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Free markets killed capitalism: Ayn Rand, Ronald Reagan, Wal-Mart, Amazon and the 1 percent's sick triumph over us all

Monopoly is back: Barry Lynn on the concentration of American economic power -- and how we can restore fairness

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Ayn Rand, Jeff Bezos, Ronald Reagan (Credit: AP/Reed Saxon/Salon)

Barry C. Lynn is a senior fellow at the New America Foundation and the author of two important books, “End of the Line” and ”Cornered,” the latter of which describes the dramatic return of monopoly to the American landscape. Both books had a big effect on me when they appeared, as did Lynn’s periodic articles in Harper’s Magazine describing the concentration of economic power in all sorts of different industries. One of the reasons his books startled me is the weird silence of virtually all our other popular economic writers on the subject. Monopoly is back, in a massive way, and yet it seems as though even liberals often have trouble talking about it. If we’re really going to do something about inequality, however, it’s time we looked this thing in the face.

Barry Lynn and I sat down and talked it over last week. What follows is an edited transcript of our conversation.

Monopoly: It sounds like a very old-fashioned problem. It sounds like an economic issue from the 19th century. Is it still a problem today?

Yes, absolutely, a huge problem. The American economy is more concentrated today than it’s been in more than a century, since the days of the plutocrats. Pretty much every sector of the economy is dominated by a few Goliaths, sometimes a single dominant corporation. And this poses immense economic and political dangers, to growth and the quality of our jobs, and to our democracy itself.

But to really understand what this means, let’s start at the very beginning. It was a huge problem a century ago. That was the plutocratic era. You had a guy named JP Morgan who pretty much ran Wall Street and pretty much determined who did what in this country and where they did it, who made steel and who didn’t make steel.

How’d he do that? If he controls Wall Street, how does he …

Because he determined who got credit and who didn’t. There was a cartel of bankers, and it was under JP Morgan’s control, and that’s one of the things they found out in the 1907 crash. It wasn’t anyone in the government that saved the world from that crash, it was JP Morgan sittin’ there in the middle of things and …

So he’s a hero then.

[Laughter]

Well, at the time, he was the central banker of the country. Then along came Teddy Roosevelt. The first company he went after with an antitrust case was Northern Securities, and his aim was precisely to take on JP Morgan.

Northern Securities? What is that?

Northern Securities was a trust that ran railroads in the west and northwest. A lot of people saw it as a predatory monopoly, and JP Morgan was at the center of the company. Teddy Roosevelt, who had recently taken office, wanted to show who was boss. So he kinda reached out and knocked that crown off of JP Morgan.

But the law goes back farther, right? The Sherman Antitrust Act was when?

The Sherman Antitrust Act was 1890. I've actually been reading the speech that Senator John Sherman gave in support of that act. And it is very clear that the fear that drove Sherman had nothing to do with higher prices, very little to do with the interest of consumers. The fear of monopoly, back in 1890, was mainly a fear that someone else would block me from doing my business. Say I wanted to be a farmer, and someone with a lot of money and a big corporation came along and said, well, I actually happen to control farming in this county or this state, so therefore, you only get to farm if I give you approval and you pay me tribute.

So it's a fear of power rather than a worry about consumer prices.

Yeah, in American history the fear of monopoly is a fear of concentrated power. Citizens believed they had a right, a liberty, to engage in whatever industry they wanted, whatever business, whatever job, and they didn't want anyone stopping them.

OK.

Which means, if I'm a carpenter, I have a right to use my skills as a carpenter. If I make beer, I have a right to use my skills making beer as I alone see fit. I don't have a right to force anyone to buy my beer. I merely have a right to go out and compete in an open market against other people making beer, without interference by any giant corporation that had captured control over the market for beer. Senator Sherman spoke a lot about what he called "industrial liberty." Louis Brandeis, the activist lawyer who was named to Supreme Court, used that same language of industrial liberty. What industrial liberty meant is the right to engage in whatever industrial activity that you wanted to engage in freely, without someone coming along and using a giant corporation to prevent you from doing so.

OK. So what are some famous examples of monopolies back then and what happened to them?

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The most famous monopolies of that era were John D. Rockefeller's Standard Oil and Andrew Carnegie's steel company. Both of which, like most of the early monopolies, were leveraged off railroads, which were the great new technology of that era. Railways were sort of the Internet of the 19th century, and like the Internet they allowed people to concentrate power in entirely new ways.

And railroads were a natural monopoly too, right?

Yeah, if you were laying rail between say, New York and Chicago, it was very expensive. So to have two different competing lines running between New York and Chicago didn't necessarily make sense from a social point of view, certainly not initially, when there was very little steel rail in the country. So, railroading was widely viewed as a "natural" monopoly. The problems arose when the powers in that monopoly were left unregulated, and powerful people like Rockefeller and Carnegie used those natural monopolies to capture control of other businesses that had to ride the railway to get to the market.

And that was legal?

