RADIX
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OPEN MARKETS OUTLOOK

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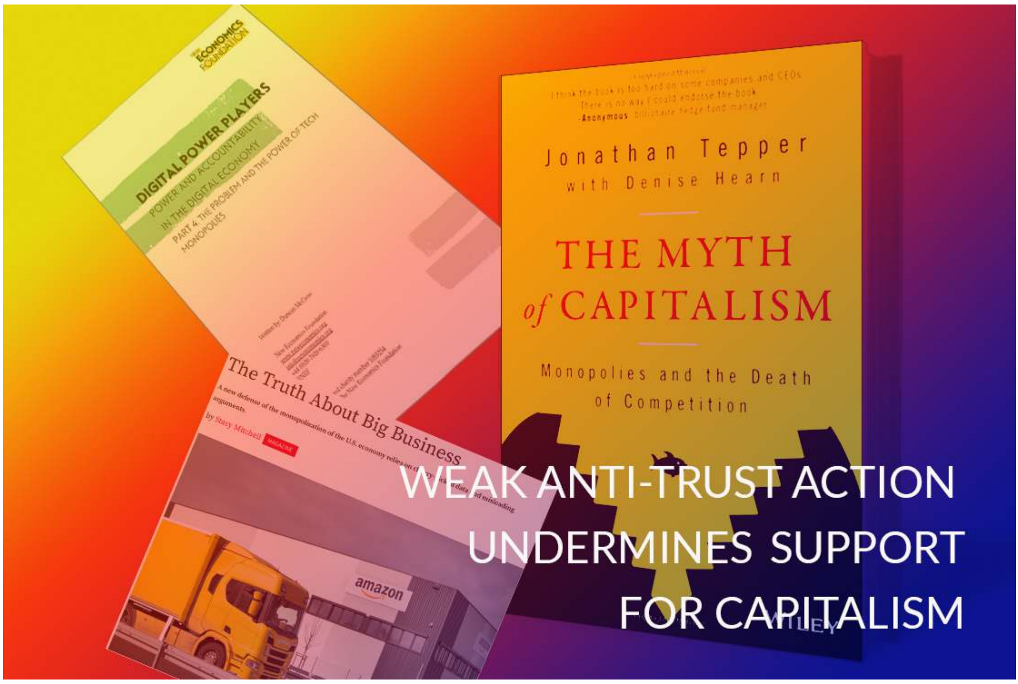


Those who believe in capitalism as a force for good need to enter the monopoly debate

GROWING MONOPOLY POWER WILL DESTROY CAPITALISM

- In a new book, Jonathan Tepper lays out how US corporate concentration is increasing in many market segments leading to behaviours that threaten to undermine people's faith in capitalism

- Anti-trust enforcement is at its lowest ebb. Only around 10% of mergers do not go through and that is due to managements changing their mind rather than anti-trust action

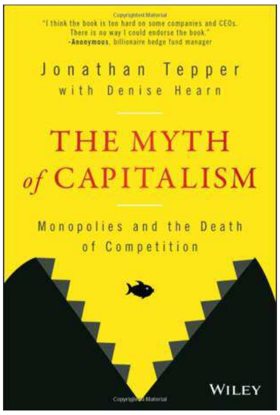
- A new report on the digital market from the New Economics Foundation suggests that unbundling may be a more appropriate intervention than the traditional remedies of nationalization or break-up

- Stacy Mitchell debunks the myths put forward in "Big is Beautiful", a new book. She argues for "*a diverse economy that keeps concentrated power in check and ensures that citizens and communities have the ability to chart their own course.*"

WHEN MONOPOLIES BEAT UP THEIR CUSTOMERS...

New book on monopolies in the US – but why not here?

On April 9 last year, police officers from Chicago's O'Hare Airport removed Dr David Dao from United Express Flight 3411. The flight was overbooked, but he refused to give up his seat. He had patients to treat the next day.



The co-author of the new book The Myth of Capitalism: Monopolies and the Death of Competition, Jonathan Tepper, took up the story in an article on Bloomberg:

> *"Fellow passengers recorded a video of him being dragged off the plane. You could hear gasps of disbelief from fellow passengers: 'Oh, my god!' 'No! This is wrong.' 'Look at what you did to him.' No one could believe what they were seeing. In the video he could be seen bleeding from the mouth as police dragged him down the aisle. The video quickly went viral..."*

When corporations have limited competition, they can beat up their customers with impunity

Tepper is a founder of Variant Perception, a research group for asset managers, and wrote the book with Denise Hearn. Among those who have taken up the same cudgels and backed his thesis was the Telegraph columnist Jeremy Warner (£) who, in an article titled *"Growth in monopoly threatens to destroy capitalism from within",* also used the Dao example of corporate power:

> *"How could any company treat its paying customers with such callous contempt and expect to get away with it?" he asked. "Yet after a token apology from the chief executive of parent company United Airlines, get away with it the carrier did."*

Tepper's book explains why: *"The American skies have gone from an open market with many competing airlines to a cozy oligopoly with four major airlines."* He also gives other egregious examples of American monopoly:

"Too much capitalism does not mean too many capitalists, but too few capitalists."

