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Current Corporate Monopolies

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Abstract
Monopolies are a growing problem in many of today's major industries - large companies have amassed a significant percentage of the market and have acquired the ability to manipulate it in their favor. While monopolies have existed in principle for centuries, the birth and popularity of the Internet in recent decades has enabled the rise of newer corporate monopolies whose reach extends beyond the realms of physical products, creating a new market: the market of information. The power and influence that these companies have over their respective sectors has had a serious impact, making it difficult for smaller businesses and startups to succeed in the market.

Categories: Economy, Monopoly, Corporations
Key Words: Agriculture, E-commerce, Social Media

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I. Historical Context and Introduction

Since the rise of the second Industrial Revolution, the methods of production have shifted from a ‘by-hand’ approach to more automated and more efficient versions that have enabled the widespread mass-production of goods. This shift has also allowed for certain companies to ‘rise to the top’ and exercise a considerable amount of control over their sector of the market. Examples of this economic phenomenon have been plentiful in the centuries since the Second Industrial Revolution: it all began with natural resource giants Andrew Carnegie and John D. Rockefeller, who ran the Carnegie Steel and Standard Oil respectively. While monopolies on ‘real’, tangible products are still prevalent today, the rise of the Internet has prompted the creation of numerous companies that dominate the information and technology realms, often referred to as FAANG (Facebook, Apple, Amazon, Netflix, Google). These companies have capitalized on the fledgling information and technology industries, and have grown to possess a significant percentage of the market.

II. International Agriculture

Agriculture has not been the US’s collective focus since prior to the Second Industrial Revolution when technology and mechanization first began to take over the world. However, monopolistic agricultural companies, whose growth has never been checked, have been taking over the industry and knocking out small farmers. The US agricultural market suffers from a high rate of consolidation, which means that only a handful of corporations control every single part of the industrial process, from the production to the distribution of your favorite foods. In every field, the top companies are predicted to control around 40% of the market; when that threshold is exceeded, the market competition is threatened and power is more likely to be abused (Kenton, 2020). In the agriculture industry, almost every sector has a company that holds well above 40% of the market, including but not limited to: beef (84%), corn (80%), and soybeans (70%) (Farm Aid, 2020). In the 2017 Census of Agriculture, it was concluded that the top 5% of farms are producing 75% of total sales across the board (Gloy, 2019).

Since a handful of corporations control the majority of the market, those dominating corporations can take advantage of smaller farms. The former can take control of products and the market to drive the latter out of business, perpetuating this monopolistic cycle. Cafos, a concentrated animal feeding facility, packs thousands of

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animals into commercial barns and keeps them under constant surveillance. Although CAFOs only accounts for a small number of farms in the US, it dominates animal production and has an enormous great influence on crop growth, particularly in the midwest. There are about 70 million pigs in the US at any time, but 1 in 10 are breeding sows, the majority of which are in Cafos establishments. The biggest pig farmer in the country is Virginia-based Smithfield Foods, which has nearly a million sows in the US. Additionally, Iowa Select Farms has one of the fastest-growing Cafos operations in the country, with 800 farms across half of the counties in Iowa (McGreal, 2019). The sheer number of livestock these giant farming corporations own gives them unbridled power over small farms and market prices when it comes to animal products.

Large corporations also have control of the products small farmers use. For instance, when a farmer buys seeds, they have to choose from Bayer or Dupont, the two major seed providers. The markets for chemicals and fertilizers are similarly limiting. Finally, once this farmer has created their product, there are only a few companies to sell to, especially in the pork industry, where most farmers have strict contracts with Tyson and JBS, the two dominant figures of the industry. "They have very constrained choices and that means that they are also smaller players," says Mary Hendrickson, professor of rural sociology at the University of Missouri. "They don't have the market power to negotiate on equal terms with these larger players.” (Moon, 2019). As a result, producers often find themselves farming in ways that benefit big corporations at their own expense, sticking to one crop or forgoing crop rotations that could suppress weeds or disease without the use of pesticides. While big business has been taking over the agricultural sector, smaller farmers have petitioned for the legislature to protect themselves from these unchecked corporate giants.

In 1921, the Packers and Stockyards Act (PSA), similar to the Sherman Antitrust Act of 1890 (Legal Information Institute, 1992), was created to regulate meatpackers, livestock and poultry dealers, swine contractors, and other middlemen in the livestock industry. The PSA addressed the concentration and anticompetitive practices in the livestock industry, but also contained several provisions that protected individual farmers and ranchers from abuse and unfair practices. The PSA was meant to level the playing field and rein in the power of corporate meat giants. However, the PSA has not been adequately implemented or enforced due to the deep pockets of corporate agriculture giants that have made it difficult to do so. Additionally, the 2008 Farm Bill authorized new authority for stronger protections for farmers and ranchers who dealt with meatpackers. It was an answer to decades of protest and unrest among farmers who were taken advantage of by corporate meatpackers. The USDA finalized its rules in December of 2011, but unfortunately, those efforts have since been attacked heavily by Congress, which has blocked the implementation of the rule since 2012 through the funding and continuation of various resolution bills (Farm Aid, 2019).

