especially the issue of job tenure and displacement risk is of great importance to debates about a risk shift in contemporary capitalism. Shrinking displacement risks with rising firm size have been explained with productivity differentials, workers' self-selection, lower corporate failure rates, and workers sharing in monopoly profits (Idson/Oi 1999; Schmidt/Zimmermann 1991; Winter-Ebmer 2001). Large employers are found to be more likely to offer vacation, disability and sick leave (Glass/Fujimoto 1995, 398). The United States even fully exempts small employers from fundamental anti-discrimination regulations (Carlson 2006). And even beyond formal exemptions, 'the voice' of the small capitalist firm drowning in administrative requirements has routinely been used politically to discredit regulatory state-building (see for example the Republican manifesto of 1972). An extended literature has documented an inverted U-shaped relationship between firm size and workplace accidents and injuries (e.g., Leigh 1989). More recent surveys have attributed this finding to severe underreporting in small firms so that "there is now a generally accepted view that size and risk are inversely correlated at all levels of scale" (Dorman 2000, 7).

Important for evaluating the argument about the vices of increasingly monopsonistic employers, collective influence by workers has traditionally been heavily associated with establishment and firm size (Brown/Hamilton/Medoff 1990). In fact, most advanced countries tie legal requirements for workers' participatory rights to formal size thresholds. For example, the much-discussed German stakeholder model of corporate governance is generally reserved for large firms. In Europe as a whole, firm size and firm age remain strong predictors of the existence of Works Councils (Addison/Schnabel/Wagner 1997; Streeck 1995, 340). Extensive recent surveys of participatory practices across European firms find significant positive effects of firm size on direct participation in management by workers, worker share ownership and employee representation. Independent ownership, on the other hand, which potentially captures closely held family

firms, has negative effects on worker share ownership and profit-sharing schemes (Poutsma/Hendrickx/Huijgen 2003). The realization of industrial democracy through the participation of workers in management and in overall business wealth, which is regularly embraced as a possible path towards more equality (e.g., Piketty 2020, ch. 11), might, perhaps paradoxically, often be better realized through large corporate structures.

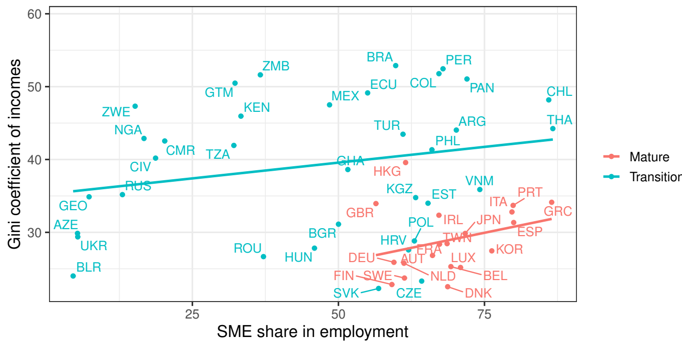
Again, the debate about the mechanisms linking organizational size and workplace characteristics is anything but conclusive. Traditional explanations focused on the superior productivity and monopoly power of large firms and hence on a resource-based explanation (Sørensen 1983). More recent economic research has largely abandoned one-dimensional explanations and instead explored more differentiated patterns in the data. Troske (1999) and Oi and Idson (1999), for example, find support for the argument that larger firms employ better-trained workers or render them more productive. Hollistor (2004) argues that the wage premium of the large corporation is disappearing in contemporary American capitalism and that the changing occupational structure in large firms may be responsible. Whatever the precise mechanisms behind the repeated findings of the beneficial side effects of bigness, the general picture is too muddy to support clear size-based reform proposals in the name of furthering workers' overall welfare and workers' sheltering from economic risk.

