

THE MYTH OF CAPITALISM

**MONOPOLIES AND THE
DEATH OF COMPETITION**

**BY JONATHAN TEPPER
WITH DENISE HEARN**

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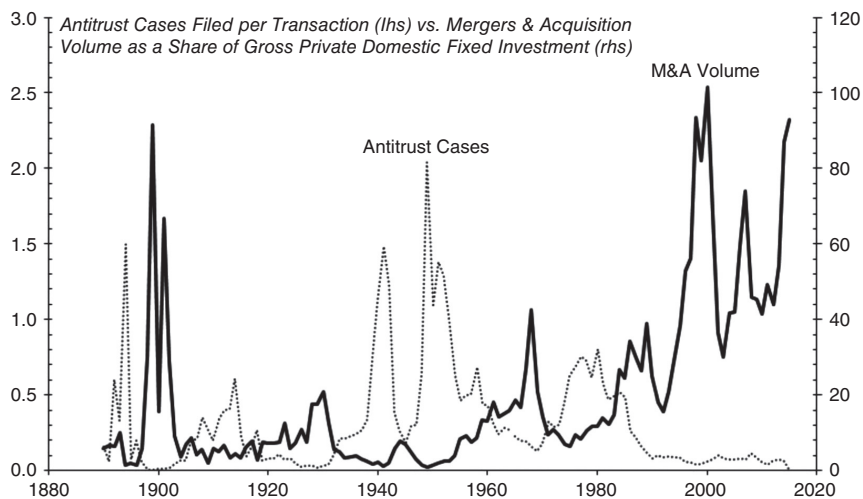


Figure 1.1 Merger Manias: 1890–2015

SOURCE: Taylor Mann, Pine Capital.

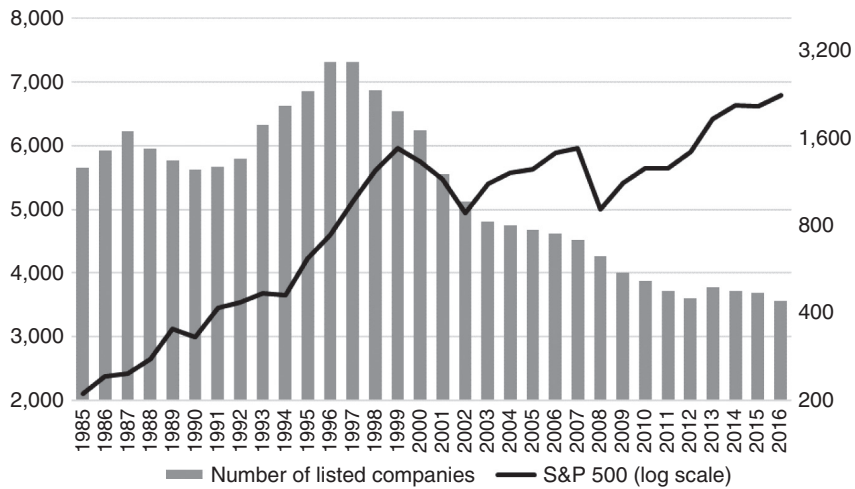


Figure 1.2 Collapse in the Number of US Public Companies Since 1996
 SOURCE: Data from Charles Schwab.

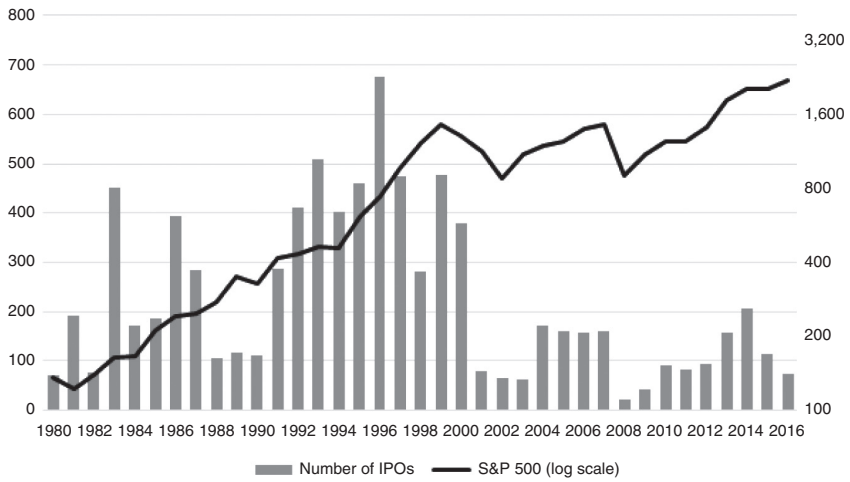


Figure 1.3 Collapse in Initial Public Offerings (IPOs)

SOURCE: Barrons.

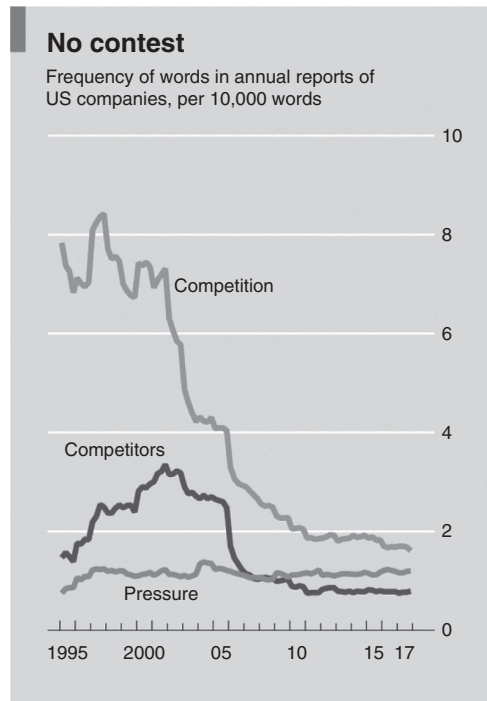


Figure 1.4 Frequency of the Words “Competition,” “Competitors,” and “Pressure” in Annual Reports
SOURCE: The Economist.

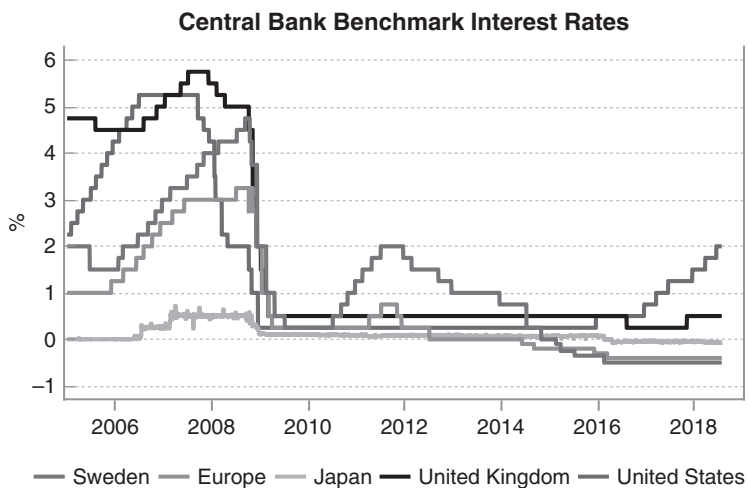


Figure 2.1 Zero and Negative Central Bank Rates Promote Cartels
 SOURCE: Variant Perception.

Table 2.1 The Largest Highly Concentrated Industries

Segment	Market Share of Top Four Companies	Annual Revenue (2012)
Warehouse clubs and supercenters	93.6%	\$406 billion
Drug wholesalers	72.1%	\$319 billion
Auto and truck manufacturing	68.6%	\$231 billion
Drug stores	69.5%	\$230 billion
Mobile-phone service	89.4%	\$225 billion
Airlines	65.3%	\$157 billion
Administration of pension funds	76.3%	\$145 billion
Landline-phone service	73.4%	\$142 billion
Cable TV	71.1%	\$138 billion
Airplane manufacturing	80.1%	\$113 billion

SOURCE: Data from 2012 Economic Census.

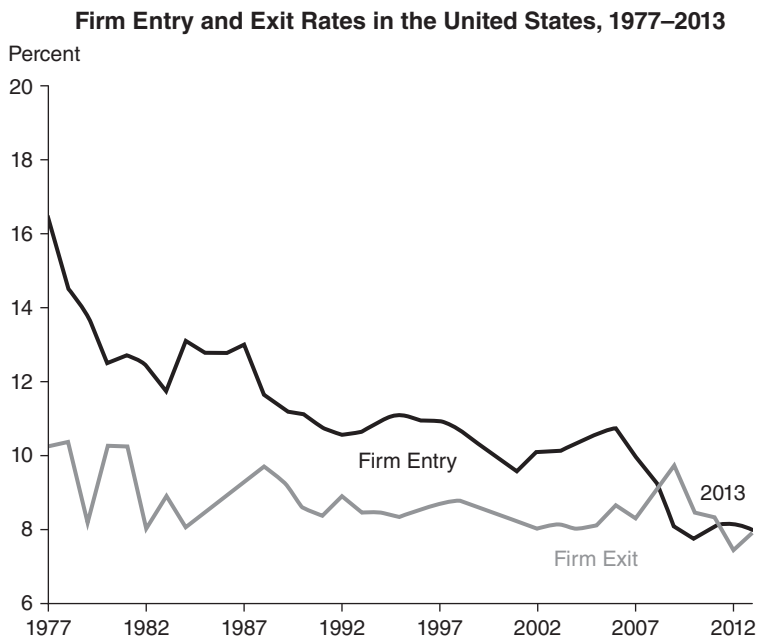
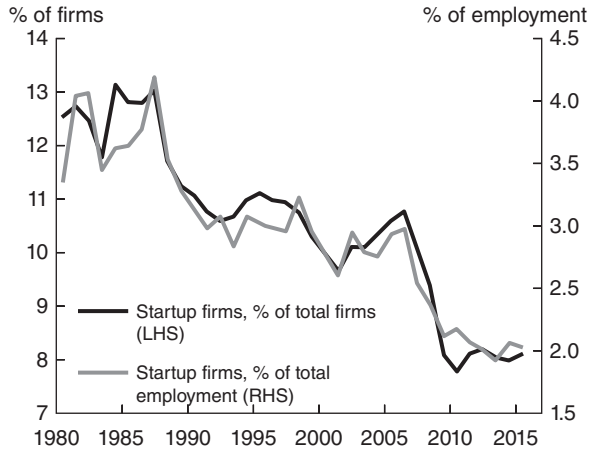


Figure 3.1 The US Economy Has Become Less Entrepreneurial over Time
 SOURCE: “Beyond Antitrust: The Role of Competition Policy in Promoting Inclusive Growth,”
 Jason Furman, Chairman, Council of Economic Advisers.