Until Sherman's antimonopoly law in 1890, it was not illegal at the federal level. It was generally illegal at the state level, but the states lacked the power to control the biggest of the corporations, the ones that operated in multiple states. But anti-monopoly action in America really goes all the back to the Tea Party.

What? Oh, you mean the Boston Tea Party.

Yeah, the Boston Tea Party. Everyone nowadays says it was a rebellion against taxation. But if you go back and read the actual writings of that moment, it was a very clearly a rebellion against the British East India company. Americans were terrified of the British East India Company.

Because it was a monopoly. They controlled the tea traffic.

And people were afraid that they would leverage that monopoly to take over all kinds of other commerce here in America.

I wrote about that in the Wall Street Journal when our modern-day Tea Party movement was getting going, and pointed this out. But the response I would hear was that the British East India Company was a government monopoly, that it had been granted by the state—which is true enough. And so the argument then is that, since monopolies are created by government, so we don't have to worry about the private sector, if we just hack down government, then we won't have a problem.

Yeah, if you hack down government, then you'll have government re-emerge, only the new government will be privately run.

What do you mean?

Well, let's look at the corporation Amazon. Amazon now essentially governs business within the book industry. Amazon has so much power that it virtually gets to tell really big companies like Hachette, the French publisher, what to do. You're gonna sell this book at this price. You're gonna sell that book at that price. That means Amazon pretty much has the power to determine how many copies of a book a publisher might sell. That's not citizens trading with one another in an open market setting those prices, that's a giant corporation setting those prices. Which means what we are witnessing in the U.S. book industry, I think, is a form of top-down government.

. . . Then a corporation becomes government.

Yeah. Think about the word "corporation." Harvard is a corporation. The city of Miami is a corporation. Alcoa is a corporation. All three of these institutions are designed to govern people and property. Each of these institutions has an internal constitution that determines how it is governed. All three of these institutions are also, to some extent, governed externally, such as by the need to compete. Miami has to compete with other cities. Harvard has to compete with other universities. But what happens when Alcoa captures complete control over, say, the manufacture of aluminum, as was actually the case until 1945? It then, in essence, has captured the power to govern that entire human activity, and all the people who work in that activity. It decides how much aluminum will be manufactured each year. It decides what aluminum engineers will earn each year. It decides how many aluminum engineers will have jobs. That's private government.

Go back. Are you telling me that you can have monopolies even if the Federal government doesn't grant monopolies?

Yeah. Monopolies can easily be created by the actions of capitalists – who can capitalize a particular corporation then use that corporation to buy up or bankrupt most or all of its competitors. And to be clear, I am using the term 'monopoly' in the same way Milton Friedman used it – which is that if a company consolidates sufficient power to "determine significantly the terms on which" a particular business is done, then it's a monopoly.

And you're saying it happens all the time.

It happens all the time. Today, we have all sorts of monopolies and near monopolies in the United States. Many are created simply by one company purchasing all their competitors. Some years back a company named Tyco decided to take over the business of making plastic clothes hangers. It went out and bought at least four companies, and that gave it the power to jack up prices to clothing retailers. That's the pattern in pretty much every industrial activity in America.,

Wow. Going back to the history thing. So at some point, Americans said, 'No more.' And reacted against this.

Yeah, Americans have done this a few times. Americans did it in 1773. America was born out of a rebellion against monopoly. The next great fight was during the presidency of Andrew Jackson, who led the fight against an effort to create a private central bank in America.

This was the Second Bank of the United States, right? So there's that and then there's the late nineteenth century, when it all happened again.

Americans did a pretty good job of protecting themselves against concentrated corporate power, corporate governance through the first half of the 19th century. But what then happened was that the railroads and the telegraph came along. And these technologies destroyed the traditional distance that had always separated one regional market from another. Up to that point, one of the main factors that had helped to protect people against monopoly was that you couldn't send information or goods very far, very fast. This meant you could only control the supply of something within the local community. Which in turn meant that our state laws were usually sufficient to protect us against monopoly. But the railroad and the telegraph allowed the capitalists to escape the control of our state governments and to project power over great distances. For a little while, the railroad corporations themselves became the most powerful enterprises in America. But then a few people figured out how to leverage the railroad monopolies to make something even bigger, like Standard Oil. Rockefeller's greatest skill was in leveraging the railroad monopolies to make his company more powerful.

The other day, I got off the shelf a book called "Wealth Against Commonwealth," which is about that very chapter where Rockefeller convinced the railroads to give him favorable rates and basically put everybody else in the oil industry out of business.

Yeah, and that's exactly when Americans began to federalize our antimonopoly laws. The Interstate Commerce Act of 1887 was the first effort to federalize anti-monopoly law. It was designed specifically to regulate the power that comes from controlling a monopoly. The Act is all about creating open and transparent and fair pricing, so that everyone who rides the railway gets the same treatment. The basic goal was that everyone gets to ride the railroad on equal terms – no matter how poor you are, no matter what party you belong to.

