

"I think the book is too hard on some companies and CEOs.  
There is no way I could endorse the book."  
-Anonymous, billionaire hedge fund manager

Jonathan Tepper  
with Denise Hearn

Foreword by Matt Stoller, Best-Selling Author of *Goliath*

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# THE MYTH *of* CAPITALISM

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Monopolies and the Death  
of Competition





“Slowing growth and rising inequality have become a toxic combination in western economies, notably including the US. This combination now threatens the survival of liberal democracy itself. Why has this happened? Some blame an excess of free-market capitalism. In this well-researched and clearly-written book, the authors demonstrate that the precise opposite is the case. What has emerged over the past forty years is not free-market capitalism, but a predatory form of monopoly capitalism. Capitalists will, alas, always prefer monopoly. Only the state can restore the competition we need, but it will do so only under the direction of an informed public. This, then, is a truly important book. Read, learn and act.”

—**Martin Wolf**, Chief Economics  
Commentator, *Financial Times*

“Tepper and Hearn make a compelling case that the United States economy is straying increasingly far from capitalism, a process that is having deleterious consequences for both productivity growth and inequality. The villain in their story is the growth of monopolies and oligopolies, abetted in many cases by government policies that either turned a blind eye to increasing concentration or actively encouraged it by creating rules to entrench incumbents. Their case is animated by passion but delivered in a detailed, analytical and factual manner that is still enjoyable to read. More importantly, it is not an excuse for despair but a specific set of policy recommendations for action.”

—**Jason Furman**, Harvard Kennedy School, Chairman  
of the Council of Economic Advisers (2013–17)

“Whatever happened to antitrust? In the US, it has for many years been effectively dormant as a tool to limit monopoly and monopsony power. Internet shopping isn’t much help to a firm buying an input made by only one supplier, nor a consumer choosing between different brands all made by the same giant company, and workers can’t easily switch to new locations and employers. The indisputable trend of rising concentration in American industry may be a major factor in the trend fall in labor’s share of national income. This engagingly written book concludes with a powerful set of proposals

to reverse the trend and make the capitalist market economy function as it should. Important – a must read.”

—**Richard Portes CBE**, Professor of Economics, London Business School, Founder and Honorary President, Centre for Economic Policy Research

“In a compelling and deeply researched polemic, Tepper and Hearn describe a market that is broken. Increasingly, instead of delivering the benefits of competition to all, it is driving monopoly profits to the few. Regulatory and policy capitulation in the face of market concentration has put a dead weight on productivity and fostered inequality not just in the United States but globally. Their call to free markets from private monopolists and oligopolists should unite both left and right the world over.”

—**Charles Kenny**, Senior Fellow, The Center for Global Development, author of *Getting Better*

“This is an extremely important, timely and well researched book. Jonathan Tepper is himself a successful entrepreneur and he knows what “good” capitalism looks like. The current system, suborned by market abuse, corporatism, cronyism and regulatory capture and resulting in increasing inequality and anger amongst the wider population is badly in need of reform. If it is not reformed by people who believe in markets it will be reformed by people who don’t and that would be bad news for everyone. Jonathan Tepper understands this well and I recommend his book to every member of the US Congress.”

—**Sir Paul Marshall**, Chairman of Marshall Wace Hedge Fund Group

“Tepper and Hearn point out that, if current trends are left unchecked, the light at the end of the tunnel is a train driven by monopolists and oligopolists that a privileged few can afford a ticket on. This narrative of monopoly profits translating into lobbying and influence-peddling affects all of us in the price of drugs, airplane tickets, cable bills, banks, and even smartphones. *The Myth of Capitalism* should be required reading by regulators, students, and anyone with a stake in America’s future.”

—**J. Kyle Bass**, Chief Investment Officer, Hayman Capital Management

“As we face concerns about the power of companies like Amazon, Facebook, and Google, we would be wise to arm ourselves with a knowledge of history. This breezy, readable account of the theory and practice of monopoly, duopoly, and oligopoly provides a solid foundation for the argument that many of the ills of today’s economy can be traced to the concentration of power in fewer and fewer large firms.”