New firms play a decreasing role in the economy

Firm and employment % for new firms (age 0)



Older firms now account for a large amount of activity

Firm and employment % for firms age 11+

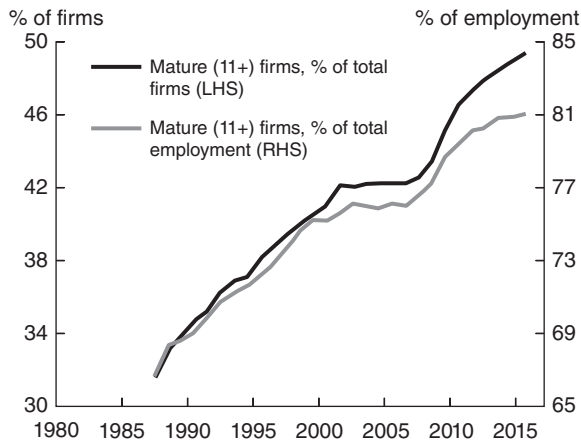


Figure 3.2 New Firms Play a Decreasing Role in the Economy

Used with permission from Nomura.

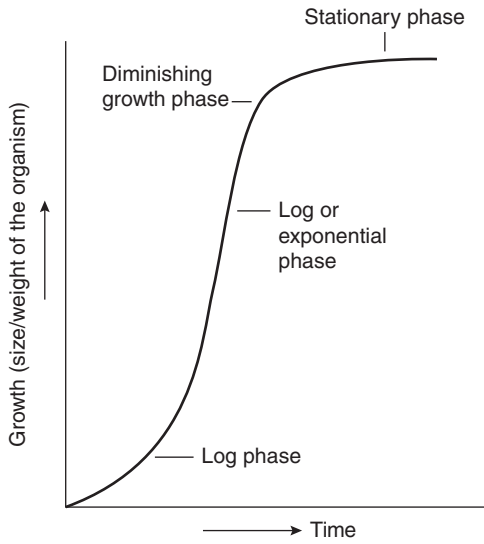


Figure 3.3 Growth Phases of Organisms and Companies



Figure 3.4 Lower Productivity Growth as Fewer Firms Enter
SOURCE: (A) Courtesy of Dr. Titan Alon, (B) Courtesy of Jason Furman.

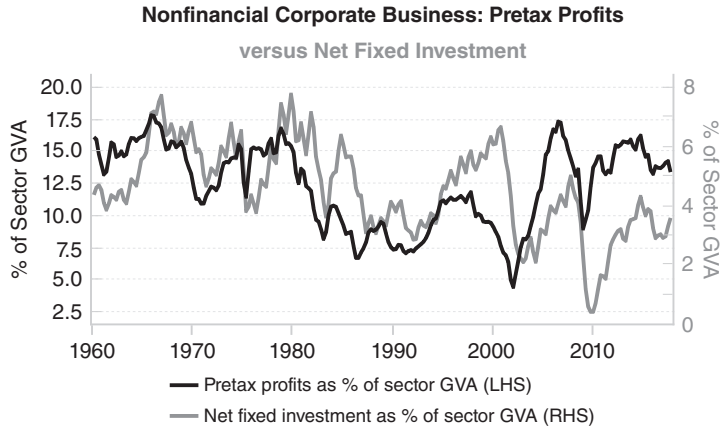


Figure 3.5 Investment Significantly Lagging Profitability
SOURCE: Variant Perception.

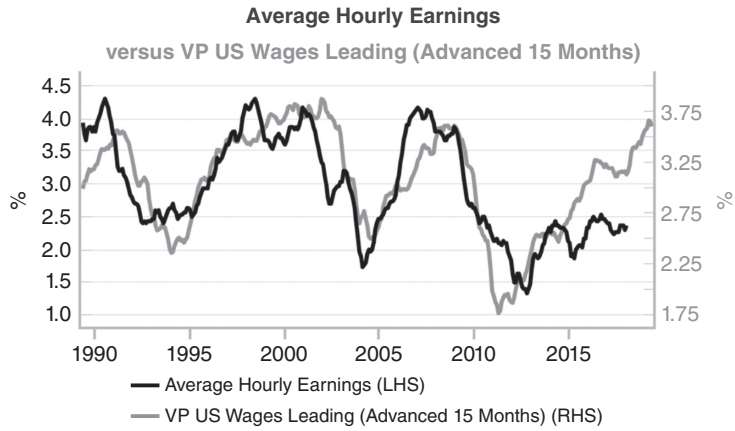


Figure 4.1 Variant Perception US Wages Leading Indicator
SOURCE: Variant Perception.

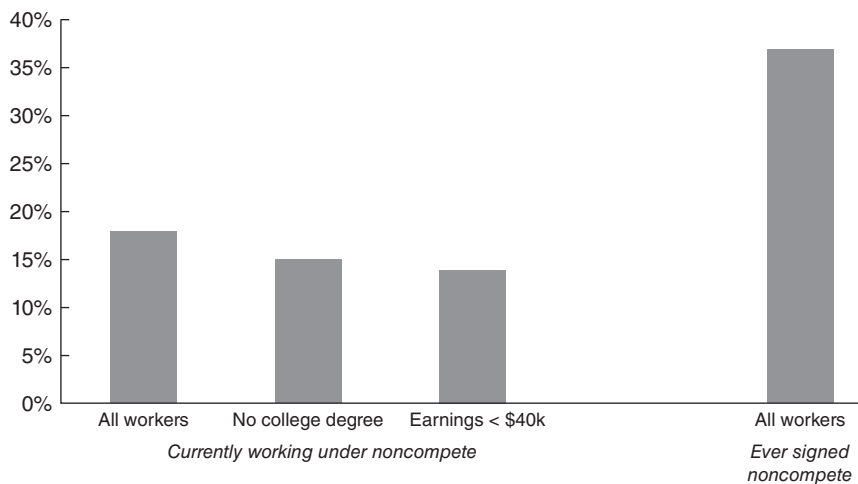


Figure 4.2 Percentage of Workers with Noncompete Agreements, by Group

NOTE: These estimates are preliminary and may differ from subsequent versions of the cited page.

SOURCES: US Treasury; Data: Evan Starr, Norman Bishara, and J.J. Prescott, “Noncompetes in the U.S. Labor Force,” working paper, November 10, 2015.

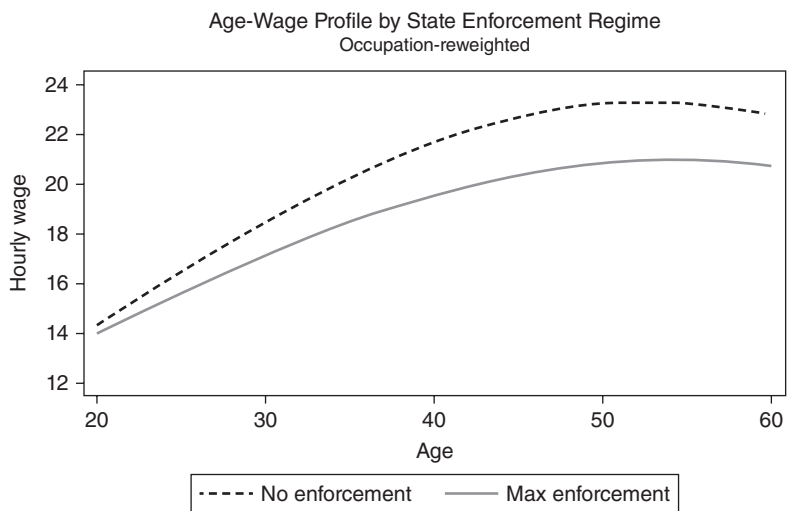


Figure 4.3 States That Do Not Enforce Noncompetes Have Higher Wages
SOURCE: US Treasury; Data: Evan Starr, Norman Bishara, and J.J. Prescott, “Noncompetes in the U.S. Labor Force,” working paper, November 10, 2015.

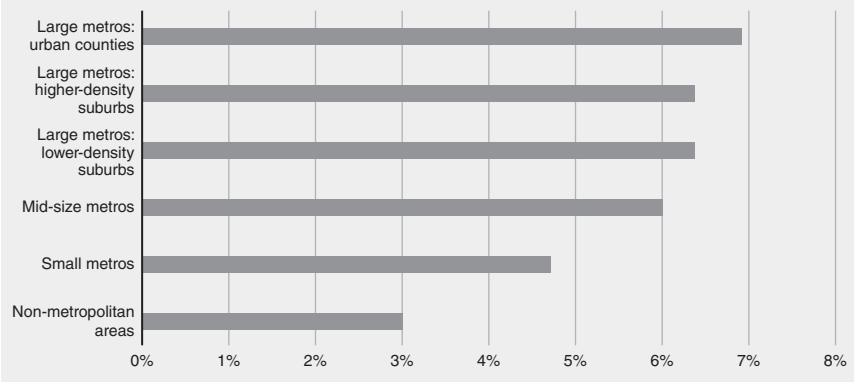


Figure 4.4 Rural Areas Are Lagging (aggregate wage growth, year-over-year, third quarter 2016)

SOURCE: Indeed Analysis of BLS Data. © 2018 Indeed, Inc.

