

Wealth, Power, Control, and Command Private Monopoly and the American Worker

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A majority of citizens believe something is deeply wrong with America. We see the evidence in economic inequality that is greater than ever. We see it in the fantastic dysfunction in our political system, and in shocking outbreaks of racism and tribalism. We see it in figures that detail soaring levels of addiction to opioids and alcohol, and in life spans that for the first time in our nation's history are falling for large segments of the population.

The big question is what's going on? Because today's crisis does not fit easily into the outlines of any of the economic or political crises of recent decades.

For a generation, progressives have blamed the long steady decline in the fortunes of America's working families mainly on three factors – the sharp restrictions on labor rights that began under President Reagan, the offshoring of jobs that spiked after President Clinton signed NAFTA and the WTO in the 1990s, and automation.

They have largely ignored a fourth factor – monopolization. Yet in fact, economic power in the United States today is more concentrated than at any time in a century, perhaps ever. And a growing body of evidence fingers monopolization as the main factor, or one of the main factors, behind just about every problem that matters to workers and families in America today. This includes:

- Depressed wages, vanishing benefits, broken pension systems.
- Soaring prices for health care, transportation, rent, education.
- Crumbling infrastructure, collapsing rates of small business creation, heartland communities stripped of their wealth.
- The rise of fake news and propaganda, and the starving of trustworthy sources of news and information

This monopolization also makes it harder for workers to unionize, easier for corporations to offshore jobs, and easier for employers to impose automation.

Perhaps most dangerous is that the resulting consolidation of wealth, power, and control in the hands of few also appears to be undermining America's common democratic institutions in ways that harm all citizens, and makes it even harder for workers to get a fair hearing from their own government. Every day, the monopolists exercise more power over America's politicians, courts, and government agencies.

To the extent there's good news, it's that a fast growing number of policymakers from both parties, and throughout the government, are finally focusing on America's monopoly problem. Just in the last two years this includes Elizabeth Warren, Hillary Clinton, Keith Ellison, as well as the 2016 Democratic Party Platform and the Schumer-Pelosi "Better Deal" of 2017. We have also seen dramatic movement from the European Commission in Brussels, the Federal Trade Commission in Washington, and the Antitrust Division of the Justice Department.

In this note, I will take an introductory look at the political origins of America's monopoly problem, provide some sense of the magnitude of the problem, and will briefly assess some of the specific ways in which big tech corporations such as Google and Uber make the monopoly problem worse.

American Antimonopoly and the American Worker

The first challenge is simply to understand how important antimonopolism was to the development not only of the American economic system but of the American political system.

Popular discussion of economic concentration all but vanished from America a generation ago. But from the first days of the Republic into the 1980s, antimonopolism was the main economic philosophy of the nation, and provided the basic set of principles that Congress and the Executive used to shape markets and regulate corporations. Labor law itself was widely understood to be part of the wider regime of "competition policy."

In many respects, the Revolution of 1776 was mainly a rebellion against monopoly, be it in the form of church, monarchical government, or trading corporation. Put in positive terms, the goal of the founding generation was to establish liberty to think and believe as one wishes, liberty to participate fully in all political decisions, and liberty to own one's own self in all economic life.

For the next two centuries the primary struggle in America was between those who fought to establish open markets in which to exchange labor, products, and ideas, and those who sought to use corporate and banking monopolies to capture control over those markets,

and thereby exercise direct power over the individuals working in those markets. The monopolists won many battles over the years. But the overarching history is of a steady extension of the realm of liberty, most dramatically during the Civil War, but also in a long series of victories over the monopolists between the early 1800s and the mid 1930s.

By early in the 20th century, antimonopoly enforcers had divided the U.S. political economy into three distinct realms, and had developed specific regulatory approaches to each.

- In the case of network monopolies like railroads and telephone corporations, the goal was not to break these up, but rather to use various forms of common carriage law to neutralize the power in these networks and ensure they provide the same service at the same price to every customer.
- In the case of giant industrial corporations like General Motors and DuPont regulators allowed these corporations to grow big enough to engage in efficient mass manufacturing, and to vertically integrate as long as they did not wield their control over production to deprive rivals of vital parts. But the competition regulators generally put a strict limit on consolidation, and attempted to ensure at least four such corporations in every market.
- In the case of retail, farming, light manufacturing, services, and most retail banking the goal was to keep these businesses small and locally owned. The main means to achieve that end – especially during periods of Democratic Party rule – was to target the chain stores financiers use to roll up control over markets.

