Monopolists and Markups Media Brief

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Davos, Switzerland

Taken, not earned

How monopolists drive the world's power and wealth divide

The World Economic Forum says it is committed to improving the state of the world[1], but a new report into the world's wealthiest billionaires and biggest companies disputes this. ***Taken, not earned*: *How monopolists drive the world's power and wealth divide***, released to coincide with the Davos gathering, reveals how the world's biggest companies, including top WEF partners, are using monopoly power to effectively rip off consumers, while exploiting workers and citizens, and suffocating smaller businesses.

Monopoly power, the report authors argue, fuels inequality and division, undermines democracy, worsens the climate crisis, manipulates people in insidious ways, and fundamentally alters how we communicate and interact with each other.

Of the world's top 20 biggest firms, at least 14 are partners of the World Economic Forum (WEF), meaning they sponsor the event and are involved in shaping the debates at the annual meeting in Davos, which in turn have wider ramifications for society.[2] These partners are Apple, Microsoft, Alphabet/Google, Amazon, Meta/Facebook, Eli Lilly, Visa, Novo Nordisk, Walmart, ExxonMobil, JP Morgan Chase, Johnson and Johnson, LVMH Moët Hennessy Louis Vuitton and Saudi Basic Industries (SABIC), of which Saudi Aramco owns 70% of shares. Behind these companies are many of the world's wealthiest and most powerful monopolist billionaires.

The report by the Balanced Economy Project, SOMO, Global Justice Now and Lobby Control focuses on how these individuals and their companies have built positions of market and strategic dominance where they've become too big to fail, too big to trust, and 'too big to care'.[3]

What is monopoly power?

A monopoly is commonly understood to be a single seller in a market, but this interpretation is too narrow to capture reality, and also inaccurate in law. The definition the report authors use for monopoly is the same as some regulators do: a business with significant and enduring market power, and which can act independently without needing to worry too much about the responses of competitors, customers, workers, or even governments. For example, firms with enough market power can charge higher prices without worrying that competitors will undercut them and steal market share.[4]

The new data reveals how some of the world's richest billionaires have accumulated wealth through companies that leverage their monopoly power to profiteer off society, setting prices for goods significantly higher than smaller firms can. New figures are also provided on lobbying by the biggest firms, as well as fresh research showing how regulators have allowed an excess of monopoly-building mergers and acquisitions in recent decades, with almost no push back. Many different dimensions of the harms caused by monopoly are shown beyond higher prices, as well as how far monopoly power extends across the world economy, the tricks monopolists use, the hidden 'system of monopoly' that protects billionaire power, and what can be done about it.

Exploiting consumers and smaller businesses

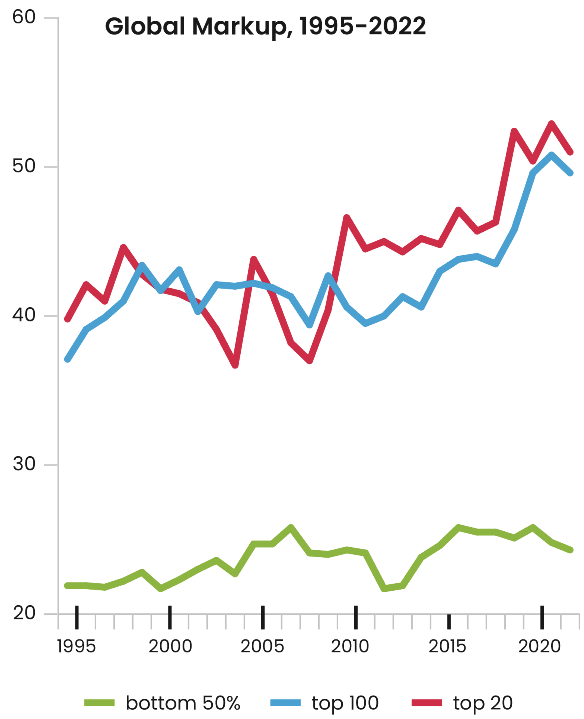
One of the clearest ways to illustrate the power to extract wealth is through what economists call 'markups', which is basically the difference between the sale prices of goods and services, and the costs of materials used to produce them.

High profits, which are benefits to the winners, are closely related to excessive markups. For example, if the cost of materials used to create a product is $10, a smaller firm might sell that product for US$12.50, making a sufficient profit margin to operate, while the firm with monopoly power can charge $15 instead. The difference – $2.50 in this instance – is effectively like a private tax consumers pay to wealthy individuals at a time when millions of ordinary people are suffering amid the cost of living crisis.

