Global Justice Now

Monopoly capitalism

What is it and how do we fight it?

March 2023

Monopoly capitalism

What is it and how do we fight it?

Written by Niall Glynn and Nick Dearden

With thanks to Nicholas Shaxson of the Balanced Economy Project and the staff of Global Justice Now.

For a fully referenced version of this report, including methodology, go to www.globaljustice.org.uk/monopoly-primer

March 2023

About Global Justice Now

Global Justice Now works as part of a global movement to challenge the powerful and create a more just and equal world. Our local activist groups campaign around the country for a global economy where people come before profit.

Like what we do?

We're a membership organisation, so why not join Global Justice Now? You can call 020 7820 4900 or go to: **www.globaljustice.org.uk/join**

Or you can donate to help produce future reports like these: **www.globaljustice.org.uk/donate**

Global Justice Now
66 Offley Road, London SW9 0LS
+44 20 7820 4900 | offleyroad@globaljustice.org.uk
@globaljusticeuk | www.globaljustice.org.uk
Registered Charity No 1064066

This report is printed on 100% recycled, post-consumer waste, chlorine-free paper using vegetable-based inks.

Cover image: Daisy Pearson
Infographics: Camille de Lafforest & Angela King
Layout: www.causeffectdesign.co.uk

Contents

1. The crisis profiteers

"Corporations sit at the heart of contemporary capitalism. They command vast resources, govern entire swaths of our economy, and wield immense political power. For instance, the 2017 sales of Walmart, the world's top retailer, was around US$500 billion, around the scale of the GDP of a rich country like Norway. The market values of Apple and Amazon both crossed the trillion dollar line in 2018. A handful of companies including Bayer-Monsanto, PepsiCo, and Nestlé command the global food system, while just three companies – Samsung, Huawei and Apple – hold nearly 50% of the worldwide market share of smartphones."

Sheffield Political Economy Research Unit

The global economy is dominated by gigantic corporations. These huge businesses wield enormous power, crossing borders, avoiding laws and taxes, compelling governments to compete with each other for investment. The biggest corporations have captured eye-watering wealth, which far outweighs the economic power of most countries on earth. And that wealth and power is only growing.

As the world is battered by a cost of living crisis, still recovering from the worst pandemic in a century, and struggling to cope with the effects of disastrous climate change, the profits of the biggest 500 firms on the planet nearly doubled, exceeding $3 trillion in 2021. Their combined income amounted to an almost unimaginable $38 trillion – equivalent to nearly 40% of the entire world economy. That's more than the GDP of all but the very richest countries in the world combined.[1]

The combined income of just the *five* biggest corporations in the world was more than the income of the poorest 2 billion people put together – one-quarter of the world's population.[2] One single corporation – Walmart – earned more than half a trillion dollars. That's more than $1.5 billion every day, exceeding the GDP of even wealthy countries like Austria or Norway. Meanwhile, Apple, the most profitable private corporation in the world, saw its profits rocket by 65% to $95 billion.

These riches aren't accidental. These gigantic corporations have captured the economy, giving them the power to set prices, in sectors including food and energy. So while food and energy costs rise dramatically for ordinary people, corporations in those sectors are under no pressure to lower prices even as their profits spiral into the stratosphere.

1. We compared Fortune's Global 500 corporate revenues for 2021 with the World Bank's GDP (current US$). The 'bottom' 200 countries' combined GDP is $36.1 trillion – the entire world except for the USA, China, Japan, Germany, the UK, India and France.
2. Our methodology is based on comparing average incomes from the World Bank's Poverty and Inequality Platform 2019 (the latest available) with Fortune's Global 500 corporate revenues for 2021 (the latest available). Fortune lists the 5 biggest corporations by revenue as Walmart, Amazon, State Grid, China National Petroleum, Sinopec Group, which collectively made $2.316 trillion. We then broke down World Bank incomes by $0.5 segments. We understand that the data is not actually collated via these segments, but the actual figures are not collected at income levels that allow us to make the comparisons we want to. So this is an approximation. It shows that 2.07 billion people live on $2.137 trillion of a total of 7.61 billion as the total population at the time. Note: this data represents purchase power parity rather than actual dollar amounts. The same methodology suggests the 8 biggest corporations earned more ($3.378 trillion) than the poorest 2.7 billion people ($3,279 trillion) – representing more than the bottom one-third of the world's population. And just 17 corporations had the same income as the bottom half of the world's population.

The big five oil corporations, for instance, brought in record profits of $195 billion in 2022, funnelling $110 billion straight into the pockets of mostly very wealthy shareholders.

Corporate concentration is growing, with those at the very top gobbling up more and more rivals. Just in the world of Big Tech – one of the richest sectors of the economy – the five biggest firms, Google, Amazon, Facebook, Apple, Microsoft, have bought out over 1,000 companies over two decades, and until last year no regulator, anywhere, stopped even one of them.

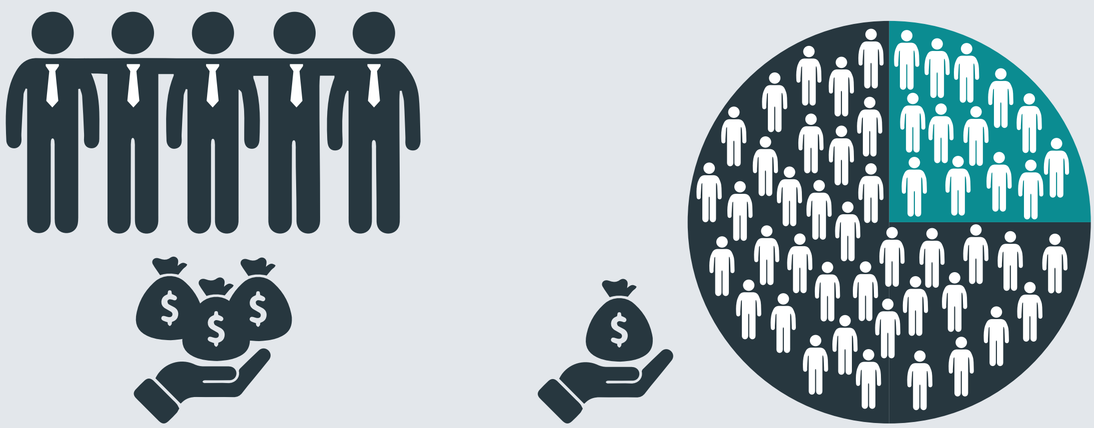
The problem is particularly acute in the US, where recent research finds that the top 1% of corporations account for a truly astonishing 81% of business sales and 97% of business assets. More worrying still, the top 0.1% alone accounts for 88% of corporate assets and 66% of sales. But the same trend can be seen across Europe and much of the world. And here too, the growth in corporate power has been met, at least until recently, with little action. Of 8,000 proposed business mergers the European Commission was notified of since 1990, only 30 (less than 0.4%) were blocked.

Part of the problem lies with the rules of the global economy – rules often designed by the very corporations who benefit from them, and which in turn hand more power to these same corporations in a vicious circle. Some of these rules, as we will see, have allowed and even encouraged corporations to put profiteering and speculation ahead of their supposed purpose, whether that's making medicines or producing food. In this way, far from encouraging creativity and innovation, monopoly power has stifled it.

So monopoly capitalism doesn't simply drive higher prices. As this report will show, it shifts wealth far more fundamentally from the 99% to the 1%, and from poorer to rich nations, driving huge inequality. What's more, it is shifting power – undermining our democracy and making it harder to achieve the sorts of policies we desperately need to deal with, for instance, climate change. Indeed, monopoly capitalism entails the capture of vast swathes of decision-making by and for elite private interests. Only by reclaiming, breaking, decentralising and dispersing this power can we hope to make democratic decisions which meet the public interest, both here and around the world.

