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ESSAY

Why U.S. Businesses Want Trustbusting

The loudest complaints against today's monopolies come not from Occupy Wall Street types but from leaders of firms seeking freedom of commerce

ILLUSTRATION: PEP MONTSERRAT

By Matt Stoller

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Trustbusting is back, and it's a bipartisan effort. Last month, 50 state attorneys general, led by the conservative Republican Ken Paxton of Texas, announced an investigation of Google for anticompetitive conduct. Republican Sen. Josh Hawley of Missouri has been a fierce critic of big tech, as has the Democratic-led House Judiciary Committee, which is probing the sector. Several Democratic presidential candidates have pledged to address the problem of concentrated power not just in tech but in agriculture, defense and media too.

It might seem like both parties and the American public are turning against business creators and investors who put their hard-earned capital to work. But there's a more optimistic way to see this dynamic. If you listen to the complaints against these large companies, they aren't coming from Occupy Wall Street-style protesters. They are coming from business leaders who, in most cases, are just seeking the liberty to trade with whomever they wish and feel that they are being blocked.

Take complaints about Alphabet Inc.'s Google, which is such an important marketing platform that it is essentially the home page for every company. Google's searches once primarily sent people to independent web pages, but the internet has increasingly become Google's own walled garden. A recent study by the data analytics firm Jumpshot shows that more than half of Google searches now end with snippets from web pages displayed on the search page itself instead of visits to those pages, or else by sending users to Google apps or to sites that paid Google for ads—instead of to pages outside Google's sphere. Meanwhile, Google has packed so many ads onto its results page that companies are finding that they have to buy ads even to reach people who search for their product by name.

This would not be such a problem except that Google is essentially a search monopoly, with roughly 90% of the web search market and a dominant share in other segments of the internet, like mapping. (Google counters by defining the market more broadly to include any online service that helps consumers to find something, such as Amazon or Expedia.) One small-business owner told The Wall Street Journal, in an article earlier this year about fake listings in Google maps, that he fears Google far more than the government. "The government will hit me with a fine," he said. "But if Google suspends my listings, I'm out of a job. Google could make me homeless."

Monopolies aren't just appearing in technology. Across the economy, dominant market power is more the norm than the exception.

Facebook has similar power over the advertising market for social networking, which is also critical for anyone with products or services to sell. Facebook can, in essence, impose its own tax on all businesses that have to connect with customers. "In a lot of ways, Facebook is more like a government than a traditional company," Mark Zuckerberg said in a 2009 interview. Now Mr. Zuckerberg is putting together his own Facebook "Supreme Court," as he describes it, for content moderation, and attempting to create his own currency with Libra.

Nor are monopolies just appearing in technology. Across the economy, dominant market power is more the norm than the exception. There are concentrated markets in industries as diverse as coffins, syringes, baby formula, mobile-home manufacturing and bank management software. Rabbis recently had to beg the giant Mexican bakery chain Bimbo, which together with Flowers Foods controls roughly three-fifths of branded bread sales in the U.S., to continue baking kosher bread. Fully 97% of missiles and munitions produced for the Pentagon are controlled by just two companies, Raytheon and Lockheed Martin.

Dominant firms not only concentrate power but become the single sources for vital products. In 1997, Boeing and McDonnell Douglass merged, combining nearly all domestic civilian aerospace capacity in one company. While Boeing (as the new entity continued to be called) still faced some competition from Airbus, its market power largely insulated it from the consequences of poor management. The deadly crashes over the past year of two Boeing 737 Max passenger airlines have now begun to reveal the extent of the company's failings. Because Boeing is the entire U.S. industry, its problems are rippling broadly across it suppliers and the airlines. To take just one example, the scandal has cost General Electric, which sells engines, up to $750 million in cash flow.

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The U.S. has been here before. In the early 20th century, Standard Oil, among other industrial trusts, strode across the land as a corporate goliath. Though massively profitable, the company had misallocated capital and centralized the oil industry inefficiently. When the Indiana branch of Standard Oil wanted to invest in the then-crazy notion that oil could be refined into gasoline, the New York headquarters kept saying that the company should stick to kerosene. In 1911, after the company was broken up, the Indiana subsidiary developed the technology behind the gasoline industry. John D. Rockefeller became far richer after the breakup thanks to the stock appreciation of the subsidiaries. (Teddy Roosevelt later joked, "No wonder that Wall Street's prayer now is: 'Oh Merciful Providence, give us another dissolution.'")

Standard Oil helped to establish the traditional American response to corporate monopolies: Break them up so that other businesses can compete and innovate and investors can profit. During the New Deal, the government broke up giant banks, Hollywood studios, electric utilities, airline and aerospace companies and radio networks. In many cases, as with electric utilities, shareholders, bondholders and ratepayers all profited. Government took an energetic hand in promoting liberty in business, and it worked.

After World War II, Rep. Emanuel Celler, a Democrat from New York, took the lead in investigating domestic monopolies. He noted the pervasive climate of fear in industries where dominant firms could at any point destroy their competitors. "Under our ancient common law, your neighbor must not point a gun at you, even though he has never shot anyone," Celler wrote in 1950. "Similarly, our antitrust laws were intended to protect businessmen not only from violence but from fear of violence." That year, Congress passed the Celler-Kefauver Act to bar anticompetitive mergers.

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In the 1950s, antitrust was a priority for Republicans too. The Eisenhower administration forced RCA, AT&T and IBM to license their patents to small companies. One of those patents was the electronic transistor, soon manufactured by Texas Instruments and Motorola. Antitrust thus freed American business and led to the creation of Silicon Valley.

Similarly, when the Reagan administration broke up AT&T in 1984, it allowed more businesses to innovate rather than to fight the dominant market player. Stockholders in AT&T and its spinoffs did much better than those who kept IBM shares, a giant that the Reagan administration left alone. One of the results of the AT&T breakup was that customers could easily plug modems into the phone network, which gave rise to the online service provider industry.

Even when the government has stopped short of breaking up a company, as with Microsoft, the results have often been beneficial. In the early 2000s, Microsoft, due in part to fear of antitrust action, refrained from using its power over browsers to keep a scrappy upstart called Google from reaching users. Antitrust oxygenated the market; a lack of antitrust has now allowed Google to turn into the monopolist of today.

It often seems like centralization and concentration in the hands of the best and brightest in business and finance is the American way. But liberty is our true birthright. Louis Brandeis, the patron saint of the antimonopoly tradition, once expressed a fear that America, once a nation of tradespeople, was becoming a nation of clerks. He was right to fear that transformation in his day, just as businesspeople and investors should fear it in ours. Fortunately, we are seeing the resurgence of an old, business-friendly trend: trustbusting. And it couldn't come soon enough.

—This essay is adapted from Mr. Stoller's new book, "Goliath: The 100-Year War Between Monopoly Power and Democracy," which will be published on Oct. 15 by Simon & Schuster. He is a fellow at the Open Markets Institute.

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