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Thank you for inviting me to talk about monopolies. I just wrote a book, Goliath: The Hundred Year War Between Monopoly Power and Democracy.

I wrote this book because I started working here in 2009 during a crisis, and there was no real history on what Congress or any of our political institutions are for as it relates to political economy. It was like 'here's a desk, good luck with the financial collapse.' At the time I thought that the financial collapse was a technical problem in the banking system, and only a few years later did I come to understand that it was also a political crisis.

What I think would be most useful today is to talk a little bit about how monopolies relate to the shortages we're going to be facing around the Coronavirus. I'll go over why we're in crisis, and then also why your job is about to become a lot more fun, scary and interesting. A lot of this is drawn from my book.

We are in the same situation today as we were during the financial crisis. We are radically under-estimating the impact of the coronavirus in two ways. First, we are seeing it as a health threat, and ignoring the social implications of a supply chain breakdown. And second, we are not understanding that the Coronavirus could also bring a political crisis.

Let's start with supply chains.

I've been going through hearings that the United States Trade Representative held when Trump first put on China tariffs a couple years ago. Any company could come and testify about why imposing a 301 tariff on their particular item coming from China would be disruptive, because of their strong dependence on China and lack of alternative source of supply. According to American corporations, we are dependent on China for everything from barite, which is a chemical that goes into fracking drills, to electronics to bowties to pesticide inputs to pharmaceutical precursor inputs, to chemical inputs that go into for the dollar bill to the raw dye that we use for military camouflage uniforms. And that's just what they complained about.

One of the interesting dynamics is how this is a trade, finance and a monopoly problem. Chinese corporations strategically captured a host of industries using monopolistic tactics that used to be illegal. And they often did it with the help of Wall Street. Wall Street's business is, after all, structuring corporate America. It is the private government of our corporate apparatus.

It’s not just the dependencies, but our new post-1995 radical system of hyper-efficient commerce built after NAFTA means that we can’t see into our own systems of business.

When China shut down, supply chain and logistics experts encountered odd effects. For instance, exports from the U.S. to Europe were hindered. Why? Air freight carriers use a circuit pattern for flying cargo. A plane flies from Chicago to Frankfurt to Shanghai and back. With the China leg down, the whole route becomes unprofitable, including the route from the U.S. to Europe.

In other words, the coronavirus may introduce economic conditions with which few people in modern America are familiar: the prospect of shortages. After 25 years of offshoring and consolidation, we now rely on overseas production for just about everything. Now in the wake of the coronavirus, China has shut down much of its production; South Korea and Italy will shut down as well. Once the final imports from these countries have worked their way through the supply chains and hit our shores, it could be a while before we get more. This coronavirus will reveal, in other words, a crisis of production, which could turn into a political crisis.

To understand how we got into it, and how we got out of it, it helps to look at the last time we did so. That was in 1932, when Herbert Hoover was President. Until last month, it seemed like politics was going to center around whether a Democratic candidate could beat Donald Trump, who most Americans don’t like but who did seem to bring forth a booming stock market and a low unemployment rate. This coronavirus, like the stock market crash of 1929, throws that into doubt. In the 1920s, Americans were floating on a wave of corrupt prosperity. The shelves were always stocked. A chicken in every pot, as Hoover put it, even as Americans fought over prohibition, which was the social question of the decade.

Though the crisis at that time was caused by a banking collapse, not a pandemic, the political backdrop was analogous. There was a breakdown of production. At the depth of that depression, cotton hit its lowest price in 200 years and steel production fell to 15 percent of capacity. Up to 250,000 people in Philadelphia were facing actual starvation. In Toledo, 60,000 people out of a total population of 300,000 stood in a bread line every day.

A toxic ideology invited disaster in 1932, as policymakers did little in response to the collapse of thousands of banks and businesses. They just thought that the bankers, and the monopolies these bankers had structured, were the only legitimate actors in the marketplace. The politics too turned desperate, with one labor leader telling Congress that "if the Congress of the United States and this administration do not do something to meet this situation adequately, next winter it will not be a cry to save the hungry, but it will be a cry to save the government.”

The net effect was Franklin Delano Roosevelt, the progressive, won that primary. The government restructured the country on a pledge to take on the ‘informal economic government of the United States.’ Over the next few years, populists did detailed studies of American industries, and then broke up banks, broke up monopolies, put controls on finance, financed the replacement of pretty much all machine tools in America, and helped create programs for social insurance and unions.

