Funding the Future

Who really runs Britain?

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Are we living through a new Gilded Age, where a small number of enormous corporations have accumulated too much economic and political power? In this video, I argue that monopoly and oligopoly are becoming serious threats not only to competitive markets, but also to democracy.

Monopoly power is about much more than prices. Dominant corporations can control market access, acquire potential competitors, exploit intellectual property rights, and use financial resources to protect their position. The result can be fewer choices for consumers and greater barriers for smaller businesses.

Economic power can also become political power. Large corporations have extensive lobbying operations and access to politicians and officials that ordinary citizens and smaller businesses cannot match. I examine examples ranging from technology and AI to pharmaceuticals and companies involved in Britain’s public infrastructure.

We have faced this problem before. At the beginning of the 20th century, President Teddy Roosevelt of the USA challenged the power of America’s so-called robber barons. His argument was straightforward: corporations exist because governments provide the laws and institutions that make them possible, and democratic governments therefore have both the right and responsibility to regulate them.

I consider what Britain can learn from Roosevelt today. Decades of mergers, acquisitions, privatisation, and shifting attitudes towards competition have increased corporate concentration, while natural monopolies such as water and energy raise fundamental questions about whether essential services should be run primarily for private profit.

I argue that we need stronger merger scrutiny, a willingness to break up excessively dominant corporations, greater transparency around lobbying, and public control of natural monopolies where regulation cannot protect the public interest.

Economic power should not override democratic authority. Markets should serve

society, and government must have the courage to ensure that they do.

https://www.youtube.com/watch?v=FumKxIj3MGs?si=T3GQPLqojrrA8XZq

This is the audio version:

https://www.podbean.com/player-v2/?i=f3i9f-1b88870-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

Are we living in a new age of monopoly power, and do we have a need to tackle it?

That is the topic which I'm tackling in this video because a handful of enormous corporations are increasingly dominating our economy and that of the world. They control markets, influence governments, and extract excessive profits. Their power extends far beyond the price consumers pay. They are increasingly challenging the authority of our democratic governments. So have we entered a new Gilded Age equivalent to that which we had at the turn of the 19th and 20th centuries, and what should we be doing about it?

Monopoly is about much more than the absence of competition. That will be a recurring theme of this video.

A monopoly exists when one business controls a market.

An oligopoly exists when a small number of businesses dominate a market. They effectively, by cooperation, create a monopoly even though there is more than one company involved.

Both of these structures can restrict competition and extract excessive profits from customers. Economists call those excessive returns economic rents, and these matter. You pay for those rents, so of course they matter.

But there is a greater danger still from the exercise of the economic power that these companies have because it in turn creates political power. And oligopoly in particular is

now commonplace in the British economy. A handful of major banks dominate personal and business banking. Large supermarket chains control much of our food retailing. Mobile phone networks and a few internet service providers are similarly concentrated, and major technology companies dominate software and digital services. We are now seeing the same trend developing in AI.

The choices available to consumers and smaller businesses are becoming increasingly restricted, and this corporate concentration creates economic power that can be abused.

Dominant businesses can influence prices, contracts, and market access. They can use intellectual property rights to protect their market positions, and they do, as a matter of fact, do that. And their financial resources allow them to challenge potential competitors, often buying them, so that they are eliminated. Smaller businesses then face barriers that established corporations can avoid. Genuine enterprise suffers when markets are controlled by powerful incumbents.

And corporate economic power is increasingly translating into political power. This is what I worry about. Large corporations maintain very significant lobbying operations with substantial resources. They employ lobbyists, lawyers, consultants, and, of course, former political advisers and even cabinet ministers. They secure access to ministers and officials that ordinary people rarely enjoy. Their influence can shape legislation, regulation and government contracts. The resulting political system is anything but the level playing field that the proponents of market economies suggest should exist if they are to operate efficiently.

The abuse of corporate power is then becoming increasingly obvious. Elon Musk demonstrates how concentrated wealth can create political influence, and very few think that his influence is benign.

At the same time, major AI companies are accumulating extraordinary technological and economic power whilst Palantir, another company based in Silicon Valley, raises questions about corporate influence over public information systems, not least in the UK, as its tentacles are now spreading far and wide into the NHS, our defence systems and even our police.

What is more, pharmaceutical companies are now regularly using supply threats to press our government over prices. Our health is their plaything when it comes to the exercise of corporate power. The question is whether elected governments or corporations are really in control of our economy as a result.

We have seen this concentration of power before. The late 19th century became known as America’s Gilded Age. Industrialists accumulated enormous wealth through increasingly concentrated markets. John D. Rockefeller dominated oil through Standard Oil, which, of course, is ESSO today. JP Morgan, whose bank still exists, exercised

immense influence over banking and railroads, and Andrew Carnegie built a steel empire that became part of US Steel.