3.2 Small firms as guarantor of equal societies?

In the SME ideal as described above, the removal of economic concentration is seen as a path towards more equal societies, while proponents of SME-based economies highlight the equality associated with widespread business ownership. Most prominently perhaps, deconcentration as a redistributional agenda was at the core of German ordoliberals' postwar efforts to use deconcentration as a tool to create mass support for democratic capitalism. In the words of their leading figure, minister of economic affairs and later chancellor Ludwig Erhard, establishing a competitive order was meant to end extreme social inequalities, to "once and for all overcome the traditional conservative social structure through mass purchasing power" (Erhard 1957, 7). The view that social inequalities are ultimately caused by deficiencies of an economy's competitive order has recently also been termed the 'monopoly regressivity' view, i.e., the idea that more economic concentration leads to regressive (wealth) distributions and that antitrust could curb inequality (c.f. Baker/Salop 2015). At least on the face of it, in a cross-section of OECD countries and beyond, there is not a clearly negative association of countries' Gini coefficients and the prominence of SMEs in their employment figures (cf. Figure 2). *Prima facie*,

the most recent rise in inequality of the past decades also does not square with the fact that competition policy authorities and legislation have spread across the world with growing competencies since WWII (Bradford/Chilton 2018, 40).

Fig. 2: Share of employees working in firms of 1–9 employees and Gini of income inequality



Source: (Ayyagari/Beck/Demirguc-Kunt 2007; Solt 2016); due to World Bank data availability on SME shares, the scatterplot refers to 1990 averages.

In the following, we discuss more fine-grained considerations of how inequality and market concentration can be empirically linked through three channels. First, less market concentration comes with the promise of lowering consumer prices such that the inequality of 'disposable income' could be reduced. This channel also highlights the importance of consumption for inequality debates, which traditionally tend to focus exclusively on income and capital. Economic inequality could hence also play a role on the consumer side of the budget or, in other words, the additional layer of inequality introduced by how differently people spend money on goods and services. Second, less market concentration may lead to the diffusion monopsonist buyers of labor power, which could improve labor's bargaining power and income position. Third, less concentration comes with the promise that more households could be direct business owners themselves and thus participate in business rents at times when, in Piketty's (2014) terms, r is greater than g. We examine the potential of these promises in the light of their internal logic and selected empirical evidence in turn.

First, market concentration could impact inequality in a society through its effect on consumer prices, as monopoly prices are usually taken to be higher than prices emerging from a competitive setting. Prices are obviously lowered for *all*

consumers equally at first, so that equality-changing effects can occur in two ways: first, a sector affected by deconcentrating tendencies produces goods which are only consumed by lower- or upper-income strata. If the high-end lobster industry is subject to a supply shock from tough antitrust action, it lowers high-end consumer prices and might even increase the disposable income inequality. The second, perhaps more common case, is when price changes occur in product lines for the many that have a differential relative impact on budgets. On the one hand, lower-income households have lower savings rates than higher-income households, so that rising consumer prices can be thought of as inherently regressive. On the other, poorer households tend to spend a larger share of their income on basic necessities (Engel's law), so that price increases in these categories such as energy, food, health care, housing and communications affect lower strata of the income distribution disproportionately.

These issues have been studied in the literature on household-specific inflation rates and their impact. A recent comprehensive study, for instance, looked at the household income-specific inflation rates in the European Union (Gürer/Weichenrieder 2020): across 25 EU countries, the lowest income decile had an 11.2% higher inflation rate between 2001 and 2015 (or yearly 0.76 percentage points higher) than the top decile, which translates into an underestimation of the Gini of 0.04 points. For the currently highest expenditure item in average budgets—housing costs—a contemporary of Engel coined the term 'Schwabian law,' which refers to the regularity of proportionally higher rental housing expenses of lower-income households (Schwabe 1868). A recent study of German housing expenditure found that "the 50/10 ratio of net household income increases from 1.75 to 1.97 (by 22 percentage points, henceforth pp) between 1993 and 2013, the same ratio net of housing expenditures increases from 1.97 to 2.59 (by 62 pp)" (Dustmann/Fitzenberger/Zimmermann 2018, 1).

