Monopoly, greed and mutual impoverishment

The reincarnation of an ancient evil

***Peter Warburton** reveals the extent of monopolies today and their power, including monopolies held by governments, and the threats which they pose to social harmony and the common good. He shows where exploitative monopolistic power is condemned by the biblical prophets, and concludes that although public awareness and criticism of monopolies has declined since the 1980s, Christians must fight against this evil.*

We live in a world increasingly characterised by dominant firms: Apple, Amazon, Microsoft, Google, Facebook and Netflix serve as familiar examples. Facebook, Google and Amazon control 80 per cent of the US online advertising market, with virtually no regulation, in addition to mediating much of the world's communications and commerce. China has produced its own business titans in Huawei, Alibaba and Tencent. At the same time, we can both applaud the success of these private companies and acknowledge the immensely significant contributions that they have made to modern life, and yet be unsettled by the powerful market positions that they have established. Our unease is amplified when we learn of serious confidentiality breaches and the deliberate misuse of personal data for commercial advantage. Does the Bible have anything to say about the concentration of economic power, or indeed the ultimate centralisation of power known as monopoly?

It most certainly does. Indeed, one of the guiding principles of economic life for the Israelites was the Jubilee: the periodic reset of economic advantage that was intended to guard against the

37% of Netflix subscribers binge-watch at work
Photo: Netflix

Classic Monopoly board

Photo: Wikipedia

concentration of wealth and power. God, in his wisdom, knew from the beginning that human society's default setting was relative advantage and disadvantage, rather than egalitarianism. Our differing characters, traits and temperaments manifest themselves as economic fruitfulness in some and economic recklessness in others. Without any clear evidence of management training, Joseph ascended to the highest ministerial rank and his astute decision-making averted mass starvation. Esau, on the other hand, was a skilled hunter but sold his birthright for a bowl of pottage (Gen 25:29).

Psychologists and sociologists have demonstrated, using simple interactive games, that players who start with equal credits soon subdivide into groups of winners and losers, whether through judgement calls or random processes. In most instances, the players remain on these divergent paths no matter how prolonged the game. The winners consolidate their advantage and the losers fail to make up the lost ground. Some have taken (out of context) the words of Jesus in John 12:8, that "the poor you will always have with you" to infer that the problem of poverty is insoluble.

Contrary to popular imagination, monopolists' quest is not primarily to accumulate capital or wealth through saving and reinvestment, but to corner the market and drive out the competition. Richard Marinaccio, the US Monopoly board game champion in 2009, expressed it thus: "The real object of Monopoly is to bankrupt your opponents as quickly as possible – to have just enough so that everybody else has nothing." The monopolist spends considerable energy and resources in the defence of a dominant market position that necessarily damages others' economic interests.

Whereas capitalism, as imagined by Adam Smith, is an economic system where moral constraints and market freedoms are interwoven, monopolists can be characterised as amoral economic opportunists whose overriding objective is to extract monopoly rent. The word "rent" is used here in the economic sense of an excess payment to the owner of an asset, over and above his reasonable costs, or to a worker, over and above the minimum amount for which she would offer her labour. Economic rent is sometimes described as unearned income but is perhaps better described as undeserved income.

Most of us have played Monopoly, the ubiquitous board game. Over 200 million copies have been sold and it is estimated that a billion people have played it. However, few appreciate its true and supremely ironic origins. It was conceived, not as a means of instructing the young in the harsh realities of the business world, but to demonstrate the iniquity of monopoly ownership. Charles Darrow patented the board game Monopoly in 1933 in the context of the Great Depression, but 30 years earlier, a Maryland actress named Lizzie Magie created a proto-Monopoly, called The Landlord's Game. She did this as a means of promoting the philosophy of Henry George, a nineteenth-century writer who had popularised the notion that no single person could claim to "own" land. In his book *Progress and Poverty* (1879), George called private land ownership an "erroneous and destructive principle" and argued that land should be held in common, with members of society acting collectively as "the general landlord."[1]

The chief entertainment of the Landlord's Game was the same as in Monopoly: competitors were to be saddled with debt and ultimately reduced to financial ruin, and only one person, the super-monopolist, would stand tall in the end. The players could, however, vote to do something not officially allowed in Monopoly: cooperate. Under this alternative rule set, they would pay land rent into a common pot rather than a property's title holder. The rent was effectively socialised so that, as Magie later wrote, "Prosperity is achieved."