The FIVE biggest corporations earned more than the poorest 2 BILLION PEOPLE in the last year

– a quarter of the world's population



Source: Fortune Global 500, World Bank. 2021 figures

The history of monopoly capitalism

We've had monopolies before, of course. One of the earliest transnational corporations was the Dutch East India Company, which had a monopoly over spices and textiles in the seventeenth century. Their influence was unmatched. Some argue that if the company were around today, they would be worth $7.9 trillion.

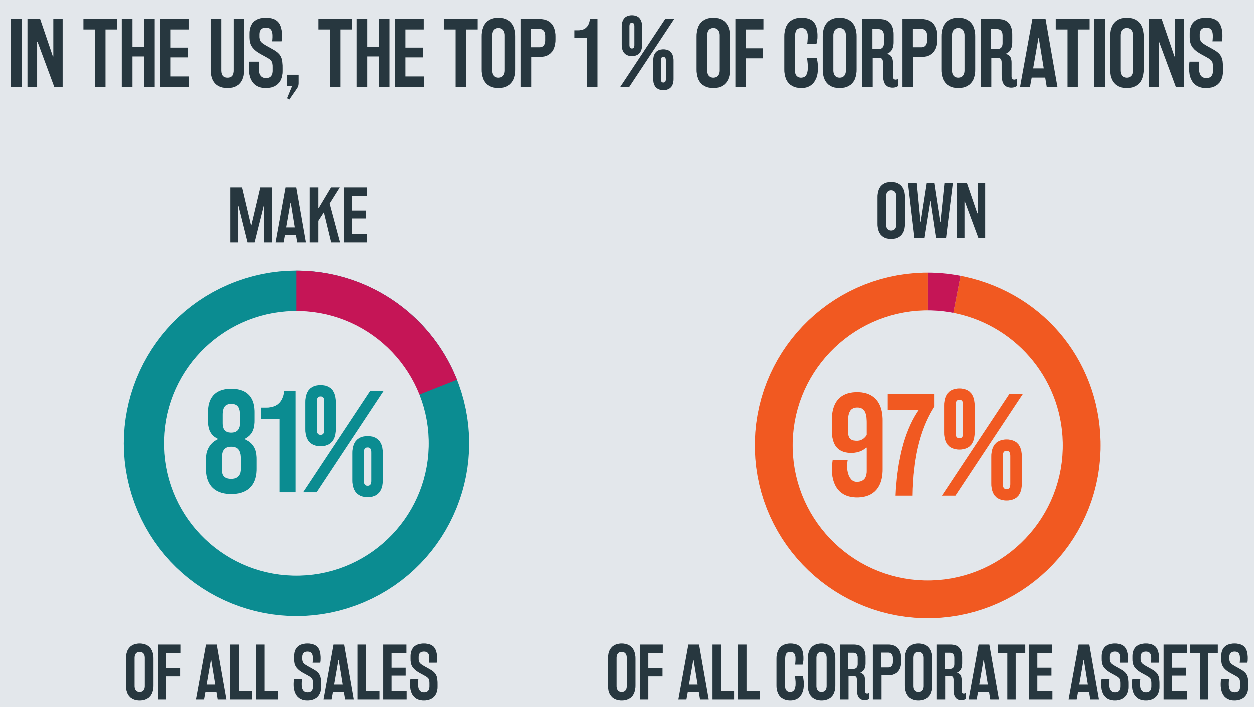
Then, at the end of the nineteenth century, especially in the US, a new class of super rich individuals emerged who monopolised everything from banking to railroads to oil drilling. Their wealth was so vast, so extractive, that they became known as the robber barons. In the early twentieth century these corporations were constrained by new laws and taxes. Some were forcibly broken apart, others taken over and run as public companies.

But in the late 1970s, a new era of economic thinking began. Leading economists and political thinkers, most notably Milton Friedman, said we ought to give up on the idea that governments can intervene in the economy. They will only make matters worse, they said, and we should leave decisions to the market to ensure the most efficient production of goods and services.

Conservative lawyer Robert Bork and well-known economist Michael Jensen added to these ideas. Bork argued that regulators should stop worrying about things like market power, and adopt a laser-like focus on the prices paid by consumers. The implication – as long as 'bigger' meant lower price, nothing else mattered.

Jensen took aim at corporate executives, arguing that they needed new rules to align them with the interests of their shareholders by, for instance, tying their pay to stock price. But he also envisaged a sort of market within the corporate world where, in the words of Nicholas Shaxson of the Balanced Economy Project, "financial players would buy and sell companies across the global economy as if they were cartons of orange juice. The free market, thus unleashed from above onto the corporate landscape, would magically dismantle and rearrange the corporate world in a blur of dealmaking to deliver a great surge of efficiency to the economy."

Beneath the ideology of the free market, however, was the reality of an economy in which planning *was* taking place – decisions as to what society makes, where we make it and on what terms – but that planning was in the hands of elite private interests for their own benefit.



Source: Spencer Kwon, Yueran Ma and Kaspar Zimmermann, businessconcentration.com, 2023

That's not to say there is no competition in the contemporary economy. The Balanced Economy Project posits that neoliberals made a subtle shift from international *competition* to international *competitiveness*. International competitiveness is not about businesses competing over price and efficiency, but countries scrambling over each other to offer international capital the labour force, tax rates and regulation they want. Too often, this becomes a 'race to the bottom'. Paradoxically, 'competitiveness' actually reduces 'competition'.

Competition policy can be an important part of the regulator's toolbox – allowing governments to break up excessive concentrations of private power, and restructure the economy in the public interest. But competition is not the answer to all of society's problems. In some circumstances, as we'll see, competition can help better distribute resources across society and across the world.

In others, particularly when we're dealing with natural monopolies – think railways or energy supply – the answer is more likely to be public ownership. As President Roosevelt said:

> ***"The power of a few to manage the economic life of the nation must be diffused among the many or be transferred to the public and its democratically responsible government. If prices are to be managed and administered, if the nation's business is to be allotted by plan and not by competition, that power should not be vested in any private group or cartel."***

But here too, public ownership might not be adequate. Some of the corporate monopolies mentioned in this briefing are indeed state-owned, but run in a similarly extractive way to private monopolies. We need to aim for a more genuinely democratic economy, which includes worker and community ownership as well as breaking up corporate power.

Box 1: What is monopoly capitalism?

Dictionaries tend to define a monopoly as a single supplier of a good or service that is able to use its position in a market to dictate prices to consumers. But this definition misses the fact that monopoly power isn't only about sellers or prices – it's a broader form of economic power. While some parts of the economy do function as actual monopolies, most obviously producers of patented medicines or technologies, we're not claiming most industries have a single supplier, but rather that they are highly concentrated, sufficient to rob the market of its competitive character.

In everyday language, we tend to think of competition as rivalry between two or three dominant players who might take dramatic action to thwart each other, but this is almost the reverse of what economists mean. In economics a competitive market is one where no single player has enough influence or control for their action to affect the market for others. Rivalry between a handful of big firms is closer to monopoly than competition. A given market loses its competitive character when a small number of firms control a reasonable share of the market: one estimate is that this happens when four companies receive 40% of sales.

We use the term 'monopoly capitalism' to suggest that this problem goes beyond one industrial sector, and describes our economic model as a whole. We think this is important because it undermines the widely held view that the economy is a perfectly competitive 'free market'. Understanding that this is *not* how the economy really works can have a powerful impact on how people feel about it, and how willing they are to take action to change it.

2. Monopoly capitalism in practice

"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."

Stacy Mitchell and Susan R. Holmberg

Big Pharma

The medicines we need to keep us healthy are increasingly controlled by a small number of wealthy corporations. Between 1995 and 2015 in the US, 60 pharmaceutical companies merged into just ten.

