FIGHTING MONOPOLY POWER

America's Monopoly Problem: Why It Matters and What We Can Do About It

State and local officials, and their citizens, are on the frontlines of the problems caused by excessive concentration, from the lack of good jobs, to unaffordable prescription drugs, to failing farms and businesses. This guide shows how states and cities can counter corporate control, reverse these trends, and reconfigure their economies to better meet the needs and aspirations of their residents.

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Covid-19 has laid bare fractures in our society that have been deepening for decades. While the fortunes of the few have reached unprecedented levels, earnings for the average worker have barely moved, leaving many Americans with no cushion to blunt the force of this downturn. Too many rural communities and urban neighborhoods alike have been bypassed by economic opportunities and left to get by without basic services like grocery stores and hospitals. The racial disparities that have long oppressed people of color have only been exacerbated by this pandemic. Meanwhile, our political process has been so hobbled by powerful interests that it's unable to respond to even the most urgent and pressing risks, from the new coronavirus to the climate crisis.

There are many drivers of these longstanding trends, including the anemic bargaining power of American workers; government budgets that have insisted on austerity for ordinary people while lavishing subsidies on the rich; a distorted tax system; and a long history of racial segregation and oppression. But there is one phenomenon in particular that has profoundly shaped all of these dynamics, and every single sector of our economy — the consolidation of corporate power.

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Corporate concentration has reached a level today not seen since years before the Great Depression, when industrial monopolies dominated the American landscape and the American economy. We've lost 65,000 small independent retailers in the last decade. Walmart accounts for one in four dollars that Americans spend on groceries and captures more than half of grocery sales in 43 metropolitan areas. One in three local banks has disappeared over the last ten years, leaving one-third of U.S. counties without a local financial institution. All of this financial power has shifted to Wall Street, where just four big banks control more than $7 trillion in assets, or 41 percent of the assets of the entire U.S. banking system. Four giant meatpacking corporations control 85 percent of beef processing. Two telecom corporations dominate Internet access. Even the beer we drink is controlled by monopolies; three corporations make a staggering three-quarters of the beer Americans consume.

Meanwhile, Amazon, Google, and Facebook have become powerful online gatekeepers that control a growing share of our commerce, news, and information. Some 2,000 counties now lack daily newspapers, a trend that is in part a result of Google and Facebook's appropriation of digital ad dollars tied to content viewed on their platforms but generated by struggling media outlets.

State and local officials, and their citizens, are on the frontlines of the problems caused by excessive concentration, from the lack of good jobs, to unaffordable prescription drugs, to failing farms. They're grappling with how to solve these problems and build thriving communities. This guide is designed to help them do that. Each chapter outlines how concentration is affecting one part of the economy and then details specific policy changes that can loosen the grip of dominant corporations, spur new businesses, and generate new vitality.

The Impacts

The stakes are high. Growing evidence shows that corporate concentration is a significant factor behind many of our most pressing problems.

Monopoly Power Undermines Small Businesses — Small businesses are rapidly disappearing in most industries, while the number of new businesses started each year has fallen sharply. The problem is not that small businesses can't compete. It's that dominant corporations, empowered by policies that tilt the playing field, are muscling them out and, in the process, destroying the economic vitality of many communities.

Monopoly Power Harms Working People — Concentration of employer power squeezes workers from all sides. Research has found that a major reason that wages haven't risen in recent decades is that industries are now dominated by a handful of corporations that have outsized power to set wages and face little competition for labor. Concentration has also reduced the number of real jobs (by 13 percent according to one study), forcing many people to rely on "gig" jobs.[1]

Monopoly Power Fuels Racial Injustice — Monopoly works hand-in-hand with systemic racism to impose barriers on communities of color while extracting wealth from them. The consolidation of banking has deprived Black and Latinx business owners of capital, while levying higher interest rates on those who do receive credit. Consolidation in the grocery industry — and its byproduct, the proliferation of dollar store chains — means poor communities of color especially have limited access to fresh, healthy food. The grip of incumbent telecom monopolies is driving a digital divide that leaves many Black and Latinx households without fast, affordable Internet.[2]

Monopoly Power Fails Consumers — Corporate concentration leaves Americans paying more and getting less. The U.S. has some of the highest broadband Internet prices in the world, and tens of millions of people live in regions with, at most, one provider to choose from. Consolidation in pharmacy is driving up the cost of prescription drugs, while leaving many towns and neighborhoods without a nearby pharmacy. And the market power of investor-owned electric utilities has driven up prices and hindered consumers' ability to switch to clean energy.

