

GETTING UP TO SPEED

# REINING IN MONOPOLY POWER

A CONCEPT PAPER FOR SMALL BUSINESSES



# INTRODUCTION

## A world free of monopoly power

Imagine a world without monopoly power.<sup>1</sup> A world in which government prioritizes and nurtures Main Street businesses and protects the ability of people of all backgrounds and races to thrive and contribute to their communities.

Imagine what this kind of freedom would mean for your small business. You'd have open access to customers, suppliers, and distributors. You could sell your products or services online at market prices – not the prices demanded by a corporate platform – and your customers would find you through fair search algorithms. You'd control the data you generate about your business. You could offer top-tier benefits to your employees. You could seek seed or expansion funds from a local financial institution – maybe a bank dedicated to supporting nonwhite entrepreneurs, women entrepreneurs, and others whose full value is often not recognized by traditional measures. In this world, you'd be able to chart the course of your business and compete on your terms.

There is a growing movement across the United States to rein in monopoly power and start creating a world that looks like this. Small business owners are an essential part of that movement.

## Hearing from Main Street business owners like you

Monopoly power is a top concern for the small business owners of Main Street Alliance (MSA). To explore this issue further, MSA surveyed over 100 of our top leaders, and, overwhelmingly, anti-monopoly was one of the top issues. We further held listening sessions and interviews with 52 of our small business leaders across the country in the fall and winter of 2021. We wanted to know how monopolies have affected small businesses, especially tech giants

like Amazon and Facebook. We also wanted to hear your experiences to start to understand what's needed to build a small business movement to fight consolidated corporate power.

This report shares the results of those conversations. It also provides background information on growing corporate concentration and how it affects small businesses. Finally, it discusses the political opportunity we have now. Around the country, lawmakers and regulators hear the call to rein in monopolies. Small business owners of all backgrounds, races, and walks of life have a pivotal role in ensuring that they take bold, effective action.

## Background: The growth in corporation concentration hurts small businesses

### *Government retreats from antimonopoly action*

In the late 19th and early 20th Centuries, Congress passed bills used to break up trusts like Standard Oil, followed by an era of anti-monopoly oversight.<sup>2</sup> By the 1980s, however, “free-marketeers” and lobbyists for large corporations persuaded the federal government to hobble antitrust policy.<sup>3</sup> Now effective anti-monopoly government action is stalled.<sup>4</sup>

Monopoly power is growing as a result. Walmart controls more than half of grocery sales in almost 40 metropolitan areas, and nationwide only four corporations control 69 percent of the market.<sup>5</sup> Monopolists dominate markets in hospital beds, auto parts, medical devices, meat production, the milk supply, kitchen appliances, sneakers, office supplies, semiconductors, and more.<sup>6</sup>

Big Tech has taken the problem of monopoly to a new level. The tech giants are gatekeepers not only

to information and communication but to much of commerce itself. Amazon controls sellers' pricing on its platform, uses sellers' data against them, extracts exorbitant tolls, and steers customers toward its own branded products.<sup>7</sup> And with its dominance over cloud computing and tentacles in logistics and delivery, Amazon is much more than an online retailer.

Monopoly doesn't just hurt individual small businesses and limit consumer choice. It also keeps

entrepreneurs from launching businesses in their communities that grow, sustain good jobs, and create generational wealth. This means that monopoly is fundamentally an issue of racial and economic justice.<sup>8</sup> Take the example of bank consolidation and the loss of local banks,<sup>9,10</sup> including Black-owned minority depository institutions.<sup>11</sup> This kind of corporate consolidation directly impedes access to capital: as lender concentration goes up, so do denial rates for Black entrepreneurs.<sup>12</sup>

## HEARING FROM YOU:

### WHAT MAIN STREET BUSINESS OWNERS SAY ABOUT MONOPOLY

In the summer of 2021, MSA surveyed its membership about the issues they care about most. Monopoly rose to the top for about two-thirds of our members. In the fall and winter, we launched a listening process with MSA leaders, holding eight focus groups in Wisconsin and Minnesota and 26 one-on-one interviews with small business owners around the country. The small business leaders we spoke with come from a range of industries. In addition to booksellers (the largest group), they own and operate the following types of businesses:

- Accounting and bookkeeping firms
- Child care facilities (including home facilities)
- Live event venues
- Coffee roaster/tea wholesaler
- Tech firm
- Breweries/distilleries
- Restaurants/bakery
- Personal services (Barbershop/nail salon)
- Architectural materials firm
- Urban farm
- Arts centers
- Recycling companies
- Specialty retailers (running shoes, fashion, olive oils, jewelry, etc.)