—**Tim O’Reilly**, founder and CEO of O’Reilly Media

“A sweeping and thought-provoking treatise on the past, present and future of competition. The forces at play in fairness, inequality, consolidation and dispersion shape the great game as it shapes us from markets to geopolitics.”

—**Josh Wolfe**, Founding Partner &  
Managing Director, Lux Capital

“We are barreling towards an economy with few lords and millions of serfs. Tepper’s *The Myth of Capitalism* fiercely articulates the raw, hard truth behind the monopolistic behaviors of today’s corporations driving inequality, endangering the consumer, and eroding what American Capitalism used to mean.”

—**Scott Galloway**, Professor of Marketing and  
Serial Entrepreneur

“A takedown of what we now call ‘capitalism’ - by and for people who are true believers in it. Tepper and Hearn have written a love letter for a (free market) romance, scorned. As a person who has the word ‘capitalist’ in his job title, I believe we need to reverse the many-decades trend of falling entrepreneurship if we want to provide more opportunity for more people and better products and services for all of us. This book may give you a way to rekindle your love for markets, by proposing fixes for all the ways they’ve broken us.”

—**Roy Bahat**, Venture capitalist, head of Bloomberg Beta

“Jonathan Tepper and Denise Hearn have stated, “While many books have been written on capitalism and inequality, the left and right don’t even read the same books. Researchers have analyzed book purchases, and there is almost no political or economic books that both sides pick

up and read.' They hope that *The Myth of Capitalism* will bridge the divide and find common ground between the left and right. I strongly endorse that goal. At a time of extraordinary partisanship in the U.S. Congress and legislative bodies all over our country, the need for some common grounds of public policy is imperative to create new jobs, new industries, new standards of economic and political freedom, and new leaders who will provide a more stable base for American and world peace and justice. I salute the wisdom and vigor with which the authors have supplied thoughtful critiques of past economic policies and excellent prescriptions for the future."

—**Senator Richard Lugar** (retired)

"This is a brilliant, clear work of political economy in the classical sense: a rigorous analysis of how government action benefited monopolistic firms, which have used their profits to procure even more governmental favors, which in turn entrench their position at the top of the economic food chain. Even more importantly, Tepper connects his expertise to our everyday experience. If you have ever been strong-armed by an airline, ignored by a cable company, or cheated by a bank, you'll see the roots of your misfortune in the dynamics of lax antitrust enforcement and absentee regulators so capably chronicled here. This book should be required reading in introductory economics courses, to understand the true nature of the contemporary economy."

—**Frank Pasquale**, Professor of Law, University of Maryland

"If you want to start a business in America today, or just want to know what's gone wrong with our country, *The Myth of Capitalism* is a great place to start. Tepper and Hearn provide a highly readable and very useful guide to America's monopoly problem, and to the many great and growing harms of economic concentration. Inequality, political disfunction, the choking off of opportunity, the rise of too-big-to-fail, the book shows how all stem largely or mainly from monopolization. Best of all, the authors make clear this concentration is not the inevitable result of any natural force within capitalism, but of political decisions that we can begin to reverse today."

—**Barry C. Lynn**, director of Open Markets Institute,  
author of *Cornered: The New Monopoly Capitalism  
and the Economics of Destruction*

“A deeply insightful analysis of the rapidly creeping tentacles of the corporatocracy and the devastating impacts of a predatory form of capitalism. By discouraging competition, empowering the very few — the very rich oligarchs — and demolishing the very resources upon which it depends, predatory capitalism has created a failed global economic system, a Death Economy. This book helps us understand the importance of replacing it with a system that is itself a renewable resource, a Life Economy.”

—**John Perkins**, former chief economist and author of  
*New York Times* best-selling books including  
*Confessions of an Economic Hitman* and  
*The Secret History of the American Empire*



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Monopolies and the Death  
of Competition

**JONATHAN TEPPER**  
with DENISE HEARN

**WILEY**

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# Foreword

**W**hat does a revolution feel like? It's not a rush or a thrill, the patter of guns or the shouting of guards.

It is the quiet sound of a citizen reading a book, turning a page.