So it's the common carrier idea?

The common carrier idea, that's right.

Ayn Rand talks a little about that in "Atlas Shrugged."

What does she say?

She doesn't like it.

She doesn't like it!

Yeah. It's one of the weakling liberal ideas that her bad guys believe in, they think they have a right to transportation.

I'd never heard that before.

Everybody talks about "Atlas Shrugged," nobody pays close attention to it. But what happened in our monopoly story?

So the plutocrats came back. The lords came back. We had escaped the lords in 1776. And then for most of the next 85 years we had ourselves a nice, little democracy—or at least, the white men in America had a nice, little democracy. But after the Civil War, the lords came back. Capitalists used the railroads in ways that empowered them to reconstitute their power. The big difference is that the new lords were not so much lords of the landed estates as they were lords of industry. A man named Barber was the lord of wooden matches in this country. A man named Havemeyer was the lord of refined sugar. John D. Rockefeller was the lord of kerosene and oil. And we would pay tribute to these men who had captured control over these industries.

But it wasn't merely a matter of higher prices. These men also had direct control over all the people who worked in these industries. If your special skill was knowing how to refine sugar, Havemeyer's monopoly really limited your career opportunities. There was no open market for your labor. So I don't use the word "lord" just for effect. In the plutocratic era, Americans really found themselves back in a semi-feudal society. It was a very direct kind of personal control that was often exercised. If there was a lord of that industry, you really could not challenge that person because your career could be crushed in a moment. It's a little like that in Silicon Valley today, as we saw when the Feds discovered the labor agreement Steve Jobs created to control the salaries and futures of all the little tech dudes. And yet, the American people did rise up. We saw a whole series of rebellions. You had the Grangers, the Populists. And then anti-monopolism sort of became institutionalized in the Democratic Party during the days of William Jennings Bryan. But the culminating moment was the election of 1912.

That's Teddy Roosevelt, Woodrow Wilson, and William Howard Taft, right? There was a little Debs on the side.

Right. There was a little Debs on the side. A dab of Debs. If you want to understand political economics in America, study that one election. Because that's the point where you clearly see the three main ideas that still sort of dominate how we think about political economics in America today.

Yeah, tell us what they are.

Well first was the idea that private feudalism is okay.

Who said that, Taft?

That would be Taft. The Republican Party's message was pretty straightforward. It was, to paraphrase, "Just let us take care of business for you. We're wise, we're expert in it—"

We're efficient in it.

We're efficient, exactly. Their basic message was, don't sweat it, don't worry your little heads about these complex things. We'll take care of you because we're good lords who will protect you from foreign threats, like the Germans, you know. So that was one approach. The second idea was that of the Progressives. That idea was put forth by former president Teddy Roosevelt with his Bull Moose Party. Teddy Roosevelt's basic stance in 1912 was to acknowledge that the capitalists had concentrated control over entire industries, they had created a feudal system to govern the production of oil, or the production of matches, or the production of sugar. What we needed to do, he thought, was make sure that system works for the public benefit, and to do that we had to impose our public government on top of their private government. So we will hire a bunch of experts, a bunch of engineers and scientists to run this new system so that it always works for the public benefit. Rather than let the feudal lords determine how much oil and sugar is produced, and what they cost, and how much the workers get paid, we'll have government experts do all that instead.

So the idea was not to dismantle the monopolies but to take them over.

Take them over and manage them directly. Regulate them.

We did that to a great degree—the railroads, right? We have regulated systems all over the place. The airlines were regulated.

I mean, railroads like you said, were a natural monopoly. But Teddy Roosevelt was promoting this sort of government regulation for all sorts of products that were not a natural monopoly, like steel. There's no reason that a country our size should have only one steel company, like U.S. Steel. But the basic idea of Teddy Roosevelt and the other high progressives was that having one steel company is much more efficient. That the big political challenge was simply to make sure the gains from that efficiency were fairly shared with the public.

The third idea in 1912 was the old Jeffersonian approach, the old Madisonian approach, which was given voice by Woodrow Wilson. And at Wilson's right hand was a guy named Louis Brandeis, the future Supreme Court justice, who helped Wilson write many of the speeches he gave in 1912. And the basic take of Wilson and Brandeis, like Jefferson a century before, was that all concentrated power is dangerous. Power overly concentrated in public government is dangerous. And power concentrated in private corporate government is even more dangerous. So we should reject the ideas both of Taft and of Teddy Roosevelt. What we want to do, to the best of our ability, is use our public government mainly to ensure the safe distribution of private power. The basic idea was that if you distribute private corporate power widely enough, then people will compete among themselves in ways that are good for both our democracy and our economy.

Did Wilson proceed to do this?

One of the first things his administration did was fix the many flaws of the original Sherman Antitrust Act by passing the Clayton Act. The second thing they did was put the public fully in control of the money supply. A lot of people have problems with the Federal Reserve, and there's a lot of reasons to have problems with the Federal Reserve. But the Federal Reserve we have today is better than having JP Morgan run the money supply, or Jamie Dimon.