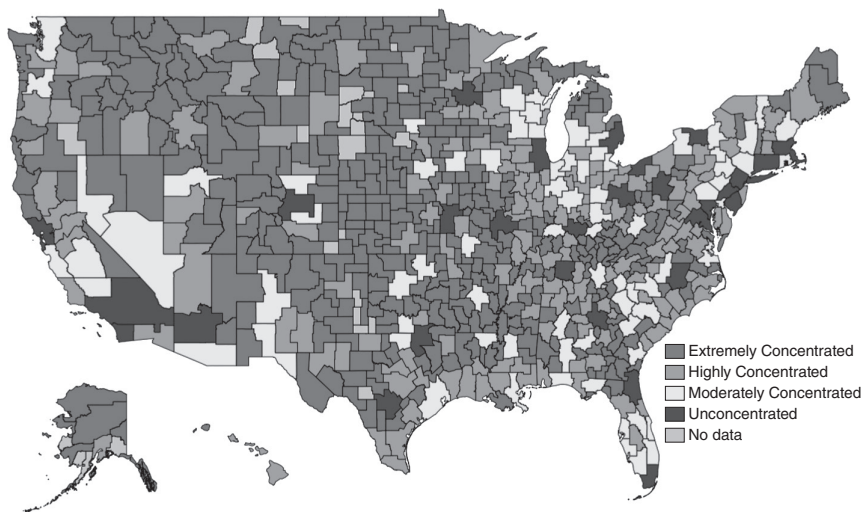


Figure 4.5 Monopsonies in Labor Markets: Commuting Zones with High Labor Concentration

SOURCE: José Azard, Ioana Marinescu, and Marshall Steinbaum, “Labor Market Concentration” (December 15, 2017). Available at SSRN: <https://ssrn.com/abstract-3088767> or <http://dx.doi.org/10.2139/ssrn.3088767>.

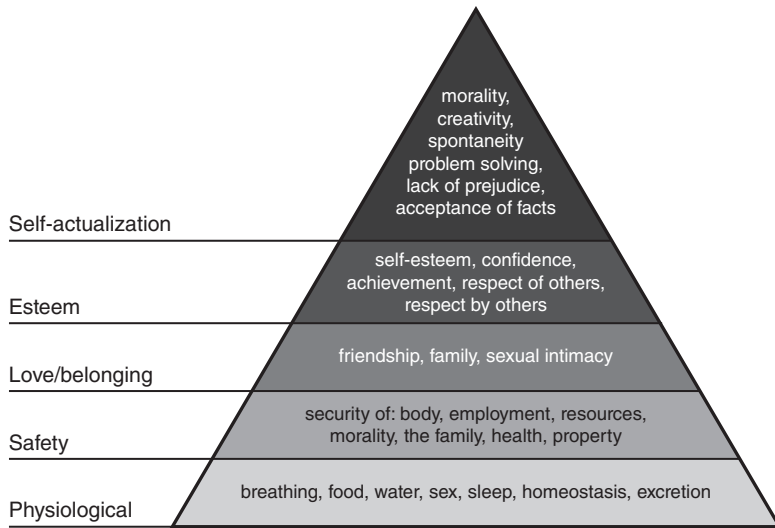


Figure 4.6 Maslow's Hierarchy of Needs

SOURCE: Wikimedia Commons, https://commons.m.wikimedia.org/wiki/File:Maslow%27s_Hierarchy_of_Needs.svg. Used under CC BY-SA 3.0.

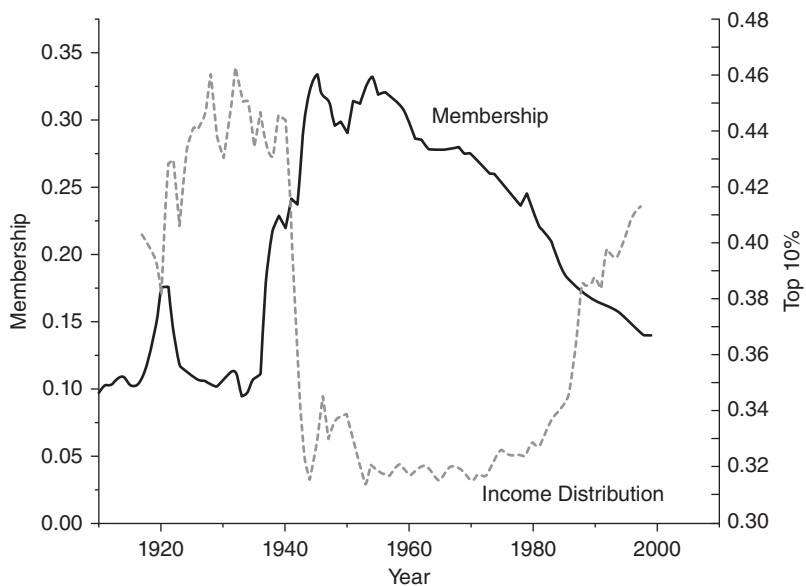


Figure 4.7 Union Membership versus Income Distribution to Top 10%
SOURCE: Emin M. Dinlersoz and Jeremy Greenwood.

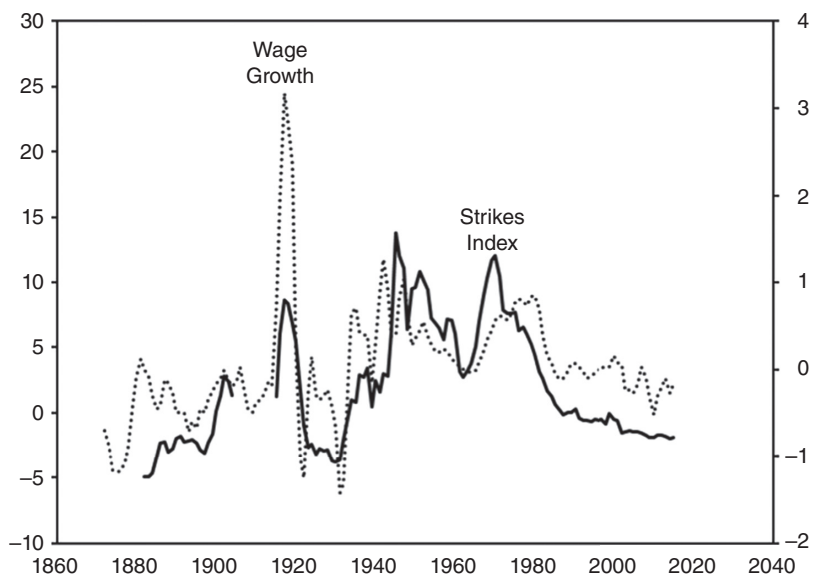


Figure 4.8 Wage Growth Closely Associated with Strikes

SOURCE: Taylor Mann, Pine Capital.

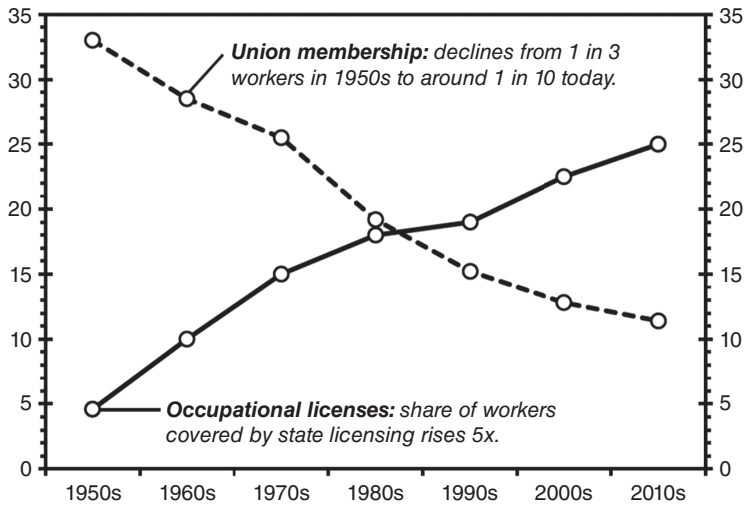


Figure 4.9 The Great Suppression: Falling Unions and Increasing Licensing, 1950s–Today
SOURCE: Taylor Mann, Pine Capital.

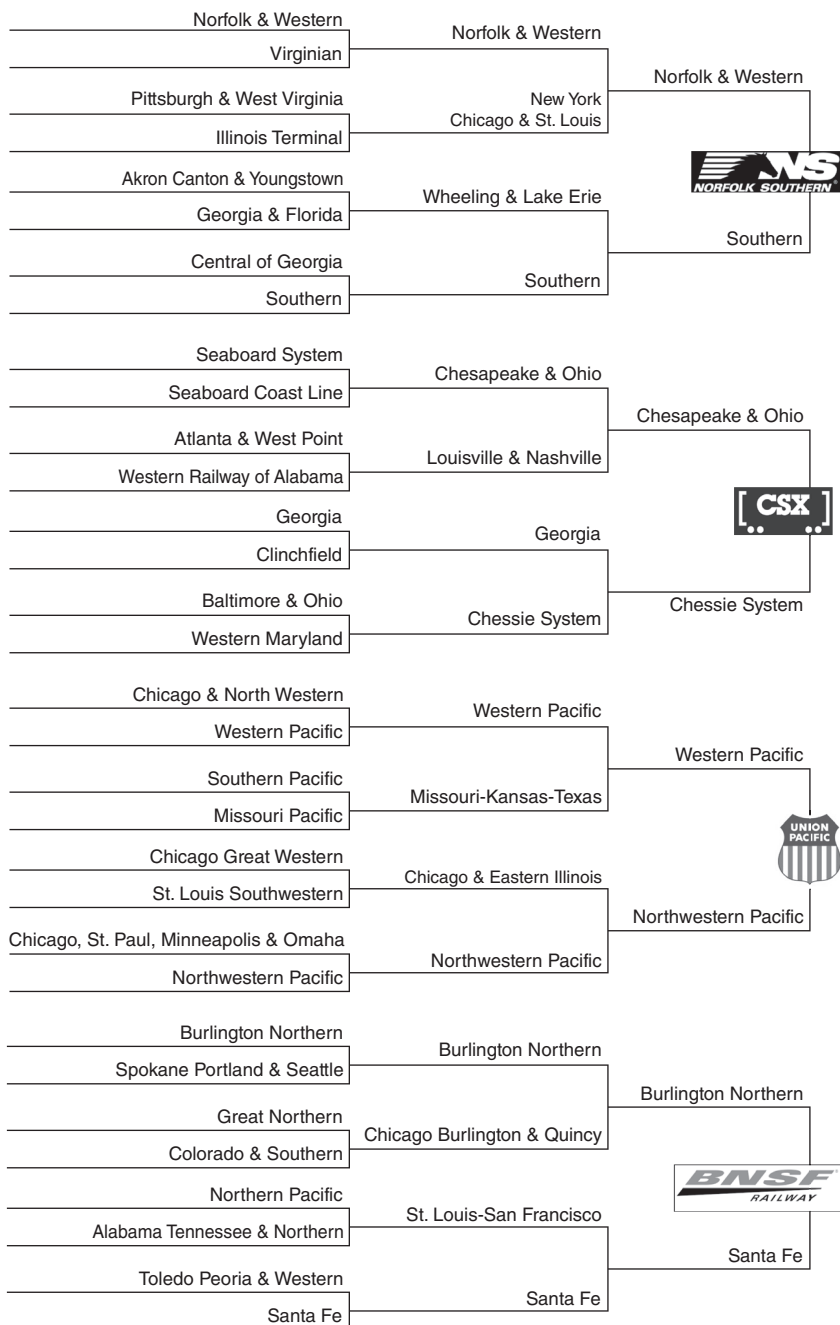


Figure 6.1 Rail Mergers: Making of the Big Four

SOURCE: Testimony of David Cleavinger, President, National Association of Wheat Growers, House Committee on Small Business, *Hearing to Review Rail Competition and Service*, May 1, 2008, p. 2.

