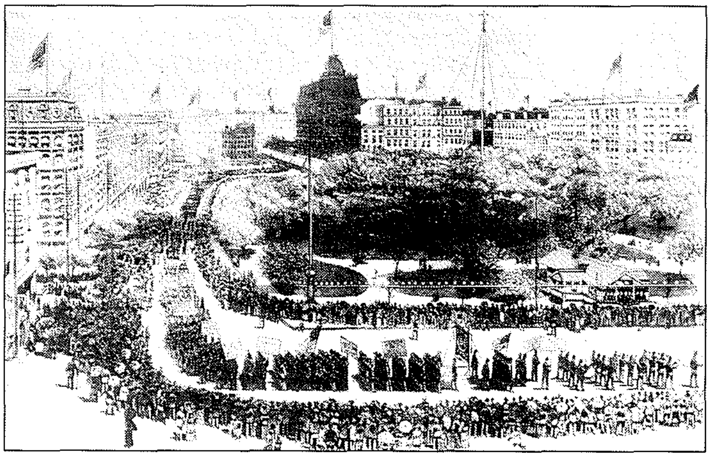
20,000 marched from lower Broadway to Union Square, drawing as many as 250,000 spectators, and a mass picnic afterward in Wendel's Elm Park was also a big success. In 1884, the national Federation of Organized Trades and Labor Unions (soon to become the American Federation of Labor, or AFL) urged "all wage workers" to observe the day. By 1886, Labor Day celebrations were taking place throughout the country.

The rising labor movement had little difficulty persuading local, state, and (in 1894) national legislators to add Labor Day to their official calendars. But few employers were eager to give workers the day off. "Consequently, for nearly two decades Labor Day was a virtual general strike in many cities," Kazin and Ross write. "In New York City, where many shops and factories remained open during the early years of the holiday, unions fined their members a day's pay for working on Labor Day. This swelled the ranks of marchers and, by 1889, forced most businesses to close for the day."

But with the AFL's success in obtaining widespread observance of Labor Day came a loss of control over how the holiday was to be marked. By the early 1900s, Labor Day was being transformed into a three-day celebration of leisure rather than labor, as union-sponsored parades and picnics faced new competition. The newspapers, note Kazin and Ross, "were filled with announcements of special Labor Day movies, horse races, baseball doubleheaders, yachting regattas, and inexpensive excursions to the beach or countryside." Most workers gradually came to regard the holiday as a time to be spent alone with family and friends, not "tramping in full uniform down hot city streets."

Even during the 1930s, when an upsurge in union membership and a new aggressiveness on the part of labor prompted a revival of large, public Labor Day observances, there was no simple return to the celebrations of the past. To attract as many people as possible, Kazin and Ross write, the union organizers got rid of "all vestiges of the by now rather stodgy images of grimly purposeful male craftsmen and instead filled their parades with fantasies and personalities drawn from the world of mass culture." Figures such as Popeye and the Keystone Cops, and floats depicting such exotic locales as the South Sea islands or bearing attractive young women in bathing suits now became part of Labor Day parades. Thoughts of "a proudly autonomous labor culture" had become a thing of the past. Sears and Roebuck and other retailers began incorporating Labor Day into their advertisements. "The ubiquitous Labor Day weekend sale," the historians note, "was only a short step away."



Carrying placards reading "Agitate, Educate, Organize" and "Labor Creates All Wealth," marchers pass through New York's Union Square in the first Labor Day parade in September 1882.

The Limits of Small Business

"Small Business in America: A Historiographic Survey" by Mansel G. Blackford, in *Business History Review* (Spring 1991), Baker Library 5A, Harvard Business School, Boston, Mass. 02163.

