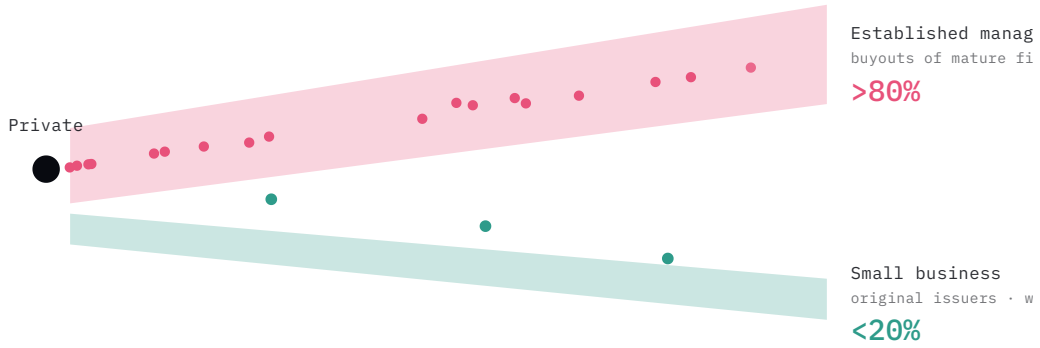
The Soft Power of Main Street

James E. Coleman

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ABSTRACT America's small businesses are its quiet superpower — the job engine, the market-makers, and the original issuers where breakthroughs are actually born. Yet private capital pools at the top: it flows to established managers, a few zip codes, and buyouts of mature firms, and seldom cross-pollinates back to the Main-Street issuers that created the value in the first place.

FIG. — WHERE PRIVATE CAPITAL ACTUALLY GOES FEWER THAN 1 IN 5 REACHES THE ORIGINAL ISSUERS





46%

of private-sector workers — about **62 million people** — work at small businesses.[1]



61%

of **net new jobs** (1995–2024) came from small firms — 20.7M vs 13.2M.[1]



16×

more patents per employee at the most innovative small firms — cited 79% more.[2]



>80%

of 2024 venture capital went to **established managers** — not Main-Street issuers.[4]

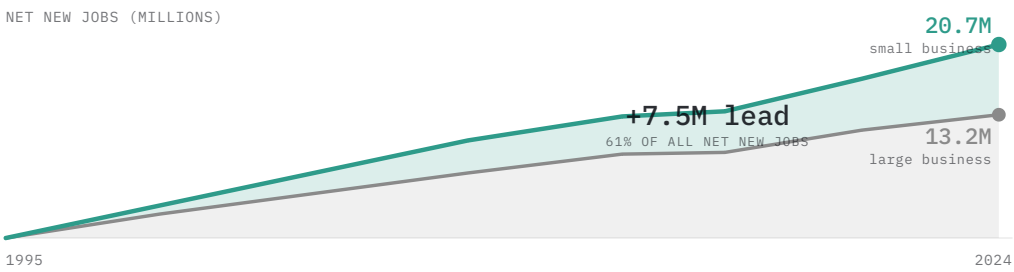
§ 01 The soft power of Main Street

The economy runs on firms *you've never heard of.*

Soft power is the influence you project not by force but by what you make, sell, and inspire. For the United States, a vast share of that power is not Fortune 500 — it is Main Street. Small businesses employ 45.9% of the private-sector workforce, roughly 62 million people, and they are the country's job

engine: from 1995 through 2024 they generated 61% of net new jobs, 20.7 million against large firms' 13.2 million.[1] They are where most Americans work, where new products and services first reach customers, and where wealth is first created before it ever reaches Wall Street.

FIG. 2 — NET NEW JOBS CREATED, CUMULATIVE 1995–2024 SMALL BUSINESS PULLS—AND STAYS—AHEAD



CUMULATIVE NET NEW JOBS, SMALL VS. LARGE FIRMS, 1995–2024. SMALL BUSINESS ADDED 20.7M AGAINST LARGE FIRMS' 13.2M — 61% OF THE TOTAL, AND A LEAD THAT WIDENED EVERY DECADE. SOURCE: SBA OFFICE OF ADVOCACY.[1]

This is the part of the economy a country's culture actually travels on — the independent brand, the regional manufacturer, the two-person software team, the restaurant that becomes a franchise. It is diffuse, unglamorous, and collectively enormous. And because it is diffuse, it is chronically undercapitalized relative to its contribution: the same quality that makes it resilient — no single point of failure — makes it invisible to capital that prefers scale and concentration.

