

# The Tea Party gap

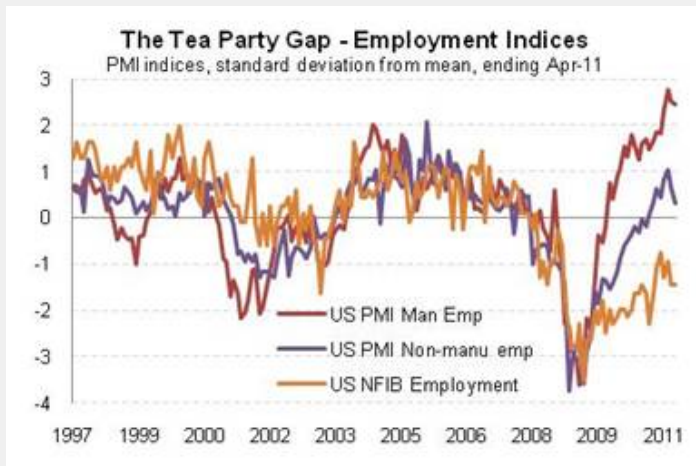
## Economic perspective

30<sup>th</sup> May 2011

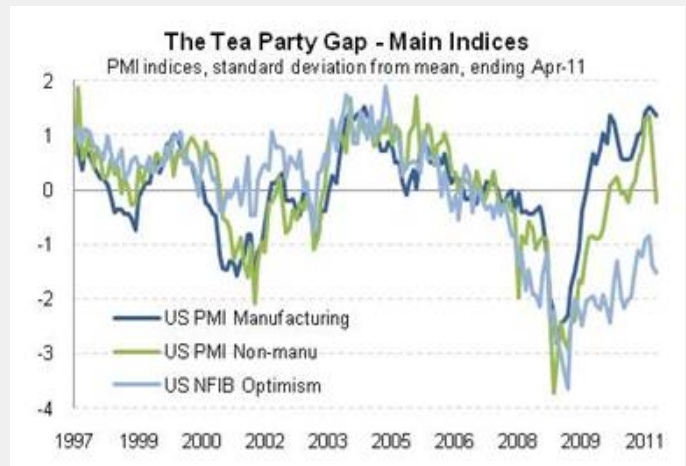
The charts in this paper very neatly summarise the rise of the Tea Party post 2009.

In the same way that the Arab Spring arose from economic issues (inflation, high youth unemployment), I see the Tea Party as being an economically motivated political movement. It is a party of people broadly excluded from the influence of big business, unions and national politics with the financial crisis and recession acting as a catalyst for its formation. People in small business have been largely excluded from the recovery – indeed, it's fair to say many are still in recessionary conditions.

These charts highlight just how much the stimulus package of company and bank bail-outs and quantitative easing have benefited large firms, particularly those in manufacturing, but done nothing for small business. The charts show the standard deviation from mean activity levels in each index going back to 1974. The Purchasing Managers Index (PMI) survey represents all size companies in manufacturing and non-manufacturing while the National Federation of Independent Business (NFIB) represents exclusively small business, presumably it is large companies that boost the PMI's. As the chart shows the divergence in activity and particularly employment levels is enormous and this would seem sufficient to create political disruption. The manufacturing sector is at historic highs while the small business sector is in conditions akin to previous recessions and worse.



Source: Bloomberg



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To put the small business sector in context, it employs around 52% of all private sector workers; 19.6 million work for companies employing fewer than 20 workers, 18.4 million work for firms employing between 20 and 99 workers, and 14.6 million work for firms with 100 to 499 workers. In total, 52.6 million employees compared to 47.7 million working for firms with 500 or more employees.

While I do not expect an Arab Spring style uprising in the US, these charts do point to a serious economically induced political problem. If I wanted to win next year's Presidential election, I would target small business and those who work in the sector. The problem is how. It's easy to bail out systemically important banks, car makers and promote monetary policy that supports manufacturers, but much more difficult to help or bail out millions of small businesses in a meaningful way.

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