John Adams knew revolution. In 1818, he and Thomas Jefferson, both long past their political days, were in a long correspondence about the nature of the great break with England they had led decades earlier.

“What do we mean,” he wrote, “by the Revolution? The War? That was no part of the Revolution. It was only an Effect and Consequence of it. The Revolution was in the Minds of the People, and this was effected, from 1760 to 1775, in the course of fifteen Years before a drop of blood was drawn at Lexington. The Records of thirteen Legislatures, the Pamphlets, Newspapers in all the Colonies ought be consulted, during that Period, to ascertain the Steps by which the public opinion was enlightened and informed concerning the Authority of Parliament over the Colonies.”

Reading this book is what the revolution John Adams wrote about feels like. And already, since it was written three years ago, the political tremors are starting.

It's a bold claim to argue we are in the midst of a political rebellion, based on addressing the problem of monopoly. On first blush, that doesn't make sense at all. This book appears to be about a problem of market structure, which most of us think of as a technical economic question. But political? Revolutionary? I mean, come on.

One would not be wrong to think that monopolies have technical elements. Monopolies, as any orthodox economist can tell you, tend to raise prices, lower wages, and reduce innovation. But they do more than that. In this book, you'll see how they make it harder to get places, invent things, trade with one another, and block the free flow of ideas. You'll learn how in the medical sector they kill people. And you'll find out how monopolies are breaking markets and America itself. There's sector-by-sector analysis, an examination of market power in everything from telecommunications to search engines. It'll be a tour of our society we all should get, but too few of us do.

In this book, you'll also get a rich history lesson about how our forebears have thought about monopoly. Tepper and Hearn will take you back to Italian medieval city-states, the English Levelers of the 1600s, the founding fathers, Teddy Roosevelt and Woodrow Wilson, how Eisenhower saw concentration as intimately tied to Nazism, and then the change in policy choices in antitrust and regulation going back to the early 1980s that brought the new distant masters to rule us once again, without our consent.

If you're on the left, you'll hear about the problem of income inequality and wage inequality, how large firms overcharge us and suppress the ability of workers to get a better job. Luminaries such as Robert Reich and Thomas Piketty will make their appearance. If you're on the right, you'll hear about how corporate monopolies, often in league with the government, have crafted a weird Sovietized American order, acting as a set of unaccountable all-powerful central planning units. Milton Friedman and Friedrich Hayek will be your guides. If you're in business, you'll hear about how monopolies have fostered less innovation, fewer firms, lower productivity, and less capital investment. You'll come to understand that our markets are breaking, and why.

But as you read, you'll find out that this book is really a story about tyranny and liberty. It's a tale about America, and fundamentally, who we are as citizens. It's about politics, not in the sense of yelling about

cultural symbols, but in the grandest sense, whether we can come together and make our society work.

What you'll learn, more important than the technical questions, is what it would be like to live in a free country, and how to build one. The first step is to see that monopolies are not just economic, but once they get pervasive enough, become a discrete political system that starts to replace the democratic one we are used to. Indeed, over the last 40 years, almost without us noticing, an entirely new regime has emerged to govern, distant masters who rule from afar, with names like Walmart, Comcast, Google, or UnitedHealth Group. These sound like American institutions, they look American, and we're told they are part of the tradition of American capitalism. But this is a myth. They are not what our forebears would have recognized as such. They are monopolies, and as such, deeply un-American.

The family doctors who can hang their own shingle are far more American than UnitedHealth Group. Yet they are gone, replaced by corporate physician practices that are owned by giant healthcare conglomerates. The local bank or credit union is disappearing into the maws of J.P. Morgan or Wells Fargo, local newspapers are shadows of what they once were, and everywhere there is the national chain store. Even in small ways, we are ruled from afar. The regional snacks that one used to be able to buy at highway rest stops are increasingly rare, replaced by the standard set of Dr. Pepper, Doritos, and Slim Jims. Everything from mail sorting software to cheerleading competitions are run by monopolies.