These oblique private taxes, levied on the rest of us by those with monopoly power, are a key connecting thread between wealth and poverty; their income is our loss.

In the five years to 2022 for the top 20 companies, the average "markup" has risen to around 50 percent. This is double the 25% average markup for the bottom 50% of firms studied. This is further evidence that the world's top companies are effectively using their monopoly power in their respective markets to hike prices, and keep them high, exploiting consumers in the process.[5]

New analysis in the *Taken, not earned* report also shows three major global trends in markups.

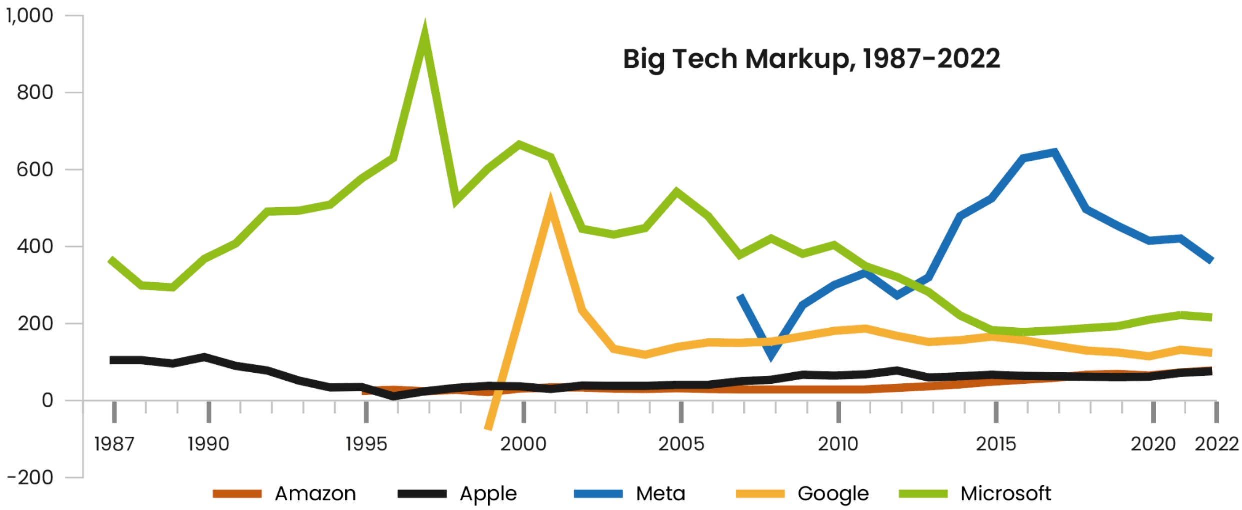


Source: authors' calculations based on Worldscope / Refinitiv data.

First is the case of corporate inequality. The graph, looking at thousands of firms whose market capitalisation is known, shows that the biggest firms charge the highest markups, while many smaller firms struggle to eke out any profit. Markups for the top 20 averaged 44 percent since 1995, rising to 51 percent for the latest three pandemic-hit years, while the smallest 50 percent of firms in the study flatlined at around 25 percent.[6] Even the bottom 50 percent are those with a known market capitalisation: much larger numbers of firms such as smaller companies, family shops and others too small for this study are far worse off. Meanwhile, firms with high markups have grown to become the world's biggest and most powerful. High markups contribute to high profits and high market value.

Second, the average markups of the biggest firms in the above graph have seen a steady rise over the period of 1995 to 2022, while the average markups of smaller companies have barely changed. Other research has found similar patterns.[7]

While in certain sectors like Big Tech, or Pharma, markups rise to many hundreds of percent.



Source: Bloomberg data

Markups in Big Tech are currently at 75 percent and more, and historically have gone as high as nearly 1,000 percent, meaning they charged people for goods and services ten times as much as it cost to produce them. The story of Microsoft in this graph, for example, shows the rise of immense monopoly power, followed by successful antitrust action by US regulators in the 1990s: something that can be achieved again.[8]

Monopolists’ Markup bonanza

Agri-food firms make excess profits seemingly setting themselves up as gatekeepers between consumers and farmers, able to squeeze and milk the passing traffic to the cost of everyone else.[9] The world’s top nine fertiliser producers, for example, **tripled their profits in 2022**, with fertiliser and food prices remaining high today, despite global fertiliser input prices coming down.

