TO: Legislators and partners
FROM: Justin Stofferahn, Antimonopoly Director
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Subject: Corporate Monopoly in Minnesota

Introduction

Corporate monopolies are poisoning Minnesota's politics and voters across demographic and ideological lines agree — with 62% of Minnesota voters believing corporate monopolies are harming Minnesota. Recent crises such as the shortage of baby formula or rising inflation are rooted in unchecked monopoly power, which is also the cause of longer-term rends like stagnant wages, the loss of small businesses and family farms, and increased societal distrust. Fortunately, monopoly domination is not inevitable and state legislators can play a key role in addressing it.

This memo lays out ways that corporate monopolies harm Minnesotans, how the problem has grown across the economy, and examples of the policy tools available to address this issue.

The Monopoly Crisis

Addressing the harms of corporate concentration requires understanding how broad and pervasive the issue has become while emphasizing this is not inevitable. Minnesotans can fight back.

- Monopoly power is pervasive: 75% of industries have grown more consolidated, the economy today is 50 percent more concentrated than 2005 and at the current rate of consolidation only one company per industry will remain by 2070.
- These corporate monopolies use their power to raise prices, lower wages, offshore jobs, hurt smaller businesses, and influence public policy and politics.
- Throughout history, state governments, particularly Minnesota, took steps to limit corporate power and can do so again.

Every community has an example of the impact of concentrated corporate power. It might be a closed hospital or factory, the loss of local retail jobs due to a new big box store or e-commerce giant or the loss of family farms because of powerful agribusiness companies, and more. The harms caused by rising corporate monopoly power is extensive.

Monopoly in Minnesota

Below are some details on how the increase in monopoly power is playing out on the ground in Minnesota. This is not an exhaustive look, but a snapshot to help paint a picture of how monopolists warp our economy and our society.

Agriculture - Consolidation threatens family farmers.

Four companies control much of the seeds and chemicals that farmers use, while John Deere controls 53 percent of large tractor sales and 60 percent of farm combine sales in addition to making it increasingly difficult for farmers to repair this equipment. Just four firms slaughter 85% of the cattle in the United States, and three firms control 63% of pork processing. These giant companies have raised prices for consumers, but farmers only receive 14.3 cents of each dollar consumers spend on food, the lowest on record. As a result, farmers are being squeezed out of the profession. Since 2017 for example, Minnesota lost over 1,300 dairy farms. For those farmers that remain, the inability to obtain a fair price can create unbearable financial stress. You can find more on this issue through the National Farmers Union's Fairness for Farmers campaign.

Healthcare - Consolidation has driven up costs and reduced access.
In Minnesota the number of independent hospitals has declined by 35% since 2010 as big health systems have gotten even bigger and shuttered hospitals. Greater Minnesota has one of the most concentrated hospital markets in the country. These large health systems are also gobbling up physician practices leaving just a third of Minnesota doctors independent. Minnesota has also experienced the most severe decline in independent pharmacies of any state in the U.S. over the past decade because of the growing power of pharmacy benefit managers and chain pharmacies. Taken together this has left Minnesota with some of the highest healthcare costs in the country.

Small Business – Consolidation makes it exceedingly difficult to be an entrepreneur.
In 2021 there were nearly 3,000 fewer small businesses (100 or fewer employees) than in 2006 according to Census data. That same data found the share of Minnesota's workforce employed by small firms has declined from 43% in 1978 to 32% in 2021 and the rate of new business formation (startup creation) has dropped from 12% to 7%. Walmart controls over half of grocery sales in markets across the country including in the Alexandria and Hutchinson regions, which also gives it power over our food system. Amazon's power forces small businesses to utilize its services which now cost nearly a third of retail sales. This all makes it clear why in a recent nationwide survey of small business owners, a majority listed market power as a top challenge they face.