There's a loss of civic capacity across our society as the people who would start and run independent businesses find it harder to make a go of it, and eventually become part of a larger sclerotic corporate outfit. As Supreme Court Justice Louis Brandeis put it in 1933, the last time we faced a crisis of this magnitude, such concentrations of power are "sapping the vigor of our small cities and towns," taking a nation of "independent tradesmen," and transforming us "into clerks." Fundamentally, we have given up our liberties. Or at least, when the first version of this book in 2019 had come out, we had.

Indeed, when Tepper and Hearn started writing, big tech firms like Google, Facebook, Amazon, Microsoft, and Apple looked untouchable, the pacesetters of an economic order in which dominant firms put us

all through annoying phone trees to get a modicum of service, simply because they didn't face any competition and could do whatever they wanted. Our government looked feeble, irrelevant, a junior partner in the vast consolidation trend sweeping the land. The Department of Justice hadn't brought a monopolization claim in 20 years, feeble if not a laughingstock. Congress was clueless. The public seemed mostly apathetic, caught in endless culture warring, voting for demagogues.

And yet, under the radar, changes were afoot, changes bearing fruit today. It isn't that monopolies have become less pronounced or dangerous in the last three years; they have indeed become more powerful. Corporate markups, already elevated in 2019 after a generation of increases, skyrocketed during the pandemic, as shortages and inflation provided ready-made reasons for price hikes that far outpaced cost increases and dramatically fattened profit margins.

But the government, and the public, began waking up.

In 2019, Tepper and Hearn called for a revival or antitrust enforcement. Today, there are five different state and federal antitrust suits against Google, just in the United States. They also called for a bipartisan movement. Well, the first federal antitrust suit against Google was brought by Donald Trump, and it is being continued and expanded by his successor, Joe Biden. Others are coming at a state level, some from Democratic attorneys general and others from Republican officials.

There's more. A lot more. In 2019, regulators and Congress blocked Facebook from creating its own currency, and the social media giant is facing litigation from the Federal Trade Commission and state-level enforcers to break it apart. Apple's ironclad control over its app store monopoly for its iPhone is being slowly taken apart in Europe. Microsoft is being challenged over its attempted merger of game publisher Activision, and Amazon is under investigation in the U.S. and worldwide over whether it has abused its dominance in ecommerce and cloud computing. And this doesn't even speak to new antitrust suits against powerful supermarket chains, pesticide producers, book publishers, poultry giants, and private equity firms, as well as the regulatory moves to break oligopolies in everything from meatpacking to hearing aids.

The Antitrust Division is restoring criminal monopolization law and reviving old laws against interlocking directorates. Across government,

from the Securities and Exchange Commission to the Defense Department, policymakers are beginning to find new levers to thwart middlemen and monopolists.

It took 40 years to get us into the situation we are in today, so the impacts of these policy choices will take time to be felt. But it is no longer fair to say, as this book did in 2019, that antitrust enforcers are asleep. They have woken up.

Why? Well, in part, it is because of the book that you are about to read. *The Myth of Capitalism* is part of a wave of books and articles describing the breakdown of the American competitive system. It is part of that revolution of the mind that John Adams described necessary for any change in a political order. Millions of people, workers and businesspeople, are learning about monopolies, about market power, and how to challenge it. And that is having an effect, as the ideas and the people promoted in this book spread.

For instance, one of the key sources for the hardcover version of this book, Lina Khan, was quoted in 2019 as a scholar studying Amazon. Today she is the chair of the Federal Trade Commission, one of the two federal agencies that enforce antitrust laws. In 2021, the White House issued an executive order mandating that every area of government, not just the antitrust agencies, foster competition. Who is the force behind this executive order? That would be Tim Wu, a source in this book who in 2019 was a mere law professor in New York. I could go on, but the point is, in both parties, in the business world, and in the policymaking arena, the lessons from *The Myth of Capitalism* are being imbibed.