III. Ecommerce

Today, monopolistic tendencies have extended to the online realm, largely in the form of the e-commerce monolith, Amazon. Since its creation in 1994, where it was an online marketplace for books, the Seattle-based company has become an enormous conglomerate, controlling about 40% of the retail market today (Stevens, 2020). This is a massive fraction - Amazon’s closest competitors in the US e-commerce, Walmart and eBay, make up only 5.8% and 4.5% respectively (Garcia, 2020). Over the last two decades, Amazon has been making great efforts to expand into and create a presence in nearly every major category of online retail, spanning industries from entertainment to ebooks (Statista Research Department, 2020). Amazon’s market power is tremendous and enables the company to continue to grow through some rather unpleasant methods.

A monopoly is described as a company having “...complete control of the entire supply of goods or of a service in a certain area or market” (Merriam-Webster, 2020). This definition implies that monopolistic companies have the ability to effectively destroy competitors and dictate the prices of goods in their domain. Amazon fits this mold - they have been able to expand into different sectors of the retail market by using their wealth to manipulate the market into an environment where it is difficult for other, smaller businesses to compete. One standout example is the fate of Diapers.com and the startup behind it, Quidsi (Oremus, 2013). In 2009, Diapers.com saw quite a bit of success and subsequently met with an Amazon representative, who explained to them that Amazon was looking to enter the diaper market, urging Quidsi to sell Diapers.com to them. After Quidsi refused, they noticed that Amazon was dropping the prices on similar goods (diapers, baby formula, etc.) by up to 30%. This was no coincidence - Amazon’s pricing bots (software that monitors other companies’ prices and adjusts Amazon’s accordingly) were tracking Diapers.com. Over time, this drop in prices would eat into Quidsi’s profits, driving the owners to eventually sell the company to Amazon in late 2010. This is a prime example of Amazon’s abuse of its monopolistic position - they have the ability to change the prices of goods in such a way that it largely prevents other, smaller competitors from remaining in the market. Amazon uses the injurious pricing technique dubbed ‘dumping’ to do so: they adjust their prices to the point that the prices are so low that they do not generate profit. Amazon, with its wealth, can sustain such a loss, while smaller businesses cannot. Their inability to compete with these ever-lowering prices forces them out of the marketplace and enables Amazon to return to their original prices. It is clear that Amazon possesses the power to shape the market to their pleasure - their immense size enables them to drown their competition and maintain the top spot, extending their power and legacy into the indefinite future.

IV. Social Media

Social media as a whole is one of the biggest and most influential aspects of the economy today. It allows people all over the world to connect, share experiences, and create change, all of which many companies and platforms have taken advantage of. 80% of all internet users visit social media sites at least once a month. Younger people are the primary users of social media, with 90% of younger Americans using some form of it in 2019, compared to only 60% of elders (Pew Research Center, 2020). Almost all businesses and start-ups have some sort of social media presence to help increase their popularity. Today, 3.9 billion people use social media, and this number has only grown with the rise of the coronavirus pandemic (von Abrams, 2020). Some companies, including Facebook, have capitalized on this growing market and seen incredible growth and profit in the past 12 years, becoming the main apps half of the world's population use every single day.

Social media companies such as Facebook, the leading social network today, make revenue through advertising both well-known and more obscure companies. Facebook makes almost 9 dollars per active monthly user every year, for the growing number of 2.7 billion users (McFarlane, 2020). In the third quarter of 2020, Facebook made almost 8 billion dollars, with numbers following closely in past quarters. With the acquisition of WhatsApp for 19 billion and Instagram for 1 billion, Facebook has been able to take over 68% of the social media market, with 3.2 billion people using Facebook, Instagram, WhatsApp, and (Facebook) Messenger, of which 1.8 billion are daily users (Noyes, 2020). This number grows by about 12% each year. With over 70 billion dollars in revenue by 2019 and a stock growth of 163% in the past 5 years, it is clear they have taken over the market and have effectively created a monopoly over the industry. This company and a few others have made it incredibly difficult for new companies to grow, but some companies have been able to succeed in recent times.