Wilson also acted to ensure that farms were not taken over by giant combines, that small businesses, small stores were not taken over by giant chains like Woolworths.

Wilson and Brandeis, like the New Dealers twenty years later, took three basic approaches to antimonopoly policy, which were: If you had a natural monopoly, railroads, telephony, your business would be regulated for the public good. If you ran a big industrial firm like U.S. Steel, the goal was to provide you with as much competition as possible, but not break up your business into inefficient bits. The goal was not to create a whole bunch of backyard steel furnaces, but to create some kind of real competition for U.S. Steel. Third, there are areas where you don't need efficiency, or where efficiency is much harder to measure. This includes activities like farming and retail. The idea here was to try to keep the market as open as possible, and ownership as local as possible. Practically, this meant using the law to protect against the use by capital of the chain store and the combine to roll over the small business person and the small farmer.

But then, this revolution, this second American revolution against concentrated power, was stopped in its tracks about 16 months in by the outbreak of the First World War in Europe. The First World War was a shock of the first magnitude. I mean, they had to shut Wall Street for more than a year.

They did? In 1914?

Yeah. So the Wilson administration's ability to enact major domestic reforms was pretty much put on hold.

When Franklin Roosevelt was president, they went both directions. At first they tried forming gigantic coalitions of companies and controlling them, in the National Recovery Administration period. And that was ruled Yeah, by the Supreme Court, which by then included Brandeis. At first FDR's team was dominated by people who basically wanted to follow the old Teddy Roosevelt idea, of using the public government to regulate private monopolies. But in practice that didn't work very well. And then the Court said this is not the way America works; we distribute power rather than concentrate it. So after a short period of confusion FDR reversed course and said, lets try the anti-monopoly route. Let's do the exact opposite thing.

So they went back to what Wilson had started in 1913 and picked up that antimonopoly revolution right where it'd been cut short by World War I. And one of the key guys they hired was a lawyer named Thurmond Arnold, who was put in charge of applying antitrust law to big industry. But they also used other forms of antimonopoly law to go against the chain stores and to take on the banking system and the power concentrated in Wall Street. One of the main goals of the New Dealers was to ensure that most banks were located in the state where they did business, even the community where they did business.

Oh yes, that was an interesting chapter. In fact, that was also their bailout strategy. Instead of bailing out the banking system from the top down, like we just finished doing, they built a new system, almost, from the bottom up.

This period of the New Deal saw the completion of the second American Revolution, which had been started by Wilson and Brandeis in 1912 and 1913. The torch was then carried on by Truman, and carried on by Eisenhower, who, though he may have been a Republican was also a small-town boy, a populist . . .

From Kansas.

I wouldn't call JFK necessarily part of the populist American tradition, but certainly Lyndon Johnson was. And Nixon didn't stop it…

So were they still vigorously enforcing antitrust when Nixon was president?

Right through Nixon.

But you also had these enormous conglomerate companies then. You remember ITT.

Yes, what happened is there was this loophole in antitrust. The basic rule was that we're going to limit you to running no more than, say, a third of the aluminum business, but no more.

So they had a cutoff?

Yeah, they generally aimed to have at least three or four companies sharing any important industrial activity. But the loophole was that they did not stop these same companies from investing in unrelated businesses. So when a big industrial corporation made extra profits, they were allowed to invest those profits pretty much as they saw fit. So you ended up with a company like RCA, which made televisions, also in the frozen food business for a while, and the rental car business for a while. These conglomerates weren't necessarily that efficient, but they weren't monopolies either.

Let me give you an interesting example from that era. Do you remember André Schiffrin?

Yes.

He was a famous book editor, he was at Pantheon and later the New Press. He wrote several books about the publishing industry, and in one of them, he tells the story of the merger of Random House and Alfred A. Knopf in 1960. The day after the merger is announced the attorney general called, very concerned about it. But those two companies combined were only 1 percent of the market. And you look today, the entire publishing industry is basically controlled by a handful of companies, and no attorney general gives a damn.

I've seen similar cases from the mid-sixties in the beer business. The Supreme Court forced Pabst to unwind a merger with Blatz because their combined market share would have been 4.49 percent.

That was blocked?

Yep.

Okay. How does that industry look now?

Well, now there's two foreign companies, Anheuser-Busch InBev, which is controlled out of Brazil, and MillerCoors, which is controlled out of London. And those companies control about 80% of the US market. And until recently they controlled about 90% of the market.

Jesus Christ. What happened? How did we go from being worried when someone was going to control 4.49 percent of the market, to now we don't care when two companies control 80 percent of the market? What the hell happened?

