



Corporations Are Not As Powerful As You Think

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Concern over the power of large corporations is back in the vogue. From Senator Elizabeth Warren (D-Mass.) on the left to Fox News' Tucker Carlson on the right, politicians and opinion makers worry about the influence of U.S. corporate giants on politics as well as on the private lives of ordinary Americans. People are concerned about Facebook's censorship of content, Twitter's banning of controversial users and Google's possession of staggering amounts of information about users' search histories, shopping habits, etc.

As a libertarian, I say, pish-tosh! If you don't like a particular company, find an alternative provider or live without a particular service altogether. Alas, most people are not libertarians or as closely wedded to the sanctity of the contract as the latter tend to be.

The good news is that corporations are not as powerful as most people think. Before I get to that, a little background is in order. Until the 19th century, most economic output came from family farms in rural areas and artisan families in towns. As such, the only serious concentration of wealth and power was in the hands of the landed aristocracy and a few wealthy bankers. The latter came from small Italian city-states or were Jewish. As such, they had little political muscle and their wealth was subjected to periodic expropriations.

As with so many other things, the Industrial Revolution upended the old order. The rise of the factory and large-scale manufacturing put massive amounts of money in the hands of a new breed of men—the Industrialists. By the end of the 19th century, Western Europe and North America could boast a coterie of self-made millionaires, including Cornelius Vanderbilt, John Jacob Astor, Edward L. Doheny, John D. Rockefeller, Andrew Carnegie and J. P. Morgan. The ruling classes were caught by surprise and it is telling that a disproportionate number of early socialists were aristocrats.

Although they comprised a mere 1.7 percent of the population of the Russian Empire, 22 percent of Bolsheviks belonged to the landed gentry. And Russia was not an outlier. The French Emperor Napoleon III once worried about the Empire's prospects, quipping, "The Empress is a legitimist; Morny is an Orleanist; Prince Napoleon is a republican; I am a socialist ...; only Persigny is an Imperialist—and he is mad!"

As George Watson argued in his *The Lost Literature of Socialism*, "Socialism above all meant a horror of the new age: the age of machines and high finance. It was more than conservative. It was reactionary and nostalgic, and in the long march from status to contract it demanded a return to the familiar and time honored world of status."

It was not just the wealth of the industrialists that the aristocrats envied and the loss of the nobility's relative status that the latter bemoaned. At the end of the 19th century, no one knew just how large corporations could get. Many people simply assumed that corporations would continue to grow indefinitely. Concern about the drift of the corporate behemoth toward a monopoly gave rise to the Progressive Movement in the United States—a bipartisan phenomenon as witnessed by its two leading lights, Teddy Roosevelt, a Republican, and Woodrow Wilson, a Democrat.

Unfortunately, the Progressives have not found time to evaluate the logic of and the empirical evidence for their concern over corporate power in the last 100 years. And, so it fell to Mark Perry of the American Enterprise Institute to do that for them. In a fascinating [article](#), "Fortune 500 firms 1955 v. 2017: Only 60 remain, thanks to the creative destruction that fuels economic prosperity," Perry has looked at the changes in the composition of the Fortune 500 firms between 1955 and 2017.

According to Perry, "only 60 companies ... appear in both lists. In other words, fewer than 12 percent of the Fortune 500 companies included in 1955 were still on the list 62 years later in 2017, and 88 percent of the companies from 1955 have either gone bankrupt, merged with (or were acquired by) another firm, or they still exist but have fallen from the top Fortune 500 companies (ranked by total revenues). Many of the companies on the list in 1955 are unrecognizable, forgotten companies today (e.g., Armstrong Rubber, Cone Mills, Hines Lumber, Pacific Vegetable Oil, and Riegel Textile)."

Put differently, in so far as corporations are interested in relentless expansion and acquisition of an ever-increasing market share, most have done a very bad job of it. Some are dead and some are much diminished. That's good news for the defenders of free market capitalism, for it confirms that Schumpeterian creative destruction continues to do its magic. That's also good news for the progressives from both parties, for it means that they can sleep better.

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