The minds of the people are where a revolution starts. And as these ideas have been percolating for years now, the policy impacts are starting. And yet there will be a brutal pushback from those who hold power, from monopolists. They will deploy their legions of lobbyists, their public relations specialists, their academic “experts,” all to explain why liberty is bad for us, pretending to valorize the lone entrepreneur as they pull up the ladder behind them with pricing games. This fight will play out in the courts, in the media, in Congress and state legislatures, in the union hall and boardroom, and across family dinner tables as we argue with one another.

What you are doing, in reading this book, is joining a revolution. And not the kind of fake revolution you see in car commercials, but a genuine bonified good old American Revolution. It's time to gear up for a fight over who really holds power in America. And you've picked just the right book to help with that.

**Matt Stoller**

Best-selling author of *Goliath*

# Introduction

**O**n April 9, 2017, 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. 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. United’s CEO, however, did not apologize and instead blamed the passenger for being belligerent. Eventually, the outrage was so great that the CEO apologized and the airline reached an undisclosed settlement with Dr. Dao.

Dr. Dao’s lawyer Thomas Demetrio told journalists that Dr. Dao “left Vietnam in 1975 when Saigon fell and he was on a boat and he said he was terrified. He said that being dragged down the aisle was more horrifying and harrowing than what he experienced when leaving Vietnam.”<sup>1</sup>

Years ago, such a public relations disaster would have caused United's stock to stumble, but it quickly recovered. Financial analysts agreed that it would have no effect on the airline. For all of 2016, the company reported full-year net income of \$2.3 billion. The results were so good that in 2016 United's board approved a stock buyback of \$2 billion, which is the financial equivalent of spraying yourself with champagne. Research analysts dismissed the incident, saying "consumers might not have much choice but to fly UAL due to airline consolidation, which has reduced competition over most routes."<sup>2</sup> Online news sites helpfully explained to readers what had happened with headlines like, "Airlines Can Treat You Like Garbage Because They Are an Oligopoly."<sup>3</sup> Once investors started focusing on United's dominant market position, the stock price in fact went *up*.

The analysts were right. The American skies have gone from an open market with many competing airlines to a cozy oligopoly with four major airlines. To say that there are four major airlines overstates the true level of competition. Most US airlines dominate a local hub, unironically known as "fortress hubs," where they face little competition and have a near monopoly. They have the landing slots, and they are willing to engage in predatory pricing to keep out any new entrants. At 40 of the 100 largest US airports, a single airline controls a majority of the market.<sup>4</sup> United, for example, dominates many of the country's largest airports. In Houston, United has around a 60% market share, in Newark 51%, in Washington Dulles 43%, in San Francisco 38%, and in Chicago 31%.<sup>5</sup> This situation is even more skewed for other airlines. For example, Delta has an 80% market share in Atlanta and 77% in Philadelphia, while in Dallas-Fort Worth it has 77%.<sup>6</sup> For many routes, you simply have no choice.

The episode became a metaphor for American capitalism in the twenty-first century. A highly profitable company had bloodied a consumer, and it didn't matter because consumers have no choice.

When consumers see a man bloodied by a big company or see a suffering patient gouged by a hospital, they get the sense that something is profoundly wrong with companies.

All around the world, people have an overwhelming sense that something is broken. This is leading to record levels of populism in the United States and Europe, resurgent intolerance, and a desire to upend

the existing order. The left and right cannot agree on what is wrong, but they both know that something is rotten.

Capitalism has been the greatest system in history to lift people out of poverty and create wealth, but the “capitalism” we see today in the United States is a far cry from competitive markets. What we have today is a grotesque, deformed version of capitalism. Economists such as Joseph Stiglitz have referred to it as “ersatz capitalism,” where the distorted representation we see is as far away from the real thing as Disney’s Pirates of the Caribbean are from real pirates.