These corporations enjoy patents, explicit monopolies over the drugs to which they own the intellectual property rights. This doesn't mean they discovered these drugs. In fact, we only have most breakthrough medicines because of enormous public sector funding, and the work of university departments and small biotech companies. Contrary to what we're told about private sector innovation, public sector funding is most important at the riskiest stage of development.

Big Pharma's business model is to buy up the companies that have carried out vital research and live off the patents for many years into the future. In fact, Big Pharma spends a fortune on both lawyers to find ways to defend and extend these patents, and on lobbyists to push for laws even more friendly to their monopolies. They then charge whatever they can get away with for new medicines. Both Pfizer and Moderna have recently announced they will jack up the price of already highly profitable Covid-19 vaccines by four times in the USA.

The result of this model is, first, medicines are only produced when they are highly profitable for monopolies. That means ignoring drugs which could treat or cure diseases primarily suffered by poorer people in poorer countries. It also means ignoring diseases which have the potential to cause epidemics or health crises in the future – like the failure of Big Pharma to research new antibiotics, in spite of growing antimicrobial resistance that threatens to cause millions of deaths a year.

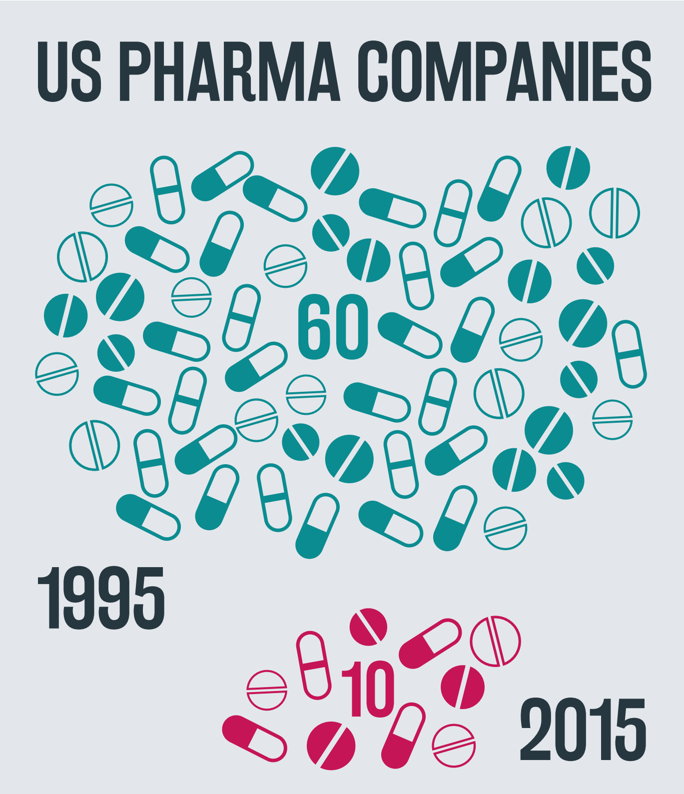
Another area where we can see how inimical these monopolies are to innovation is vaccines. Vaccines do make money, but tend to be less profitable than other drug research. This is partly because, in many areas, one or two jabs can provide a lifetime's immunity. That's why, in the US, the number of companies producing vaccines fell from 26 in 1955, to 18 in 1980, to a mere four in 2020. This left us at a huge disadvantage when dealing with Covid-19, and hindered the world's ability to rapidly produce sufficient vaccines.

When new, important medicines *are* produced, they are often unaffordable – either adding to pressure on public health services or unavailable due to cost, even in the richest countries. Meanwhile, pharmaceutical corporations routinely return far more profit to their rich shareholders than they plough back into research and development.

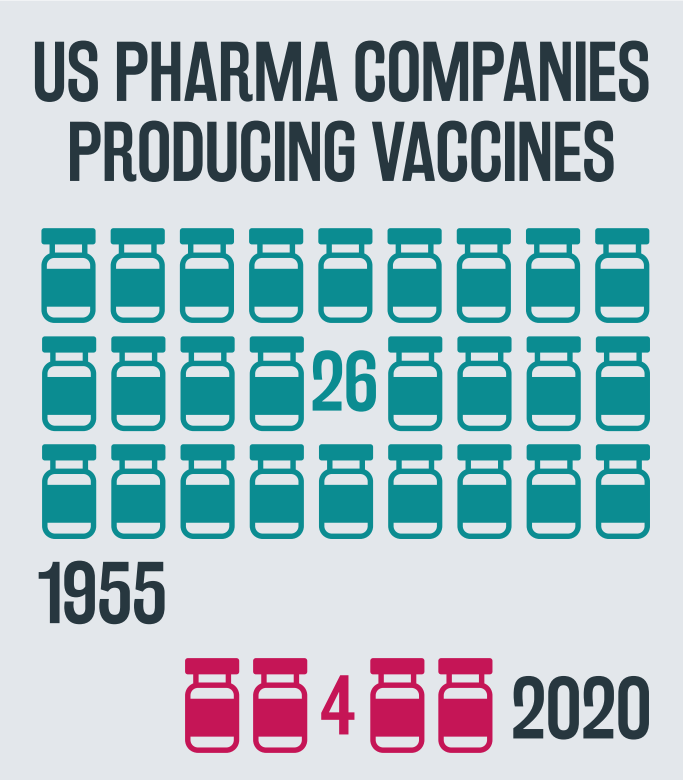
Medicines are only becoming more expensive. One example is the anti-inflammatory drug Humira, used to treat Crohn's disease and rheumatoid arthritis. Humira is owned by pharma giant AbbVie, but it didn't invent the medicine. Rather, AbbVie bought the rights to the medicine and massively inflated the price in subsequent years despite making no real changes to the drug's effectiveness.

In the US, Humira costs around $77,000 for a year's supply – an incredible 470% more than when the drug was launched in 2003. In Britain it's cheaper, thanks to the ability of the NHS to effectively negotiate medicine prices, but still close to £11,000 per year, making it the highest expenditure for a single medicine in the NHS in 2014-16. In such cases, the NHS is forced to ration the medicine, even while AbbVie makes enormous profits that it passes on to its wealthy shareholders.

Pharmaceutical firms have always had huge power. Back in 1958, a handful of companies cornered the antibiotics market and worked to keep the prices of tetracycline high, provoking lawsuits and inspiring the British government to override their monopolies and import generic antibiotics from Italy. But the situation got much worse in the 1990s, when corporations, including Big Pharma, pushed for new global trade rules, notably the TRIPS agreement, under which they could create US-style monopolies across the whole world.