In fact, rent price control is one instrument experiencing a certain renaissance in contemporary debates, which mostly targets the biggest expenditure item in tenants' household budget while simultaneously reducing capital incomes of, on average, richer landlords. A recent study shows that the combined effect of relatively strict rent control can lower the post-housing expenditure Gini by more than one percent, where the inequality-lowering effect through tenants' budgets is higher than that through landlords' diminished capital incomes (Kholodilin/Kohl 2021). In the historical long run, rent price controls—mentioned *en passant* by Piketty (2020, 436)—share a similar history with other inequality-depressing policies such as progressive income and wealth taxation: introduced in and around the world wars, they were part of the solidaristic package of policies that brought down inequality in the interwar and Fordist years. The liberalization of price controls since the 1970s, particularly in Anglophone countries, which returned to

high degrees of free market pricing, coincided with the rise of new inequalities (Kholodilin/Kohl 2021).

Such examples imply that decreases in specific consumer prices through antitrust policies or other means, such as specific price controls, may have a certain inequality-decreasing potential, even if it fails to fight income inequality at its source. Practically, tackling income or wealth inequality on the consumption side generally faces the problem that prices and accompanying consumption taxes cannot directly target consumer groups by income or wealth deciles. Indirect taxes are therefore considered to be regressive. Using antitrust to curb prices faces a similar critique. Yet, even more basically, the evidence that antitrust action can reduce consumer prices is at best mixed. Conservative antitrust scholars have long been arguing that vigorous antitrust action in non-hard-core price-fixing cases rarely translates into short-term consumer gains. Crandall and Winston (2003) present a survey of available evidence which, for the authors, is a sufficiently bad record as to suggest a reduction of antitrust policy to a necessary minimum. A recent study of Spanish gas stations also finds increased prices after heavy antitrust fines, suggesting that antitrust consequences are basically paid for by consumers (González/Moral 2019). Even for the prosecution of hard-core price-fixing, empirical studies arrive at mixed results. "There is little doubt," concludes a meta-study of 25 cases, "that in the great majority of cases antitrust prosecution does not lead to lower prices" (Sproul 1993, 753). As long lamented by Chicago School antitrust scholars (Bork 1978), antitrust remedies can destroy positive price effects of certain efficiency-increasing restrictive practices as a byproduct.

Such findings are in our view not sufficient to discredit antitrust action per se. They rather cast doubt on the suitability of antitrust policies for the political objective of increasing consumer welfare or, by extension, decreasing inequalities of disposable income. Global price regulation such as rent control does not surgically target households most in need and simultaneously always benefits higher-income households. At a minimum it is difficult to see how a policy instrument with uncertain outcomes and difficult implementation can be preferable to long-tested and proven effective policy instruments such as progressive income taxes or classic redistributive instruments.

A second more direct channel linking antitrust action and inequality is the wage nexus. Market power is not just about monopolies in consumer markets but is also reflected in monopsonies in labor markets. Big, monopsonist companies can thus depress wages (Benmelech/Bergman/Hyunseob 2018). If wages were decreased for all in the same way, inequality would rise 'only' because wage earners would all earn less and these lower production costs would translate into additional income for capital income receivers—something that has long been described as a decline in the labor share. Yet, wage inequality alone could increase because it is

not likely that all wages can be cut in the same way, first, because higher-income earners can have more negotiating power and exit options, and second, because absolute wage decreases could play out relatively more severely for smaller budgets. More deconcentration, in the form of a more SME-centered economy, could hence promise less income inequality (cf. Naidu/Posner/Weyl 2018).