If what we have is a fake version of capitalism, what does the real thing look like? What *should* we have?

According to the dictionary, the idealized state of capitalism is “an economic system based on the private ownership of the means of production, distribution, and exchange, characterized by the freedom of capitalists to operate or manage their property for profit in competitive conditions.”

Parts of this definition have universal appeal today. Today, for example, we take private property for granted in the world. Communism defined itself in opposition to private property. Karl Marx wrote in *The Communist Manifesto*, “The theory of Communists may be summed up in the single sentence: Abolition of private property.” After the fall of the Berlin Wall in 1989, Communism collapsed and was widely discredited as a miserable failure. The battle for private property had been won.

The harder part of the definition follows: capitalism is “characterized by the freedom of capitalists to operate or manage their property for profit in competitive conditions.” The battle for competition is being lost. Industries are becoming highly concentrated in the hands of very few players, with little real competition.

Capitalism without competition is not capitalism.

Competition matters because it prevents unjust inequality, rather than the transfer of wealth from consumer or supplier to the monopolist. If there is no competition, consumers and workers have less freedom to choose. Competition creates clear price signals in markets, driving supply and demand. It promotes efficiency. Competition creates more choices, more innovation, economic development and growth, and a stronger democracy by dispersing economic power. It promotes

individual initiative and freedom. Competition is the essence of capitalism, yet it is dying.

Competition is the basis for evolution. An absence of competition means an absence of evolution, a failure to adapt to new conditions. It threatens our survival.

There are fewer winners and many losers when there is less competition. Rising market power by dominant firms has created less competition, lower investment in the real economy, lower productivity, less economic dynamism with fewer startups, higher prices for dominant firms, lower wages and more wealth inequality. The evidence from economic studies is pouring in like a flood.

Competition remains an ideal that is receding further from our reach. Don't take our word for it, though. According to the *New York Times*, "Markets work best when there is healthy competition among businesses. In too many industries, that competition just doesn't exist anymore."<sup>7</sup> *The Economist* warns that "America needs a heavy dose of competition."<sup>8</sup>

If you believe in competitive free markets, you should be very concerned. If you believe in fair play and hate cronyism, you should be worried. With fake capitalism CEOs cozy up to regulators to get the kind of rules they want and donate to get the laws they desire. Larger companies get larger, while the small disappear, and the consumer and worker are left with no choice.

Freedom is essential to capitalism. It is not surprising then that Milton Friedman picked *Free to Choose* as the title of his extremely popular PBS series on capitalism, and *Capitalism and Freedom* was the title of his book that sold over 1.5 million copies. He argued that economic freedom was "a necessary condition for political freedom."<sup>9</sup>

*Free to Choose* sounds great. It's a bold statement and a really catchy title, yet Americans are not free to choose. In industry after industry, they can only purchase from local monopolies or oligopolies that can tacitly collude. The United States now has many industries with only three or four competitors controlling entire markets. Since the early 1980s, market concentration has increased severely. As we'll document in this book:

- Four airlines completely dominate airline traffic, often enjoying local monopolies or duopolies in their regional hubs.

- Five banks control about half of the nation's banking assets.
- Many states have health insurance markets where the top two insurers have an 80–90% market share. For example, in Alabama one company, Blue Cross Blue Shield, has an 84% market share and in Hawaii it has 65% market share.
- When it comes to high-speed Internet access, almost all markets are local monopolies; over 75% 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% of the world's pesticide market and 80% of the US corn-seed market.

The list of industries with dominant players is endless.

It gets even worse when you look at the world of technology. Laws are outdated to deal with the extreme winner-takes-all dynamics online. Google completely dominates internet searches with an almost 90% market share. Facebook has an almost 80% share of social networks. Both have a duopoly in advertising with no credible competition or regulation.

Amazon is crushing retailers and faces conflicts of interest as both the dominant e-commerce seller and the leading online platform for third party sellers. It can determine what products can and cannot sell on its platform, and it competes with any customer that encounters success. Apple's iPhone and Google's Android completely control the mobile app market in a duopoly, and they determine whether businesses can reach their customers and on what terms.