The Landlord's Game, 1906
Photo: landordsgame.info

George, a believer to the end in Adam Smith, denounced the socialists and labour organisers who were his strongest supporters, and, as one critic wrote, came to lead single-tax supporters "of intolerably dogmatic and doctrinaire spirit." He refused to accept that unearned income might be gleaned from investments other than land, and thus he was accused of failing to confront the rising power of finance capitalism, which made money from the socially created value behind stocks and bonds. By the time of his death in 1897, when 100,000 New Yorkers lined up to view his body in state, George's "great idea" was already, as Tolstoy would lament in 1908, on the long road to being forgotten.

The pervasive influence of monopolies today

Monopoly is defined as the exclusive possession or control of the supply of or trade in a commodity or service. Broadly speaking, there are two types of monopoly – public (regal/state) monopoly and private (feudal/corporate) monopoly. A public monopoly is a form of coercive monopoly in which a government agency or corporation is the sole provider of a particular good or service, and competition is prohibited by law. Promin nt examples are issue of circulating currency (notes and coin), the armed forces, border control, the legal system and law enforcement. Government monopolies on postal services, public utilities (gas, power and water), telecommunications and railroads were typical before the advent of privatisation. In Canada, the government controls the health care industry and specifically prohibits competition.

There are also government-granted monopolies, where the government grants a monopoly to a private individual or company. In Finland, Iceland, Norway and Sweden, government-owned companies have monopolies for selling alcoholic beverages. Casinos and other institutions for gambling might also be monopolised. Governments often create or allow monopolies to exist and grant them patents. This restricts entry and allows the patent-holding firm to earn a monopoly profit from an invention for a limited period.

It is important to recognise that, alongside public monopolies, many other spheres of economic life are dominated by a very few private corporations. Some monopolies are multi-generation franchises that are self-perpetuating; others derive from business empires that have been painstakingly assembled and demand constant attention. Some are established by human energy, endowment, ingenuity and application; and others represent inherited economic privilege, such as the ownership of land, patents or financial investments.

Private monopolies can arise through the aggregation of market share through successive acquisitions, for example, or when an invention has such utility that its ownership has universal appeal. Monopolists commonly create barriers to entry and drive out competition in their industry or market. In a market served by many competitors, incentives to efficiency are great, but the monopolist is under no such pressure. A monopolist, instead of increasing goods' quantity and decreasing the price, finds it more profitable to use the same resources to produce related products. One example is the case of Microsoft which has used its technology base to create products that are interconnected and highly priced. The consumer is incentivised to purchase Microsoft products to ensure their compatibility.

Historically, most monopolies were land-based. Adam Smith described the monopolistic rent-seekers of his day, the landed gentry of England, as the great parasites in the capitalistic order