Monopoly Power Kills Innovation — Research has shown that industries populated by a dynamic mix of both large and small businesses generate new products and processes at a faster clip than those consisting of a few giant corporations. In the tech sector in particular, Amazon, Facebook, and Google have slowed the once-brisk pace of technological innovation by buying smaller competitors before they become true threats.[3]

Monopoly Power Makes Our Economy Fragile — Covid-19 has revealed the fragility of our consolidated supply chains and how vulnerable we are to shortages. Meat processing is so consolidated that Covid-induced disruptions at a few giant slaughterhouses led to meat shortages in supermarkets across the country, while ranchers had nowhere to send their animals. Hospital mergers have contributed to a lack of hospitals in rural communities and led to an overall decline in hospital beds nationally, leaving the U.S. short of critical capacity.[4]

Monopoly Power Destabilizes Communities — Research shows that small businesses are integral to healthy communities. As locally owned businesses disappear, communities of all kinds are losing their sense of social connectedness and collective agency. For example, industrial agriculture has undermined rural communities and is connected with higher rates of crime and declining social cohesion. And when mega-retailers like Walmart dominate the local economy, it undermines civic participation and social capital.[5]

Monopoly Power Blocks Climate Progress — Monopoly electric utilities are impeding communities from building clean energy projects that reduce pollution. At the same time, they're investing ratepayers' dollars in costly and dirty energy sources that enrich shareholders. Waste conglomerates likewise have undermined our recycling systems to protect their profitable landfills, a major source of methane. Further, corporations typically place these toxic sites closest to those who have the least power to resist — namely, poor communities, often African American.[6]

Monopoly Power Corrupts Democracy — Underlying the many ways corporate power distorts our economy and exploits our communities is its broad, authoritarian threat to our democracy. Companies such as Amazon, Comcast, and PG&E exert so much power over our political process that efforts to make our society better are regularly crushed by powerful lobbying efforts. To protect our democracy, we need to take back control of our economy.

How We Got Here

During the last Gilded Age, when a handful of giant industrial and railroad corporations seized control of the economy and used it to funnel wealth to those at the top, people pushed their local leaders to take action. Workers, farmers, and shopkeepers rose up to fight for liberty and equality. In response, state policymakers led our country's first efforts to break up the big trusts, limit the power of Wall Street, and empower working people to organize for better conditions.

The grassroots response was widespread. Farmers across the Great Plains banded together in cooperatives to resist the power of distant agribusinesses. North Dakota created a state-run bank in 1919 to end the control big banks held over its farming economy. People in big cities demanded public oversight of electric utilities and the prices they charged. Several states passed laws banning child labor decades before the federal government did, and the first minimum wage law was enacted by Massachusetts in 1912. And a group of states, starting with Kansas, passed their own antitrust laws before Congress adopted the first federal antitrust law, the Sherman Antitrust Act, in 1890.

The states led our country’s first antimonopoly movement to break up the big trusts, to limit the power of Wall Street, and to empower working people to organize for better wages and conditions.

States were thus the incubators for reforms that held corporate power in check and ensured the economic rights and liberties of ordinary people. Their efforts helped build momentum for federal action. Congress enacted more antimonopoly laws in the 1910s. But it wasn’t until the 1930s that the federal government finally addressed the monopoly problem comprehensively with new laws, institutions, and enforcement. That decade saw the wholesale restructuring of banking and commerce to break up concentrated power, disperse economic opportunity, and safeguard small businesses, workers, and farmers.

The period that followed, from the 1930s up to the 1970s, was the most stable, prosperous era in American history. Wages rose, the middle class swelled, and inequality declined. Several factors nourished these conditions, including strong union membership and public investment. But the restraint of corporate power and concentration was, without a doubt, a driving force.

One serious failing of this era was that people of color and women were excluded from many of these policies and their benefits, producing a period that was at once more broadly prosperous and persistently unequal and unjust.