Empirically, this argument is not as clear-cut as perhaps in theory. As noted in the previous section, it is large employers who can offer more attractive jobs (Moscarini/Postel-Vinay 2012, 2512). Theoretically it is true that labor at least theoretically has stronger bargaining power, the smaller a given firm is. At the same time, however, a smaller firm represents a competition-restrained bargaining partner that cannot raise wages and costs beyond certain levels. In fact, David Cameron's (1984) influential work found that greater concentration led to more unions, which in turn led to more redistribution. Hence, Stansbury and Summers's (2020) recent attempt to contrast monopolization and declining worker power explanations of the decreasing labor share may have looked at historically interlinked phenomena. Insofar as concentrated industries also tend to be more prone to unionization, it may well be that greater concentration leads to less wage inequality and greater labor shares in the economy. Arguments about declining worker bargaining power may have to focus on a decline of collective capabilities to raise wages independently of product market structures (Bidwell 2013; Stansbury/Summers 2020).

SMEs, by contrast, find themselves in stronger competition and have been demonstrated to offer lower wages. It is true that most of the income inequality in recent decades comes from the widening intra-big firm wage inequality, as compared to the *Trente Glorieuses*, when big firms were seen as the great leveler by raising wages and offering unskilled workers the opportunity to rise through internal labor markets (Cobb/Lin 2017). In fact, recent studies have suggested that much of the historical decline of the relatively stable 'core' of industrial economies has occurred through the disappearance of large internal labor markets, rather than through increased concentration (Hollister 2004). Yet, it is questionable whether this form of inequality problem is solved by discounting big firms in favor of small firm structures. As compared to potentially feeble attempts to influence general concentration levels, established and tried policy toolkits around the strengthening of workers' position vis-a-vis employers seem like the more straightforward policy option (Stansbury/Summers 2020).

A third potential channel is linked to corporate ownership and wealth: what wage earners forego in income and what consumers forego in price benefits functionally produce a surplus for the owners of corporations. Of course, this is a problem for inequality only to the degree that corporate ownership is unequally distributed and concentrated. The Mittelstand ideal traditionally tried to provide an alternative model to the stark separation between owners of capital and work-

ers (Bechhofer/Brian 1978). And, in fact, income by SME owners often should be classified as neither pure wages nor pure capital gains, but as a mixed form. A more widespread dispersion of corporate ownership could in such a model act as a bolster against labor- and consumer-market inequalities.

While equal opportunity to form one's own business and a more widespread business ownership rate are noble political goals, in reality hardly more than 10 percent of the population in rich countries will ever be in this role, even in societies with a supposedly entrepreneurial population such as the US (Van Stel et al. 2010). This rate is much lower when compared to almost all other kinds of asset ownership rates, such as even stocks, homes or insurance. The high concentration of business wealth in private hands is particularly pronounced in European economies, such as Germany, where the minority of business wealth is publicly owned and where even the majority of public firms are still under private family control (Dao 2020). A democratization of stock ownership, as had occurred in the US already in the 1920s (Ott 2011), is far from realized. This leads to a paradoxical suggested outcome in which societies like Germany with a *less* concentrated corporate structure may have a tendency towards *more* concentrated corporate ownership (cf. Albers/Charlotte/Schularick 2020). What is more, the German case is often regarded as comprising a set of highly productive Mittelstand firms operating in global niche markets, meaning that high value parts of that economy are removed from public ownership. In times of r greater than g, a higher share of small and medium-sized enterprises may have a concentrating effect through the wealth channel. This is reinforced by low inheritance and wealth taxes on (business) wealth. While much more empirical research is needed on the comparative effects of corporate ownership, very high levels of wealth inequality in Germany may be an indication for a less than straightforward effect of SMEs on inequality, counteracting Piketty's (2019, ch. 11) recent praise of the democratic worker participation in German companies through the tradition of stakeholder participation (cf. section 3.1). An SME-economy would limit not only workers' participatory rights in management but also their participation in business wealth and its capital gains.