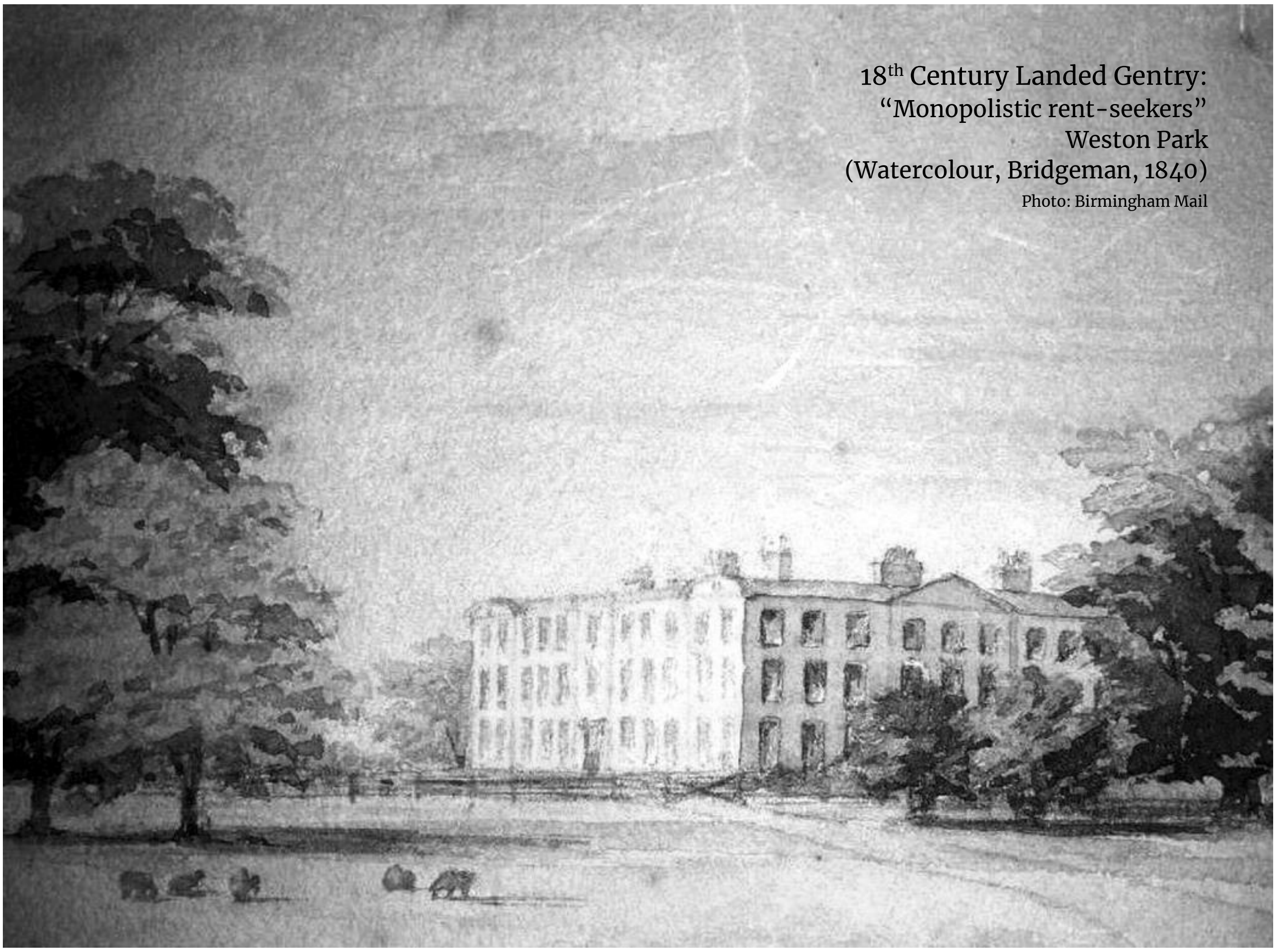
They avoided productive labour, innovated nothing, created nothing (as the land pre-existed) and extracted monopoly rent from tenants. During the industrial revolution, monopolistic attention shifted to steam-age technology. Today, while ownership of prime real estate is relatively dispersed, there are industrial and commercial monopolies, financial monopolies and technology monopolies.

In the US, four airlines dominate domestic air travel, often enjoying monopolies or duopolies in their regional hubs. Two corporations own the brands that account for 90 per cent of the beer that Americans drink. Five banks control over half of the nation's banking assets. More than three-quarters of households with high-speed internet access are serviced by a single provider. Many US states have health insurance markets where the top two insurers have a combined market share of over 80 per cent.

