

Competition

Key to Affordability: Competition







IMPREVISTI



BASTIONI
GRAN SASSO
L. 10.000



STAZIONE SUD
L. 20.000



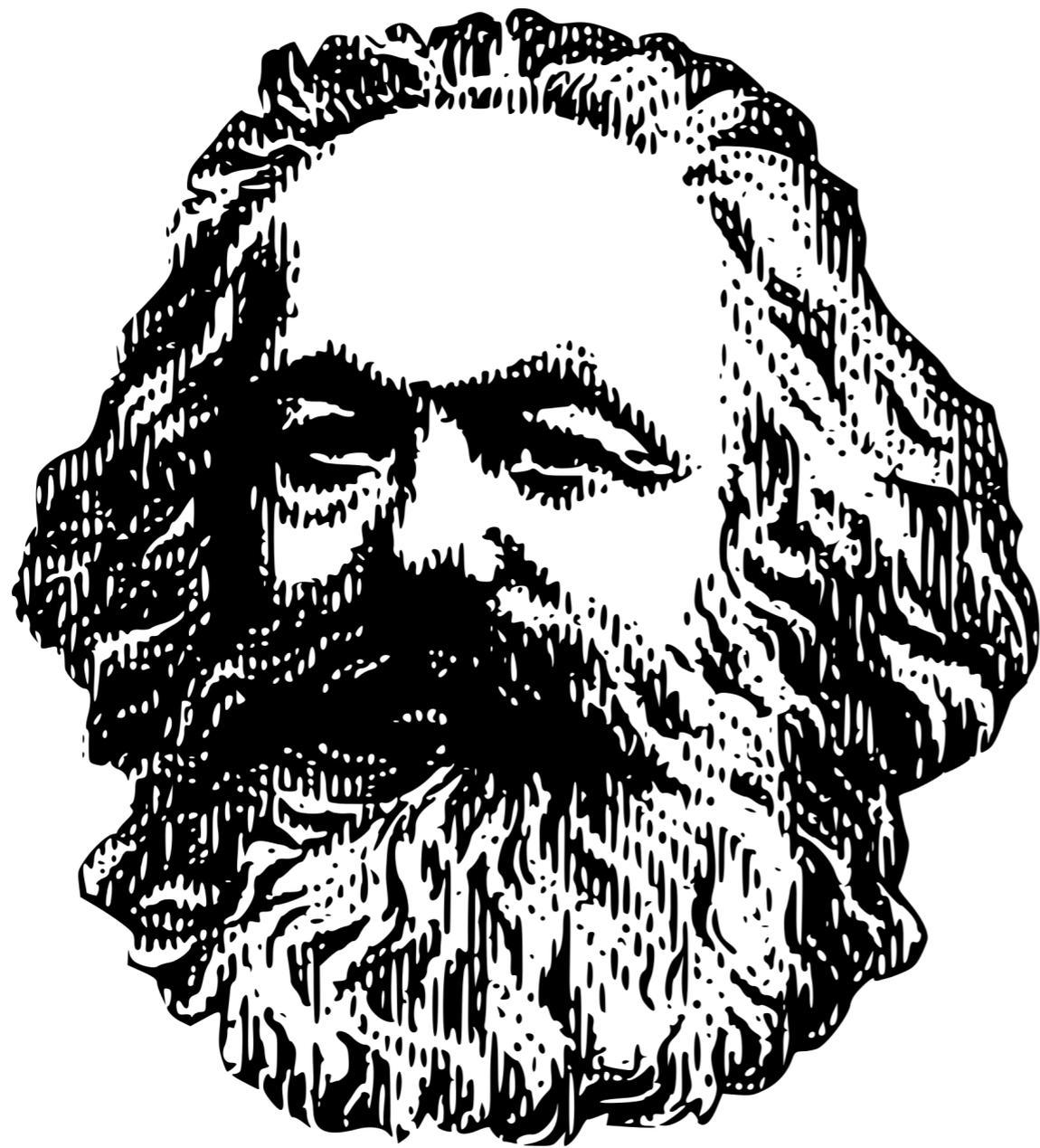
STAZIONE SUD
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Sherman Antitrust Act (1890)

Clayton Antitrust Act (1914)

Federal Trade Commission Act (1914)