Workers – Consolidation is bad for workers.
The U.S. Treasury Department recently estimated that the average American's wages are 20% lower because of corporate concentration and anticompetitive practices, adding to a growing body of research finding monopoly power leads to lower pay. In addition to wages, monopolists create harmful working conditions. For example, Amazon's fulfillment center in Shakopee has a rate of injury higher than any other industry in Minnesota. The increase in monopoly power has coincided with an increased use of restrictive employment contracts like non-compete clauses, which apply to nearly a fifth of Minnesota workers. Such prohibitions limit worker mobility, which reduces wages and entrepreneurship. When Oregon banned the use of non-competes, wages increased by 3%.

Democracy – Consolidation undermines our democratic freedoms.
Companies like Facebook and Google (which owns YouTube) are not passive tools, they actively push divisive content to users and have used mergers and anticompetitive conduct to take control of digital advertising and cash in on growing societal distrust. Big Tech's advertising dominance further erodes democratic accountability by killing local media. In the past two decades Minnesota lost over a fifth of its newspapers and 80% of local reporting jobs, the fourth highest drop in the country. When economic power is concentrated, it destroys economic and political freedom.

Inflation – Consolidation has exacerbated skyrocketing inflation.
While consumers face skyrocketing prices, corporations enjoy record profits. While inflation is a complex dynamic, it has become clear that the pricing power corporate monopolies have is playing

a significant role. The Federal Reserve Bank of Boston found more concentrated industries pass along 25% more of their costs to consumers while the Economic Policy Institute found increased corporate profit margins responsible for half of the increase in prices.

Policy Tools

The 2023 legislative session saw passage of several key policy provisions that will help curb the power of corporate monopolies and protect Minnesotan's economic freedom:

- **Hospital Mergers:** Passage of HF402 strengthened pre-merger notification and created a new public interest standard for analyzing proposed healthcare mergers as a way to address the growing consolidation among health systems that is driving up healthcare costs.
- **AG's Budget:** The legislature approved increased funding for the Attorney General's Office to hire additional antitrust attorneys, establish a multistate litigation fund and one-time funding for enhanced antitrust enforcement.
- **Non-compete Clauses:** The legislature banned these restrictive employment contracts that reduce wages and decrease entrepreneurship.

The 2024 legislative session will offer an opportunity to build off the work of this past year. A few examples of this include:

- **Antitrust Reforms:** A package of bills that would improve and update Minnesota's antitrust tools to better protect farmers, workers and small businesses includes:
  - **SF1744/HF1563** creates an abuse of dominance standard which will help to address decades of case law that has significantly narrowed antitrust enforcement. The legislation establishes thresholds for dominance in a marketplace either through market share or direct evidence of market dominance such as the unilateral power to set prices. Dominant corporations, or a group of dominant corporations, would be prohibited from engaging in anticompetitive behavior that eliminates current competitors or deters the entry of new competitors in a market.
  - **SF1070/HF399** will strengthen Minnesota's price discrimination protections by replacing current law with language from the federal Robinson-Patman Act (RPA). Price discrimination is charging different prices to different customers for the same size or quantity of an item with the effect of reducing competition. This practice has been used by large retailers to crush smaller businesses. This bill would also make it easier for the Attorney General to coordinate multi-state enforcement with states that have adopted RPA language.
  - **SF1069/HF398** will make important updates to Minnesota's antitrust law including a significant update to the penalties for violating the law, which have remained flat since 1971. The bill would also clarify the Attorney General's existing authority by creating definitions of monopoly power and monopsony power (the buyer side of monopoly power).
- **Right to Repair:** While Minnesota now has the most comprehensive right to repair law in the country, it excludes farm equipment. This means farmers still lack the right to repair their stuff without having to use the repair services dictated by equipment manufacturers.

If you have any questions about the information in this memo or would like to know more about other industries, additional policy tools or the ways monopoly power harms farmers and rural communities please contact Justin Stofferahn at justin@mfu.org or 612-594-1252.