GK Chesterton as quoted by Jonathan Tepper

- Two corporations control 90 percent of the beer Americans drink
- Five banks control about half of the nation's banking assets.

Many states have health insurance markets where the top two insurers have an 80 percent to 90 percent market share. For example, in Alabama one company, Blue Cross Blue Shield, has an 84 percent market share and in Hawaii it has 65 percent market share.

- When it comes to high-speed Internet access, almost all markets are local monopolies; over 75 percent of households have no choice with only one provider.

- Four players control the entire US beef market and have carved up the country.

- After two mergers this year, three companies will control 70 percent of the world's pesticide market and 80 percent of the US corn-seed market.

Why is the UK so laggard in competition policy?

This is the editorial section, so we are allowed to venture an opinion: why are similar exposés not being written in the UK? Why are we so much more accepting?

PROPOSED BAN FOR MERGERS IN SECTORS DOMINATED BY SIX

A proposal to ban mergers in industries dominated by six players or fewer has been made in the Financial Times (£) by author Jonathan Tepper (see elsewhere in this edition). It is based on evidence that a move below six players in an industry raises prices for consumers. He list the following evidence that concentrated industries cause higher prices:

"The main reason deals do not go through is because companies get cold feet, not because antitrust authorities object… …"

- A 2016 study by Bruce Blonigen and Justin Pierce of the US Federal Reserve showed that mergers lead to price mark-ups with little evidence of greater efficiency

- When economist Matthew Weinberg studied two decades of mergers in 2007, he found that the majority of deals raised prices

- More recently, John Kwoka, professor at Northeastern University, examined almost 50 studies covering more than 3,000 mergers. His damning conclusion: if a merger led to six or fewer significant competitors, prices rose in nearly 95 per cent of cases.

- Maybe not surprisingly, regulators disagree with Professor Kwoka's analysis

"These days, the proportion of announced merger deals that are completed is close to 90 per cent" writes Tepper. "The main reason deals do not go through is because companies get cold feet, not because antitrust authorities object…"

The US government has never spent less in real terms on antitrust enforcement, according to data compiled by University of Kentucky law professor Ramsi Woodcock.

DIGITAL POWER IS DIFFERENT

The green economic thinktank the New Economics Foundation, based in London, has published their report Digital Power Players, the fourth of four papers exploring power and accountability in the data economy. It explores the rise of the tech giants, and how they are using tactics both new and old to make sure that they maintain and amplify their power.

Unbundling may be more appropriate than the traditional solutions of nationalization or break-up

Author Duncan McCann is sceptical about either of the conventional solutions: nationalization or break-up. He suggests a more immediate solution might be to 'unbundle'. He writes:

> *"For Facebook this could mean separating out Whatsapp and Instagram, whereas for Google is could mean YouTube and Gmail becoming stand-alone companies".*

Four conclusions of New Economics Foundation report on the digital market...

- Although the broader digital economy has both concentrated and dispersed power, data is very much a concentrating force.
- A mutually reinforcing government-corporation surveillance architecture – or data panopticon – is being built, that seeks to capture every data trail that we create.
- We are over-collecting and under-protecting data.
- The data economy is changing our approach to accountability from one based on direct causation to one based on correlation, with profound moral and political consequences.

Download the Digital Power Players report here...

BACKLASH FROM BIG IS BEAUTIFUL

The scourge of Amazon, Stacy Mitchell from Boston-based Institute for Local Self-Reliance, has gone on the offensive against evidence of a US

"...a diverse economy that keeps concentrated power in check and ensures that citizens and communities have the ability to chart their own course..."

backlash among the powerful to defend monopoly and over-consolidation. She has reviewed Robert Atkinson and Michael Lind's book Bi*g Is Beautiful: Debunking the Myth of Small Business in* Washington Monthly. The book is a defence of the monopolisation of the US economy, she argues. It is "designed to put our minds at ease" about the demise of small businesses by arguing that big business is superior.

Stacy mounts a counter-argument, explaining how US economic policy has tilted the playing field in favor of bigness, but how small businesses perform critical functions that big businesses can't.

> *"As small businesses disappear, we're losing these distinct market benefits," she writes, "and something much more valuable, too: a diverse economy that keeps concentrated power in check and ensures that citizens and communities have the ability to chart their own course."*

She criticises the authors' assumptions that big companies keep wages high. She writes:

> "In fact, economists have recently found strong evidence that consolidation is one of the main reasons that wages haven't been growing.
>
> With many industries now dominated by just a few giant companies, and fewer new businesses starting, people don't have as many employment options as they used to.
>
> This means there's less competition for labour, which allows companies to hold down wages. A resurgence of start-ups and small businesses might be just the thing we need to restart wage growth."

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