The Atlantic

# The Rise and Fall of the Word 'Monopoly' in American Life

For several decades, the term was a fixture of newspaper headlines and campaign speeches. Then something changed.


Franklin Delano Roosevelt campaigning in 1932. In his 1936 State of the Union address, he said that throughout the U.S., "opportunity was limited by monopoly."

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STACY MITCHELL

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If “monopoly” sounds like a word from another era, that’s because, until recently, it was. Throughout the middle of the 20th century, the term was frequently used in newspaper headlines, campaign speeches, and State of the Union addresses delivered by Republican and Democratic presidents alike. Breaking up too-powerful companies was a bipartisan goal and on the minds of many voters. But, starting in the 1970s, the word retreated from the public consciousness. Not coincidentally, at the same time, the enforcement of anti-monopoly policy grew increasingly toothless.

The story of why the word and the movement dropped off the map in tandem carries lessons about how an economic policy’s effectiveness can be its own undoing, and about how people are thinking about corporate power today. Because monopoly is back. As concentration has soared to levels not seen in decades, economists are talking about monopoly again; recent scholarship has linked consolidation with rising inequality and other economic ills. Politicians on both the left and right are talking about it, too—the announcement last week that Amazon is planning to buy Whole Foods has refocused some politicians’ attention on the subject.

Sentiments were similar back in the 1920s, the last period of high levels of corporate concentration and inequality. Isolated protests against big business erupted periodically then as they do now. People who lived in small towns fought the grocery giant A&P’s displacement of local retailers; farmers rallied against the control Wall Street banks had over the agricultural industry; and residents of big cities protested the high prices charged by holding companies that had gained control of the electricity supply.

It was Franklin Roosevelt who helped define these scattered struggles as being about the same root problem: monopoly. At the Democratic Party's national convention in 1936, Roosevelt devoted much of his speech to the problem of "industrial dictatorship." A small group of powerful corporations and banks, Roosevelt declared, "had concentrated into their own hands an almost complete control," such that many Americans were "no longer free" and throughout the nation, "opportunity was limited by monopoly."

With voters' support, Roosevelt set about taking up the country's dormant antitrust laws and empowering those charged with their enforcement in the Justice Department's antitrust division. He hired Thurman Arnold, a former small-town mayor and feisty lawyer from Wyoming, to run the division. Arnold believed that, in order to take on behemoths like DuPont and AT&T, he had to connect the division's work directly with people's lives. Soon after assuming his post in 1938, he published his thoughts on the matter in *The New York Times Magazine*. Titled "An Inquiry into the Monopoly Issue," the piece made the case that the concentrated control of industry "is a tax on the public and a threat to democracy." It was illustrated with a drawing of a larger-than-life cop keeping the road to opportunity clear for a stream of workers, farmers, and small businesspeople.

Under Arnold's direction, the antitrust division opened field offices across the country to detect and investigate violations. By 1940, its caseload had grown eight-fold. With each case it prosecuted, the division began issuing extensive statements explaining to citizens what was at stake and why it was acting.

Anti-monopoly policies remained a cornerstone of American politics for decades to come, under both Democrats and Republicans. Harry Truman returned repeatedly to the issue in his State of the Union addresses. In 1950, he urged a redoubling of efforts to curb monopoly, lest the economy "fall under the control of a few dominant economic groups whose powers will be so great that they will be a challenge to democratic institutions." Later that year, he signed legislation giving federal regulators more leeway to block mergers.

Dwight Eisenhower also embraced the importance of "checking monopoly," as he put it in his 1956 State of the Union. Eisenhower had grown up in a Kansas farming community, where, for a time, his father owned a general store. As president, he created the Small Business Administration to "make certain that small business has a fair opportunity to compete." In his last State of the Union address, delivered in 1961, he attributed the strength of the U.S. economy to his administration's "vigorous enforcement of antitrust laws over the last eight years and a continuing effort to … enhance our economic liberties."

Many industries became steadily more competitive from the 1930s to the 1970s. Innovation accelerated, as dominant firms like IBM and AT&T were compelled by the antitrust division to unbundle their products and license their patented technologies to competitors, including some, like the electronic transistor, that would birth the information-technology sector.

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The overall number of businesses rose, especially banks and farms. This economic dynamism was not the only factor contributing to the period's exceptional prosperity—among other theories, some economists have argued for the significance of high rates of unionization and an unprecedentedly high rate of technological breakthroughs—but it was an important one. It helped lift wages, shrink the gap between the rich and poor, and move more Americans into the middle class. And while this prosperity and the opportunities it afforded still weren't equally available to all, women and people of color saw gains in these years too. Indeed, by the 1970s, there were more black-owned banks and businesses than there are today.

By the '70s, though, the political mood had begun to change, and public attention was turning away from the issue. In 1970, *The New York Times* published fewer than half as many articles about monopoly as it had in 1940. According to data from Google, mentions of monopoly in published books, as the graph below shows, began a steady decline starting from its peak in 1949. That decline accelerated in earnest around 1970, suggesting the issue was falling out of the national conversation.