Facebook's closest competitor is Pinterest, with 30% prevalence in the market, but even then, the latter has only made a revenue of about 1.17 billion in 2019, 70 billion less than Facebook (Cheung, 2020). There are also other companies and apps that are popular in today's social media economy - this includes Snapchat, which is mainly used by people younger than 16 years old, making about 1.7 billion dollars in revenue each year with 218 million daily users. Twitter is another popular platform, used more by celebrities and influencers to share thoughts rather than photos. Other major companies include LinkedIn, which is typically used by professionals, and WeChat, a messenger that is very popular in China. However, with Facebook having the biggest influence in the social media realm, they have the ability to take anything unique from any other new social networks and create their own version and are generally able to control the market in order to grow their own presence.

V. Search Engines

Launched from humble beginnings in 1998 by Sergey Brin and Larry Page, Google has managed to turn into the world's most popular search engine. Valued at approximately $320 million in December of 2020 (Staff, 2020), it has flourished under its parent company, Alphabet, and has made many extensions into other realms of technological advancement. Controlling over 90% of the market, Google has dominated for decades; Bing, Google's closest competitor, only possesses a mere 2% of the market (Siddiqui, 2020). Whether or not Google is a true monopoly is a persistent question - most are unsure if Google earns profit legally, or if there are more questionable measures in play. According to the legislatures of nearly 40 U.S. states, more investigation needs to be conducted on these suspicious matters.

From October to December of this year, three major antitrust lawsuits have been filed against Google, with allegations centering around how the company abuses its position above other rivals. The Department of Justice claimed that Google stifled its competitors and hurt consumers with exclusionary agreements, finding a breach of trust in American law. Recently, Google has agreed to multi-million dollar deals that have made it the default search engine on Apple products. As the lawsuits reported, this use of profit to earn "special treatment" classified Google as a monopoly and threatened the innovation opportunities of other companies (Allyn et al., 2020). During his time in office, President Donald Trump stated that he would hold "Big Tech" accountable for their violation of the law, referring to their gatekeeping of most online platforms. Nebraska's Attorney General Doug Peterson claimed that, "Google uses people…" with

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his fears concerning the company's use of personal data. Capturing almost 78% of all U.S. digital ad dollars (Marvin, 2017), the search engine has managed to become the epicenter of national interest. Globally, the company has been fined more than $9 billion by European competition groups, for their online advertising practices that broke the EU's antitrust rules.

Google's annual $160 billion earnings have granted it unprecedented opportunities to expand its sphere of dominance. Since 2019, the company has been able to hire over 20,000 additional employees, increasing their worker count to 100,000. This increased workforce has led to international workplaces emerging in Latin America and Europe (Garun, 2019), Google's influence now extending into foreign economies. Only in China, where Google is banned, has the company not seen established networking (Doffman, 2020). Google is no stranger to forming connections and undermining the system. Its aforementioned deal with Apple puts Google in a very favorable position with U.S. consumers - the search engine has also made agreements with Samsung, playing for both teams in the technological marketplace.

Most recently, Google has capitalized on two separate business platforms, focusing on entertainment and autonomous vehicles (D'Allegro, 2020). After purchasing YouTube in 2006 for $1.65 billion, Google has brought in an enormous yearly revenue of roughly $15.15 billion from the platform (Lipton, 2014). Earning all this from advertising revenue, the corporation's access to user information is higher than ever imagined. In fact, their data control is so strong that politicians have begun to raise suspicion. In Texas, Senator-led allegations have been made against Google, claiming that the company colluded with Facebook to divide the market share of advertisements (Feiner, 2020). These two online superpowers supposedly partnered in 2018, and Facebook has begun to cut back on header bidding costs since using Google's ad server. It seems as if Facebook was willing to modify its whole advertisement strategy simply to create this alliance for the future.

Google's position in entertainment, marketing, and production is like that of no other company. Only continuing its growth as technology becomes more widespread, the company seems to have no limitations on its expansion. With that said, the public wonders whether their "partnerships" have been in the best interest of future innovators - if Google's access to personal data has caused rightful concern for the DOJ, then surely we, as citizens, should raise our attention as well.

Without a doubt, Google has become a monopoly. Encompassing their entire market with influence on their competitors, the company has crossed the boundaries in terms of an “equal” power dynamic. Looking at Google’s financial history, recent fines, and profits, it can be concluded that this single organization has complete say in matters concerning its market. Evidently, this is the problem. New innovators cannot get access to the already established market. Foreign companies cannot limit Google’s influence, as its connections with other online powers make it unremovable from society. All in all, Google’s monopolistic methods must be stopped. For the sake of our personal data, market change, and technological development, this issue must be confronted.

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