



Why Isn't the Largest Monopoly Broken Up?

For more than 100 years — ever since the passage of the Sherman Antitrust Act — the federal government has engaged in “trust-busting,” the breaking up of private monopolies that form allegedly as a result of the free market run amok. The first such trust to be forcibly broken up was Rockefeller’s Standard Oil in 1911, a company deemed so large and successful that it was able to use its domination of the fledgling oil markets to squelch competitors. Such monopolies, as they are now styled, continue to be represented as arch-foes of free society, and government as the necessary guarantor of a level economic playing field.



That the very notion of unchallenged monopolies arising from the free markets is false has been demonstrated many times; suffice it to say that, in the absence of government favoritism, free market competition tends to favor smaller, newer competitors as against bureaucratic, sclerotized mega-corporations. It is only when large corporations are permitted to enlist the services of government — the passage of laws and regulations, compliance with which can only be afforded by established firms, for example — that large corporations are able to box out smaller, newer, would-be market entrants and competitors. This is the reason, for instance, that the American automotive sector has seen no major industry entrants in decades — even as the Big Three tend to enjoy regular bailouts at taxpayer expense and a welter of research grants and increasingly costly market regulations that ensure that no upstart automaker is able to establish itself as a competitive threat.

But a deeper question, and withal one never given consideration by those worried about the concentration of monopolistic power, is why so few are equally solicitous of the greatest monopoly of them all — the monopoly on power enjoyed by modern Big Government. It is this monopoly, after all, that is the wellspring of all others, at least over the long term. An entrepreneur who comes up with a new invention may for a time enjoy a monopoly, but it inevitably will be short-lived as competitors respond with their own innovations. On the other hand, monopolies are created and sustained when supported by government. Not only that, but the sponsored businesses, by participating in the coercive machinery of the state, become appendages of it.

The Big Three automakers, by enjoying the sponsorship of the state, have become extensions of it, and much the same could be said of other bona fide monopolies such as power companies, big banks (especially those that enjoy preferential status as privileged brokers of federal debt within the Federal Reserve System), public schools, and all other businesses operating wholly or partly within the “public sector.” Over time, the separation of government and business, taken for granted in laissez-faire early America, has been rejected in favor of modern corporate statism. The widely accepted rationale is that what are euphemistically called “public-private partnerships” are necessary for maintaining equitable



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market conditions, where businesses consistently pursue what is in the best interest of all.

The reality, of course, is that the monopolistic pairing of government and business interests ensures only the rise and perpetuation of elites who use a politicized market to advance their own agenda.

All of this is possible by harnessing and concentrating the power of the mother of all monopolies, government itself. In a strict free market, no business, no matter how successful, has the power to deprive people of life and property, or to engage in fraud against the public — unless it enlists the coercive powers of the state or is permitted to behave like a state itself. No business that attempted to force people to buy its products at prices of its own choosing would endure for a day under free market conditions. But aided and abetted by the police powers of the state to destroy competitors and compel consumers to accept its products or do without them, it could become a monopoly indeed — to the detriment of the buying public. Taken to its ultimate extreme, such a policy would result in the inefficient socialist monopolies typical of totalitarian states such as the former Soviet Union.

The Founders understood the potential of the political monopoly of the state to establish itself in every conceivable area of human endeavor. To prevent this from happening, they instituted the ultimate “trust busting” program, a federal Constitution that broke up the monopolistic concentration of central government power by dividing it between the states and federal government. They also set explicit limits on the powers to be exercised by the federal government, as emblemized in the 10th Amendment. Taken together, the twin constitutional doctrines of federalism and enumerated powers for generations prevented the federal government either from amassing powers left to state and local governments, or from exercising novel powers — such as the regulation of private business — not granted it by the Constitution.

All of that has been systematically abandoned, of course. Federalism was effectively renounced after the Civil War, and limited, enumerated powers during the Great Depression, when the New Deal authorized for the first time massive federal usurpations over the private sector. Today there are few remaining obstacles to the powers exercised by our post-constitutional federal government. Although the Constitution still preserves its essential form, and our elected leaders still swear an oath to honor and preserve it, its limits on the monopoly on power now enjoyed by Big Government are routinely ignored or rationalized away. Both major parties are equally complicit, which is why the monopoly of centralized state power in Washington grows stronger no matter which party controls Congress and the White House.

And in a supreme irony, leaders of both parties continue their pious, eternal vigilance over America’s private sector, ever on the lookout for new monopolies to tame. But the one monopoly that no one seems inclined to confront — Big Government itself — shows no signs of receding.



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