Existing laws were not even written with digital platforms in mind. So far, these platforms appear to be benign dictators, but they are dictators nonetheless.

It was not always like this. Without almost any public debate, industries have now become much more concentrated than they were 30 and even 40 years ago. As economist Gustavo Grullon has noted, the "nature of US product markets has undergone a structural shift that has weakened competition." The federal government has done little to prevent this concentration, and in fact has done much to encourage it.

It is difficult to overstate the stakes for the economy and politics from industrial concentration. One of the great mysteries of the past few years is why economic growth has been so poor and why so many men and women with broken hopes have simply given up and dropped out of the work force. To give a sense of the crisis, in 2016, 83% of men in their prime working ages that were not in the labor force had not worked in the previous year. That means 10 million men are missing from the workforce.<sup>10</sup> These are not purely statistics; they are our fellow sons, brothers, and fathers.

Economic growth has been poor despite the trillions of dollars of liquidity the Federal Reserve has pumped into the economy and despite trillions of dollars of government debt. After the global financial crisis, the United States has experienced high levels of long-term unemployment, stagnant wages, dismal numbers of new startups, and low productivity growth.

These problems, though, have deeper roots. After the dot-com bust, the economy rebounded but growth was more anemic than during the 1980s or even 1990s. After the financial crisis, growth was even more pathetic. Each expansion has experienced lower growth than the previous one. There is not one variable that answers all questions, but a growing mountain of research shows that less competition has led to lower wages, fewer jobs, fewer startups, and less economic growth.

Broken markets create broken politics. Economic and political power is becoming concentrated in the hands of distant monopolists. The stronger companies become, the greater their stranglehold on regulators and legislators becomes via the political process. This is not the essence of capitalism.

Capitalism is a game where competitors play by rules that everyone agrees. The government is the referee, and just as you need a referee and a set of agreed rules for a good basketball game, you need rules to promote competition in the economy. Left to their own devices, firms will use any available means to crush their rivals. Today, the state, as referee, has not enforced rules that would increase competition, and through regulatory capture has created rules that limit competition.

Workers have helped create vast wealth for corporations, yet wages barely kept up with the growth in productivity and profits. The reason for the large gap is clear. Economic power has shifted into the hands of

companies. Income and wealth inequality have increased as companies have captured more and more of the economic pie. Most workers own no shares and have barely benefited from record corporate profits. As G.K. Chesterton observed, “Too much capitalism does not mean too many capitalists, but too few capitalists.”

When the Left and Right speak of capitalism today, they are telling stories about an imaginary state. The unbridled, competitive free markets that the Right cherishes don’t exist today. They are a myth.

The Left attacks the grotesque capitalism we see today, as if that were the true manifestation of the essence of capitalism rather than the distorted version it has become.

Economists like Thomas Piketty even see within capitalism itself a logical contradiction that “devours the future,” rather than locating the problem in a lack of competition. But what we see today is the result of the urge to monopolize, where big companies eat up the small, and government is captured to rig the rules of the game for the strong at the expense of the weak.

While many books have been written on capitalism and inequality, the left and the right don’t even read the same books. Researchers have analyzed book purchases, and there are almost no political or economic books that both sides pick up and read. Likewise, if you look at Twitter debates, the data shows that the left and the right don’t even share ideas with each other or debate. Neither side speaks to the other, much less listens.

Supporting capitalism has been identified with being pro-big business rather than being pro-free markets. This book is unabashedly pro-competition. Big business is not bad, but too often size has come through mergers that have destroyed competition and subverted capitalism.

We hope this book will bridge the divide and find a common ground between the left and right. Both sides may prefer different tax rates or have different views on social policy, but left and right should agree that competition is better for creating better jobs, higher pay, greater innovation, lower prices, and greater choice.

A book that merely analyzes the problems without offering solutions is not particularly useful. In this book we’ll present solutions. We end the book with thoughts on how to reform and fix the economy and political system.