§ 02 Where breakthroughs are born

The original issuers *of the new.*

Breakthroughs are disproportionately a small-firm phenomenon. Measured by patenting, the most innovative small firms — those with a sustained record of invention — produce on the order of sixteen times more patents per employee than their large-firm counterparts, and those patents are cited 79% more often than is typical for inventions of the same age and class.[2] In the language of markets, small businesses are the *original issuers* of new value: the first place a new product, process, or category comes into existence before anyone large enough to be "investable" has noticed.

FIG. 2.1 — WHY SMALL FIRMS ARE THE ORIGIN OF THE NEW STATE 1 OF 3

PER EMPLOYEE

Invention density

The most innovative small firms generate roughly **16×** the patents per employee of large innovative firms — invention is concentrated where overhead is lowest and the incentive to create a category is highest.[2]

PER PATENT

Impact per patent

Small-firm patents are cited **79% more** than average for their age and class — a signal that what they produce is not just more numerous but more foundational to what comes after.[2]

PER CATEGORY

First-issuer risk

Being first means carrying the earliest, least-diversifiable risk. The original issuer proves the category; later capital arrives only once the risk it was paid to take has already been retired by someone else.

Three reasons, one at a time. The bars set the small-firm figure beside its comparison.

THE 16× FIGURE IS DRAWN FROM SBA OFFICE OF ADVOCACY STUDIES OF HIGHLY ACTIVE SMALL PATENTERS; BROADER R&D-PERFORMER COMPARISONS ARE CLOSER, SO THE MULTIPLE IS STRONGEST FOR THE MOST INVENTIVE COHORT. THE 79% CITATION PREMIUM IS FROM THE SAME BODY OF WORK.[2]

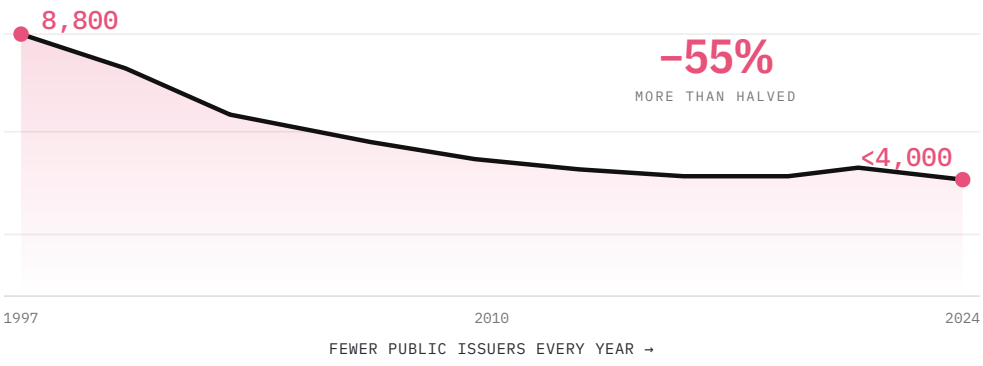
> *"The breakthrough and the balance sheet live in different places. The breakthrough is born on Main Street; the balance sheet that profits from it is assembled, years later, somewhere else entirely."*
>
> — FIELD DISPATCHES

§ 03 The capital pools at the top

Money flows to scale, *not to origin.*

If value originates on Main Street, capital increasingly does not return there. Three structural facts describe where private capital actually pools. First, the set of public "original issuers" is shrinking: the number of U.S. listed companies fell from roughly 8,800 in 1997 to under 4,000 by 2024 — the public on-ramp that once recycled wealth back to new issuers has narrowed by more than half.[5]

FIG. 3 — U.S. LISTED COMPANIES, 1997–2024 8,800 → UNDER 4,000



ENDPOINTS (~8,800 IN 1997; UNDER 4,000 BY 2024) REFLECT WIDELY REPORTED U.S. LISTED-COMPANY COUNTS (THE "LISTING GAP"); THE PATH BETWEEN IS DRAWN FOR LEGIBILITY.[5]

Second, private capital concentrates in established hands. More than 80% of the venture capital raised in 2024 went to established managers, the fourth straight year of narrowing access for newer and smaller funds.[4] Third, it concentrates in *place*: California alone took 48.8% of U.S. venture dollars in 2024, with New York (10.6%) and Massachusetts (8.1%) — roughly two-thirds in three states.[3] Private equity, for its part, deployed its capital largely into *buyouts of mature companies* — an industry tally put investment into small and mid-sized businesses at $654 billion in 2024[6] — but a buyout