Decisions on producing medicines are based on how profitable they are for Big Pharma monopolies, leading to **low profit diseases often being ignored**. For example, failure to undertake research into new antibiotics, in spite of growing antimicrobial resistance, threatens to cause millions of deaths a year. Against this backdrop, Big Pharma companies have undergone waves of consolidation, mergers and acquisitions while protecting monopolistic patents and other forms of intellectual property.[10] This monopolistic system effectively locks poorer people and nations out of developing and having access to life-saving drugs.

Market power courses through **global energy markets**, which are dominated by a handful of giant companies, and which are the world’s biggest polluters. At the same time as millions of people struggled to pay spiralling energy bills, oil giants like Shell, BP, Exxon, Chevron and Total,[11] for example, bagged **$195 billion in profits in 2022**.[12]

These ‘hidden’ private taxes paid by the public to the world’s biggest companies and their billionaire owners are worsening the cost of living crisis[13], and deepening the extreme inequality gap. These monopolies appear to also be using their dominant position in markets to steamroller or squeeze out smaller firms: harming the business environment and overall economic prosperity.

With monopoly power, comes influence

The world's top 20 corporations spend more than €155 million on annual lobbying to influence political institutions in the US and the EU, according to most current data.[14] They rely on a lobby network of 236 organisations, confederations, business associations and think tanks in Europe. Of this, they spent €118.3 million in the US and €36.9 million in the EU. Big Tech is by far the biggest spender on lobbying among the world's top 20 corporations, making up 82 percent of the total (€30.3 million) in the EU, and 58% (€61.1 million) in the US.

But these numbers underestimate the scale of spending on political influence by the world’s 20 biggest corporations. The structural power of monopolies adds to their political influence, as they can exert great pressure on politicians due to their position in the economy and society, even without direct advocacy work.

Yet the externalities run far wider and deeper than just manipulating prices of goods and services, as the *Taken, not earned* report shows. Monopoly power is measured or distinguished in several ways: concentration ratios or market shares; excess profits; barriers to entry that keep out competitors; lobbying power; or the power to raise prices above costs, which is the main metric in the report.[15]

Monopoly power is stronger than the sum of its constituent parts, which, after all, is often the main point of joining big companies together in mergers. This means size is not just an economic problem, it is also a political one.

How monopolists hold onto their money, at any cost

In tracking the origin of the top billionaires’ wealth and clout, a common pattern or life cycle emerges. First, they innovate to build better goods or services to grow market share. Next, they win dominance, where they defend and reinforce their monopoly, stifle competitors, externalise environmental and social costs, and ensure they pay minimal tax. Monopolists become, as US regulator Lina Khan put it, ‘too big to care’.[16]

Once the monopoly is secure, they milk it for profit, and reinvest some of the proceeds in unproductive share buybacks, and in lobbying to protect their interests. Facebook, for instance, has had years to fix toxic online content, but its monopoly power allows it not to worry too much that better firms will usurp it.

In recent decades, the size of a handful of mega-corporations has soared to extreme levels, as markets have become ever more concentrated, and the private power of the few is increasingly used to dictate how our economies operate. For example, four firms control half of the world's commercial seed market, while the top two control 40 percent of global sales. Half of the world's farm machinery market is dominated by six businesses, and just three multinationals supply nearly 100 percent of commercial poultry genetics.[17] Meanwhile in tech, Google holds a 90 percent market share in online search globally, while 99 percent of the world's operating system market share is split between its Android and Apple's iOS. In some countries, up to 90 percent of online shoppers use Amazon, the e-commerce behemoth.[18]

The result of this concentration is massive profits for the remaining players. More broadly, large food and energy companies made US$306 billion in excess windfall profits in 2022, according to Oxfam, paying 84% of that to shareholders.[19]

Beyond the aforementioned sectors of food, pharma, energy, tech, and finance, there are dominant ride-sharing and hotel-booking platforms, global commodity traders, and giant supermarket chains. Add to that the Big Four accounting firms, the Big Two global asset managers, the Big Three music labels, the four companies dominating the world beer market, powerful media firms and moguls, and giant supermarkets.