## RESULTS OF THOSE CONVERSATIONS

### 1. Many small business owners experience dominant corporations undercutting them, posing an existential threat, or limiting their growth.

Booksellers are squeezed by Amazon's predatory pricing and other abuses. Craft brewers and distillers need to stay out of the crosshairs of multinational brands. For venue owners, Live Nation—which controls ticket sales, venues, and artist tours—is “soul-crushing.” And even specialty retailers who avoid marketing on Amazon are pushed to the brink by its supply chain dominance.

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*“We’re in a very capital intensive business, with trucks and conveyors. When we buy a whole new fleet, we have to go to the bank, with interest, but [dominant firm] can self-finance.”*

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*“Amazon is investing a lot of dollars to improve their delivery times. Well, this is great, but it means they’re pushing everyone out of the lane because no one is able to invest that much. Amazon has negotiating power. On multiple levels, I am cut out of the supply chain.”*

”

*“What happens in industries like mine is that if something like hard seltzer proves lucrative, everyone starts producing it. So if we are really successful, Sam Adams, Molson, Coors will come out with a competing product. We have to be successful but not too successful.”*

## 2. Monopoly power isn't just about competing for customers – dominant corporations leverage their scale in many ways.

Dominant corporations flex their power in many ways. MSA members discuss how they:

- Dominate the supply chain, making it hard for smaller businesses to get essential supplies (such as to-go cups, twist ties, and glass bottles) or to get their products to customers
- Get better deals, and access to financing for expanding or purchasing large equipment
- Undercut responsible competitors by cutting corners and absorbing fines as the cost of doing business
- Use their negotiating power to get better, more affordable health insurance (or self-insuring) and offer better paid leave and other benefits
- Muscle elected officials to win public subsidies and government contracts

*“[Dominant firm] opened a new facility here – and got big tax subsidies to build the plant. I don’t get it. They pay people rock bottom wages and it’s automated.”*

*“[Dominant firm] can self-insure [for property insurance in an industry with high fire risk]. They don’t have to go out into the market. Those of us who are independent don’t have the resources to do that....Maybe we could be more competitive on price but if insurance goes up 800 percent, that’s out of our control.”*

*“Despite [Amazon] having their own fleets, they have subcontracted with all the carriers. I can’t blame the carriers. You can just show up and load up a whole container and drive to another Amazon warehouse. But I am literally being cut off from my product and my bottles.”*



# It's Time to Rein in BIG TECH

Add your name  
to support historic  
bipartisan legislation  
to rein in Big Tech's  
monopoly power.



ReinInBigTech.org

Main Street Alliance has partnered with multiple antimonopoly coalitions including Small Business Rising, Rein in Big Tech, Athena Coalition and Main Street Against Big Tech. Learn more about how you can get involved at [mainstreetalliance.org/antimonopoly](http://mainstreetalliance.org/antimonopoly)

3. Technology tilts the balance of power toward larger firms – and small businesses feel they must use online platforms even when they are aware there are dangers.

More and more businesses across the spectrum rely on tech, from architecture and accounting firms to restaurants and new retailers that count on Instagram to reach their customers. Whether or not these tech companies reach a monopoly level, they may engage in predatory practices that hamper small business viability.

“[Intuit] is working to completely demoralize the relationship they have with tax professionals. They used to rely on us, and now they’ve been trying to squeeze us out.... It’s a slap in the face. We helped them build their business.”



“Social media gets harder and harder because they control the algorithms. I have some posts that reach only [200 of 4,000] followers. Even something like that where I do have access to free advertising and I’ve built quite a following—to have that limited by whoever’s controlling those algorithms is another way the odds are stacked against us.”

“Facebook limiting organic reach has led to us needing to spend tens of thousands of dollars in ads that we did not previously have to do.”

“I don’t know what the solution is, but it’s obvious the [racist] algorithm is a reflection of us as a country.”

“You’re not making any money using delivery apps. We were literally losing money....For an app that’s supposed to make it better for restaurants, it’s surprisingly predatory and shitty. They can charge you whatever they want.”

#### **4. It’s important for small business owners to know that we can rein in monopoly power – and that reining in monopolies will help small businesses compete and thrive.**

The power of dominant corporations across industries and sectors can feel overwhelming for small business owners, including MSA members. While small businesses across the country struggled to survive Covid – and are still working to regain their footing – dominant corporations have grown bigger and more powerful.<sup>13</sup> As several MSA members emphasized, Main Street business owners need to know that it is possible to eradicate monopoly power and that doing so will help small businesses compete.

In fact, there is ample opportunity to reinvigorate anti-monopoly government action and chart an effective 21st Century approach. As described below, lawmakers now have a chance to update our antitrust laws, giving regulators better tools to rein in monopolies. And, for their part, regulators already have tools they can use to protect Main Street and promote an equitable small business economy. Small business owners like you have an essential part in ensuring that lawmakers and regulators make the most of this opportunity.