By 1913, leaders in the Democratic Party had also used the Clayton Antitrust Act to prevent the government and private corporations from using antitrust law against labor unions or agricultural cooperatives. The result, over the heart of the 20th Century, was a long period of economic expansion in the United States, which arguably provided the foundation for many of the social advances - such as in civil rights - of those years.

Organized labor still well remembers that the Reagan Administration took aim at labor unions almost immediately after taking office, and succeeded at making it much harder for workers to concentrate their own power. What has been all but ignored is that the Administration also targeted the antimonopoly laws that for two centuries had made it hard for the banker, executive, and financier to cartelize and organize their power.

When Reagan officials did so in early 1982, they attracted almost no attention from the public or from Capitol Hill. This is because rather than target the laws themselves, they instead used the “merger guidelines” established by the DOJ’s Antitrust Division to establish a new philosophy for the enforcement of all antimonopoly law in the United

States. It's also because they framed their efforts in highly innocuous language designed to attract little attention.

This new philosophy was the “Chicago School” thinking of Robert Bork, as distilled in his 1978 book *The Antitrust Paradox*. It held that rather than use antimonopoly law to protect our liberties and our democracy through the careful distribution of economic power, control, and opportunity, antimonopoly law instead should focus on the “welfare” of the “consumer.” This new philosophy put into motion a simple chain of reasoning that goes something like this: What do consumers want? More stuff. How do we get them more stuff? Bigger manufacturers, bigger distributors, bigger retailers. What's the best friend of the “consumer”? Monopoly.

In the 1990s, the Clinton Administration used this same “consumer welfare” philosophy to entirely restructure the U.S. defense and energy industries, and the regulatory regimes that govern banking, the media, and international trade (through NAFTA and the WTO). To this day, this “consumer welfare” philosophy largely continues to guide U.S. trade negotiators, antimonopoly enforcers, and law courts in their thinking and their actions.

America's Monopoly Problem Today, By the Numbers

The adoption of the “consumer welfare” philosophy of antimonopoly in the early 1980s unleashed the greatest concentration of control in the history of the United States. By 2005, long before the full effects of e-commerce had been felt, this change in thinking had affected just about every economic sector in the country.

The corporation that perhaps best illustrates the effects of these changes is Walmart. The antimonopoly regime put in place in the early 1900s had largely aimed to prevent the use of chain stores to concentrate control over retail. In the famous *Von's Grocery* decision of 1966, for instance, the Supreme Court backed a government decision to block a merger that would have put 7 percent of the Los Angeles grocery market under the roof of one chain. By contrast, the adoption of the “consumer welfare” philosophy cleared the way for Walmart to open some 4,000 supercenters across America, to consolidate control over 25 to 40 percent of sales in many lines of business in the nation as a whole, and to capture upwards of 50 percent of local grocery sales in dozens of midsize American communities.

Another useful example of the effects of monopoly, but one that is less-well-known, is the conglomerate Tyco International. To the extent the corporation is remembered today, it is for the conviction of CEO Dennis Kozlowski for paying himself giant bonuses not approved by the board. But Kozlowski's real legacy was the conglomeration of monopolies in everything from catheters to fire sprinklers to clothes hangers into a business worth \$40

billion, then taking advantage of his control over these markets not only to jack up prices but to drive down costs by shifting production from U.S. factories to locations offshore.

The story of General Electric, Monsanto, Luxottica, Bank of America and dozens of other giants is much the same in the generation since the Reagan overthrow of antimonopoly law. In every instance, the new rules of competition allowed them to grow much bigger, and then to use their power to raise prices and/or to drive down wages (and sometimes, simply, to shift production abroad).

To get some understanding of the magnitude of America's monopoly problem, consider a few of the measurable effects of this consolidation:

- Wages are 20 percent lower overall, compared to 1980. In particular regions and sectors, the figure tops 30 percent.
- Healthcare for the average family cost nearly \$9,000 per year more.¹
- The average global price markup for goods has soared from 1.1 in 1980 to 1.6 today, and Americans see especially high prices in monopolized markets like those for meat, phone service, and seeds.²
- Rates of small business formation have fallen by [nearly half](#) since 1978.³
- Rents are so high that a recent study found that there is nowhere in the country where a full-time minimum wage worker can afford a two-bedroom apartment.⁴

From the point of view of workers, the problem is not only a matter of a failure to enforce antimonopoly law against big corporations and big banks. It is also increasingly a matter of reach and powerful corporations using antimonopoly law against the worker fighting for a living wage and simple dignity. This includes recent cases against drivers who attempted to organize against Uber. And it includes cases against groups of professional and semi-skilled workers attempting to establish the most basic sorts of standards to guarantee the quality and trustworthiness of their work and their services.