Those names are still known. These people shaped the world at that time. But there was somebody who took offence at this: Theodore Roosevelt, who became known as Teddy Roosevelt, and who became president of the USA in 1901, took on the robber barons, as he called them. He recognised that corporate concentration threatened the public interest. He rejected the idea that corporations should operate without effective oversight. He believed that government had a duty to supervise and regulate corporate power.

In his first annual message to Congress on 3 December 1901, he made this clear. Roosevelt understood that corporations owed their existence to government. He made a fundamental point about the legal foundations of corporate power. He said, “Great corporations exist only because they are created and safeguarded by our institutions.”

Corporations depend upon laws, courts, and government institutions for their existence. Their power is therefore not independent of the democratic state. Roosevelt believed that this gave government both authority and responsibility to act to constrain their powers. He insisted that government had a duty to regulate corporations, and as a result, he rejected the idea that corporate power should operate without democratic supervision.

He said, and I’ve edited this very lightly, “It is therefore our right and our duty to see that these corporations work in harmony with the institutions of democracy.” Government, he said, was entitled to demand that corporations serve the public interest. The protection of private property did not, he said, justify unlimited corporate power. Democratic government had to remain more powerful than the corporations it created. That was his argument.

And in all of this, Roosevelt believed that corporate transparency was essential. He understood that governments could not regulate business without information. “The first requisite”, he said in that speech in 1901, “is knowledge, full and complete.” Corporations had to disclose enough information, in his opinion, for their activities to be scrutinised, and that’s a principle that still applies today.

Government needed to understand their ownership, operation and market power. Without transparency, corporate accountability would be impossible. And those principles that were set out in Roosevelt’s message to Congress in December 1901 are just as relevant 125 years later. Teddy Roosevelt knew what we need to know now.

Roosevelt then demonstrated that governments could challenge corporate power. His administration successfully challenged JP Morgan’s Northern Securities Railroad Combination. The Supreme Court of the USA ordered that combination to be dissolved in 1904, and his administration also pursued Standard Oil under antitrust legislation,

and Standard Oil was eventually broken up in 1911, admittedly, after he left office. His challenge to corporate power established that the state could act against monopolies.

We should be taking note of that now because right at this moment in the UK, the threat from monopolies should be taken more seriously. Government departments and competition authorities used to scrutinise corporate concentration. Mergers and acquisitions were frequently challenged when they threatened competition. But the arrival of Margaret Thatcher in 1979 changed the political direction.

Privatisation and neoliberal thinking increasingly favoured private corporate ownership. The belief that markets knew best weakened the political commitment to restraining corporate power.

The decline in the number of listed British companies exposes by how much power is being concentrated within our economy. In the 1960s, when I was young, approximately 4,600 companies were listed on the London Stock Exchange. Today, with slightly different definitions of what a listed company might be, I admit, there are fewer than 2000 companies on that exchange, and the number leaving is a steady flow. There is a decline of more than half over approximately 60 years.

Takeovers, mergers, delistings, and changes in corporate financing have contributed to this decline, and there are current examples to show what is happening. BT’s acquisition of, first EE and now TalkTalk, is an example of substantial market consolidation, and if Sky takes over ITV, which is currently a listed company, it too will result in increased UK market concentration. Fewer listed companies do not automatically prove the existence of monopoly, but the trend demands investigation.

And privatisation has created a particularly damaging form of monopoly. Some industries are natural monopolies because competing networks are inefficient. Water supply is the obvious example of such an industry, but it’s not alone. Electricity and gas can never be truly competitive. There is only one gas pipe into your house. There is only one set of electricity cables into your house. They cannot therefore give rise to competition.

Thatcher’s privatisation programme transferred important public assets into private ownership, and private owners have ever since extracted profits from services that customers cannot avoid buying. Essential monopolies like these should serve the public rather than maximise private financial returns.

A courageous state would challenge this concentration of corporate power. At the same time, it would understand that fair markets are essential if genuine enterprise is to flourish. Effective competition requires much stronger scrutiny of mergers and acquisitions. Existing corporations should also face breakup when their dominance threatens public well-being. And natural monopolies should be brought under public control when regulation cannot prevent abuse, whilst corporate lobbying must also be

made transparent and subject to democratic accountability in ways that have failed to deliver so far, but which must be enforced in the future.

The message then is clear. It is time to rediscover Roosevelt’s political courage. Corporations exist because governments provide the legal framework that creates them. They have no inherent right to exercise power against the public interest as a consequence. Economic power must never be allowed to override democratic authority. And markets should serve society, and governments must ensure that they do. We need a courageous state willing to redraw the boundaries of corporate power. We have not got it, and we need politicians of courage to recreate it.

That’s what I think. I believe we need to transform the way in which the corporation works inside the modern world. But what do you think? There is a poll down below. Let us have your comments.

Poll

[poll id="561"]