Finance plays a special role in the story of monopoly power and is heavily monopolised in its own right. First, take global banking, where 29 banks are officially classed as "Too Big To Fail".[20] If one were to collapse, it could risk financial chaos, so governments and taxpayers would have little choice but to bail them out - as happened in the last global financial crisis, while bankers largely got off scot free.[21]

Second, finance tends to throw cheap capital at monopolists and starve their weaker competitors, worsening the problem. The billionaire investor and financier Warren

Buffett has championed this approach of investing in monopolists, making him the world's fifth richest man. Buffett could be described as a monopolist, investing only in companies with big pricing power and defensive moats around their private castles to keep competitors out.[22] Meanwhile, the mergers and acquisitions (M&A) departments of global investment banks actively promote monopolisation by facilitating and encouraging big firms to get even bigger by merging, earning large M&A fees in the process.

Dominant banks and investors are also part of fuelling the ecological crisis. In the finance sector, Greenpeace showed 24 banks that go to Davos financed the fossil fuel industry to the amount of US$1.4 trillion since the Paris Agreement through to 2018.[23] At an individual level, the investments of a billionaire are tantamount to emitting a million times more greenhouse gas than the average person.[24]

The who's who of monopolists

The beneficiaries of monopoly are well known. This table shows the world's 20 richest billionaires, from the Forbes 2023 list[25], along with the 20 biggest firms, by market capitalisation, which means the market value of a company trading on the stock market. A significant overlap exists between the lists.

Billionaire and global ranking	Wealth US$bn	Company and global ranking	Market value US$bn
1. Bernard Arnault	211	19. LVMH	355
2. Elon Musk	180	9. Tesla	639
3. Jeff Bezos	114	5. Amazon	1,403
4. Larry Ellison	107	9. Tesla	639
5. Warren Buffett	106	8. Berkshire Hathaway	747
6. Bill Gates	104	2. Microsoft	2,555
7. Michael Bloomberg	95		
8. Carlos Slim	93		
9. Mukesh Ambani	83		
10. Steve Ballmer	81	2. Microsoft	2,555
11. Bettencourt & family	81		
12. Larry Page	79	4. Alphabet / Google	1,569
13. Amancio Ortega	77		
14. Sergey Brin	76	4. Alphabet / Google	1,569
15. Zhong Shanshan	68		
16. Mark Zuckerberg	64	7. Meta / Facebook	788
17. Charles Koch + family	59		
18. Julia Koch + family	59		
19. Jim Walton	59	14. Walmart	442
20. Rob Walton	58	14. Walmart	442

Billionaire data: March 10, 2023 (Forbes). Company data: US$bn (Nov 1, 2023)

Company ranking	Market value US$bn
1. Apple	2688
2. Microsoft	2,555
3. Saudi Aramco	2,138
4. Alphabet / Google	1,569
5. Amazon	1,403
6. NVIDIA	1,028
7. Meta / Facebook	788
8. Berkshire Hathaway	747
9. Tesla	639
10. Eli Lilly	525
11. United Health	493
12. Visa	491
13. TSMC	451
14. Walmart	442
15. Novo Nordisk	434
16. ExxonMobil	421
17. JPMorgan Chase	402

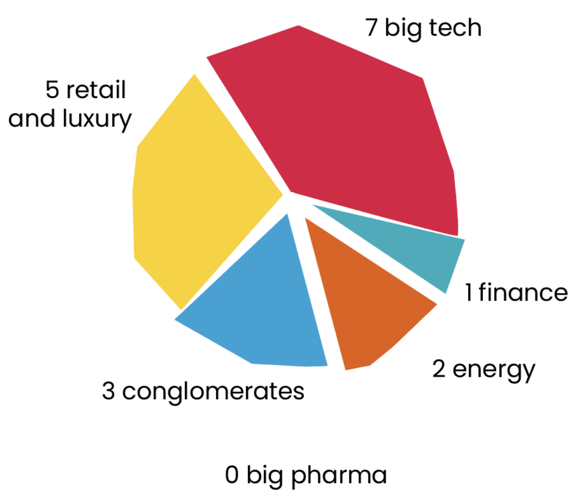
Source: Forbes' Billionaires list, 2023 for Top 20 wealthiest people. Companies ranked by market capitalisation, companiesmarketcap.com, Nov 1, 2023.[35]

At least half of the top 20 richest billionaires are classic, deliberate monopolists whose companies have at times enjoyed market shares of up to 90 percent in their domains.[26] Billionaires such as Jeff Bezos of Amazon, Bill Gates of Microsoft, and Sergey Brin and Larry Page, both of Alphabet/Google. The remaining billionaires on the Forbes 2023 list are not widely thought of as monopolists, but almost all have enjoyed concentrated market power as a central underpinning of their wealth.

