



# How the New Monopoly Capitalism Will Crush You to Smithereens

Journalist and author Barry Lynn sounds the alarm about one of the greatest threats to our liberty today.

By Lynn Stuart Parramore  
August 14, 2014

Something wicked has crept into American society, something that many hoped was left back in the dustbins of the 19th century. We're talking about monopoly, the ogre that screams capitalism run amok. Monopolies, or near-monopolies, as are most common in America, rise up through a lack of competition. When one or a handful of players dominate the marketplace, get ready for higher prices, low-quality products, and crap wages for you and me.

Just a few decades ago, this destructive activity would have been illegal. But advocates for small government and faulty market theories successfully drove a complete unraveling of the regulations that used to keep these monsters at bay. The result has been disastrous. Monopolies are back, and they are bigger and nastier than ever.

You can hardly open a newspaper without reading about a monopolist making a power grab. Some monopolistic industries mess around with your daily life in an obvious way, like Big Telecom bringing you the low-grade misery of shoddy service and defective products. Others fly a bit lower under the radar, like the credit reporting monopolist Fair Isaac Corp, which can blast your financial existence in a nanosecond.

Monopolists buy politicians a dime a dozen, and they write laws to preserve their power. Yet until recently, few journalists had given this subject an in-depth look.

Enter Barry Lynn. A senior fellow at the New America Foundation, where he directs the Markets, Enterprise, and Resiliency Initiative, Lynn's influential writings on the extreme consolidation of power in the U.S. are a roadmap to a new and virulent strain of capitalism. His most recent book, *Cornered: The New Monopoly Capitalism and the Economics of Destruction* is a chilling look at growing consolidation in nearly every industry in America.

I spoke to Lynn about how monopolists are increasingly controlling our lives, how to identify them, and how we can fight back.

## **Lynn Parramore: What are some of the telltale signs of monopolies?**

Barry Lynn: Well, monopoly doesn't mean that a company controls 100 percent of the marketplace. What monopoly means is that a company has sufficient control of the market to shape the outcomes of that market to its own advantage — to shape pricing, to determine who is making deals of with whom.

So what we have in America is that there are actually very few marketplaces in which you have a single company that has complete, 100 percent control. But what you do have is many marketplaces, thousands of markets, in which you have a dominant player that really controls commerce in that activity.

A really good sign, the thing you'll actually tend to see in a newspaper or on TV is the merger, a big deal, two companies coming together. And most of the time, the press will cover it as, well, here's an opportunity to invest. Or here's a company that you should be looking at in the future. But what you're actually seeing in many cases is the creation of power or the increasing power of a particular corporation over a particular marketplace.

## **LP: For the average person, how do monopolies affect our lives, prevent us from getting and doing the things we need?**

BL: Monopolies affect us in innumerable ways. The most obvious way, the way that people always talked about, is that monopolies usually have the power to raise the price in some activity, for some good, for some service. We see that, say, with Comcast and cable services. But monopolists also have the capacity to reduce our liberties.

As workers, one of the things you prize is an open market where you can sell your work to many potential buyers, many potential employers. If there's a lot of consolidation nationally in your industry, or even your town, you may find yourself with really only one or two buyers for your work. That means that you have less ability to negotiate higher wages. It also means that you have less real freedom: you can't just pick up and leave if you get a bad boss.

A third way that monopolies affect us is in terms of inequality. You know, there's this huge discussion in the last few months about surging inequality in our society. Back in the origins of anti-monopoly law in America, the people who wrote those laws, what they aimed at was inequality because they saw monopolists as using their power to grab all of the opportunity and all of the wealth in a particular human activity, and not leave anything over for other people.

A generation ago, tens of thousands of families in America were in the business of selling groceries. Now, there are just a few companies that sell groceries in America. Like Walmart, for instance. So inequality, inequality of wealth, inequality of political power, these are other problems that derive from monopolies.

## **LP: Does the illusion of choice when we shop for a service or product blind us to the reality of monopolies?**

BL: Absolutely. There's a classic case with eyeglasses. You decide you're going to go shopping for a new pair of eyeglasses, and you go into Lenscrafters. You say, I don't like the prices here. So you go down the road to a place called Pearl Vision, you say, no, no I'm going to go to a cheaper place. So you go to Target Optical, or maybe Sears Optical, or maybe you go to Macy's Optical. You go to Sunglass Hut. What you don't realize, because you're going to all these different branded stores, is that all these stores are all owned by Luxottica, an Italian eyewear Goliath.