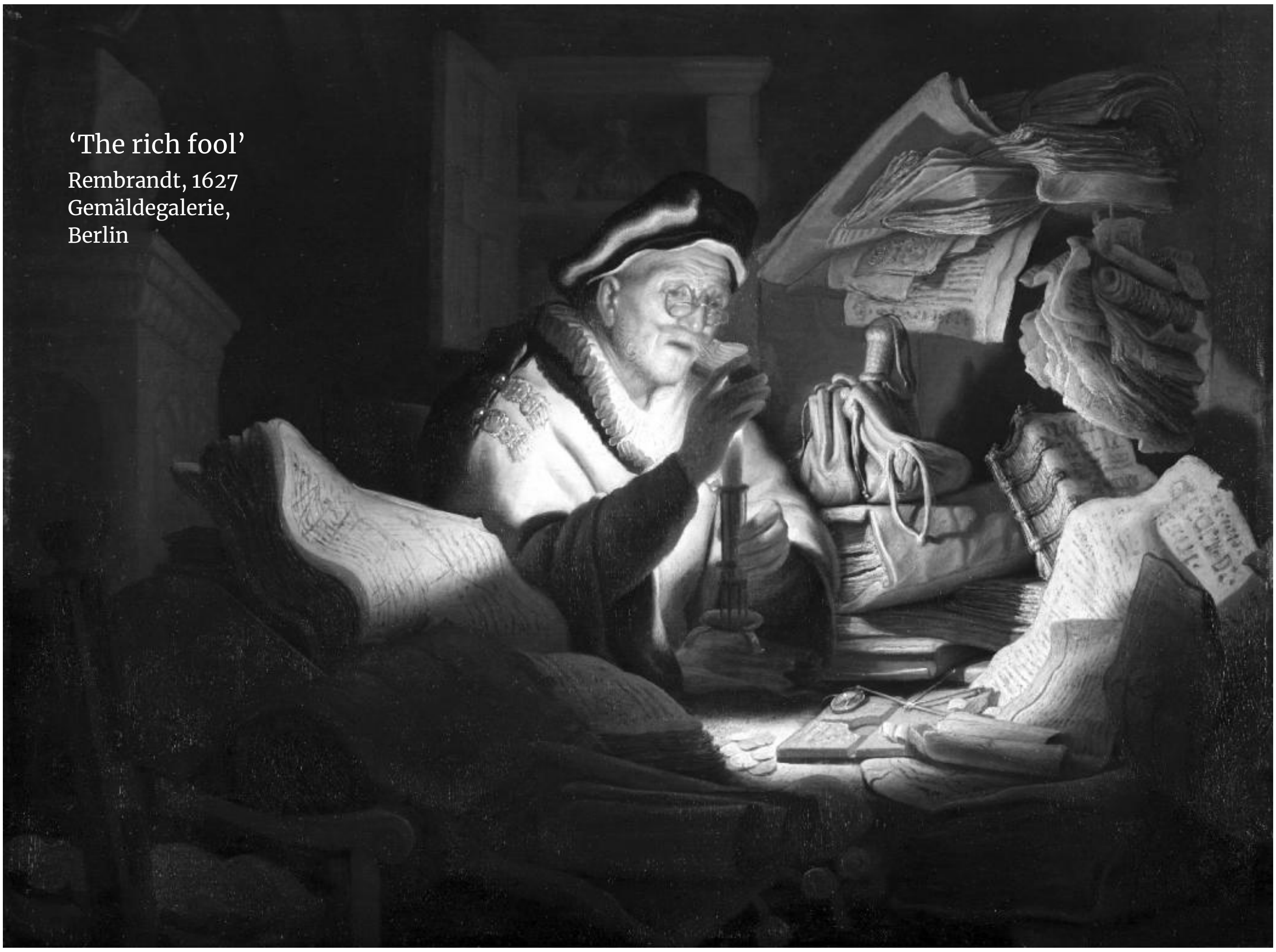
Matt Ridley, in a recent lecture for the Institute of Economic Affairs, notes: " … the evidence is strong that the kind of intellectual property regime, advocated and enforced by the US particularly, hampers innovation through the copying and improvement of existing technology. It also provides ample opportunities for rent-seeking in the shape of patent trolls who use patents simply as a means to raise income through vexatious lawsuits, and creates a class of IP renters who gain wealth and income not by innovation but through the monopoly they have been granted by the state."

Biblical perspectives on the concentration of economic power

Nehemiah 5:1-13 speaks of a great outcry in Jerusalem on account of a famine. Some were forced to mortgage their fields, vineyards and homes in order to borrow to buy grain. Others had sold their property and still others were forced to sell their children into slavery. And this was all taking place within the Jewish community. Nehemiah rebuked the nobles and officials: "You are exacting usury from your own countrymen! Let the exacting of usury stop! Give back to them immediately their fields, vineyards,



18th Century Landed Gentry:
"Monopolistic rent-seekers"
Weston Park
(Watercolour, Bridgeman, 1840)
Photo: Birmingham Mail



'The rich fool'
Rembrandt, 1627
Gemäldegalerie,
Berlin

olive groves and houses, and also the usury you are charging them – the hundredth part of the money, grain new wine and oil."

Luke 12:13-21 tells the admonitory story of the rich man whose land yielded an abundant harvest and who resolved to build bigger barns in which to store his surplus grain. His plan was to "take life easy; eat, drink and be merry" but God rebuked him for his presumption and its consequences: "this is how it will be with whoever stores up things for themselves but is not rich toward God".