Today, large corporations once again have incredible power and influence over our economy, our democracy, and our lives. These profound economic changes are not the byproduct of some inevitable, invisible force. They occurred because of deliberate decisions made by political leaders. In the 1970s, an ideological revolution that celebrated bigness and corporate scale swept through the fields of law and economics. One result was a radical change in how the antitrust laws are interpreted, such that their long-established goals of protecting competition and decentralizing power were abandoned. Instead, antitrust enforcement was reconfigured to favor consolidation on the theory that big business delivered greater efficiencies. These changes were embraced by both liberals and conservatives and have held ever since.[7]

This pivot towards corporate consolidation wasn’t limited to antitrust policy, however. It also resulted in dramatic shifts in policymaking in every area of the economy and across every level of government — as we detail throughout this guide. For example, it moved agricultural policy from providing economic security for farmers to a “get big or get out” system of subsidies for the wealthiest and largest farmers. It has resulted in state and local tax laws that put small businesses at a disadvantage, and in state laws that sustain the local monopolies of incumbent Internet providers. It also resulted in the degradation of state banking laws, which, along with other policy changes, opened the floodgates for a wave of bank mergers.

Harnessing State and Local Authority

As corporations continue to amass economic and political power, once again states — and cities — have the power and the tools to act. Just as they did in the 19th and 20th century, states can lead the charge and, in so doing, help to drive and inspire national action.

This report aims to help state and local elected officials — and activists, citizens, and organizers — identify concrete actions they can take. In each section of this guide, we first describe corporate concentration in that sector, how it functions, the policy drivers that shaped this power, and why it matters. We then provide a detailed list of the kinds of policies that states and cities can enact to curb outsized corporate power and build local economic capacity and thriving communities. For example, we profile:

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- How **North Dakota** side-stepped Wall Street’s power and opted to maintain a banking sector that’s mostly in the hands of local banks and credit unions, resulting in more capital available for local businesses and farms. The secret is the Bank of

North Dakota, a state-owned “banker’s bank” that underpins the system. It’s a model that cities like **Oakland** and **Philadelphia** are now looking to emulate.

- How **San Jose, Calif**., freed itself from the grip of a landfill monopoly and used the dramatic savings generated by increased competition to radically restructure its solid waste system to emphasize recycling.
- How **Minnesota** broke Xcel Energy’s control of electricity generation, compelling it to purchase power from community solar projects at fair prices. **Maryland** and **Oregon** have adopted Minnesota’s model, but with additional provisions to support participation by people of color and low-income residents.
- How states like **Ohio** and **Kentucky** — no longer content to wait for the Federal Trade Commission to act — are regulating pharmacy benefit managers, such as CVS Health, to ensure that these powerful middlemen can’t use predatory tactics to run local independent pharmacies out of business and raise prices.
- How **Vermont** has tripled the share of its food produced in-state, from 5 percent to 15 percent, through an initiative to create local processing facilities, including slaughterhouses, grain mills, and produce distributors, and expand retail outlets for local food.
- How **Wilson, North Carolina,** built a city-owned broadband network that created competition with Charter Spectrum, supercharged economic development, and also innovated new policies to connect public housing and families with poor credit.
- How **Cleveland** has used a number of purchasing policies to shift 39 percent of its procurement budget to local and small, or local and minority- or female-owned businesses.
- How cities like **Tulsa, Okla**., and **San Francisco** are limiting the reach of big retail chains, while **Portland, Ore**., is shifting economic development incentives away from big businesses to support local businesses, especially Black and brown entrepreneurs.

These examples represent only the beginning of what’s possible. As we detail throughout this guide, states have expansive untapped authority to restructure markets and reconfigure economic sectors to better meet the needs and aspirations of their residents. We offer numerous illustrations of how states and cities can use these levers to spur new businesses and jobs and block powerful corporations from extracting wealth and fueling inequality.

We also look at antitrust enforcement by state attorneys general — America’s first trustbusters — and the crucial role states can play in policing anti-competitive behavior and other abuses by corporations with monopoly power. We outline a number of policies states can embrace to boost the power of state AGs.

The policies and actions we outline here are simple ones, rooted in our grassroots, democratic tradition of taking on concentrated private power. They are essential to curbing corporate concentration at the state and even local level, and building thriving local economies, which has never been more essential as we confront the current crisis. Leveraging state and local authority to fight monopolies will create more and better jobs, spur small business entrepreneurship, help working families get ahead, and make our economies more diverse and resilient. They will protect liberty and bolster democracy. They will ultimately move us from our current Gilded age to a more democratic, equitable, and community-scaled economy.

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Notes

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