Well, legally what happened was that in the early days of the Reagan Administration, one of their very first actions was to say, hey, these anti-monopoly laws and antitrust laws that you use to make markets, and create competition, and spread out opportunity, and insure industrial liberty, and, protect our democratic institutions—all these many laws that make up our competition policy, wouldn't it be better if we take all of these laws and simplify them, so we aim at one outcome only, efficiency? Because if we are able to make our economy more efficient, we'd be able to produce more stuff for you, the consumer. Won't that be a swell world to live in, with more stuff for you, the consumer?

So all of a sudden it's all about the consumer. All the stuff you're saying about industrial liberty and freedom from bigness, private governance, whatever,

industrial feudalism, all that's gone and it's about the consumer and prices?

All that's gone, all the traditional concern with protecting our rights as producers of work and ideas and goods, and suddenly it's all about the consumer, it's all about, how do we promote your welfare as a consumer? And that's actually the phrase they use, the "consumer welfare test." So nowadays, what this means in practice is that if you are a big capitalist, if you go to the Justice Department and say, I'm gonna merge the number one beer company to the number two beer company, or the number one steel company to the number two steel company, and this deal will result in all sorts of big savings, because this deal will let me fire all these excess people and close all these excess plants, and I'm going to pass at least some of those savings on to the consumer, put a few pennies in their pocket, then you get a stamp of approval from the U.S. government. That's the test put in place in '81 and '82. And that's the test still in place today. I mean, the Department of Justice just last year let the number one book publisher in America, Random House, merge with the No. 2 book publisher, Penguin. Which is insane.

I was politically literate in the early '80s, and was reading newspapers, and I don't remember any debate about this at all.

There was a big debate in 1981, which I've gone back and studied. Much of the debate took place within the Senate. Howard Metzenbaum led the challenge to it. The Reagan people came in and said, we're going to impose this radical change to your antitrust laws which you've been using since 1773 to protect yourselves against concentrated power. . .

Wait, so they worked this huge change in antitrust without actually getting a new law passed, am I right?

Yes, that was what was so brilliant about what they did. The Department of Justice establishes guidelines that detail how regulators plan to interpret certain types of laws. So the Reagan people did not aim to change the antimonopoly laws themselves, because that would have sparked a real uproar. Instead they said they planned merely to change the guidelines that determine how the regulators and judiciary are supposed to interpret the law.

But they didn't change the laws, the laws were still on the books, is what you're telling me.

Yes. Here we have laws that go back 200 years in America, and 400 years to Elizabethan times, and 800 goddamn years to the Magna Carta, and the Reagan people came along and said hey, ya know what, we're so much smarter nowadays, we're technocrats, we're scientists, so let's take these laws and enforce them in a slightly different way, based on this slightly different goal, this scientifically determined goal of efficiency, and you're going to be so much happier because we're going to help you live better as a consumer, we're going to get you so much more stuff. When they said that, there was some real opposition from both Democrats and Republicans. Metzenbaum was against it. Arlen Specter was against it.

Not much of a Republican.

Well, back then he was a pretty mainstream Republican.

Okay.

So Metzenbaum and Specter were like, what the hell is going on here, this is a big problem, you people in the Reagan Administration can't just gut our antimonopoly laws like this. But then another group of people came along and said, well no, these radical changes in antimonopoly law are actually a good idea. And this really confused matters, because some of the people who agreed with the Reagan Administration stood on the left wing of the Democratic Party. They were, in essence, the grandchildren of the old Teddy Roosevelt Progressives – people like John Kenneth Galbraith and Lester Thurow.

So wait, they want regulation-

What Galbraith and Thurow wanted was to get rid of competition, which they thought was inefficient and wasteful.

To say a word for my leftists: That can make sense if the giant companies they're talking about are regulated, right?

Depends what sort of regulation you're talking about. As Brandeis used to say, competition is often the best regulator. Top-down regulation by government "experts," on the other hand, can tend toward sclerosis and corruption, the blending of state and private power.

What's most important to understand about the radical reframing of antimonopoly law by the Reagan people in cahoots with the Progressives is just how massive a political shift it set into motion in America. In 1978 Robert Bork published a book called The Antitrust Paradox, which became sort of a primer for the Reagan people. Bork argued that monopoly could be more efficient, and efficiency in the name of the welfare of the consumer should be our primary goal. Back when Bork wrote that, there were tens of thousands of families who ran grocery stores in America and hardware stores and garages and general merchandise stores, and that was because the law protected them from concentrated capital. Jump ahead 32 years and we've got a single company, Wal-Mart, that is the de facto governor of commerce in many small towns and even small cities all across America. Wal-mart has sucked Main Street right inside their walls. And that has huge political and economic effects. Wealth from these communities flows off to distant places, Bentonville, Wall Street. And power over these communities is exercised from distant places, like Bentonville, and Wall Street. But we see the effects also at a national level. Here you have one family with as much wealth as the bottom 41.5 percent of all Americans. One family with as much wealth as 130 million Americans.

But they do sell stuff cheaper.

Do they?

David Brooks writes about this all the time.