In 2 Samuel 12, Nathan confronts David regarding his adultery with Bathsheba and proxy murder of Uriah by use of an allegory: the rich man with scores of sheep and cattle and the poor man with one little ewe lamb that "was like a daughter to him. Now a traveller came to the rich man, but he refrained from taking one of his own sheep or cattle to prepare a meal for his guest, but instead he took the ewe lamb from the poor man". David's indignation at the behaviour of the rich man is silenced by Nathan's pronouncement: "You are the man!"

These three passages illustrate the biblical prohibitions of exploitation, usury, greed and disregard for the poor that should guide our thinking about the unhealthy concentration of economic power and its limiting form, monopoly. The book of Nehemiah is a salutary reminder that such concentrations of power can arise even within societies that are nominally committed to high ethical standards. Do human societies have built-in monopolistic tendencies that must be restrained or are these the consequences of political choices that can be reversed?

In 2013, Thomas Piketty, to some a modern-day prophet, wrote a tome entitled *Capital in the Twenty-First Century* in which he warned against a return to the "patrimonial capitalism" that energised Karl Marx. Piketty argues that there are no natural forces pushing against the steady concentration of wealth in the mature economies of North America and Western Europe and that wealth taxes are the only effective remedy.

In 2019, Jonathan Tepper and Denise Hearn published an equally scathing analytical criticism of monopolistic capitalism. They catalogue, mainly in a US context, that "in many industries, monopolies are squeezing workers, choking suppliers, raising prices, stifling the economy, and capturing lawmakers and regulators. Left to their own devices, these companies will not reform themselves. They greet more regulation as a chance to erect further barriers around their industry. They welcome watchdogs and regulators as powerful, government-appointed allies. They shrug at the threat of antitrust laws, which they have hijacked through (the engagement of) economists and lawyers for hire.” In contrast to Piketty, the authors argue that this concentration of economic power is not the inevitable result of any natural force within capitalism, but of political decisions that are eminently reversible.

In western democracies, we use the term ‘mixed economy’ to convey the settled understanding or political consensus that private sector activities should be taxed in order to finance the public provision of services and opportunities to everyone and the redistribution of income to those who have need. Also that private monopolies should be regulated as a safeguard against economic exploitation. This arrangement can be made to work well within the confines of a nation state but offers limited scope to confront the ambitions of a global corporate monopolist. Successive US administrations have been loath to handicap its national champions. In recent years, it has been European regulators who have sought to hold US-based monopolists to account.

While there are countless books, tirades and demonstrations against global capitalism, this ire is more appropriately directed towards its expression as monopolistic (or oligopolistic) capitalism. Somewhere in the 1980s, the impetus behind competition (or anti-trust) policy was lost and the restraint of private monopolistic tendencies dissipated. Barry Lynn, founder of the *Open Markets Institute*, is a passionate advocate of the break-up of Big Tech and was effectively sacked from his role at the New America Foundation for publishing an article critical of Google, whose executive chairman turned out to be a major sponsor. The OMI publishes a weekly online newsletter titled *The Corner*, which is a valuable resource for those seeking to understand the contemporary issues and debates in relation to the abuse of monopoly power.

‘To act justly and to love mercy and to walk humbly with your God ‘

We stand in need of latterday Nehemiahs and Nathans who will name this abuse and call to account those who have skewed the global marketplace so emphatically in their favour. John Naughton surmises that the reason that some of the tech companies have had such an easy ride in the public imagination is that their founders were “young geeks in hoodies”, not opulent middle-aged executives such as John D Rockefeller and JP Morgan. Drawing the analogy with Standard Oil, Naughton concludes that we “now find ourselves faced with the same problem as faced the US in the early 1900s: how to bring these behemoths under democratic control.”

Having identified the prevalence of monopolistic tendencies in contemporary economic life, and the threats which they pose to social harmony and the common good, what should be our response? Micah 6:8 points us to the answer: “He has shown you, O mortal, what is good. And what does the Lord require of you? To act justly and to love mercy and to walk humbly with your God.” We are called to take our stand against economic injustices, large and small, to pray for, and work towards, the disintegration of strongholds of unrighteousness and to nourish relationships and structures that build up our common life. Above all, we must – to echo Justin Welby – “beware the reincarnation of an ancient evil” that was responsible for untold human misery and suffering in Victorian times.

References

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1. This section draws heavily on Christopher Ketcham’s article “Monopoly is Theft” in the October 2012 issue of Harper’s magazine.

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