3.3 Small firms as a check on concentration of political influence

In recent analyses of political scientists (e.g., Häusermann 2018) and economists alike (e.g., Piketty 2020, part 4), one of the central dangers for democratic capitalism is a movement of traditional lower-educated voters away from inequality-combatting parties on the left and towards conservative and right-wing parties, which often tend to run on economically regressive platforms, with negative conse-

quences for social equality and democratic governance. What is lost in this current perception is that dangers for democracy can come from the very center of the social structure, when social strata related to the small firm sector turn towards extremist forces. In the traditional view of the small firm ideal, by contrast, SMEs, rather than being a source of potential radicalism, are considered the very backbone of sound democracies. This is the third SME promise we want to scrutinize more closely in the light of empirical evidence.

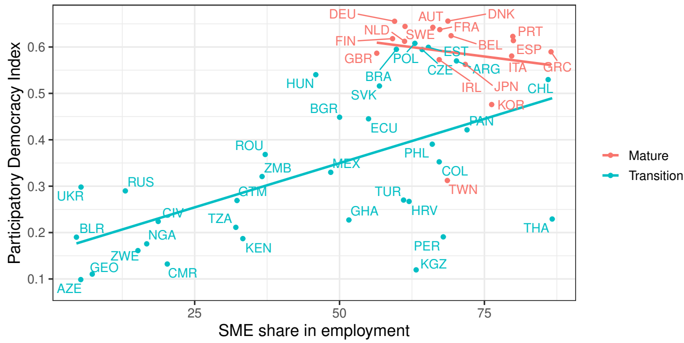
The danger of too concentrated economies for the democratic process is still very present in current debates, as when the US Democratic Party's 2016 manifesto states that:

> Large corporations have concentrated their control over markets to a greater degree than Americans have seen in decades ... We support the historic purpose of the antitrust laws to protect competition and prevent excessively consolidated economic and political power, which can be corrosive to a healthy democracy.

While the emphasis of an explicitly political motivation for competition policy enforcement is certainly a new dynamic for the 21st century American antitrust debate (Wu 2018), the underlying idea that small firm structures are contributing to a healthy democratic process can be found throughout all kinds of Mittelstand ideals. They often depart from the idea that large concentrated firms can use their excess resources to influence the political process. Again, on the face of it, the association between democracy and low concentration is not clear-cut. While participatory democracy is generally more developed in the mature economies where formally registered SMEs are more common and the informal sector is small, within the OECD world itself, differences in SMEs are hardly positively related with participatory qualities of democracies (cf. Figure 3).

More systematically, we take issue with the idea that small firm structures are more conducive to a healthy democracy in three respects. First, small firm interests have historically played anything but a stabilizing pro-democratic role. Second, small firm interests continue to be among the most radical opponents of state intervention in the economy, and particularly of social policy and workers' rights. Third, the theoretical model of corporate power underlying critiques of bigness is at a minimum incomplete: dispersion and fragmentation can lead to high degrees of political influence if we take structural business power into account.

Fig. 3: Participatory democracy and importance of small firms in developed world, average of 1990s



Note: (Ayyagari/Beck/Demirguc-Kunt 2007; Teorell et al. 2016); due to World Bank data availability on SME shares, the scatterplot refers to 1990 averages.

As mentioned above in section 3.1, from a historical standpoint today's largely positive connotations of small firms' politics are very much surprising. Over much of the 19th and 20th centuries the *petite bourgeoisie* was regarded as a deeply reactionary and even antidemocratic force in democratic capitalism. Intellectual figures such as Daniel Bell and Seymour Martin Lipset considered the small entrepreneurs to be the crucial social bedrock of fascist and radical right movements. Trapped between the growing power of large industry on one side and organized labor on the other, postwar sociology theorized that the small businessmen would seek protection in right-wing movements. "The dispossessed," Bell argued, would turn to "Protestant fundamentalism, nativist nationalism" and "good-and-evil moralism" in defense against the rise of liberal industrial society (Bell 1955, 24). Lipset (1960, ch. 5) found the social bases of German and Italian fascism in the middle classes, which were trying to simultaneously fight socialism and "big international" capital. While some of the strong arguments about the extremism of the 20th-century middle classes have been revised by historians (Winkler 1972), the idea of a strong proclivity of middle-class interests for reactionary political currents has survived throughout the 20th century (Bechhofer/Brian 1978; Norris 2005)

