MONOPOLY BY THE NUMBERS

A fast-growing number of Americans know that their country has a monopoly problem, and that wealth, power, and control are increasingly concentrated in the hands of the few. We see this in poll numbers – in which 63 percent say that the distribution of wealth and money is unfair – and we see it in protest movements like the Tea Party and protest candidacies like that of Bernie Sanders, largely powered by voters fed up with the state of America's politics and economy.

> "'The fruits of economic growth are being hoarded' by America's profitable corporate giants, who face negligible competition."

Source: https://www.openmarketsinstitute.org/our-mission

Thus far, most of the coverage of America's monopoly problem has come from the 10,000-foot level. The Economist exemplified this with a pair of articles in 2016, in which they wrote that "the fruits of economic growth are being hoarded" by America's profitable corporate giants, who face negligible competition. The economists Paul Krugman and Larry Summers have linked growing monopoly power to weak growth, and in a recent White House report, Jason Furman and Peter Orszag argued that monopoly has contributed to inequality in wages.

There are many indicators that economic concentration is increasing. We see when we compare the salary of a CEO today to that of a CEO in the 1970s. Thanks to research led by the Open Markets Team, we see how economic concentration increasingly blocks entrepreneurs from starting and growing their own businesses. Similarly, we can see how wealth is increasingly concentrated geographically. As research and writing by Open Markets has detailed, wealth and power is increasingly concentrated in fewer and fewer cities, meaning that as San Francisco, New York City, and Washington thrive, a growing large number of large heartland communities like St. Louis and Memphis increasingly find themselves cut off and hollowed out.

We see some of the most dramatic evidence of concentration at the level of individual economic sectors. Nearly every marketplace in America is vastly more consolidated than a generation ago.

Consider retail; today, a single corporation, Walmart, controls 72 percent of warehouse clubs and super centers in the entire United States. In close to 40 metropolitan areas across America, Walmart sells more than half of all groceries. Amazon, meanwhile, dominates e-commerce in general, and many specific lines of business. The corporation, for instance, sells 74 percent of all e-books and 64 percent of all print books sold online. The story's often the same for more specialized retail. In eyeglasses, one company, Luxxotica, dominates the manufacture and retail of glasses. In mattresses, two companies control 60 percent of the entire U.S. market.

Much the same is true in food and farming. A generation ago, small, independent operations defined the entire industry. Today, the businesses of beef, pork, and poultry slaughter are all dominated by four giants at the national level. But that greatly understates the problem, as in many regions, a single corporation holds a complete monopoly. Two firms, Dean Foods and the Dairy Farmers of America control as much as 80-90 percent of the milk supply chain in some states and wield substantial influence across the entire industry. As our Food & Power website details, the story is much the same in food-processing, egg production, grain production, and produce farming.

We see some of the most extreme consolidation in hospitals, health insurers, pharmaceutical corporations, and medical device industries. In the average hospital market, the top three hospitals and systems account for 77 percent of all hospital admissions. Many communities face even more monopolistic markets – Grand Junction, Colo. and the whole western portion of the state are served by just one hospital corporation. Hospital corporations across America have also been buying up physician practices in recent years. Hospital ownership of physician practices more than doubled between 2004 and 2011, from 24 to 49 percent. In drug stores, meanwhile, the pending takeover of Rite Aid by Walgreen's would reduce the market to two giants, along with CVS.

Monopolists have captured control over many lines of manufacturing as well. Corning, an American glass manufacturer, sells 60 percent of all the glass used in LCD screens, and Owens Illinois holds a near monopoly over market for glass bottles in the US. Rexam, a British company, holds a dominant position over the international supply of bottle caps and pharmaceutical bottles.

And, even in industries where many firms compete to sell to end users, monopolists will roll up control of the supply base. In the automobile industry, where manufacturers compete aggressively for customers, a handful of monopolists wield dominant power in the world of auto parts, so that giant firms control the production of things like car seats and dashboards.

Below, we've compiled some examples of this concentration as found in different sectors.