For example, many see Elon Musk, founder of the electric vehicle manufacturer Tesla, as an innovator, which he is. Yet he has also profited from extensive market dominance. Tesla had a 79 percent market share of new US electric vehicle sales in 2020, and although that has since fallen sharply as other carmakers enter the market, it still represents a towering dominance.[27] Meanwhile, one of Musk's other companies, SpaceX, has for some time been the only realistic way NASA can get its rockets into space, and his ownership of Twitter (which he rebranded as X) gives him huge political and cultural clout.[28]

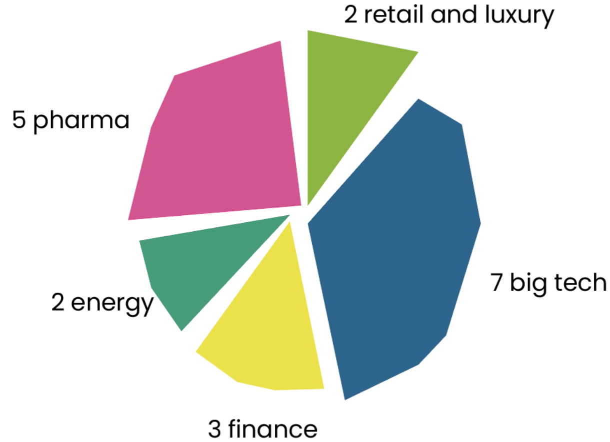
Monopolists by numbers

Top 20 billionaires



Source: Forbes' Billionaires list, 2023 for Top 20 wealthiest people.

Top 20 companies



Companies ranked by market capitalisation, companiesmarketcap.com, Nov 1, 2023

When we take a step back, we can see this concentration and domination in the economy as a whole. This contrasts with the 1930s, for example, when the share of the US economy dominated by the top 0.1 percent of companies, ranked by assets, was less than 50 percent. Now it is almost 90 percent.[29]

Monopoly is driving massive economic inequality

- The amalgamated market value of the top 20 companies on our list is US$18 trillion. This is equivalent to the GDP of France, Germany, India, Brazil, South Africa and the United Kingdom combined.[30]

- The US$5.1 trillion market value of the two biggest companies in the world, in our table, is equivalent to the combined wealth of 53 percent of the world population – or 2.8 billion people.[31]

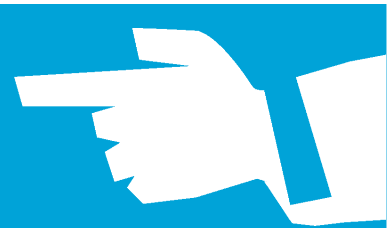
- The world's 2,640 billionaires collectively own significantly over twice the wealth of the bottom 2.8 billion.[32]

- The world's richest person, Bernard Arnault, of the world's largest luxury goods company LVMH, has well over a million times the wealth of the average person in the poorest half of the world's population.[33]

The power, sometimes officially described as "gatekeeper" power[34] allows monopolists to effectively set mandatory conditions and fees on those who rely on them. They can levy these so-called private taxes not just on consumers, but also on small businesses in their thrall, thus muscling in on one of the ultimate prerogatives of state power: taxation.

Such hierarchical, extractive power relationships are seemingly widespread: between dominant supermarkets and farmers; between Amazon and its sellers; between Uber and its drivers; between Apple and its app store developers, between the Big Three music labels and musicians - the list goes on.

Time to rein in the monopolists, like we did before



Regulators are charged with challenging monopolies. Yet, they are either lulled into a false assumption that monopolies automatically bring "efficiencies" or benefits to consumers, or are prey to the giants' influence and lobbying. New research shows that the European Commission only prevented 0.7 percent of mergers between 2005 and 2023 - indicating these impacts[35].

Laws, such as competition policy, can be used to **challenge harmful monopoly power by breaking dominant firms up, or by enforcing tighter merger controls**. The Balanced Economy Project, SOMO, Global Justice Now, and LobbyControl are also **calling on governments to use public interest regulation**, such as nationalising dominant firms that provide a public good or essential service, and treat them as a public utility; **rewriting international trade, investment, and finance regimes** to curb excess concentrations of corporate power and associated harms; and, **restricting corporate monopolies' lobbying influence** by strengthening conflict of interest rules and by enhancing the transparency of political institutions.

ENDS/

Further reading

Taken, not earned: How monopolists drive the world's power and wealth divide release date January 17 2023, 0001 CET.