Source: Open Markets Institute, 'High Drug Prices & Monopoly'



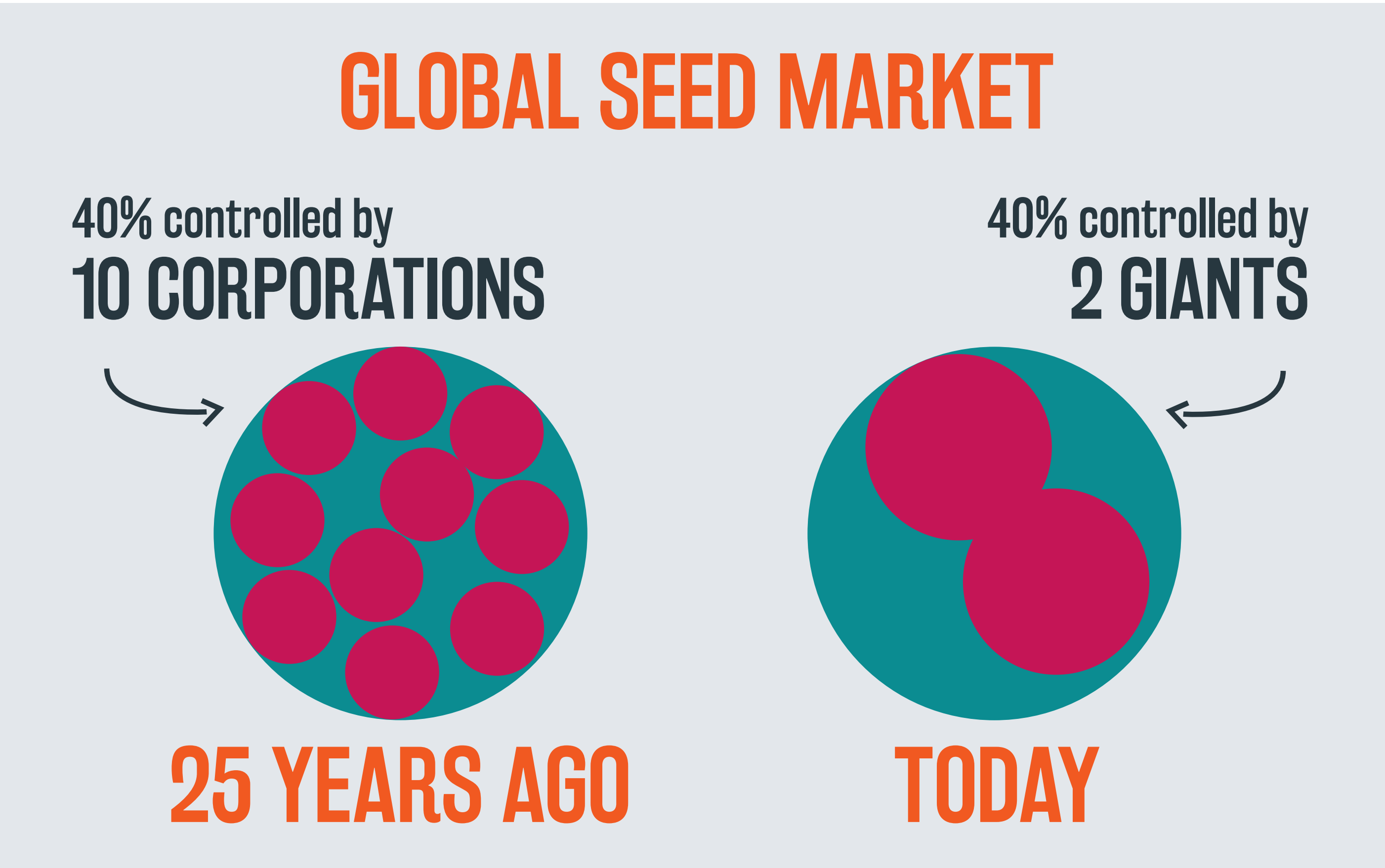
Source: Wired, 'A Covid breakthrough could fix the broken economics of vaccines', 2021

Agribusiness

While most people in the world are experiencing a cost of living crisis, the barons of the food industry are enjoying bumper profits. In fact, these profits are deeply interwoven with the crisis. Because the food industry is so concentrated, food giants have the power to set prices – in turn driving inflation. Recent figures suggest that well over 50% of recent price rises in the UK, US and Australia have been driven by increases in profits. “Not only are companies passing increased input costs on to consumers,” Oxfam says, “but they are also capitalising on the crisis, using it as a smokescreen to charge even higher prices.” Its research shows a huge increase in the wealth of food and energy billionaires, with 62 ‘food billionaires’ created between 2020 and 2022. Billionaires in the food and energy sectors saw their fortunes increase by a billion dollars every two days while 263 million people risked being pushed into extreme poverty, with rises in the price of food a core driver.

Monopolisation is at the heart of this inflation. Because of the concentration of the market, corporations don’t have to fear being outcompeted, and instead choose to pass cost savings or price rises on to their shareholders. Food and energy giants paid $257 billion to shareholders in 2022 – that’s 84% of their windfall profits flowing directly to shareholders.

One area of massive concentration is the trade in agricultural commodities, including grains, meat and sugar, a process dominated by “the most powerful and least-transparent companies in the industrial food chain”. The top ten such commodity traders brought in more than half a trillion dollars in 2020. Cargill, the biggest trader, saw its profits rocket by 64% during the pandemic. And no wonder, as Cargill is one of four agricultural giants who now control between 75% and 90% of international grain trade.



Source: ETC Group, ‘The Food Barons’, 2022

Over three decades, these corporations have accumulated hundreds of small companies, with Cargill alone acquiring 113. It's a process which has also seen these corporations become speculators on financial markets, increasingly making money not from actually producing food, but gambling on the price of food – a process which itself increases the price of such food.

This growth in 'mergers and acquisitions' has been a dominant feature of the neoliberal economy. While 25 years ago, ten corporations controlled 40% of the seed market, today it is just two giants. A series of mega mergers in recent years means just four corporations – Bayer, Corteva, Syngenta and BASF – control more than half of the global seed market and more than 60% of the world's agrochemical market. In fact, research by the ETC Group further shows that *many* parts of the agricultural and food sectors are effectively controlled by between four and six giants.

As Krista Brown, policy analyst with the American Economic Liberties Project, put it: "We're at a point in our market concentrations that we haven't seen ever before."

In the US, the system is particularly concentrated. Four companies control 85% of US corn seed sales, up from 60% in 2000. Four giants now control over 80% of US meat processing. Meanwhile, if a merger currently on the table goes through, just three supermarkets would control 70% of the grocery market in 167 cities in the US.

But this model has increasingly been pushed onto the rest of the world, not least by major philanthropists like the Bill and Melinda Gates Foundation, in conjunction with western aid programmes. Gates has a major impact on global food policy, and favours the sort of 'techno-fixes' and corporate partnerships which have exacerbated concentration in food markets. There is something particularly colonial in the way one of the world's richest men, who himself became a multi-billionaire through monopoly behaviour, is pushing this same big business model onto food systems around the world.

All of this has a very real impact beyond simply higher prices. It has massively increased inequality – with poverty and wealth increasing rapidly at the same time. But it's also made our food system more vulnerable. It is estimated that around 75% of plant genetic diversity has been lost since the 1990s as farmers are encouraged to cultivate genetically similar high-yielding crops. Around three-quarters of the food we consume now comes from only twelve plant and five animal species. This monocultural approach is dangerous, leaving us far more vulnerable to climate change or crop disease.

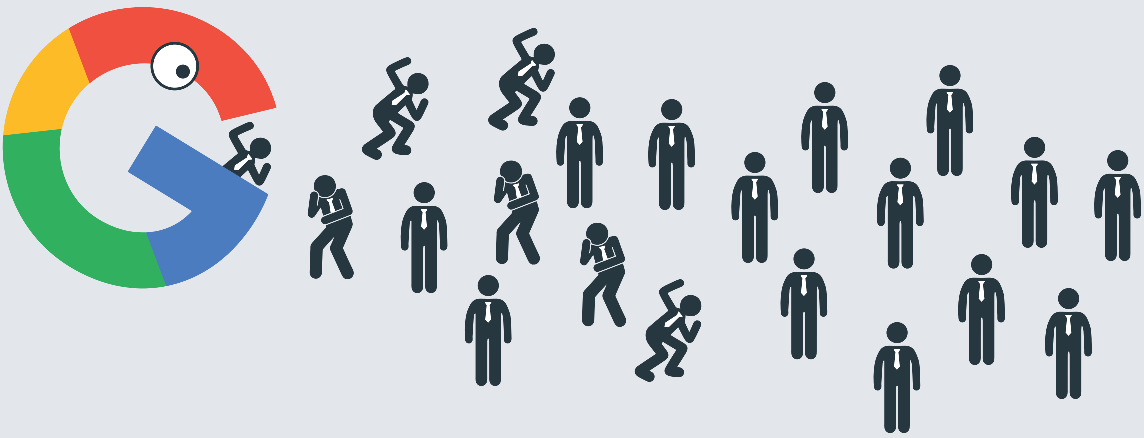
Farmers are also dependent, as never before, on a handful of corporations who supply both seeds and the agrochemicals needed to make them grow, as well as increasingly digitised farm equipment, together with the updates and services to make that equipment work. And that's besides their dependence, at the other end of the scale, on a handful of buyers and retailers.