They don't always sell stuff cheaper. That's the thing about old, decrepit systems, and Wal-mart is increasingly an old, decrepit system. They have stock-outs all the time. They've got empty shelves sometimes. They sometimes don't have enough people in the stores to stock the shelves. My friend Tracie McMillan went and worked in a Wal-Mart in Michigan in their produce department. She then wrote a book about her experience, and one of the things she details is the remarkable wastefulness of the Wal-Mart system.

That's cool. Those small towns will generate competitors then and put Wal-Mart out of business, right? *laughs*

laughs Yeah, well. So it was a political revolution that happened.

Here we are having all of these discussions in America about inequality. Inequality in wealth. Inequality in voice. And yet no one's looking at one of the main sources of that inequality, which was the overthrow of antitrust in 1981 by the Reagan Administration.

This is the fascinating thing. Look where we are today. There are monopolies everywhere in American life now. Well, monopolies or oligopolies. You mentioned beer. You mentioned retail.

It's not all that hard to manufacture eyeglasses. But there's a single company, Luxottica, an Italian company, that controls most of the business in America. You go shopping for eyeglasses. You go to a place called Lenscrafters. You go to a place called Sunglass Hut.

You go to a place called Pearle Vision. You go to Target Optical. You go to Sears Optical. You go to Macy's Optical. You're comparing quality, comparing prices, imagining you live in an open and competitive market. And yet all of these stores and most of the product in them are controlled by Luxottica.

I wear glasses. The selection that's available in the eyeglass market drives me crazy. It's like there are only one or two styles and then little variations on them.

You have Donna Karan and Brooks Brothers and Ray-Ban and Oakley and they're all put out by Luxottica. And the other thing about Luxottica is they're both a retailer and a manufacturer. Even when you go to these fancy boutique stores you're mainly dealing with Luxottica. A large proportion of the products on those shelves are also made by Luxottica. And now they are also integrating into medical services, and insurance, into other aspects of the eye care environment.

Okay, give me some other examples.

Toothpaste, there's really just two companies. You stand there and you look at all the different products…

That's right. All the Colgate products. All the Crest products.

Yeah. It's just Colgate and Crest. And there's this practice called category management where a retailer like Wal-Mart basically outsources the task of stocking shelves and setting prices to one company, say Colgate, which then sets prices for both.

I didn't know that.

This is America in 2014. We have a simulacrum of competition, but there's often no real competition at all. In toothpaste, it's an overt duopoly.

Another.

Milk. There are parts of the country [where] you'll go to the milk aisle and every one of those bottles of milk will be coming out of one plant. They have different labels on them. They have different prices. Some of them say organic. Yet it's all coming from the same place.

Okay. This is disturbing. So when I was writing "What's the Matter with Kansas?," farmers were complaining about this all the time. They feel that they are uniquely in the jaws of monopoly because there's only going to be one or two people buying their grain or buying their hogs or whatever it is. Maybe three at the most.

Not any more. If you're in the business of growing chickens in this country, you mainly just sell to one company.

Tyson is the biggest one, right?

Tyson's or Pilgrim's Pride or a few others. There are still a few companies. But it's not like the individual farmer can simply pick up his business and move it from one company to the next. You are always free to quit the business, of course. But for many of these farmers, that means walking away with nothing, as a complete bankrupt. The economists have actually come up with a name for this kind of relationship; they call it the "tournament" system. That's when you have a single buyer and that buyer sort of pits the people who depend on the company to process their product against each other. In an open market, maybe the price of chicken is a buck a pound. If you have 200 different farmers all selling chicken into this open market, they all make more or less a buck a pound, with some differentials based on quality. In the tournament system, these same 200 families all have to sell into one processing plant. And whoever owns the plant gets to set pretty much whatever price it wants, for each farmer. And that price can vary hugely.

So some people get paid more and some people less for the same thing? They can do this?

Yes, they do it all across America. My friend Chris Leonard just wrote a book about the tournament system. It's called the *Meat Racket*. I've also written about the tournament system. The key thing we have to understand is that the processor-farmer relationship has nothing to do with any sort of market system. It is a relationship based entirely on arbitrary power. The company may say it is pitting these farmers against one another in some sort of carefully engineered competition designed to increase efficiency. But there is absolutely no regulation of the quality of the feed provided the farmers. And there is no regulation of the quality of the chicks. And there is no auditing whatsoever of the measurement of the final weight.

It's arbitrary. So these guys have all the power…

Yes, the foreman of the processing plant basically gets to determine whether a particular farm lives or dies. Whether a particular farmer gets to pay off his bank note or not. As one of my farmer friends says, "It's a kiss-ass economy." Which means if you kiss the foreman's ass they might let you live. And if you stand up to them, they will crush you. And they can do it at will. This is America in the year 2014.

There is just a huge gaping question here which is this: the people who have done this, who have built this system, they always use a certain phrase. You know what it is: "free markets." There's a religion of the free market among the very people you're describing. We've both written about this, we've documented this ideological obsession among these sort of Reagan conservatives. What you're describing is not a free market in the least.