Second, mid-century political sociologists hypothesized that the reactionary tendencies of the *petite bourgeoisie* were not contingent political leanings, but essentially grounded in their economic position. Subject to the whims of the free market, short on capital reserves, and easy to strong-arm by organized labor and

large firms, small businessmen were theorized to lean towards a 'politics of survival' (Bechhofer/Brian 1978). This defensive position in the name of economic survival is exactly what can be observed in the policy preferences of small business. The extensive literature of business preferences for social policy reform have found firm size to be one of the strongest predictors of hostile policy positions (Paster 2015, 14). American small business interests have arguably blocked health care reform for decades (Martin 2000, 178–182). Due to their shaky economic position, they are usually the first constituency to rally against regulatory burdens, high tax loads and other interferences with their short-term bottom line. This troublesome relationship of small business with the regulatory state is reflected in far-reaching regulatory exemptions in all Western countries. Western small businesses are routinely relieved of regulations ranging from environmental protection through to workers' rights.

The systematic aversion of small capitalist interests to the provision of public goods has a further, more indirect consequence for their relationship with democratic capitalism. Most diagnoses of the crisis of democratic capitalist regimes recognize the problem of political alienation and growing beliefs among parts of the electorate that within-system-politics are non-responsive to their needs (Beckert 2019; Elsässer/Hense/Schäfer 2018; Piketty 2020). While the limits on governments to intervene in the economy are often described as emerging from concentrated interests and multinational enterprises, small firms have traditionally been among the staunchest opponents of governmental service provision and regulatory intervention. This is not to deny that in regulatory fields such as banking regulation, rules for tobacco consumption, and climate change policy, corporate lobbying by 'Big Finance,' 'Big Tobacco,' and 'Big Oil' has caused significant blockades, oversight loopholes, and institutional drift (Brandt 2012; Stokes 2020). Nevertheless, like in Albert Hirschman's (1970) theorem of the vulnerability of monopolists to 'voice,' big dominant firms can appear as easier targets for public campaigns, worse deflectors of responsibility, and sought-after conduits for regulatory change. Hence the idea that a less concentrated corporate landscape would be a necessary or sufficient condition for more responsive policies should be treated as structurally doubtful.

Finally, much of the democratic appraisal of small business rests on the assumption that political power is a linear function of economic power. As predicted by the theory of collective action (Olson 1965), fragmented interests should be worse at bargaining for their collective advantage than concentrated interests (Martin 2000, 57). Indeed, qualitative research suggests that small businesses have historically found it very hard to organize around common interests (Bechhofer/Brian 1978). However, the idea of a linear relationship between corporate concentration and political clout rests, in our view, on an impoverished notion of

business power as the result of targeted lobbying. As demonstrated by Cornelia Woll (2014) in her comparative analysis of bank bailouts, the financial industry's inability to act collectively proved to be a boon in bargaining over bailout funds as it forced the state's hand. If governments depend on businesses' health, lobbying is not necessary to make policy-makers conform to firms' demands (Culpepper 2015). Quite the opposite, well-endowed and well-organized business actors can induce legislators to impose costly reform without fearing imminent business failure. By no means do we want to suggest that large firms are powerless in democratic capitalism, or that they do not pose a consistent threat to the democratic process. However, the idea that business fragmentation—by itself—shields the political process from private influence is highly implausible.