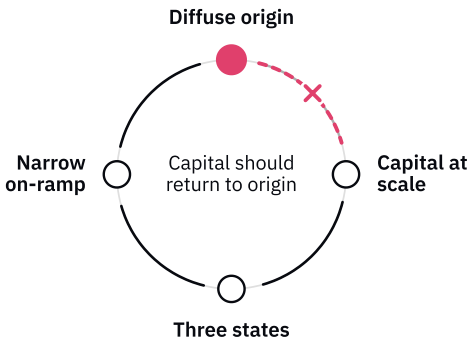
of an established firm is not a seed planted on Main Street; it is a harvest of value that was originated years earlier, somewhere else.

§ 03 The cross-pollination that doesn't happen

A one-way valve *on the economy.*

Put the two halves together and the problem is not a shortage of capital or a shortage of invention — it is a broken feedback loop between them. Value is originated by diffuse, under-capitalized small firms; it is captured, much later, by concentrated pools of capital that buy the mature result. Very little of that captured value cross-pollinates *back* to the original issuers — the next generation of Main-Street firms that would create the next breakthrough. The system behaves like a one-way valve: wealth flows up from origin to scale, and seldom back down.

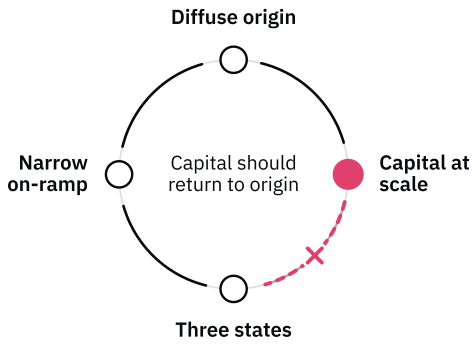
FIG. 3.1 — HOW THE LOOP BREAKS STATE 1 OF 4



BREAK 1

Origin is diffuse

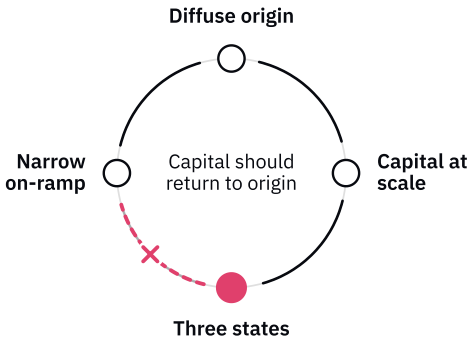
Breakthroughs appear across thousands of small firms with no single point of contact — exactly the profile capital built for scale is worst at finding and underwriting.



BREAK 2

Capital prefers scale

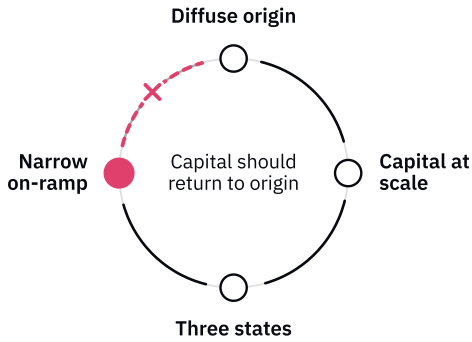
Established managers, large funds, and buyouts of mature firms are cheaper to underwrite per dollar deployed — so capital optimizes for the harvest, not the planting.[4]



BREAK 3

Geography compounds it

With two-thirds of venture dollars landing in three states, a breakthrough born outside those zip codes is structurally further from the capital that could carry it.[3]



BREAK 4

The on-ramp narrows

With public issuers more than halved since 1997, the mechanism that once returned capital to new issuers — a liquid public market — reaches far fewer of them.[5]

A diagram of the relation, not a chart of data. Capital is meant to travel round the loop and come back to new firms. Each state breaks the loop at a different place.