There is no market here whatsoever. Any real market is open. Prices are transparent. You can enter it or exit a real market at will. You can compare contracts. So the free market ideology basically leaves us free of markets. The free market ideology is the fastest way to complete concentration of power.

So the free market ideology has killed markets?

The free market ideology has killed markets.

[long pause]

There's a million things I want to ask here. Like, the Tea Party movement. These are small business people. Why aren't they demanding antitrust enforcement? Their leaders, it seems to me, hate the idea of antitrust enforcement.

Rank-and-file Tea Partiers don't necessarily hate antitrust. Libertarians hate antitrust.

Yes!

Cato—

That's who these people are! That's who has booths at their conventions. They think antitrust is an imposition.

Well, libertarians—groups like the Cato Institute, the Libertarian Party as a whole—they're fronts, they're the vanguard for the feudalists, for the autocrats. The rank-and-file Tea Party folk, a lot of them I think instinctually understand that you want to have competition. And they actually understand that you have to regulate the system to get competition. Anyone who's actually engaged in business knows that all systems are regulated, anyone who's engaged in real business goes down to City Hall and they know that you make markets by going and getting rules made and unmade at City Hall.

When I wrote about the Tea Party movement, I said, if Democrats are looking

around for something from their own tradition that might defuse the Tea Party—actually there's no evidence that they *were* looking around for a way to defuse the Tea Party movement. *Had* they been looking around for a way to defuse the Tea Party movement, this issue seemed like an obvious thing to me. Start talking about antitrust. Because these Tea Party guys are small business people, like you said; they're very worried about the power of bigness—why not throw it out there? If you're Barack Obama, why not do it? You'd stop this movement in its tracks. You might even win some of them over.

When it comes to the political economy, both parties are run by the same people.

So we've finally come to the biggest duopoly of them all. This is not like Procter & Gamble vs. Unilever or something.

They tell us we're members of the blue team, or members of the red team, and that these colors really matter. But when it comes to political economy, when it comes to issues of actual distribution of power, both the blue party and the red party do pretty much exactly the same. One of the more disappointing aspects of President Obama is that, as a candidate, he was great on antitrust. One of the reasons Barack Obama is president is because he went to Iowa as a candidate and said he was going to fix antitrust, and take on the giant agro-industrial companies. That's one of the main reasons he beat Hillary in the Iowa caucus in early '08.

That's great.

If you were in Iowa, it was like, "Gee, this guy is for real."

Well, what happened?

Well, he won Iowa!

I know, but did he fix it?

Well, after he won Iowa and leveraged that into winning the presidency, he actually—I will give President Obama credit on this, he tried. For one year, he tried. In 2010, Christine Varney, who was his antitrust enforcer, and Eric Holder, who is his Attorney General, and Tom Vilsack, his Secretary of Agriculture, they held five hearings around the country, in which they gathered evidence of abuse by giant companies, and made promises to farmers that they would fix the agriculture markets in the United States.

That's fantastic. And what happened?

Well… The powers made clear that this was not acceptable.

Come on, what do you mean by that? You mean, he didn't follow through, he didn't do it.

He didn't do it. After the Democrats got clobbered in the 2010 midterms, the White House entirely abandoned the effort.

Okay but, this might have been the thing that could have saved their ass, if they had played it right, is what I'm thinking, if they had really made a big deal out of it.

Well yes, but I'm really not sure how comfortable they were with the idea of antimonopoly in the first place. In almost every other sector of the political economy, they never did a thing ever to stop concentration. If anything, as in banking, they have simply sped it along. I mean, when they walked into office, they had the perfect bad merger to reject, the merger of Ticketmaster and Live Nation. Here we had two companies that people really disliked, and yet the Obama team gave the deal an easy pass.

This is the most maddening thing about the two-party system, is now we're in this

situation where, there's this weird dynamic for the last couple decades now where the Republicans are driving, driving, driving farther to the right, and Democrats, liberals, who are the bearers of the tradition you're talking about, are afraid to take a stand on anything for fear that if they make any wrong step these right-wingers will get in. And you've basically got a two party system that everyone can see is broken. How do we ditch *this* monopoly?

Well, part of the reason that liberals have such a hard time is that we still share a party with real corporatists, people whose basic thinking about economics traces back to Teddy Roosevelt Progressivism rather than Brandeisian or Jeffersonian democracy. We've got a lot of old-fashioned "small d" democrats, "small r" republicans in our party, people who believe in community based democracy and industrial liberty. That's probably the great bulk of us, probably 90% of the members of the Democratic party believe in a Jeffersonian, Wilsonian, Brandeisian political economics. And that's probably true for the majority of Republicans too. But then in our party you have this overlay of the old-fashioned Progressives, of people who still really believe that the main thing we should aim at is efficiency, and these people wield real power in the party. And then in the Republican Party you've got a leadership controlled by a weird amalgam of straight up feudalists and insane libertarians, who live entirely in a realm of theory and myth, and who also say that the main thing we should aim at is efficiency.