We do hope you're outraged after reading this book, but more important, we hope that you come away knowing that consumer and voter anger can be harnessed for good.

In 1776 Adam Smith wrote *The Wealth of Nations*, and the Continental Congress declared independence from Britain. Smith complained bitterly about monopolies. He wrote of the East India Company: “. . . the monopoly which our manufacturers have obtained . . . has so much increased the number of some particular tribes of them, that, like an overgrown standing army, they have become formidable to the government, and upon many occasions intimidate the legislature.”

That same year, among the reasons the American Continental Congress cited for separating from Britain in the Declaration of Independence was, “For cutting off our Trade with all parts of the world: For imposing Taxes on us without our Consent.” The Boston Tea Party was in response to the East India Company's monopoly on tea. *The Wealth of Nations* and the Declaration of Independence were bold statements against the abuses of monopoly power. Americans wanted entrepreneurial freedom to build businesses in a free market.

Today, we need a new revolution to cast off monopolies and restore free trade.

## Chapter One

# Where Buffett and Silicon Valley Billionaires Agree

There's class warfare, all right, but it's my class, the rich class, that's making war, and we're winning.

—Warren Buffett

**W**arren Buffett is an icon for Americans and capitalists everywhere. For decades, his annual letters have taught and educated Americans about the virtues of investing. In many ways, Buffett has become the embodiment of American capitalism. He's called the annual meetings of his investment firm Berkshire Hathaway a "Celebration of Capitalism" and has referred to his hometown of Omaha as the "cradle of capitalism."<sup>1</sup> Yet Buffett is the antithesis of capitalism.

He has become a folk hero because of his simplicity. Even as he became America's second wealthiest man, he has lived in the same home and avoided a lavish lifestyle. He makes billions not because of dirty greed but because he loves working. Books about him, such as *Tap Dancing to Work*, capture his jaunty ebullience.

As a person he is remarkably consistent. His daily eating includes chocolate chip ice cream at breakfast, five Coca-Colas throughout the day, and lots of potato chips. His investing is as consistent as his eating. For decades, he has recommended buying businesses with strong “moats” and little competition.

The results have shown how right he is. Warren Buffett gained control of Berkshire for around \$32 per share when it was a fading textile company, and turned it into a conglomerate that owns businesses with little competition. The stock is now worth about \$300,000 per share, making the entire company worth more than \$495 billion.

For decades, Americans have learned from Buffett that competition is bad and to avoid companies that require any investment or capital expenditures. American managers have absorbed his principles.

Buffett loves monopolies and hates competition. Buffett has said at his investment meetings that, “The nature of capitalism is that if you’ve got a good business, someone is always wanting to take it away from you and improve on it.” And in his annual reports, he has approvingly quoted Peter Lynch, “Competition may prove hazardous to human wealth.”<sup>2</sup> And how true that is. What is good for the monopolist is not good for capitalism. Buffett and his business partner Charlie Munger always tried to buy companies that have monopoly-like status. Once, when asked at an annual meeting what his ideal business was, he argued it was one that had “High pricing power, a monopoly.”<sup>3</sup> The message is clear: if you’re investing in a business with competition, you’re doing it wrong.

Unsurprisingly, his initial business purchases were newspapers in towns with no competition. According to Sandy Gottesman, a friend of Buffett, “Warren likens owning a monopoly or market-dominant newspaper to owning an unregulated toll bridge. You have relative freedom to increase rates when and as much as you want.”<sup>4</sup> Back in the days before the Internet, people got their news from their local paper. Buffett understood that even a fool could make money with a monopoly, “If you’ve got a good enough business, if you have a monopoly newspaper. . . you know, your idiot nephew could run it.”<sup>5</sup> With that line of reasoning, in 1977 Buffett purchased the *Buffalo Evening News*. He bought this newspaper and then launched a Sunday edition to drive his competitor, the *Buffalo Courier-Express*, out of business. By 1986, the renamed *Buffalo News* was a local monopoly.<sup>6</sup>