# OPPORTUNITIES FOR PROGRESS AND ACTION

## Federal Legislation

Major anti-monopoly legislation is under consideration in both houses of Congress, with support from both political parties. This legislation focuses on reining in dominant tech corporations, such as Amazon and Google, which control online commerce. A bill in the Senate, the American Innovation and Choice Online Act, would bar tech giants from favoring their own products and services over those of independent businesses on their platforms. This bill passed out of the Senate Judiciary Committee on January 20, 2022, on a 16-6 vote, over the lobbying of Amazon, Facebook, and Google.<sup>14</sup>

In the House of Representatives, a package of bills focused on the tech giants has passed out of committee.<sup>15</sup> These bills would:

- Empower antitrust authorities to break up Amazon and other big tech corporations
- Unrig the online marketplace by banning big tech corporations from advantaging their products and undercutting competitors
- Stop big tech mergers that would stifle competition or reinforce monopoly power
- Give users the ability to leave dominant platforms without losing their data and social networks or their ability to interact with those platforms
- Provide needed resources to the agencies that enforce our anti-monopoly laws

This legislation will give our government more power to rein in big tech monopolies – a win for small businesses directly harmed by those monopolies, and an important step toward updating our anti-monopoly laws.

## State Legislation

There also is an opportunity to address monopoly power on the state level. In the state of New York, lawmakers are considering the 21st Century Anti-Trust Act,<sup>16</sup> which would give both small businesses and workers new protections for countering abusive and anti-competitive practices by dominant corporations. Among other changes, it would introduce a new “abuse of dominance” standard<sup>17</sup> to rein in dominant firms and promote competition.

In several other states, including Minnesota, “right to repair” legislation is moving through state legislatures.<sup>18</sup> These bills address a common problem for small business owners, farmers, and everyday consumers alike: manufacturers of technological products – whether a cell phone or a tractor – often block customers from repairing those products when they break or malfunction. (In addition to this state legislation, the Biden Administration has included right-to-repair measures in its executive order on competition.<sup>19</sup>)

## Oversight action

In July, the Biden Administration unveiled an executive order targeting concentrated corporate power. The order is sweeping, with 72 initiatives aimed at eradicating “overconcentration, monopolization, and unfair competition.”<sup>20</sup> The order



takes aim at consolidation in agriculture, food retail, the beer industry, big tech, and more.<sup>21</sup>

The executive order also encourages the Federal Trade Commission (FTC) and the Department of Justice (DOJ) to enforce antitrust laws vigorously. Thanks to strong support from small business organizations including MSA, workers groups, competition policy experts, and other anti-monopoly groups, there is now strong anti-monopoly leadership at both the FTC<sup>22</sup> and DOJ.<sup>23</sup> With this leadership in place, small business owners should encourage these agencies to use all their tools to curb anti-competitive practices, unwind bad mergers, and stop further consolidation.

One such opportunity is encouraging the FTC to develop strong new guidelines for mergers. The FTC is now reviewing these guidelines, and FTC commissioners want to hear from small businesses and others.

## Conclusion

Growing monopoly power directly threatens Main Street businesses and creates anxiety, stress, and financial insecurity for business owners. But monopoly doesn't only hurt small businesses. It also hurts the people and communities these businesses serve. And it hurts democracy overall.

Sometimes it's hard to see the monopolies and corporate power all around us, even as small business owners. Concentrated corporate power is the (polluted) air we breathe. But that does not make it impossible to defeat corporate power – it makes it imperative. As one MSA leader explains, “If [the corporate giants are] motivated, I'm motivated because they see something they want to take away. I'm as committed as they are.”



# ENDNOTES

- 1 For a discussion of the definition of monopoly, see: [https://www.liberationinageneration.org/wp-content/uploads/2021/03/Anti-Monopoly-Activism\\_032021.pdf](https://www.liberationinageneration.org/wp-content/uploads/2021/03/Anti-Monopoly-Activism_032021.pdf)
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- 12 [https://www.jstor.org/stable/10.1086/497045?seq=1#metadata\\_info\\_tab\\_contents](https://www.jstor.org/stable/10.1086/497045?seq=1#metadata_info_tab_contents)
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- 15 <https://judiciary.house.gov/news/documentsingle.aspx?DocumentID=4622>
- 16 <https://www.nysenate.gov/legislation/bills/2021/A1812>
- 17 For a discussion of the “abuse of dominance” standard, see: <https://www.economicliberties.us/our-work/abuse-of-dominance/>
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