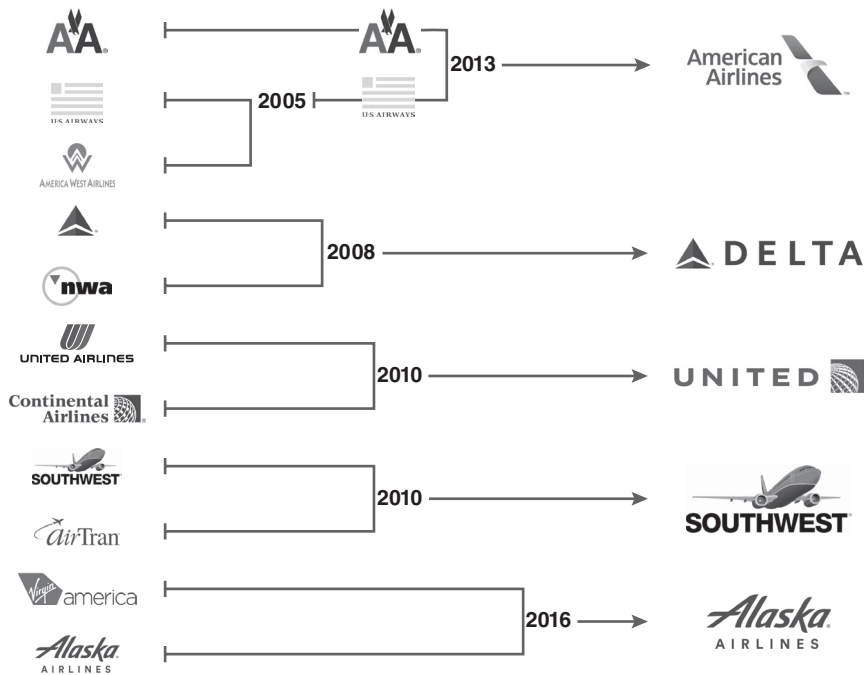


Figure 6.2 Airline Mergers in Today's Oligopoly

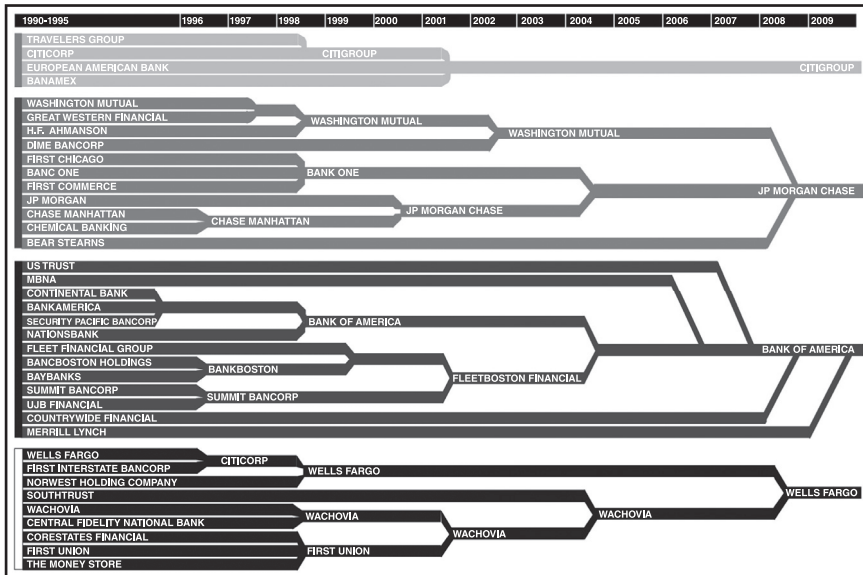


Figure 6.3 Banking Mergers in the United States

SOURCE: M. Martineau, K. Knox, and P. Combs "Learning, Lending, and Laws: Banks as Learning Organizations in a Regulated Environment," *American Journal of Industrial and Business Management* 4 (2014): 141–154.

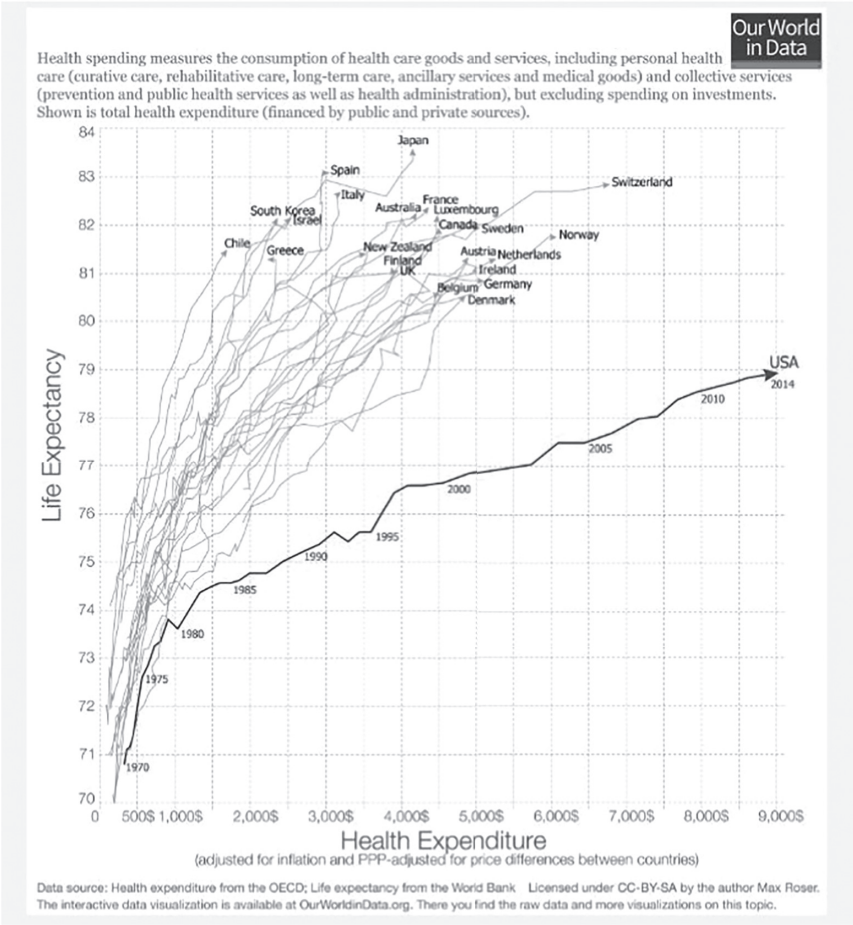


Figure 6.4 Life Expectancy versus Health Expenditure over Time (1970–2014)
SOURCE: Our World in Data.

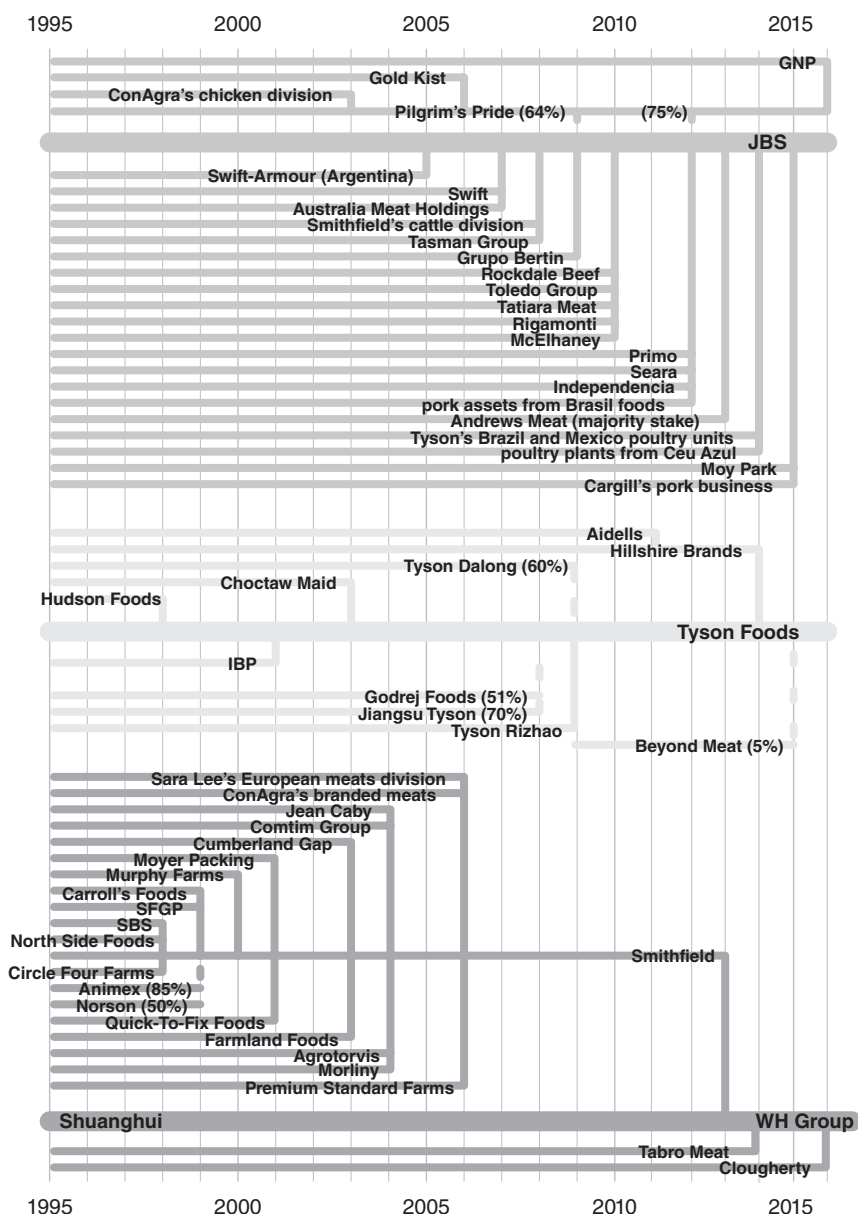


Figure 6.5 Leading Global Meat Processing Firms Timeline of Ownership Changes, 1996–2016
 SOURCE: Courtesy of Philip Howard.