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## The Frequency of the Word *Monopoly* in Published Books, 1880-2008

At its peak in 1949, the word *monopoly* accounted for roughly 0.0019 percent of all words published in books Google has indexed, but has steadily declined in usage since. (Google)

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In many ways, the success of antitrust enforcement led to its undoing. "Once the United States had an antitrust movement without antitrust prosecutions," the historian Richard Hofstadter observed in the mid-'60s. "In our time, there have been antitrust prosecutions without an antitrust movement." Hofstadter predicted that after decades of an effective enforcement regime, people would much more rarely encounter the monopolistic practices that had, earlier, prompted public backlash. And so the issue would become politically irrelevant, which, in turn, could open the way for less vigorous enforcement.

Hofstadter was right. Since 1962, no president has ever featured the problem of monopoly in a State of the Union address. As the chart above makes plain, the issue of monopolies had all but disappeared from the public forum by the time Ronald Reagan took office in 1981. It was in this climate that his Justice Department radically revised the interpretation of U.S. antitrust laws, weakening enforcement and allowing companies to consolidate to an extent that hadn't been seen, or allowed, before. Twelve years later, when President Bill Clinton ushered through Congress the repeal of laws that had constrained the size and scope of banks and telecom companies for decades, there was scant protest.

One thing that helped lay the groundwork for this sweeping shift in policy was that, beginning in the late 1970s, the work of the antitrust division increasingly receded into the bureaucratic shadows. This was at once a consequence of public inattention and a cause of it. Over time, antitrust became the secluded domain of technical experts, "captured by lawyers and economists advancing their own self-referential goals, free of political control and economic accountability," as the legal scholars Harry First and Spencer Weber Waller put it in a paper in 2013. They contend that antitrust enforcement now suffers from a crippling "democracy deficit."

Unlike in the days when Thurman Arnold was in charge, the Justice Department regularly closes investigations and approves mergers with no explanation to the public. When the agency closed a three-year investigation of the agricultural-chemical producer Monsanto in 2012, for example, it didn't issue a statement. It also declined to explain its decision to abruptly reverse course on the merger of US Airways and American Airlines, first suing to block the deal and then, three months later, approving it with only modest concessions. (When asked about the department's public-communications rationale, a spokesperson noted that it follows department protocols, established in 2003, that offer guidance on when to issue public statements explaining why an investigation was closed.) And with rare exceptions, like its 1998 suit against Microsoft, the government has largely retreated from bringing monopoly cases against high-profile companies.

One way to measure the shift from monopolies being a central concern of voters to being a technical matter left to the experts is by tracking the rise and fall of the word *antitrust*, a technocratic term used mainly by specialists. It's distinct from *monopoly*, which is a more political word that carries with it a whiff of values like liberty and equality, and thus has much broader use and reach. (It's worth pointing out that *monopoly* does not have to be reserved for cases in which a single company controls a market; the Federal Trade Commission explains that a firm with significant and durable market power, even one with rivals, can be called a *monopolist*.)

In the 1960s and 1970s, *antitrust* rose in circulation as *monopoly* declined, as the graph below shows. Antitrust enforcement was robust in these years, but it was increasingly removed from everyday politics. So there was no substantial resistance when Reagan came in, bringing with him a new theory of antitrust enforcement put forward by Robert Bork and others affiliated with the Chicago school of economics. They and a new generation of like-minded congressional Democrats insisted that big corporations delivered efficiencies that outweighed other concerns about their power. After 1982, as seen below, *antitrust* joined *monopoly* as a fading idea.

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## The Frequency of the Words *Monopoly* and *Antitrust* in Published Books, 1950-2008

While the frequency of the word *monopoly* has declined since 1950, prevalence of the word *antitrust* increased until 1983, when it accounted for 0.000646 percent of all words published in the books Google has indexed, before declining through 2008. (Google)

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Since Reagan took office, corporate concentration has increased dramatically. Two corporations make 69 percent of the beer Americans drink, five banks control about 47 percent of the nation's $17 trillion in banking assets, Walmart captures half or more of grocery spending in 40 metro areas; four airlines dominate the skies, and 75 percent of households have, at most, only one provider to choose from for high-speed internet access.

One issue with monopolies is that too little competition can lead to higher prices. But new evidence indicates that high levels of concentration may be to blame for a variety of economic problems American now faces: stagnant wages, rising inequality, and the steep drop in the number of new businesses launched each year. Concentration appears to be encouraging regional inequality, too, as corporations cluster their headquarters in a handful of big cities while the rest of the country loses its economic anchors and local businesses.

Plenty of Americans seem to be troubled by these effects and the hands-off policy that led to them. Although *monopoly* has yet to return to the popular lexicon, about two-thirds of Americans now say the economic system "unfairly favors powerful interests," and real-world examples suggest anti-monopoly political platforms would have broad appeal. In liberal Portland, Oregon, the city council recently voted to stop the city from investing any of its money in any corporations. In conservative Oklahoma, more than 60 percent of voters opted to put a cap on the size of agricultural businesses in a statewide referendum last November.

As the downsides of monopoly become more a part of the public conversation, the likelihood increases that a political movement responding to them will take shape. It wouldn't be surprising if politicians' diction changes too, as they look to replace murkier terms like *antitrust* and *oligopoly* with a more resonant common vocabulary. *Monopoly* could be just the word they reach for.


**ABOUT THE AUTHOR**

**STACY MITCHELL** is the co-director of the Institute for Local Self-Reliance and the author of *Big-Box Swindle: The True Cost of Mega-Retailers and the Fight for America's Independent Businesses.*