Big Tech

A third sector which has become almost synonymous with monopolisation and extreme wealth is 'Big Tech' – the corporations that provide information technology increasingly central to the modern world. This sector makes and owns the technology we use to work and communicate. They also control media and social media tools essential to modern democratic debate and discussion.

It's important to recognise that the concentration of these corporations is not a natural result of a particularly ingenious scientific breakthrough which inevitably leads to growth and social dependence. We live in an economy which positively encourages mergers and acquisitions. Google's parent company has taken over 200 other companies since 2001, allowing the company to derive a monopoly-like position across different sectors.

Google's parent company has taken over 200 OTHER COMPANIES since 2001



Allowing the company to derive a monopoly-like position across different sectors

Source: The Street, 'Google has Acquired 200 Companies Since 2001', 2017

Apple is the most profitable private corporation in the world, generating $95 billion in profit in 2021. That's $10 million of profit every hour of 2021. Amazon is the second largest corporation in the world (after Walmart), making $470 billion in income in 2021. That's $1.3 billion every single day.

And it's getting worse. Apple's profits rocketed by 65% in 2021, Amazon's by 50%, Alphabet, parent of Google, by 89%. This in turn means the net worth of the owners of these companies has rocketed too. For example, over the course of the pandemic, Jeff Bezos' net worth increased by 67%.

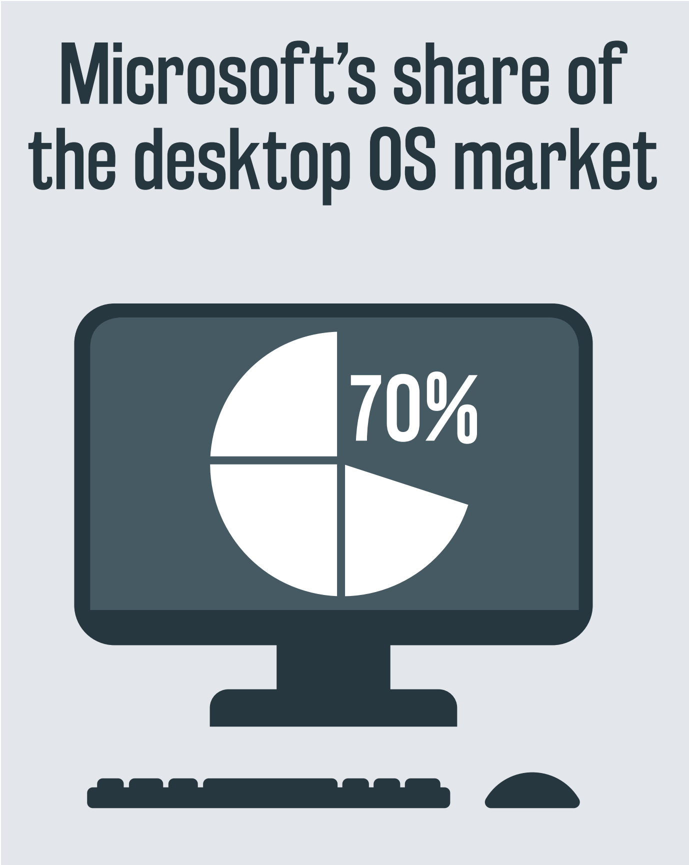
These enormous profits hail from the highly advantageous positions given by being one of the dominant firms in their industry. For example, Google enjoyed an 85% share of the global search engine market – in the UK it is 93%. Microsoft has a 70% share of the desktop operating system market. Coupled with this is the high concentration of cloud infrastructure services (Amazon, Microsoft and Google have 65%).

Data is critical for big tech monopolies. Their ability to acquire and analyse large amounts of data gives them a significant advantage in society. By having access to vast amounts of information, they can gain insights into consumer behaviour, preferences and patterns that can inform and guide their profit-driven strategies. For instance, they can use this data to create targeted advertisements tailoring their products and services to individuals.

This includes allowing them and their forums the ability to shift public opinion and political decisions. This is clear from the influence Cambridge Analytica played in the Brexit referendum and the 2016 US presidential elections. With the data it acquired through Facebook, Cambridge Analytica was influencing behaviours and decisions through micro-targeted ads, raising serious concerns about its impact on democratic processes. Research at the University of Cambridge found that with only seventy Facebook likes, a computer model can predict your preferences better than a friend, 150 likes and they knew you better than your parents, 300 likes, and they knew you better than a long-term spouse of twenty years.

Of course, the problem here extends well beyond political opinions. Corporations like Amazon and Google provide platforms which give them enormous power to shape the information people receive and the goods they buy. And operating in different sectors can increase the power they enjoy across the economy as a whole. Big Tech corporations are now involved in myriad data projects in public health services and public education, with users – be they patients or farmers or pupils – locked into dependency not only on a single product, but the services of the corporation which makes that product for as long as they want it to work.

The problem is fundamentally about the control of numerous, interlocking and very widely used technologies, which means that users are dependent on the ongoing use of the products and services of a single corporation. In this way, monopoly-style control in one industry often relies on monopolies in other sectors. Without access to Google Maps, Uber could not have such a dominant position in the taxi industry, one of many interconnected corporations wielding significant control over modern society. Uber also uses Amazon Web Services to process and analyse data from its ride-hailing app, which in turn runs on operating systems run by either Google and Apple. What's more, Uber relies on payment processors Visa and Mastercard to process customer payments, two corporations which have near total control over the digital payments industry.



Source: Statista.com, 'Global desktop market share of search engines 2015-2023'; 'Operating systems market share of desktop PCs 2013-2023'

3. The problem with monopolies

"Over the last 40 years we have engineered an anti democratic corporate revolution... that has led to a system that is designed to both create and entrench corruption at a national and transnational level"

Zephyr Teachout, anti-monopoly campaigner

"The liberty of a democracy is not safe if the people tolerate the growth of private power to a point where it becomes stronger than their democratic state itself. That, in its essence, is Fascism – ownership of Government by an individual, by a group, or by any other controlling private power."

Franklin Delano Roosevelt, President of the United States, 1933-45

It's obvious from some of the examples we've seen why monopolies are a problem, but in this section we'll look in more depth at the extent of the problem monopolies pose.

Monopolies erode our democracy

Economists usually focus on the economic problems of monopolies, but perhaps more important is the way private monopolies undermine democracy. The decisions which are being made by monopolies are deeply political in nature: what should society make for whom and how? Who should get to partake in these products and services and on what terms?

Particularly when we're talking about the things we need to live – food and medicines – it's obvious how economic concentration can warp and subvert resource allocation in a way which threatens basic human rights. But even if we're talking about less essential products and services, how we utilise society's resources is an important question that goes to the heart of what type of society we live in. As long as these decisions are in private hands, taken based on private rather than public interests, our vision of democracy will remain extremely limited.

Just look at the power corporations like Bayer and Monsanto hold over farmers, regulating, in effect, how farmers will grow their crops. Anti-corruption campaigner Zephyr Teachout believes the privatisation of these *governing* decisions not only makes corruption more likely, but is in fact corruption itself. Defining corruption as the use of public power for private and selfish ends, she says that we have built a system rooted in corruption because, "by definition, the corporations are going to act in a selfish and greedy way... we know they are, we built them to. So we built a selfish power and then granted it *governing* power, we have built a system of corruption."