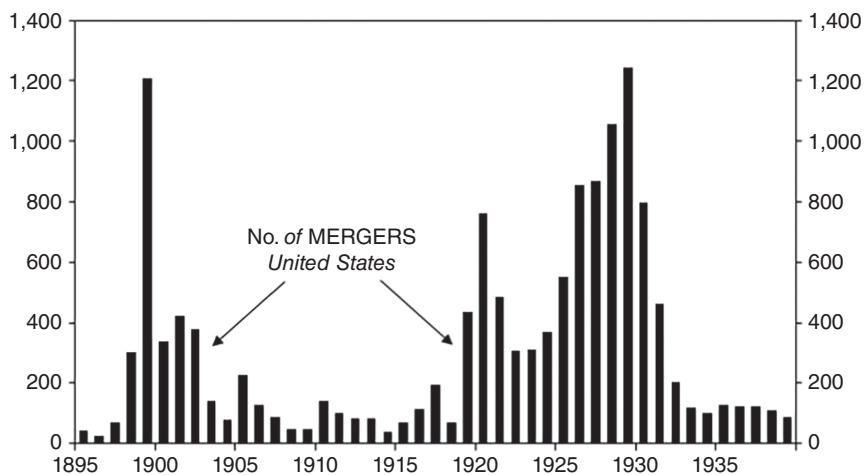


Figure 7.1 The First and Second Merger Waves (1890–1903, 1920–1930)
 SOURCE: Courtesy of Taylor Mann.

Declining Antitrust Enforcement

The chart shows how much money the Justice Department and the Federal Trade Commission have spent on antitrust enforcement, adjusted for inflation, GDP, and productivity. Figures are in 2009 dollars.

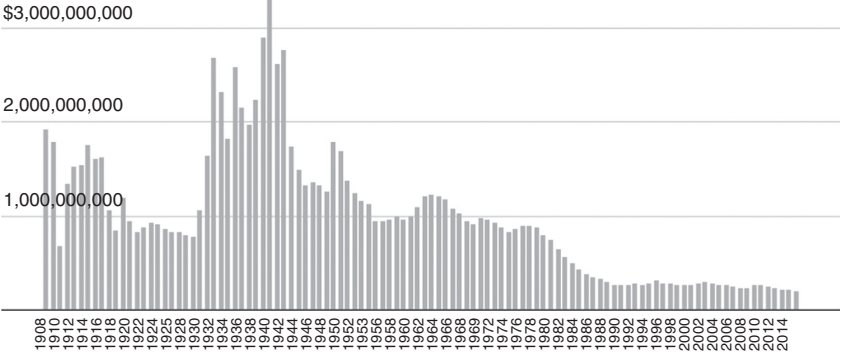


Figure 7.2 Antitrust Enforcement Budget

SOURCE: The Conversation, Ramsi Woodcock, Professor of Legal Studies, Georgia State University.

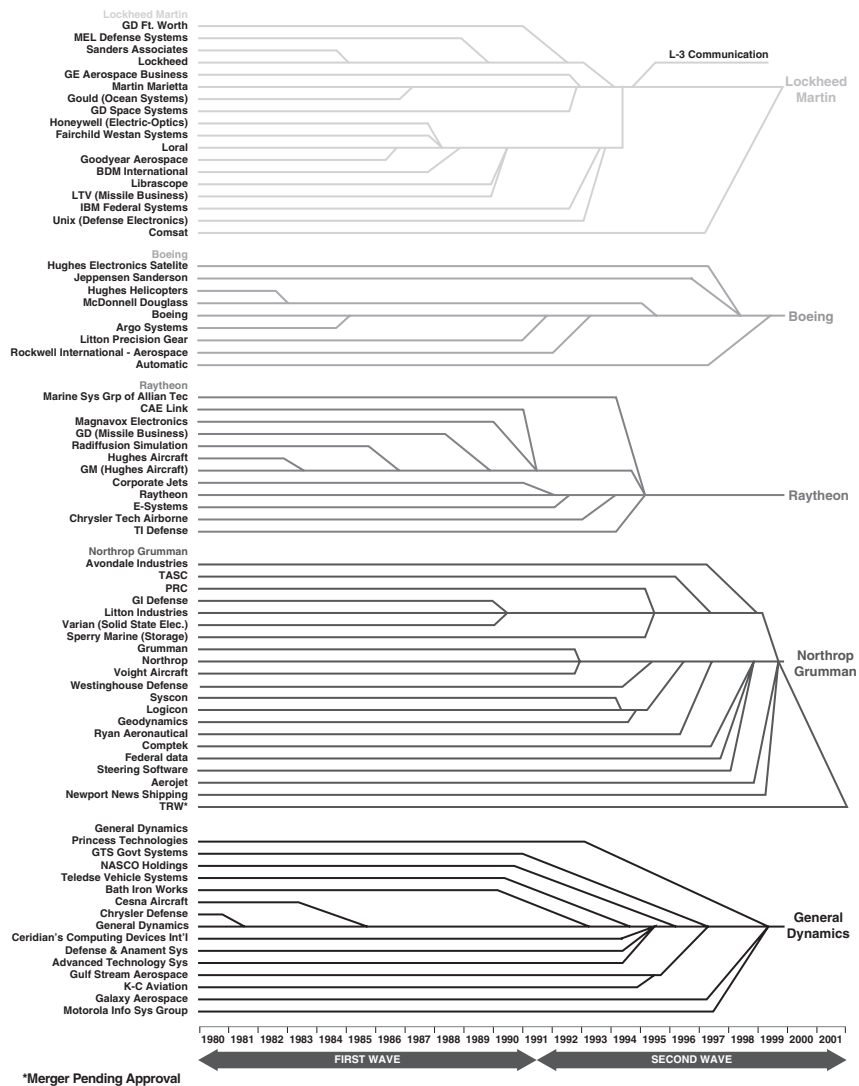


Figure 7.3 Twenty Years of Industry Consolidation
 SOURCE: Final Report on the Future of the United States Aerospace Industry.

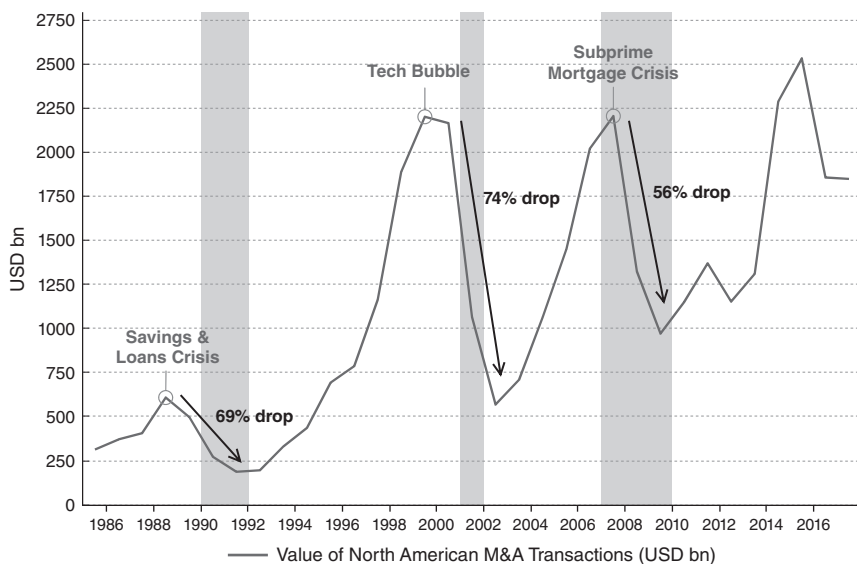


Figure 7.4 Three Mega Merger Waves in the Past Three Decades
 SOURCE: Variant Perception.

This figure depicts the proportion of completed M&A deals as a fraction of total deals for the period 1979–2014. The sample consists of all transactions on the Securities Data Corporation's (SDC) Mergers and Acquisition database that meet all of the following conditions: (i) percent of ownership by acquirer prior to event is less than 50%; (ii) percent of ownership by acquirer after event is more than 50%; (iii) both acquirer and target are identified as public firms (since we are interested in total market reaction, to both public and target firms); (iv) acquirer and target firm have different identifiers; (v) the transaction is completed; (vi) return data around the announcement date is available on CRSP; and (vii) offer price is available on SDC.

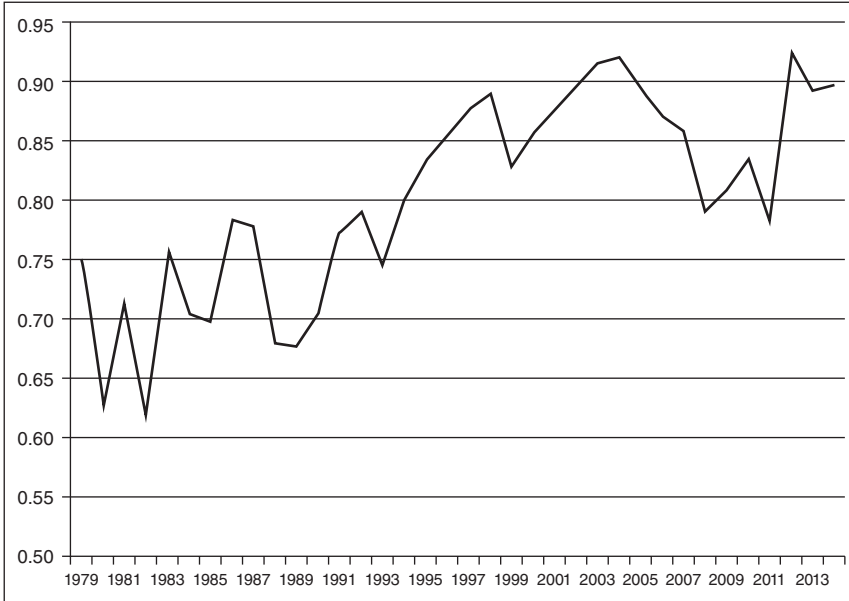


Figure 7.5 Proportion of Completed Mergers and Acquisitions

SOURCE: Gustavo Grullon, Yelena Larkin, and Roni Michaely, "Are U.S. Industries Becoming More Concentrated?" (August 31, 2017). Available at SSRN: <https://ssrn.com/abstract=2612047>.