Okay, this is the last point: What are the costs? What are the consequences of this, other than just that it's an oppressive system and it sucks to live in a small town where Wal-Mart is the only retailer, and it sucks to be a farmer who's having your livelihood crushed. What are the costs?

The costs are the end of democracy, the costs are the end of liberty. The real issue with Wal-Mart is not that it sucks to live in a small town, it's that the Walton family now controls as much wealth as 41.5 percent of all Americans. One family with as much wealth as 130 million Americans. Now, who's gonna get listened to when they show up on Capitol Hill? Or in the State House? Or the Town Hall? Is it Mrs. Smith? Or is it going to be the Walton family?

Of course.

And all this accumulation continues still. This accumulation of wealth and power is getting worse and worse and worse. So, the cost is the loss of our democracy and the loss of our liberties. This was the basic truth that previous generations of Americans understood. That's why they rebelled.

These days we talk about inequality, which is, from my point of view, a technical term and I prefer the kind of red-meat terms that you're using right now, but inequality, nobody talks about monopoly when they discuss inequality. I mean you go look at your Thomas Piketty and it's not there.

No.

Good book by the way, but he also ignores organized labor, there are all of these aspects to the problem that are just not discussed.

Yes, in many ways today we have greater concentration of wealth than we had during the days of the plutocrats, and yet there has been almost no discussion at all of the overthrow of our antimonopoly laws in the early days of Reagan. Joe Stiglitz is one of the only guys who's connecting the end of antimonopoly law to inequality, to concentration. Other than Joe Stiglitz, there's our unit at New America, and that's about it. You saw the piece we just published in Washington Post. That was really the first article to make this link between inequality and monopoly.

It seems like a connection that's natural, that's obvious even. If you let these

companies have this kind of power and control this kind of market share, and in fact, control the markets, of course this is going to happen, right?

Yes, it's natural. It's so natural that Sen. John S herman made that point exactly in his speech in 1890 promoting his new antitrust law. Here's a quote. Sherman said that the aim of the Antitrust Act was to take on "the inequality of condition, of wealth, and of opportunity that has grown within a single generation out of the concentration of capital to control production and trade and to break down competition." So the purpose – the fundamental purpose – of our first federal anti-monopoly law was precisely to avoid inequality.

So in fact, so we have the tools. That law's still on the books.

That law's on the books. And if we use that law right we can beat those bastards.

Thomas Frank is a Salon politics and culture columnist. His many books include "What's The Matter With Kansas," "Pity the Billionaire" and "One Market Under God." He is the founding editor of The Baffler magazine.

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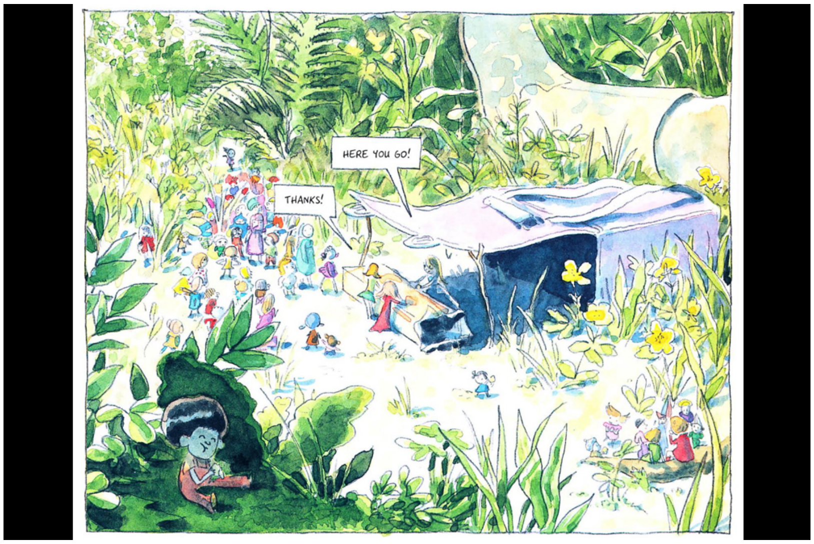

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Beautiful Darkness by Fabien Vehlmann & Kerascoët
Kerascoët's lovely, delicate pen-and-watercolor art -- all intricate botanicals, big eyes and flowing hair -- gives this fairy story a deceptively pretty finish. You find out quickly, however, that these are the heartless and heedless fairies of folk legend, not the sentimental sprites beloved by the Victorians and Disney fans. A host of tiny hominid creatures must learn to survive in the forest after fleeing their former home -- a little girl who lies dead in the woods. The main character, Aurora, tries to organize the group into a community, but most of her cohort is too capricious, lazy and selfish to

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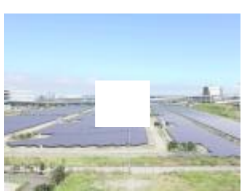
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