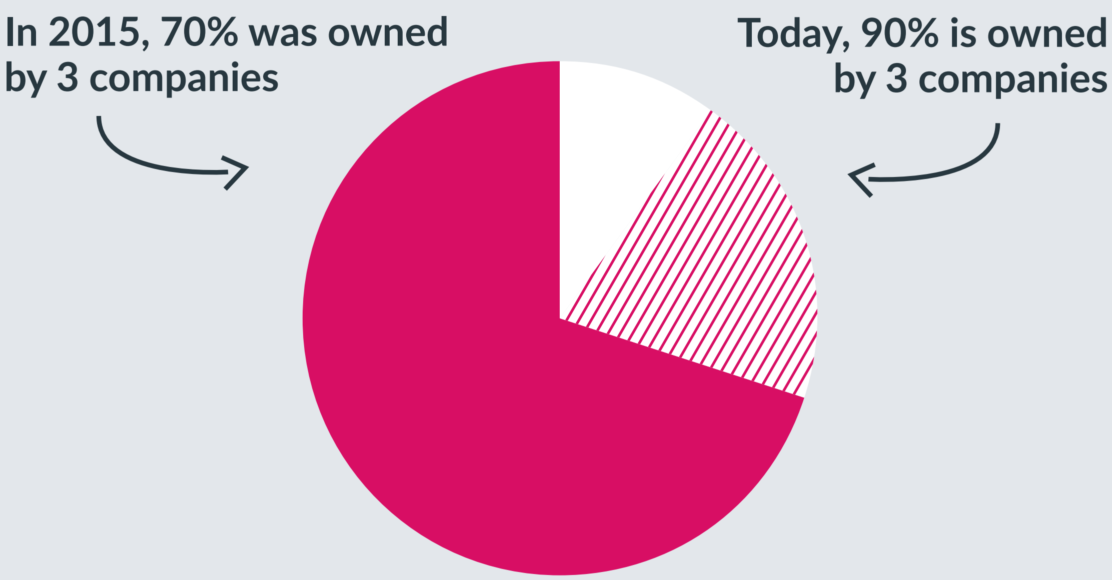
Academics at Sheffield University make clear that this is a global problem when they say "the concentration and dominance of transnational corporations is profoundly restructuring the global economy," adding that these corporations "have become central organisers of global economic activity and key decision-makers over who gets what, when, where, and how in the global marketplace."

Of course, corporate wealth and concentration does *also* give corporations undue influence over formal political power. This is most obvious through lobbying, but also through, for instance, buying (or discrediting) scientists and academics – which Teachout calls "corruption of thought."

The more power corporations have, the more power they can buy. The lobbying power of major corporations is renowned and has enabled them to create economic rules which exacerbate that power. Corporations have lobbied for new tighter intellectual property provisions in trade deals, allowing them to extend their monopolies across the world. They lobbied for financial policies which allowed them to drive down their taxes to historically low levels. They even lobbied for special 'corporate courts' to be inserted into trade deals, a form of investment arbitration designed to ensure their 'legitimate expectation' of future profits which they can resort to should governments make decisions they don't like.

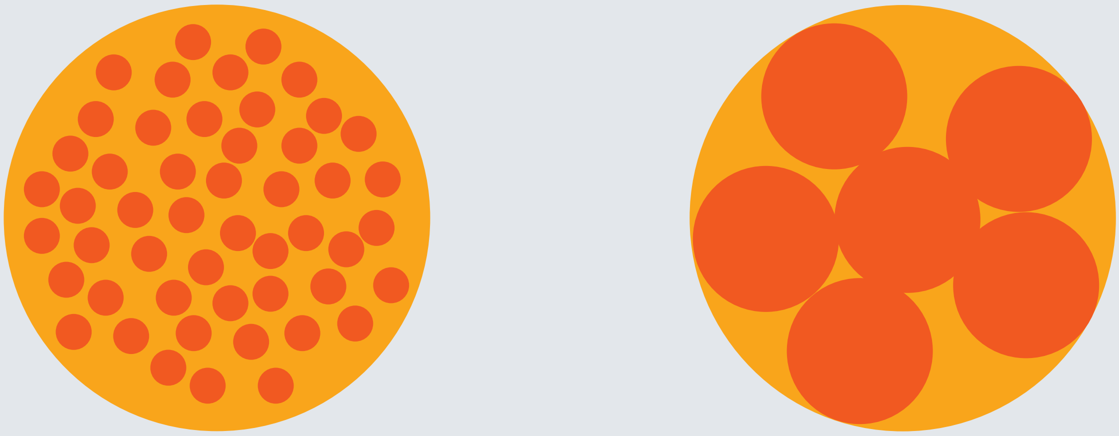
Monopoly power has grown over sections of the economy whose job is to inform us of current debate, as corporate power has transformed the media landscape. In the UK, according to the Media Reform Coalition, just three companies, News UK, Daily Mail Group and Reach, own 90% of the national newspaper market (up from 71% in 2015). When you include online readers, the three giants have around 80%. In local news, just six companies account for nearly 84% of all titles. In the US, just six corporations dominate 90% of mass media consumption and distribution (including 24-hour news stations, newspapers, publishing houses, internet utilities, and even video game developers), a consolidation from 50 companies back in 1983.

UK NATIONAL NEWSPAPER MARKET



Source: Media Reform Coalition, 'Who Owns the UK Media', 2021

MEDIA IN 1983 | MEDIA TODAY



50 corporations control 90% of US mass media consumption and distribution

6 corporations control 90% of US mass media consumption and distribution

Source: Globalissues.org, 'Media Conglomerates, Mergers, Concentration of Ownership', 2009; The Motley Fool, 'The Big 6 Media Companies', 2023

Monopolies are destroying our planet

We've already seen how food monopolies are intensifying agricultural production in ways that both produce more emissions and which leave us vulnerable to climate impacts by increased use of monoculture crops. But there are other ways monopolies fuel climate change too.

The energy sector is dominated by massive corporations. Oil giants are particularly well known: think Shell, BP, Exxon, Chevron and Total. As with food corporations, these conglomerates made profits, of $195 billion in 2022, at precisely the time so many people struggled to pay vastly inflated energy bills. These same corporations used $111 billion to directly enrich their wealthy shareholders, rather than investing it into any form of energy transition. In fact, what funds they did invest were overwhelmingly in further fossil fuel production, not in renewables.

In the UK, energy supply is also highly concentrated in both production and retail. In 2019, more than two-thirds of all energy was produced by the largest six companies. While a plethora of smaller companies emerged in the retail market in the 2000s, during 2021 dozens of companies failed, further concentrating the big suppliers' hold. Electricity infrastructure is similarly concentrated in the hands of six giants, the biggest run by Hong Kong billionaire Li Ka-shing. His CK Infrastructure Holdings was accused of doing too little to upgrade infrastructure, and when it does, passing costs on to consumers.

Monopolies have encouraged the growth of environmentally destructive practices like built-in obsolescence. Just look at Apple, which has for years been criticised for preventing third-party service and software installation, allowing, in the words of Cory Doctorow:

> ***"Apple to decide when an iPhone is beyond repair and must be shredded and landfilled as opposed to the iPhone's purchaser... This is a very useful power to wield, especially in light of CEO Tim Cook's January 2019 warning to investors that the company's profits are endangered by customers choosing to hold onto their phones for longer rather than replacing them."***

There are indirect ways that energy monopolies fuel climate change too. We've seen how monopolies help fuel inequality. The biggest polluters by far are concentrated at the highest end of the wealth spectrum, with the investments of a billionaire effectively emitting a million times more greenhouse gas than the average person. More billionaires means more climate change. And monopoly capitalism is creating new billionaires every day.