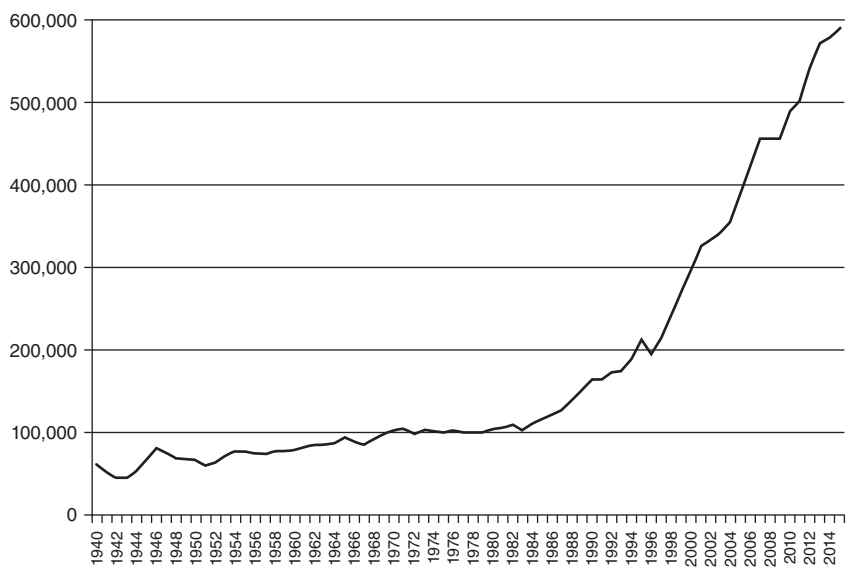


Figure 8.1 Total US Patents Issued Annually, 1900–2014

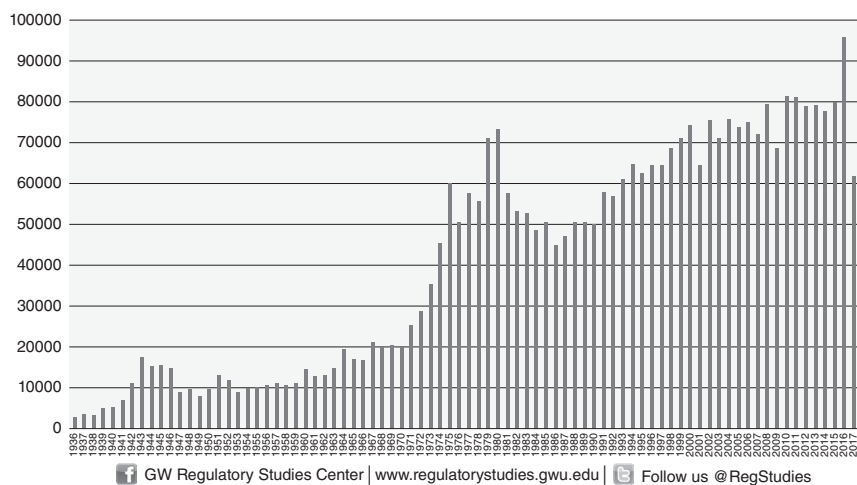


Figure 8.2 Pages in the Federal Register (1936–2015)

SOURCE: GW Regulatory Studies Center.

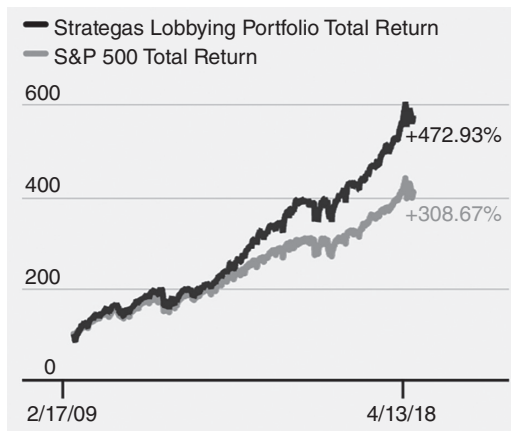


Figure 8.3 Companies That Lobby Extensively Have Higher Returns
SOURCE: Barron's.

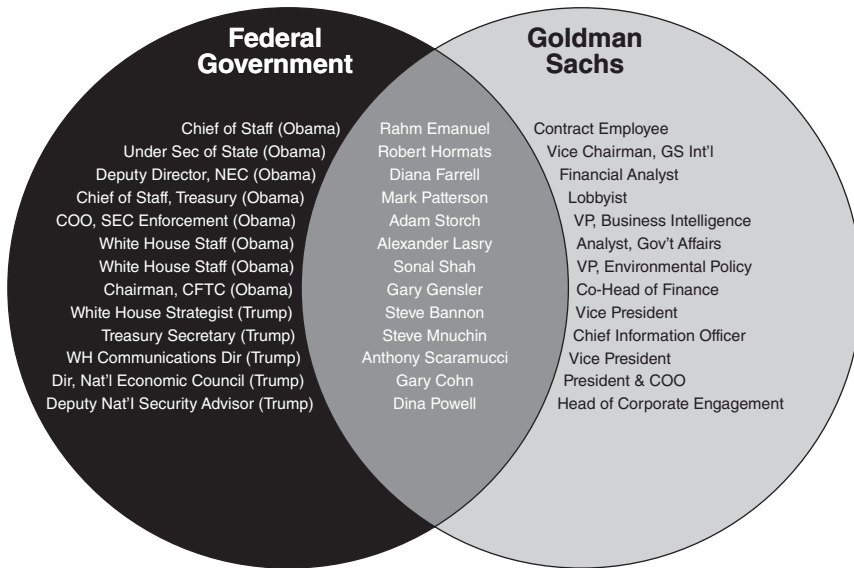


Figure 8.4 Revolving Door between Goldman Sachs and the Federal Government

SOURCE: <https://steemit.com/corporatism/@geke/gekevenn-goldman-sachs-updated>.

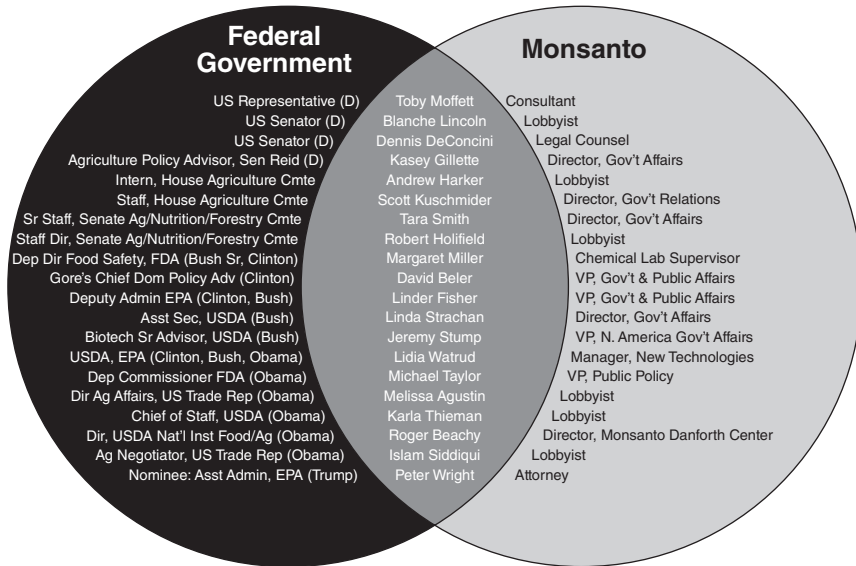


Figure 8.5 Revolving Door between Monsanto and the Federal Government
 SOURCE: <https://steemit.com/corporatism/@geke/gekevenn-monsanto-updated>.

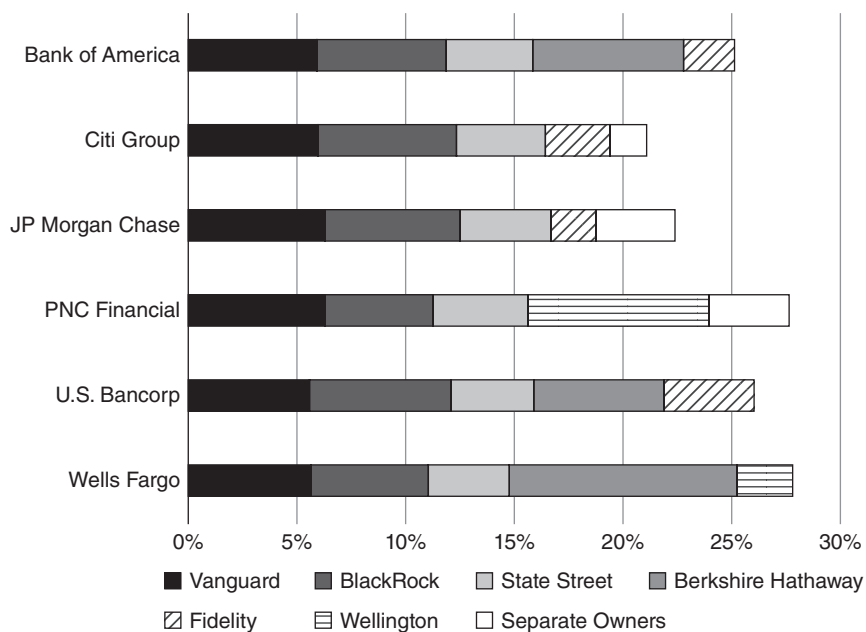


Figure 9.1 Largest Owners of US Banks (as of 2016 Q2)

SOURCE: Competition Policy International.