Go to Open Markets' Food & Power website for figures and analysis regarding concentrated power in the food system, *where we have in-depth data on livestock farming, produce farming, processed foods, grain farming, beer, and many more markets.*

MONOPOLY IN:

PHARMACEUTICALS

Pharmaceutical companies have been merging at a record pace in recent years, and drug makers often use their concentrated market power to raise the prices of generic drugs, such as Digoxin, Daraprim, Naloxone, and standard vaccines.

PHARMACY BENEFIT MANAGERS

Pharmacy benefit managers, which oversee the sale and administration of drugs, have been merging with one another and with pharmacies in recent years, presenting substantial conflicts of interest as the companies get larger and more closely knit together. Today, CVS owns Caremark, a giant PBM; Rite Aid owns Envision Rx, another large PBM; and the country's largest PBM, Express Scripts, owns several specialty pharmacies.

HEALTH INSURERS

In 2015, Aetna announced plans to merge with Humana, Anthem agreed to purchase Cigna, and Centene said it would merge with Healthnet. The proposed mergers would further concentrate an already highly concentrated market – leaving three giant companies (Aetna-Humana, Anthem-Cigna, and United Health Group) in dominant positions in the industry. The effect would be even more dramatic in some states, such as Georgia, Connecticut, Colorado, Virginia, and New Hampshire, which would see their markets become more concentrated by 30 percent or more.

APPLIANCES

Whirlpool's takeover of Maytag in 2006 gave it control of 50 to 80 percent of U.S. sales of washing machines, dryers, and dishwashers and a very strong position in refrigerators. Maytag also controls the Jenn-Air, Amana, Magic Chef, Admiral, and KitchenAid brands and holds a dominant position over supply of Sears Kenmore products.

ATHLETIC SHOES

Nike imports up to 86 percent of certain shoe types in the United States – for basketball, for instance – and more than half of many others. Worldwide Nike controls almost two-fifths of the sports shoe business, a number that has grown since its two main rivals, Adidas and Reebok, merged in 2005.

DEFENSE CONTRACTORS

Since 1993, consolidation has reduced the number of large defense firms from 107 to five.

BOOKS

Amazon sells 74 percent of all e-books sold online, and it sells 64 percent of all print books sold online.

ALCOHOL

Suntory's purchase of Beam in 2014 consolidated the global spirits industry into three main players, including Diageo and Pernod Ricard.

DRUG STORES

CVS controls 58 percent of the drug store business; Walgreens controls 31 percent; and, Rite Aid controls 10 percent. In 2015, Walgreens proposed to merge with Rite Aid. CVS also owns Caremark, one of the country's biggest pharmacy benefit managers, as well as Omnicare, another big PBM.

OFFICE SUPPLIES

The FTC successfully blocked a proposed merger of Staples and Office Depot, but the market is still highly concentrated after Office Depot's 2013 acquisition of Office Max. Collectively, the two firms control 69 percent of the entire office supplies market.

EYEGLASSES

One Italian company, Luxottica, dominates manufacturing of eyeglasses for the U.S. market. It also dominates retail, controlling LensCrafters, Pearl Vision, Sunglass Hut, and Target Optical, among many other outlets. And Luxottica increasingly controls insurance and eye and vision care services.

TELEVISION ADVERTISING

Omnicom controls upwards of 40 percent of all television advertising dollars in America. The top two agencies control upwards of 70 percent.

INTERNET ADVERTISING

Google and Facebook hold a dominant position over the internet advertising business, claiming 64 percent of all internet ad revenues in 2015, though Google brought in nearly three times the revenue that Facebook did.

INTERNET SEARCHES

Google controls 64 percent of all desktop searches and 94 percent of all global and mobile tablet searches.

SEMICONDUCTORS

Intel controls some 98 percent of the microprocessor market in servers and about 93 percent in notebooks, following its intensive (and overtly illegal) efforts to drive AMD out of the business. TSMC and UMC have captured control over 60 percent of the world's demand for semiconductor foundry services and have concentrated that business in one industrial city in Taiwan.

ENTERPRISE SOFTWARE

A long wave of mergers and acquisitions has reduced the industry to two major players, Oracle and SAP.