4 Conclusion

The purpose of this paper has been to critically evaluate the case for deconcentration as a tool to restore the functioning of democratic capitalism with its three core elements of good and stable employment relations, relative equality and healthy democracy. We do not fundamentally doubt that monopolization and the emergence of the giant firm represent crucial challenges for 21st-century democratic capitalism. However, we assembled extensive evidence suggesting that the small capitalist firm is probably not the final solution to these challenges. Empirically, the small capitalist firm has rather been a routine inhibitor of the realization of progressive reforms and might not be the much-vaunted motor of good, stable jobs. While antitrust might be able to reduce certain inequalities of disposable incomes through consumption, SMEs might themselves be a potential contributor to wealth inequalities. Realizing equality through the consumption channel might also be less straightforward than attacking income and wealth inequality at its core. Finally, research on the 'extremism of the center' suggests that SMEs and allied interests might even turn into a reactionary force in modern democracy, inhibiting social reform and regulation. SMEs are among the key defenders of low inheritance and wealth taxation in the protection of their business wealth and thus rather stand in the way of Piketty's participatory socialism and 'progressive tax triptych.' Reasons of space prevent us from dissecting other inconclusive empirical evidence for further claims brought forward by modern Mittelstand ideals, such as superior innovativeness and contributions to employment. As important as size can be for determining social phenomena (Simmel [1908] 1950), it might generally be too unsteady a factor to build a strong reform agenda upon. As generalizing

sets of political economic assertions, Mittelstand ideologies rarely stand the test of scientific scrutiny.

Yet, the debate about monopoly in present day democratic capitalism has made important and remarkable contributions to public controversies. Particularly the debate about the need for collective intervention in the conduct of Big Tech corporations has been ameliorated by the new wave of antitrust thinking (Khan 2018). We do think, however, that it has equally distracted from more straightforward questions about the malaise of democratic capitalism. In essence, Mittelstand proponents suggest the truly difficult reform path of a politically enforced change of market structure, hoping for a long series of beneficial ripple effects. Most of the targeted ripple effects, such as full employment, a purified democratic process, betterment of working conditions, and reduced inequalities, have been targeted by tried and tested policies throughout the 20th century. Campaign finance reform in the United States or lobbying regulation in the European Union seem like much clearer targets for political energy than the beneficial effects of the small capitalist firm. Regulation should be effective for firms of all sizes rather than making size itself the crucial operating parameter. Tackling inequalities through yet another bureaucratic agency without much democratic legitimacy might also not be the best way to compensate for the democratic deficit attributed to the European Union.

In our view, the debate about monopoly has a similarly ambivalent character in the intellectual debate about the nature and evolution of democratic capitalism. On a high level of generality, critics of monopoly and large firms suggest that democracy and capitalism are symbiotic structures by nature, whereas the latter has been corrupted by incremental concentration. Repair through purification then seems like a straightforward reform agenda to restore symbiosis. While the case that capitalism comes in varieties, some of which may be corrupting, is a valuable contribution, the focus on firm size can overshadow more basic fault lines. Emancipatory social movements, redistributional institutions and regulatory frameworks have historically both succeeded and failed in a wide variety of corporate environments.

The issue of monopoly and the future of the small capitalist firm is poised to increase in political salience in the aftermath of the COVID-19 pandemic. Increased state involvement in the economy—as structural or stimulus policy—as a rule brings up debates about dedicated support for small and medium-sized firms. As visible in the recent political conflicts over targeted corporate bailouts for big firms and firms of high national prestige (like legacy 'national' airline carriers), sizeable public transfers often stimulate conflict over desirable corporate structures. The pandemic has wreaked havoc on core parts of the stationary non-food retail, event-, and hospitality industries, having significant small firm segments with little to no liquidity reserves. What is more, the translation of social inequalities into deep

health inequalities may serve as the basis of a continued politicization of economic concentration in contemporary capitalism.

Our compendium of the effects of firm size in democratic capitalism has been selective, of course. Importantly, this paper precluded highly relevant organizing questions, which in our view are a crucial avenue for future research. It is highly likely that the ideologies around and the typical effects of firm size vary over time and across societies. There is in our view a vast untapped research potential in transferring the questions from the political sociology of industrial society to the knowledge economies of the 21st century (cf. Granovetter 1984).

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