Then you say, OK, you've finally learned that all these outlets are controlled by one company. So then you go to an independent boutique around the corner. Well, the fact is that a whole bunch of the brands that are on the shelves at that store are manufactured by Luxottica, because Luxottica has become the dominant manufacturer as well as the dominant retailer. That means that they have the power, to a large degree, to control what the independent boutique does as well.

So wherever you go, you think there's all this competition, you see all these different brands of glasses, all these different brands of retailers. And yet in the midst of the system is a single giant company manipulating everything and everyone to its own advantage.

**LP: Doesn't the presence of monopolies stand as a rebuke to the fantasy of a free market?**

BL: Absolutely. Though it depends on what people believe by free market. I usually speak about open markets. What I want to see, when I look at a marketplace is: Is that market open to a newcomer?

If I want to go into the business of farming in this community, can I become an independent farmer? If I want to go into the grocery business, can I do that, is it open? If I want to bring a new variety of paint to the market, do I have a place to sell my new variety of paint? If markets are open, that's a good thing.

What we see is that the people who have actually preached the doctrine of free markets, this last generation, when you go back and look at it historically, is that the idea of free markets really comes out of the Chicago School, the libertarian wing of academia. They were preaching free markets, but when they would preach free markets, they also preached the elimination of all regulation. But when you eliminate all regulation you end up with no markets at all, because you end up with monopolists, and monopolists are the antithesis of an open market.

**LP: Libertarians like to talk about freedom. If monopolies are the antithesis of freedom, could libertarians and progressives get together to fight them?**

BL: I see the true populists on the left and the true populists on the right. I believe that those groups can absolutely come together and fight monopolists and restore democracy within our economy and within our political system. Because what they actually believe

in is a distribution of power foremost. They believe in open markets, foremost. And what they're aiming at is the distribution of power and the open and fair markets. And if you establish that, then you have real democracy. You have real liberty.

The problem with most of the libertarians—and certainly with the libertarians who are official libertarians, meaning they work with the Libertarian Party, they work with libertarian operations like the Cato Institute—is that they say we need to get rid of all regulation. We need to get rid of all government.

The true populists — what they understood is that, well, you might not want to use government to fix all your ills. You might not want to use government to fix even most of your ills. But what you do need is, you need to have government to keep yourself free. To keep markets open, to prevent the consolidation of power over markets by monopolists. If you don't have government, then every single system will be taken over by a private monopolist, which really means private government.

**LP: What's your specific strategy for confronting this problem and what can citizens do?**

BL: The easiest way to confront the problem is to do what folks did back in the 19th century and do what folks did in the 20th century, and that is to use our government to fight monopolies and to make open and competitive markets. We have a regime that was in place in the 20th century, or the heart of the 20th century, and we can now go and study, understand and update it for the 21st century, for the information era. So we have all the tools that we need, but what we don't have is the memory of how to use those tools.

America was founded by people who were fighting monopoly. America was founded by people who were fighting for liberty. The principles of the founding are all we need to establish a society in the 21st century that protects the freedom, the sovereignty, the liberty, the dignity of every citizen in our society. But if we don't apply those principles, we are lost. The strategy is that you have to go out and demand it.

Right now, with the fight that's going on between Amazon and the book industry — the publishers, the book editors, book writers, authors — it's a huge fight. It's on the front page of the *New York Times*. Writers in America are just in the process of realizing that they have two choices. They can either sit back and do nothing and allow this one company to manipulate the entire marketplace, to capture complete control of this entire marketplace for books, to govern this marketplace for books in a way that serves its interest alone. Or they organize and they can fight. They are choosing to organize and fight. They took a full-page ad out in the NYT over the weekend: 909 authors came together.

That's what you do. If you don't like it, organize, you put some the money into the pot, and you put some time in the pot. You stop listening to the dumbass libertarian propaganda. And you go out and you fight for your government, and when you've got your hands on that government, you use it to break up power.

The purpose of government, the reason we founded government, is to break up dangerous concentrations of power at home and abroad. Concentrations of power that threaten our liberty as individuals at home and abroad. That is the foremost purpose of government.