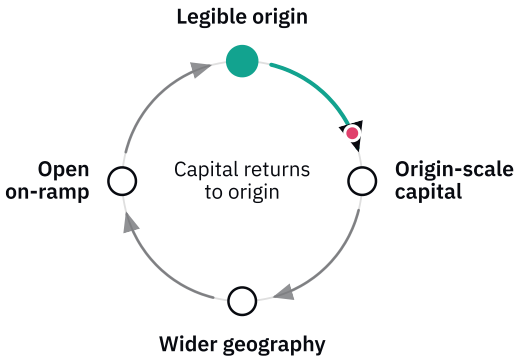
The cost is not borne by Main Street alone. When capital stops cross-pollinating the origin of value, it slowly starves its own future supply of breakthroughs — harvesting a field it has stopped re-seeding. The concentration looks efficient on any single deal and is corrosive in aggregate.

§ 04 Designing the loop back

You re-pollinate a field *by building the roads to it.*

The fix is not to scold capital for seeking scale — it is to build the infrastructure that makes the original issuers findable, underwritable, and reachable. The reason capital pools at the top is partly an information problem: diffuse Main-Street value is expensive to see. That is a solvable, designed problem, and it is the through-line of this series.

FIG. 4.1 — FOUR ROADS BACK TO THE ORIGIN STATE 1 OF 4



ROAD 1

Make origin legible

Build the data and intelligence that let capital *see* breakthrough small firms early — so the diffuseness that hides them stops being a reason to skip them.

ROAD 2

Underwrite at origin scale

Instruments sized for a two-person team, not a buyout — standardized, low-overhead vehicles that make small, early positions economic to hold.

ROAD 3

Route past the three states

Deliberately widen the geography of capital so a breakthrough born outside the coastal hubs is not structurally orphaned.[3]

ROAD 4

Re-open the on-ramp

Rebuild the mechanisms — public and private — that return liquidity and capital to new issuers, so origin has somewhere to graduate to.[5]

A diagram of the relation, not a chart of data. The same loop, repaired. Each state restores one stretch, and the dot travels it.

↓ The series thruline

The gap between where value is created and where capital lands is an infrastructure problem, not a shortage — crossed by building the systems that let capital find the origin. Main Street is America's soft power because it is where the new is first made. Keeping that power means re-pollinating the field: designing the roads that carry capital back to the original issuers, so the economy keeps re-seeding the ground its breakthroughs grow from.

§ R References — Primary Sources

Sources *& notes.*

Figures are sourced to primary or widely-reported data below. The three schematic elements — the capital-flow split, the jobs pictograph, and the path of the issuer-decline line — are legibility renderings of the cited figures, not new measurements.

1. [1]U.S. Small Business Administration, Office of Advocacy. "Frequently Asked Questions About Small Business" (2026 ed.). Source of the 45.9% of private-sector employment (~62.3 million workers) and the 61% share of net new jobs, 1995–2024 (20.7M small vs 13.2M large). advocacy.sba.gov.

   The ~43.5% small-business share of GDP cited in SBA material is a 2014 figure and is treated as dated.

2. [2]U.S. Small Business Administration, Office of Advocacy. Studies of small-firm patenting (incl. “Small Business Innovation Measured by Patenting Activity”, 2022, and earlier green-technology analysis). Source of the ~16× patents-per-employee figure for highly active small patenting firms and the 79% citation premium. advocacy.sba.gov.

   The 16× multiple is strongest for firms with a sustained patent record; broader R&D-performer comparisons (2016 NSF data) are closer to parity, so the multiple should not be read as the economy-wide average.

3. [3]Carta. “VC funding geography, 2024.” California 48.8%, New York 10.6%, Massachusetts 8.1% of U.S. venture dollars (Carta-platform companies). carta.com.

   Measures dollars on Carta’s platform; deal-count measures (PitchBook/NVCA) give different shares.

4. [4]Gresham Partners. “2024 Private Market Review.” More than 80% of 2024 venture capital raised went to established managers, in a fourth consecutive year of fundraising decline. greshampartners.com.

5. [5]U.S. listed-company counts (the “listing gap”): the number of domestic listed firms fell from roughly 8,800 in the late 1990s to under 4,000 by the mid-2020s. See the research literature on the U.S. listing gap (e.g., Doidge, Karolyi & Stulz, “The U.S. Listing Gap,” *Journal of Financial Economics* 2017) and World Bank / exchange listing data.

   Exact counts vary by definition (domestic vs. all, exchange coverage); the halving since the late-1990s peak is consistently reported.

6. [6]American Investment Council. 2024 report on private-equity investment in small and mid-sized businesses (~$654.1B). investmentcouncil.org.

   An industry trade-group figure, cited here for direction and scale; PE deployment is concentrated in buyouts of established firms rather than origination.