Case studies

Big Energy

Big Retail and Big Luxury

Case studies on Big Pharma, Big Tech, Food Giants, and Finance will be published by January 17 2024.

About the report authors

Nicholas Shaxson is a director of the **Balanced Economy Project** and writes on international finance, corruption, and power. He has written for the Financial Times, New York Times, Guardian, Economist, Vanity Fair, Washington Post, Times, Foreign Affairs, IMF, and many others. He is the author of Poisoned Wells (2008) a book about oil and politics in West Africa; Treasure Islands (2011) a book about tax havens, and The Finance Curse (2018) about oversized financial centres.

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The **Balanced Economy Project** is an international organisation founded in the UK in 2021. Their goal is to hold powerful corporations to account and to reclaim the ability of present and future generations to continually restructure our economies, by collectively constraining corporate power.

Report partners

Global Justice Now is a democratic social justice organisation working as part of a global movement to challenge the powerful and create a more just and equal world.

GFN mobilises people in the UK for change and acts in solidarity with those fighting injustice, particularly in the global south.

SOMO investigates multinationals. Since 1973, as the Centre for Research on Multinational Corporations, they have been working towards transforming the economic system by restraining corporate power and advocating for social justice. SOMO works through long-established partnerships on five continents.

LobbyControl is a civil society initiative that provides information on lobbying, PR campaigns, and think tanks and promotes transparency and democracy in Germany and on the European level. LobbyControl was founded in 2005 and is part of the European Alliance for Lobbying Transparency and Ethics Regulation (ALTER-EU).

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1. "The World Economic Forum – committed to improving the state of the world – is the international organization for public-private cooperation. The Forum engages the foremost political, business, and other leaders of society to shape global, regional, and industry agendas."
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2. Partners of the World Economic Forum:
https://www.weforum.org/partners/#search
3. Cory Doctorow covers this monopoly life cycle in his book, 'Chokepoint Capitalism'. Lina Khan, Chair of the US Federal Trade Commission, said: "In the early years the firms are chasing growth and share and so they'll actually compete to make their

products good for people. But we've seen how in digital markets once the market tips and the firms start to enjoy monopoly power and are able to start protecting that power, we see that they start becoming too big to care, in a basic way. Where they can kind of make their product worse, they can make it more expensive … at the end stage of this monopoly cycle these firms are just in extraction mode … actively degrading their services in ways that they recognise in making the product worse." (Bloomberg TV, Nov 3, 2023.)

4. For example, the US Federal Trade Commission says: "Courts do not require a literal monopoly before applying rules for single firm conduct; that term is used as shorthand for a firm with significant and durable market power - that is, the long term ability to raise price or exclude competitors. That is how that term is used here: a "monopolist" is a firm with significant and durable market power." See Monopolization Defined, FTC, undated. The European Commission has defined dominance as "a position of economic strength enjoyed by an undertaking, which enables it to prevent effective competition being maintained on a relevant market, by affording it the power to behave to an appreciable extent independently of its competitors, its customers and ultimately of consumers." See also Competition is Killing Us, Michelle Meagher, Penguin Random House, 2020, especially pg 79-83.

5. Authors' calculations based on Worldscope / Refinitiv data. The list of top 20, top 100 and bottom 50% of firms was calculated separately for each year from 2018-2022, and ranking was according to market capitalisation. The total number of firms in our sample in 2022 was 33,953 (the number was different in different years). The total population of firms in the relevant database was approx. three times larger, but we excluded many firms because they did not have a recorded market capitalisation.

6. Authors' data shows average markups of 50.6, 42.5 and 23.7 percent for the top 20, top 100 and bottom 50 percent of firms respectively, from 1995-2022; and 51.4, 50.0 and 25.0 for the last three years. Source: Worldscope/Refinitiv

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14. LobbyControl analysis of the 20 largest corporations' lobby power in Europe and the US, based upon transparency registers in the European Union and the United States, for 2021, 2022 and 2023.
15. One of the commonest measures is the Herfindahl–Hirschman Index, which is calculated by squaring the market share (between 0 and 1) of each competing firm in an industry then adding the resulting numbers.
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33. Ibid. for the wealth of the poorest half, see reference 20; the Arnault wealth figure is from the Forbes 2023 billionaires list, see reference 33.
34. Legislation increasingly recognises this tollkeeper role: for example, the EU's Digital Markets Act refers to dominant firms as "gatekeepers."
35. 'Merger review intervention rates in the EU' by Brianna Rock, Hertie School, published January 17, 2023.