Karl Marx



Vladimir Lenin

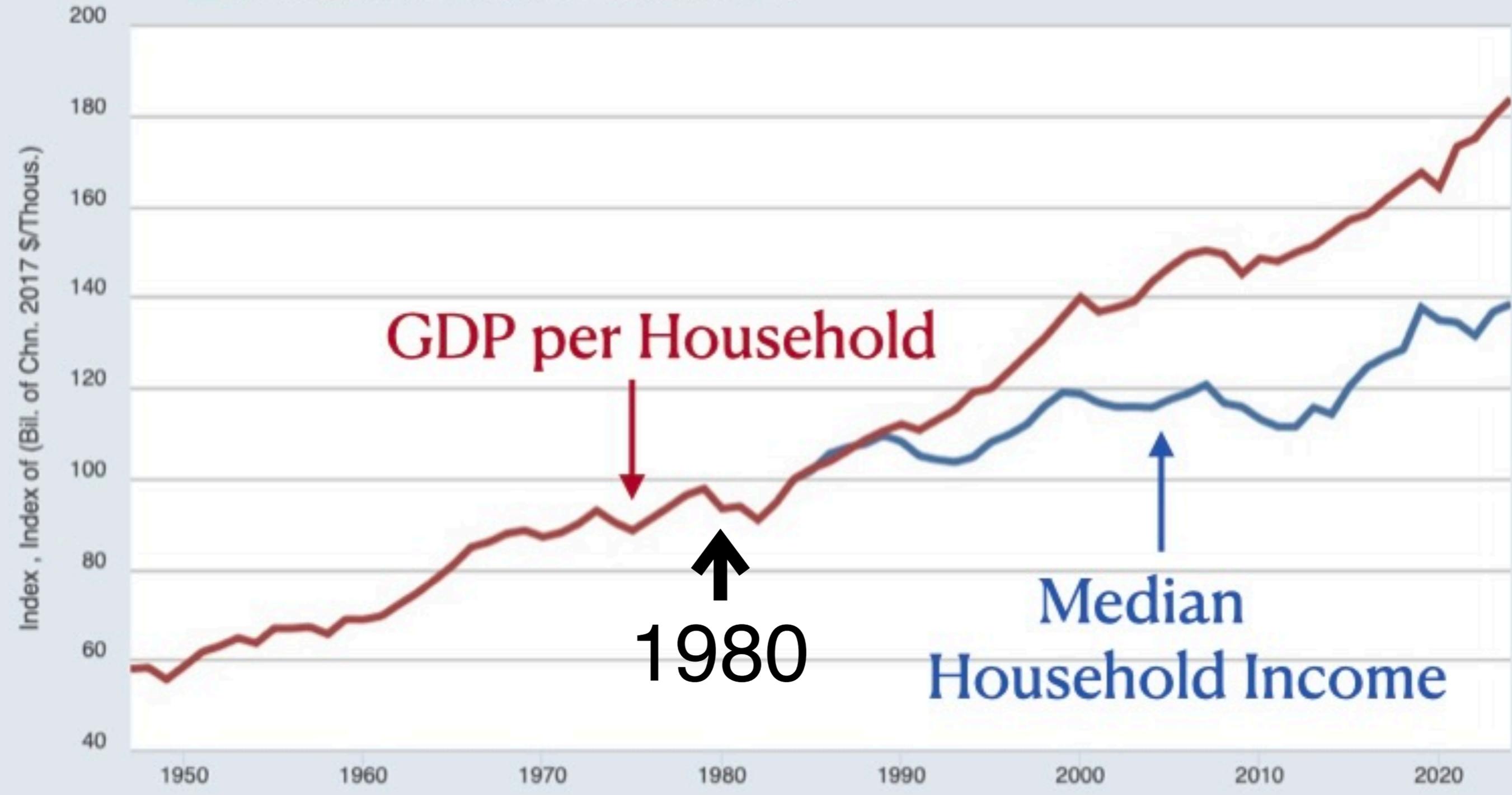
JAN EECKHOUT

THE
PROFIT
PARADOX

HOW THRIVING FIRMS

THREATEN THE

FUTURE OF WORK



Sources: U.S. Bureau of Economic Analysis; U.S. Census Bureau via FRED®
Shaded areas indicate U.S. recessions.



Suppose you owned the only company in the world that could produce refrigerators. You would have a lot of incentive to mark the price up high enough to maximize your profit. You could not sell a refrigerator for a billion dollars, because nobody has that much money. But you could certainly charge a lot more than it cost you to build the refrigerator, and you could experiment to find the optimum number.

You would have very little incentive to invest in research and development to make better refrigerators. Why bother? Everybody has to buy your refrigerators.

That's how monopolies work, and that's why the United States began regulating industry to curb monopoly power back in the 19th century. Then the Communist revolution came along, and the Soviet Union built the world's ultimate monopoly. Their government owned all the means of production. Their economy was never very efficient, and it eventually collapsed.

Author Jan Eeckhout tells us how we turned back down the road to monopolies in the 1980's. Some U.S. economists speculated that our economy was somehow mature enough that we no longer needed regulation to prevent monopolies, or at least we didn't need very much. The federal government began allowing more and more anti-competitive practices, such as mergers and acquisitions that left entire industries with no competition.

Eckhout gave us a detailed analysis of why monopolies cause prices to rise faster than wages, making life unaffordable for many families who used to be middle class.

The monopoly problem is not rocket science. We solved it more than 100 years ago, by restoring competition in the market. It's time to restore competition again today, to make life affordable.