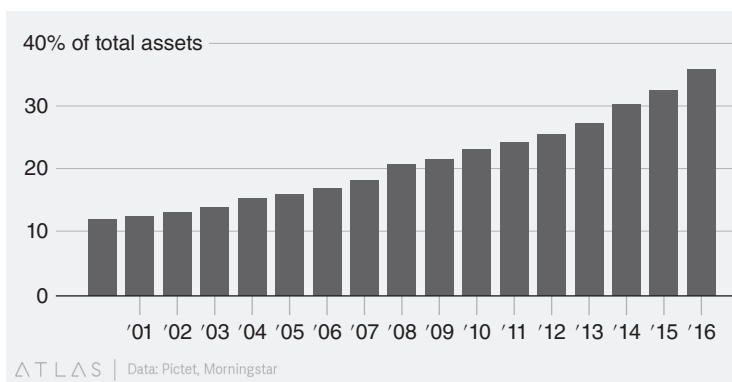


Figure 9.2 Share of Passively Managed Assets in US Markets
SOURCE: Atlas; Data: Pictet, Morningstar.

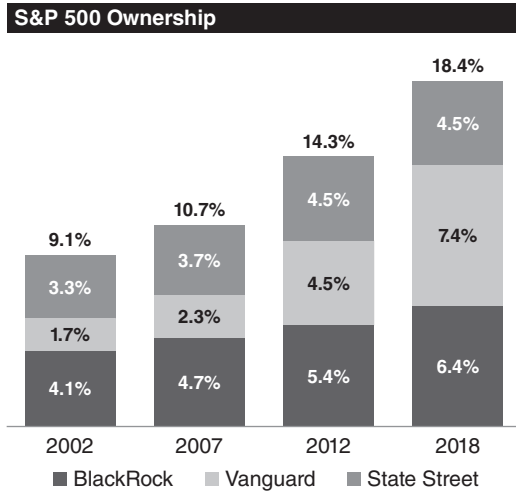


Figure 9.3 S&P 500 Ownership by “Big 3”

SOURCE: Lazard, FactSet.

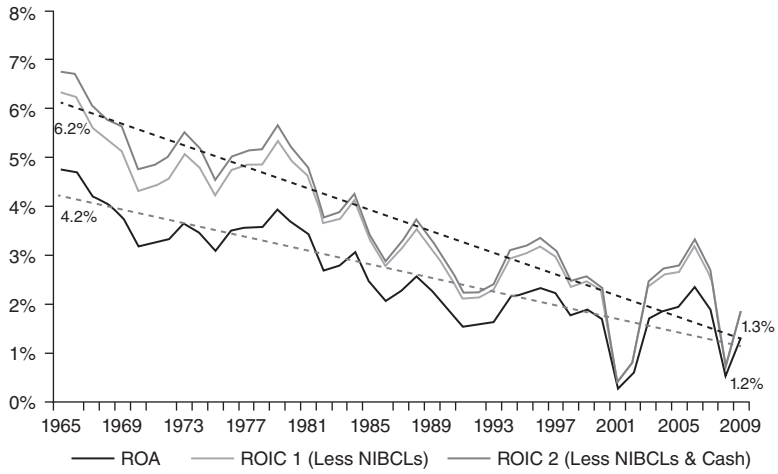


Figure 9.4 Net Investment by Nonfinancial Businesses
 SOURCE: Deloitte Shift Index.

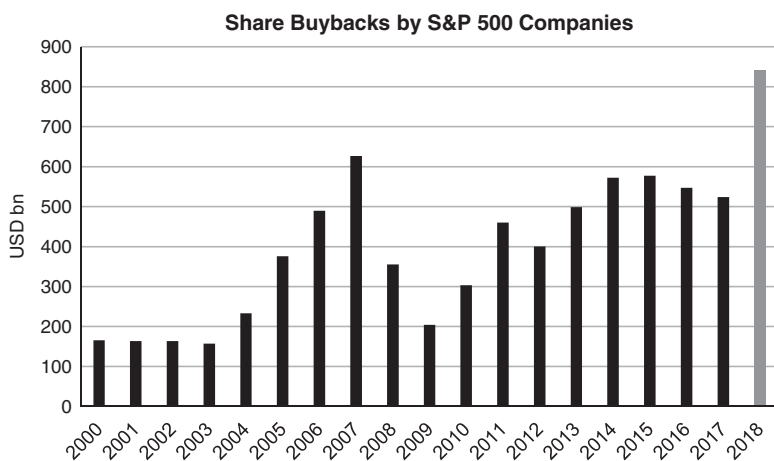


Figure 9.5 Buybacks Zoom to Record Highs

SOURCE: Variant Perception.

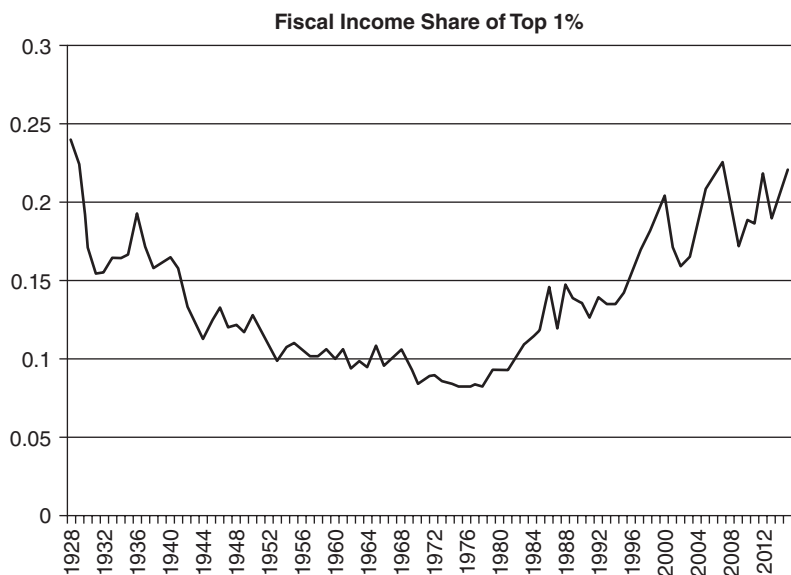


Figure 10.1 Income Inequality in the United States, 1910–2015

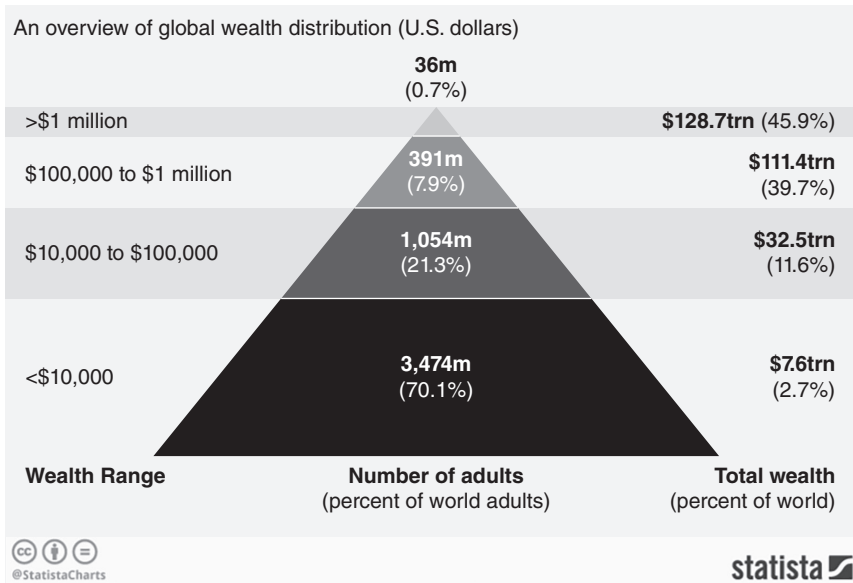


Figure 10.2 The Global Wealth Pyramid, 2017

SOURCE: Statista; Credit Suisse 2017 Global Wealth Report.

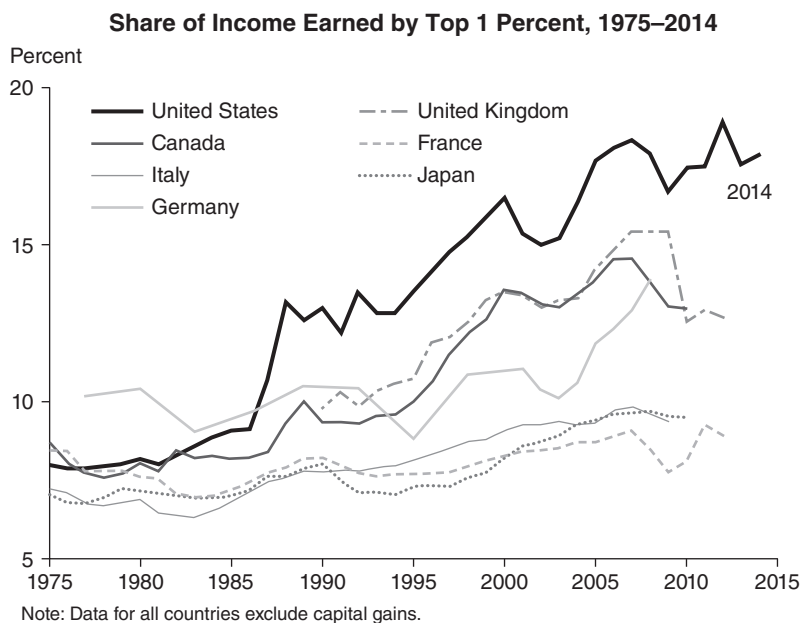
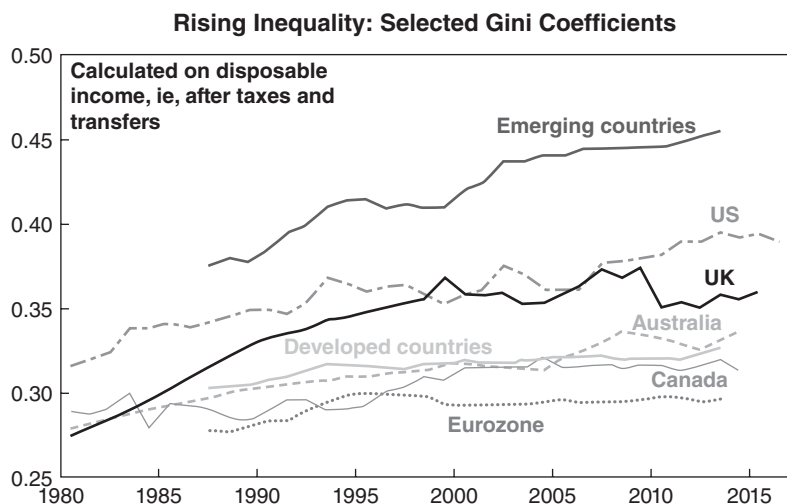
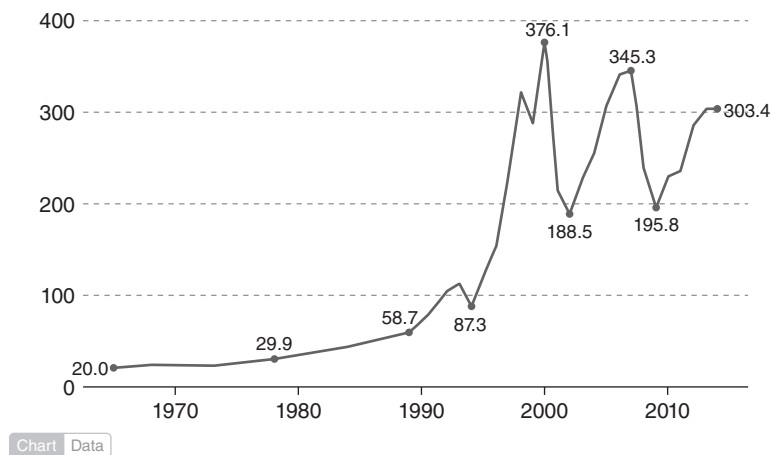


Figure 10.3 Rising Inequality. Selected Gini Coefficients

SOURCE: Dr. Shane Oliver and AMP Capital.