Similarly, in recent years American workers have also faced an explosion of new legal restrictions on their own movements as employees. This includes non-compete and no-poach agreements that are themselves a form of concentrated control over workers. In 2017, for instance, Alan Krueger and Orley Ashenfelter reported that "58 percent of major franchisors' contracts, including McDonald's, Burger King, Jiffy Lube, and H&R Block," contained no-poaching agreements, or arrangements where managers of a franchise agreed not to hire workers away from other franchise managers of the same chain. Meanwhile, [nearly 30 million workers](#) in America are subject to noncompete clauses in employment contracts, or requirements that employees for one corporation not work for a competitor, restricts workers' employment options and suppresses their wages.

How Big Tech Speeds and Worsens America's Monopoly Problem.

Tech giants like Google, Amazon, Facebook, and Uber represent a second and highly distinct stage in the consolidation made possible by the adoption of the pro-monopoly “consumer welfare” philosophy a generation ago.

Compared to the first generation of monopolists unleashed in 1982, this second generation of online-based operations were able to grow to scale far faster, and to expand into parallel lines of business with much greater ease. These corporations also have the capacity to gather, store, and effectively manipulate far greater amounts of information about both sellers and buyers than any previous set of corporations ever.

But the problem with these corporations is not that they are “too big” or that they grew “too fast.” It is that they have been left free to use their power in ways that are dangerous for our economic and political wellbeing, such as through direct manipulation of both sellers and buyers through first-degree price discrimination.

The businesses Google, Facebook, Amazon, and Uber, as just noted, are based on technologies that largely did not exist 20 years ago. Yet in key respects, each of these corporations closely resembles network monopolists of the past. Facebook, for instance, can be viewed as largely a 21st century version of AT&T. Amazon can be viewed as a 21st century version of a railroad. Google, meanwhile, combines attributes of IBM and AT&T.

Thus far, however, U.S. competition regulators have failed to apply the same sorts of “common carriage” style rules to Google, Facebook, and Amazon that they applied to every large transportation and communications network of the past. Absent such non-discrimination rules, these corporations are largely free to use their power to favor certain producers and disfavor others.

This ability to pick winners and losers, in turn, gives them the ability to, in essence, extort money from sellers desperate to get to market. Their monopoly control over the market, further, gives them the power to steer buyers toward their own in-house products, rather than those of the customers who rely on them to get to market. The de facto result of such grotesque steering of the profits of commerce into their own coffers is not only concentration of wealth and power. It also results in a fast growing concentration of control, including over what executives at these corporations will say in public.

This license to favor some sellers over others is, from the point of view of the worker, especially dangerous when put to use by corporations such as Uber. Not only do these corporations control the individual’s access to work, their vast caches of data allow them to engage with each individual worker in a highly personalized fashion that makes it hard if not impossible for workers to effectively track and detail patterns of exploitation.

To make matters worse, the power of these tech corporations, relative to the rest of the U.S. economy, grows almost by the moment, as capital flows more and more rapidly into fewer and fewer corporations.

One effect of such concentration of capital that is of particular interest to workers is Softbank's recent and extensive efforts to cartelize the global market for taxi service apps, in ways designed specifically to increase the power that corporations like Uber enjoy over both riders and drivers. Another is the extreme and dangerous levels of debt that unionized corporations such as AT&T have been forced to take on in their efforts just to compete effectively with corporations such as Google, Amazon, and Apple, which by contrast can count on almost limitless piles of cash and cheap credit.

The Path Forward

The picture, in short, is bleak. And it's getting bleaker fast. Yet for a variety of reasons, the prospect is also one of immense opportunity. The sudden surge in fear about the power and destructive nature of America's new monopolies is fast awakening citizens to the need to entirely rethink how Americans regulate competition. This, in turn, has provided us with our first real chance in nearly 40 years to root out the Chicago School philosophy of competition not only from our enforcement agencies, but from our minds.

Compared to Americans of a century ago, citizens today have four great advantages.

- First is institutional; the Federal Trade Commission and the Antitrust Division of the DOJ both already exist.
- Second is a very rich body of law; although the Supreme Court has closed off many lines of action against monopoly, abandonment of the "consumer welfare" philosophy will reveal the fact that we have other regulatory models and laws ready for use today.
- Third is the European Union; as we saw just today with the decision on Google's Android operating system, there is a rich institutional structure abroad that we can use.
- Fourth is a large and growing set of powerful corporations that are also threatened by the platform monopolists, and that are already starting to use their great influence to drive debate.

The only thing lacking is political courage, and intellectual creativity. And that is something the American labor movement can – perhaps more than any other group – help to fix.

Further Reading

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