On top of that, monopolies are able to apply direct political pressure, donating more money to lobby politicians to protect their interests. They can also afford to fund think tanks which publish climate sceptic propaganda rubbishing the scientific consensus. Oil major Exxon has recently been shown to have intentionally undermined climate change science for decades, even though corporate executives understood the damage they were doing.

The good news is that renewable energy tends to be less open to monopolisation than the fossil fuel industry, with much smaller businesses, but also cooperatives and groups of citizens able to produce renewable energy. But that doesn't mean we shouldn't be wary of attempts to monopolise renewable energy technology. While climate change declarations regularly stress the need to share climate-friendly technologies, in practice these technologies are often protected by strict intellectual property provisions, undermining the growth of independent economic development in most countries in the world. As with medicines, we need to immediately suspend these global trade provisions for climate technologies, and find new ways to reward innovation.

Monopolies drive poverty, inequality and economic fragility

The most obvious impact of monopoly power is economic. Monopolies protect businesses from the pressures to either invest in better products, or lower prices for consumers. Instead they can keep prices high to reward shareholders, which entails a transfer of wealth from ordinary people to elites. This can drive cost of living increases, but there are wider problems too. For instance, without strong unions, the market power of monopolies can allow them to pay their workers less, contributing to wage inequality.

It's no wonder that monopoly power has dramatically shifted society's resources from labour to capital. The share of global income that accrues to workers (as opposed to owners and shareholders) has fallen by around six to eight percentage points since 1980. According to the Balanced Economy Project, that shift is massive, with workers losing out around $6 trillion a year: "an order of magnitude greater than the estimated $400-$600bn in annual losses to tax abuse." While corporate concentration is not the only factor at play, it's certainly a big one.

It's a point made eloquently by economist Paul Krugman in a 2016 piece entitled 'Monopoly power is killing US economy' where he says "profits are at near-record highs, thanks to a substantial decline in the percentage of GDP going to workers." In fact, for Krugman, this inequality is actually driving the whole economy into a death spiral, because these profits aren't being invested in "plant, equipment, and technology" or other productive activity, but "mergers and acquisitions" and returning wealth to shareholders. The economy begins to eat itself.

Monopolies can feed other forms of inequality too. They tend to remove value from communities in myriad different ways. Think of smaller farmers more likely to see their livelihoods squeezed. Or the closure of small businesses, more likely to be owned by people from traditionally marginalised groups. The US alone has lost 65,000 small independent retailers in just ten years, with one in three local banks closing, leaving one-third of US counties without a local financial institution.

There's also evidence that monopoly pricing affects poorer groups more strongly, with the poorest households on average using markets that are 30% more concentrated than markets faced by the richest households, and "likely to be at a greater risk of the effects of concentrated markets, as they are more reliant on goods and services that are characterised by such an industry structure."

Monopolies also make our economy fragile. The drive towards ever longer supply chains under corporate control, allowing 'just in time' production, makes us highly vulnerable to a crisis, to climate change – even to a trading ship getting stuck in a canal. Big business has told us not to worry about our economic security: we don't need to grow the food we eat, or make the computers or clothes we use. But there is now a growing understanding that security is necessary, with the US trade representative recently saying we need to accept a less "efficient", but more secure, trade model.

4. Our role in fighting monopolies

"The era of economic globalisation has been one in which the rights of corporations to operate, own, and profit increasingly surpasses the capacity of national and international institutions to effectively regulate their activities."

Sheffield Political Economy Research Unit

Corporations have a long history, tied to empire and exploitation. Some of the first corporations were vehicles for economic colonisation. They extracted wealth for the benefit of elites in imperial centres, working closely with their home governments.

While formal empires have, to a large degree, been consigned to history, the global economy is still neocolonial in many ways, and corporations play a leading role in perpetuating this dynamic. It's true that some emerging economies, particularly China, now host many of their own big corporations. This fuels inequality *within* global south countries, creating billionaires even though extreme poverty thrives across society.

But monopoly capitalism also distorts the economy at a global level, exacerbating inequality *between* countries, especially between the global north and the global south. Big business is still overwhelmingly based in the global north. With the very significant exception of China, only 26 of the largest 500 corporations are based outside high income countries. This fundamentally affects global inequality because it means that even where corporations are operating in the global south, they are able to return their money to northern financial centres – exploiting the labour, resources and environment of the global south to enrich elites in the global north. The revenue of just the richest 500 US-based corporations was nearly three times the GDP of Latin America, and eight times that of sub-Saharan Africa.[3]

This is particularly relevant to the work of Global Justice Now, in our struggle for a more equal world. Since our foundation we have focused specifically on the way that the rules of the international economy exacerbate injustices in the global south. Today, rules which encourage and exacerbate corporate monopolies sit at the centre of the global economy.

3. We compared Fortune 500 corporate revenues for 2021 with the World Bank's GDP (current US$). The 500 biggest US-based corporations made $16.1 trillion in 2021. The GDP of Latin America and the Caribbean was $4.7 trillion and sub-Saharan Africa $1.7 trillion.

Our role is to expose and challenge those rules, whether they are global trade rules that impose stringent intellectual property standards everywhere (the so-called TRIPS agreement) or financial rules that enable tax avoidance.

Trade and monopolies

These problems can be seen in the global trade system. Trade can be good for southern countries, allowing them to stimulate their economy, build employment and learn from technologies developed in richer nations. But current trade rules are premised on the idea that governments should intervene as little as possible in their economy, discouraging use of local content requirements to stimulate the economy, allowing corporations to repatriate their profits, and clamping down on the copying of technologies developed elsewhere. Countries are robbed of the tools to make trade work for them, so that corporations can enhance their power.

The UN agency UNCTAD has found that the majority of global trade takes place within supply chains controlled by transnational corporations. In 2021, they described the global economy as: "a rentier economy dominated by large corporations. Their control over key strategic assets and long global reach affords them a dominant market position from which abusive, and oftentimes predatory, business practices proliferate."

In this context, simply arguing for more trade and investment for developing countries as a route out of poverty completely misses the point. Unless these global rules are rewritten, and economic structures reshaped, more monopoly capitalism will only fuel global inequalities rather than redress them.

Finance and monopolies

The concentration of corporate power is also connected with the role of finance in the economy. Access to finance is a key weapon in a corporation's armoury. Loans and debt allow corporations the financial firepower to, for example, sell goods below cost for a period of time, or even to take over other corporations. Both debt and mergers and acquisitions have boomed in recent decades, cementing corporate concentration. As the Balanced Economy Project puts it:

> ***"Finance likes to throw cheap, plentiful credit at powerful, wealthy monopolists like Amazon, while starving their competitors. Venture capitalists talk of "kill zones" where innovative firms can't access reasonable financing because lenders judge them to be operating in areas where the monopolists can kill them at will."***

This has been helped by a tremendous concentration within the financial industry itself. A new aristocracy of finance has increasingly monopolised access to credit and favoured large, increasingly globalised corporations. In turn, chasing the capital necessary for expansion means corporations are not simply competing to make better products within a specific sector, but competing against every other corporation for investment from a concentrated financial sector, hard-wiring a tendency across the economy to seek short-term profit maximisation as opposed to sustainable businesses.