SOURCE: http://www.presidency.ucsb.edu/economic_reports/2016.pdf.



Note: CEO annual compensation is computed using the “options realized” compensation series, which includes salary, bonus, restricted stock grants, options exercised, and long-term incentive payouts for CEOs at the top 350 U.S. firms ranked by sales.

Figure 10.4 Rising CEO-to-Worker Compensation Ratio, 1965–2014
SOURCE: Economic Policy Institute.

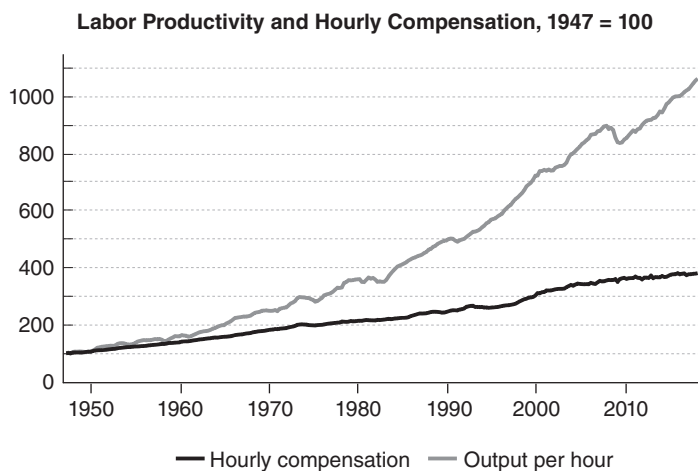


Figure 10.5 Worker Pay Is Not Keeping Up with Worker Productivity
SOURCE: Variant Perception.

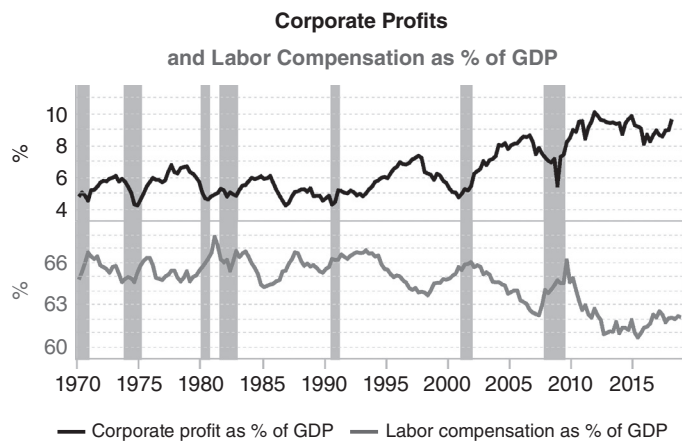


Figure 10.6 Corporate Profits versus Employee Compensation
 SOURCE: Variant Perception.

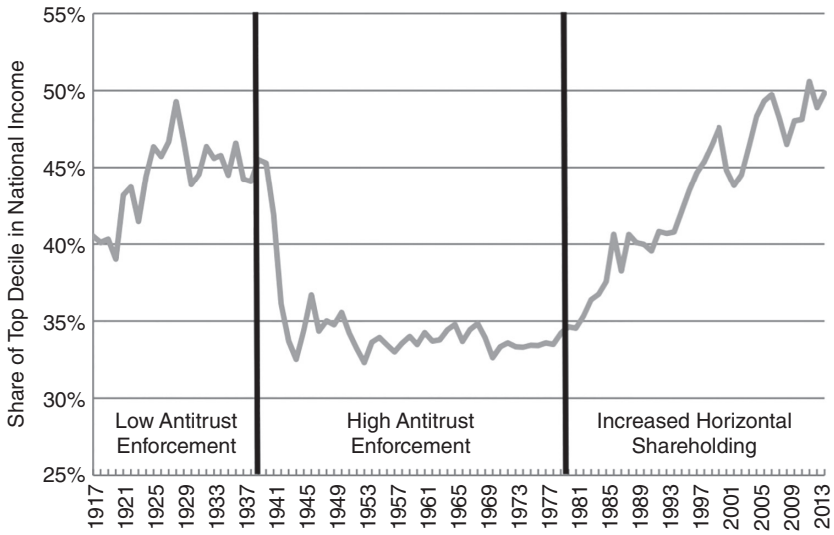


Figure 10.7 Income Inequality in the United States versus Antitrust Enforcement
 SOURCE: Einer Elhauge, "Horizontal Shareholding," *Harvard Law Review* 129, no. 5 (March 2016).

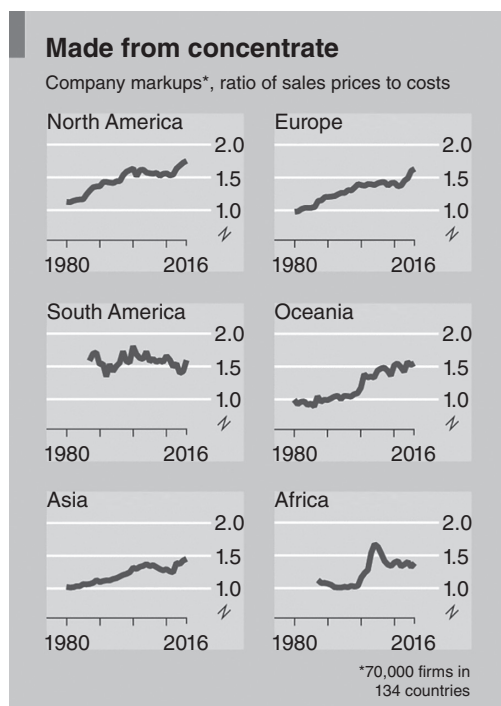


Figure 10.8 Higher Markups Lead to Lower Wages
 SOURCE: *The Economist*.

Market power

Markups in advanced economies have been rising since the 1980s.
(average markups of listed firms in each country income group, index 1990 = 1)

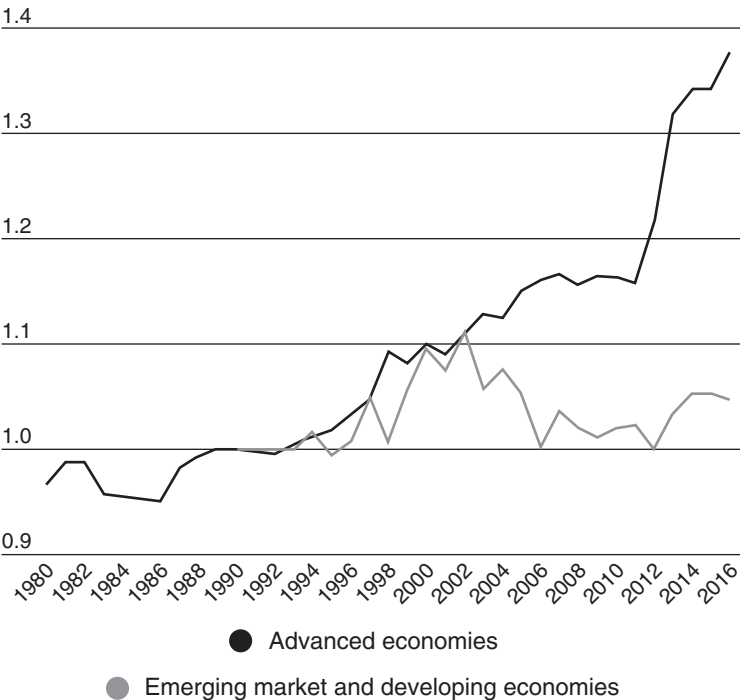


Figure 10.9 Markups in Advanced Economies Have Been Rising since the 1980s
SOURCE: International Monetary Fund.

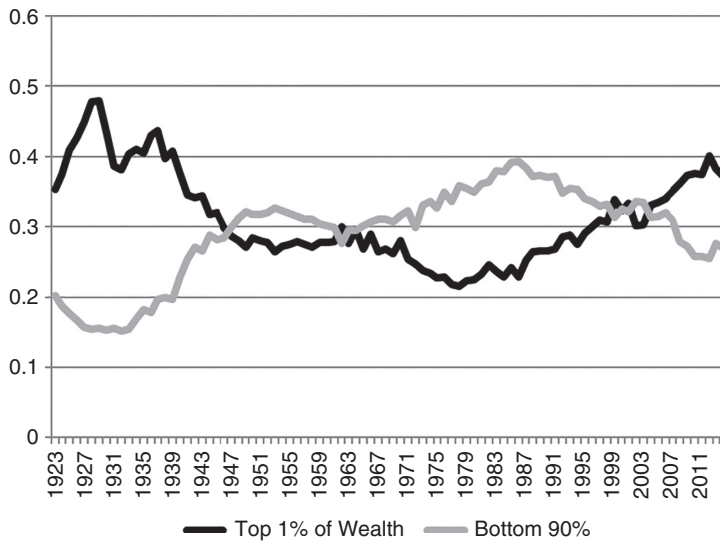


Figure 10.10 US Net Wealth Shares: Top 0.1% versus Bottom 90%