LCD GLASS

Asian firms dominate the manufacture of liquid crystal display (LCD) screens. The American firm Corning has captured 60 percent of the business of supplying the glass itself.

VITAMIN C (ASCORBIC ACID)

China's vitamin cartel controls 100 percent of the market for U.S. Vitamin C, which is also known as ascorbic acid and which is used in almost all preserved foods.

AUTOMOBILE COMPONENTS

Thanks to imports, there is more competition to sell cars in America than in the 1970s. But, American car companies file design patents to ensure that only they have the right to sell essential replacement parts for their cars, like grilles and tail lights. The business of manufacturing component parts is even more monopolized, as the top ten parts suppliers control 60% of the market.

GLASS BOTTLES

Owens Illinois sells more than one in every two bottles in the world and has a near monopoly over the supply of glass containers in North and South America, Europe, China, and Australia.

BOTTLE CAPS AND PHARMACEUTICAL BOTTLES

In 2007, Owens Illinois sold its plastics business to Rexam, giving the British firm a dominant position over the international supply of bottle caps and pharmaceutical bottles.

AIRLINES

Recent mergers have left four carriers – American, United, Delta, and Southwest – with control over 80 percent of the market. This consolidation has greatly restricted competition at individual airports. At 40 of the 100 largest U.S. airports, a single airline controls a majority of the market, and at 93 of the 100 largest, one or two airlines control a majority of the market.

RAILROADS

Mergers and deregulation have paved the way for massive consolidation in the railroad industry. Currently, seven large railroads control much of the industry. The nation's four largest railroad control 86 percent of all grain and oilseed traffic; a single railroad, BNSF, controls 47 percent.

TRAVEL SEARCH

Expedia earlier this year purchased Travelocity and then Orbitz. Combined with PriceLine's purchase of Kayak, this reduced the number of independent travel search companies to two.

RENTAL CARS

Thanks to a spate of recent mergers, three corporations now dominate the business, although they hide behind a variety of brands. These are: Enterprise (Enterprise, Alamo, National); Hertz (Hertz, Dollar, Thrifty); and Avis (Avis, Budget).

MATTRESSES

The recent mergers of Sealy and Tempur-Pedic and Serta and Simmons enclosed more than 60 percent of the market in the hands of two companies, whereas a few years ago, no one firm controlled more than 20 percent of the market.

LAB EQUIPMENT

The two biggest companies, Thermo Electron and Fisher Scientific, merged in 2006 and now control de facto monopolies in many lines of business.

LASIK EYE LASERS

The two main manufacturers of Lasik eye lasers, Advanced Medical Optics and IntraLase, merged in 2007.

OFFSHORE OIL SERVICES

The two biggest offshore oil exploration and drilling companies, U.S. Transocean and GlobalSantaFe, merged in 2007.

ONSHORE OIL SERVICES

Schlumberger and Halliburton control almost all onshore oil services business, following Halliburton's 2015 purchase of Baker Hughes.

CONTRACT MANUFACTURING

In 2007, the number one U.S.-managed electronics contract manufacturer Flextronics purchased the number two company Solectron.

FOOD SERVICES

In 2015, the FTC and Justice Department successfully blocked a proposed merger of Sysco and U.S. Foods, the two biggest companies in the food services industry. Since then, the two companies have continued to consolidate nonetheless, as Sysco acquired North Star Seafood and U.S. foods acquired Cara Donna Provision Co.

CHAMPAGNE

The French conglomerate LVMH, controlled by the billionaire Bernard Arnault, has captured 60 percent of the U.S. market for champagne, controlling such brands as Veuve Clicquot, Moet & Chandon, and Dom Perignon.

COWBOY BOOTS

Four of the biggest brands – Justin Boots, Tony Lama, Nocona, and Chippewa – are all owned by Berkshire Hathaway.

HOME IMPROVEMENT STORES

Home Depot and Lowes control 90 percent of the home improvement store business.

CANDY

Two companies, Mars and Hershey, control 75% of the candy market in America.