Increasingly, the largest shareholders in all major transnational corporations are made up of the same enormous investment funds, with three massive asset management firms – BlackRock, Vanguard, and State Street – responsible for $20 trillion in assets. As Common Wealth finds:

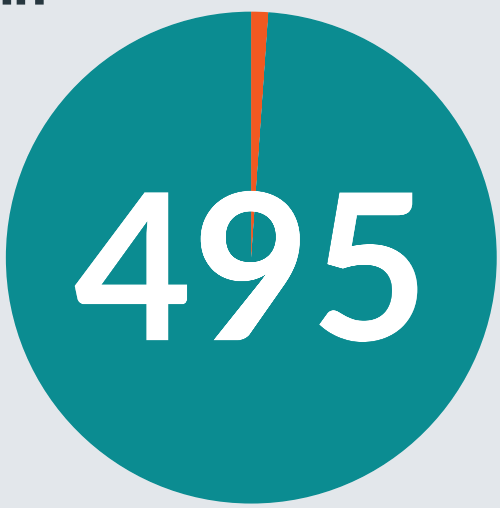
> ***"Today, the Big 3 dominate global financial markets: in the US, one of the Big 3 firms is the largest shareholder in 495 out of the 500 S&P 500 companies, a basket comprising the largest US corporations, which includes everything from Exxon to Tesla, and Pfizer to Facebook. Together, they control a staggering 20 percent of the average company in this index, and a recent study suggested this ownership concentration could double to 40 percent within the next 20 years."***

In an economy where access to capital is the highest priority, these corporations have enormous power.

One columnist writes in the New York Times: "their rise has come at the cost of intense concentration in corporate ownership, potentially supercharging the oligopolistic effects of already oligopolistic industries… in the future, about a dozen people at investment firms will hold power over most American companies." Similar consolidation has taken place in other parts of the financial sector.

The connection between finance and monopolies is an old one. President Roosevelt spoke of the way "industrial empire building, unfortunately, has evolved into banker control of industry," saying "Such control does not offer safety for the investing public" but rather robbed business of "virility, independence, adaptability and daring". Any attempt to confront monopoly capitalism requires strict financial regulation.

Three investment corporations - BlackRock, Vanguard, and State Street – are the largest shareholders in



out of the 500 biggest US companies

Source: Common Wealth, 'Goliath and Goliath', 2021

Intangible assets, tax and speculation

Real value in corporations is increasingly embedded in so-called ‘intangible assets’. Brand recognition, patents and copyright have become more valuable to corporations than ‘real’ assets like factories or workforce. Nearly impossible to accurately measure, corporations nonetheless try to put a high value on these intangibles and spend a fortune protecting them. These intangible assets, precisely because they aren’t physical, are much easier to register in low tax jurisdictions. They also convey real monopoly power – encompassing brands, recipes and identities which it’s illegal for others to use.

Studies have found strong evidence of a correlation between investment in intangible assets and industry concentration. Patenting, in particular, is a highly concentrated field, with a small group of corporations increasingly owning a huge quantity of patents. As Cedric Durand and Ceclia Rikap write, the corporate concentration is increasingly “based on depriving others of access to knowledge. Legal monopoly is already very well advanced, with just 2,000 corporations owning 60 per cent of the patents simultaneously obtained at the world’s five leading patent offices.”

The growth of tax avoidance more generally has allowed an incredible situation to arise wherein many of the wealthiest corporations on earth pay a lower rate of tax than their lowest paid member of staff. Larger corporations tend to face a lower effective tax rate than smaller firms, further increasing their wealth and power.

This all affects the economy in a fundamental way. The great theorists of monopoly capitalism, Paul A. Baran and Paul M. Sweezy, writing in the 1960s, believed that, by concentrating resources in the hands of big corporations and those that own them, and shifting the balance strongly away from working people, monopoly capitalism inevitably tended towards stagnation. In order to overcome this, and maintain profits, a number of ‘tools’ were developed which themselves had undesirable consequences: high levels of military spending, which pushed public resources into the private sector while also encouraging conflict; a highly proactive sales and marketing industry, which manipulated people into buying (often on credit) while fuelling climate-destructive consumerism; and the development of new financial markets and forms of speculation, boosting profits while also injecting massive instability into the economy, which only benefits gigantic corporations that can weather the instability better than small producers. As *Business Week* wrote in 1985: “Slow growth and today’s rampant speculative binge are locked in some kind of symbiotic embrace.”

5. Hope and activism

"[We are seeing] the evolution of one of the most thrilling and influential civil society movements in modern history, which has seen the US this year suddenly streak far ahead of the UK and Europe when it comes to tackling the democracy-warping powers of the world's biggest multinationals. If these gains can be consolidated and extended, and expanded outside the US, it is no exaggeration to say that this could transform our societies and economies for the better."

Nicholas Shaxson and Michelle Meagher

Global Justice Now is part of a movement that has long campaigned against corporate power and the rules that underpin it. At times, we've won. But we believe a movement that can go beyond individual corporate sectors or individual rules is needed. We think talking more about monopoly capitalism can help foster such a movement.

Of course, this will mean debating different ideas and alternatives. Ultimately, we need a very different economy. Not everything in that economy needs to be small. But where monopolies are unavoidable, we need to look at who controls those monopolies and who can hold them to account. There's not a one size fits all approach, but potential solutions to monopolistic practices might include:

- breaking up big firms and decentralising economic power
- stopping the endless train of mergers fuelling greater concentration
- regulating corporate power in the public interest
- constraining the role of financial corporations in the economy
- taking companies into government ownership and running them accountably in the public interest
- promoting smaller economic units, including importantly cooperatives, collectives and non-profit production, and giving workers and communities more control over the places they work in
- new measures and practices to better determine monopolistic behaviour
- increasing trade union density in firms and across industries

You can be part of this movement at many different levels. You might join one of our campaigns to change the rules of the global economy. The People's Vaccine movement, which challenged monopolies over Covid-19 medicines, has helped spawn a wave of alternative research, development and manufacturing initiatives throughout the world. Meanwhile, the insulin monopoly in the US has spurred states like California to begin public production of the medicine.

You might get involved in challenging monopoly hold over a specific sector of the economy – the fight for a different food model for instance, like the food sovereignty movement led by millions of small scale producers around the world in La Via Campesina. At a local level, in the US, there are dozens of examples of local initiatives fighting big business – such as the struggle in North Dakota to maintain a local banking sector resulting in more capital available for local businesses and farms, or the example of Cleveland shifting 39% of its procurement budget to local, small and minority- or women-owned businesses.

Or you might join a campaign aimed at a specific corporate monopoly, like Make Amazon Pay, the international campaign to force Amazon to pay fairer wages and taxes. Whether you work at a local, national or global level, this work is all part of the bigger push back against monopoly capitalism.

And there's a growing network of organisations dedicated to tackling monopolies head-on, a burgeoning antitrust movement, including the Balanced Economy Project, the Institute for Local Self Reliance and the Open Markets Institute.

And this is having an effect. In a sweeping executive order, US President Biden promised to implement "full and aggressive enforcement of our antitrust laws," saying: "We're now 40 years into the experiment of letting giant corporations accumulate more and more power...I believe that experiment failed." He appointed antitrust expert Lina Khan to chair the Federal Trade Commission, one of the world's most powerful economic regulators. According to Nicholas Shaxson and Michelle Meager, "If these gains can be consolidated and extended, and expanded outside the US, it is no exaggeration to say that this could transform our societies and economies for the better".

There are a plethora of perspectives on how to tackle the concentration of wealth and power in our economy. From reframing what competition policy is, to transforming ownership in the economy and much else besides. We hope we can inspire people to come together in a movement where we can reflect, debate and analyse the differences so that we can shape a liberatory future in the interests of people and the planet.

Global Justice Now campaigns for a global economy where people come before profit.
We work in solidarity with social movements to fight injustice and inequality.

Global Justice Now, 66 Offley Road, London SW9 0LS
+44 (0)20 7820 4900 | globaljustice.org.uk | @globaljusticeuk | offleyroad@globaljustice.org.uk