For much of the 20th century, owners of small businesses have been celebrated for their heroic individualism, but their businesses still were seen as backward and inefficient. They could hardly compete very well with big businesses, which tended to be capital-intensive firms that benefited from economies of scale and technological innovations. Economists such as Robert Averitt and John Kenneth Galbraith portrayed the U.S. economy as a "dual economy," with big businesses at the center and small firms on the periphery. But in recent decades, economists and others have been revising their views. "As big businesses have faltered as engines of economic growth in America," Ohio State historian Mansel G. Blackford notes, "smaller firms have come to be seen by some as likely sources for economic rejuvenation."

Until the mid-19th century, small businesses were the norm in the United States, with thousands of them producing and distributing most of the country's goods and services. But by 1914, one-third of U.S. industrial workers labored in firms with 500 or more employees, and another third worked in companies with 100 or more. Yet small firms—by developing market niches or supplying goods to larger industrial firms—remained significant right up to the mid-20th century. Then, however, they went into a decline. The share of business receipts received by small companies plummeted from 52 percent in 1958 to 29 percent in 1979.

In the late 1970s and the '80s, small business experienced a resurgence. Of the 17 million businesses that filed tax returns in 1986, only 10,000 were firms employing more than 500 workers. Small companies were generating most of America's new jobs—by one estimate, 64 percent of the 10.5 million created in 1980–86. The shift of the U.S. economy from manufacturing to services undoubtedly played a part in this, as did the development of computer technologies, spawning everything from lawn-care companies to entrepreneurial software firms.

With the renaissance of small business, Blackford writes, some analysts began to argue that America's industrial future lies in getting away from standardized mass production and embracing instead "a system of flexible production by smaller companies linked together in industrial communities." Flexible production, said economist Michael J. Piore and political scientist Charles F. Sabel, in their best-selling *The Second Industrial Divide: Possibilities for Prosperity* (1984), is "a strategy of permanent innovation: accommodation to ceaseless change, rather than an effort to control it."

But Blackford sounds a cautionary note. Historical studies of small firms in Philadelphia's textile industry and Pittsburgh's iron and steel industry, he notes, "have shown that by developing market niches, using flexible production techniques, and depending on a highly skilled labor force, small businesses could compete successfully with much larger firms across the nation." But these studies, he adds, have also underlined the limitations of small business.

Earlier in this century, for example, independent textile makers in Philadelphia were unable to meet the growing demand from big customers, and many were forced to close their doors. Sometimes bigger is better.

Why There Was No Trickle Down

"Why Were Poverty Rates So High in the 1980s?" by Rebecca M. Blank, National Bureau of Economic Research *Working Paper No. 3878* (Oct. 1991), 1050 Mass. Ave., Cambridge, Mass. 02138.

During the prosperous 1960s, America's poverty rate fell from over 22 percent to 12 percent. This accomplishment seemed to bear out President John F. Kennedy's contention: A rising tide lifts all boats. Yet the sustained economic growth of the 1980s produced virtually no decline in the poverty rate. It stood at 12.8 percent at the end of the decade, about what it had been in 1980. Why was there no "trickle down" effect?

Northwestern University economist Rebecca Blank says the reason is that increased employment and weeks of work among low-wage workers during the 1980s were more than offset by declines in real wages. Whereas in 1963–69 the bottom tenth of the population enjoyed a \$2 increase in weekly wages for every one percent rise in gross national product (GNP), in 1983–89 real wages for those at the bottom actually *fell* somewhat, despite the economy's growth. (For the top one-fifth of workers, by contrast, each one-percent increase in GNP meant a raise of \$2.16 in weekly wages in 1963–69 and of \$3.53 two decades later.) Blank attributes the drop in real wages for low-income workers to the decline of unions, technological change, increased competition from abroad, and the decreased demand for less-skilled workers.

This drop in real wages—not the increase in female-headed families or the cuts in welfare benefits made during the early 1980s—was behind the failure of "trickle-down" economics, Blank says. "Unfortunately," she concludes, "if the changing wage patterns of the 1980s continue into the future, economic growth can no longer be relied upon as an effective weapon in future wars against poverty."