They restored the productive machinery of the country basically by putting it in the hands of people who work for a living, rather than in the hands of financiers and monopolists. In 1936, FDR made the political point in his second inaugural, saying "If the average citizen is guaranteed equal opportunity in the polling place, he must have equal opportunity in the market place." The marketplace became a political battlefield.

The New Deal system populists helped created was based on decentralizing production and wealth. It became the basis for defeating the Nazis, creating Silicon Valley, and structuring the middle class in the middle of the 20th century.

But in the 1970s, we once again shifted our philosophy. We, on the left, stopped seeing the marketplace as a battlefield. Why? Well we adopted a political framework known as affluence, a term popularized by a left-wing economist John Kenneth Galbraith in his 1958 book titled The Affluent Society.

The thesis of the book was as follows. As an affluent society, America automatically produces a surfeit of jobs and wealth, and the problem is solely one of distributing the bounty. Focus instead on alleviating poverty, environmentalism, social rights. Affluence politics is not the politics of being wealthy, though, but rather the politics of not paying attention to what creates wealth in the first place. We adopted the politics of ignoring our ability to make and distribute the things people need. We became consumers, not citizens.

The conservative Chicago School took advantage of this shift among liberals by promoting their Wall Street supportive policies as consumer friendly. Robert Bork, for instance, called his frame around antitrust the 'consumer welfare' standard. The point of antitrust law, he argued, was not about having a bunch of competitors, but making sure consumer prices are low. And the Chicago school unleashed power on Wall Street, arguing that mergers were good for efficiency. The boom on Wall Street in the 1980s and onward was about centralizing business, because big business, they argued, was efficient, and kept prices low. That's what Wall Street is, a government for monopolists.

Focusing on low consumer prices makes power and risk invisible to policymakers, but in a subtle way. Take Walmart. It used the marketing slogan 'everyday low prices' to kill local stores, and policymakers saw no problem with it. Walmart keeps prices low to consumers.

Still, it has immense market power. Its market power however doesn't show up in excessively high prices to consumers but excessively low prices to producers. We notice this today as a political issue during social justice campaigns focused on wages for workers. And that's good. But the wage suppression is part of their market power applied to the supply side. CVS does this same thing on medicine. Walmart and CVS are called 'power buyers.'

One of the effects of power buyers, as well as Wall Street investments, is that they force producers to merge so they can get bargaining power. That consolidates and thins out supply chains. Then they often force them to offshore production to squeeze out a bit more margin. A normal small business in a healthy market wouldn't offshore production out of his control, but in a concentrated market you have no choice.

The way we enforce antitrust today is a bit like saying ‘well you can steal TVs off the back of a truck and sell them for half off, because that’s good for consumers.’ It’s not good for workers or suppliers, but it’s true, consumers in the short-term get lower prices. But ultimately you have no more producers.

We’ve only seen this in the context of low wage workers. So think about all the low wage workers in the economy today. Low wages are often a red flags for where we’ve destroyed supply by squeezing out all the margin.

There are concentrated markets everywhere, not just in search engines and social networks but dialysis, syringes, baby food, missiles and munitions. Ove the last two decades, 75% of U.S. industries have experienced an increase in concentration levels. The average size of publicly traded firms has tripled. And the number of publicly-traded firms has fallen by 50 percent.

Corporate concentration results in a host of problems, like low productivity growth, less firm formation, and wealth, income, and regional inequality. It also creates hidden risk, which is where the shortages come in.

America used to prioritize diversity in our systems by ensuring competition. That’s no longer how we operate. Pharma, for instance, began a merger wave in the late 1990s, in some ways to meet the needs of power buyers. We started to notice drug shortages in the mid-2000s as a result. In January before Coronavirus there were 100 drugs in shortage.

We stopped paying attention to the marketplace. And now we’re headed into crisis, without any ability to understand how we get the things we need, like medicine.

I don’t mean to scare you, because this is all fixable. It’s fixable the same way that Democrats fixed it in the 1930s. All of which brings this back to your role today.

Congress is going to have to return to what it did prior to the 1970s. Which is to say, you are going to have to take the power to govern the market place away from monopolists and do it yourself.

And you are already starting to do it, even though that might not be obvious. Take Facebook. Mark Zuckerberg structures rules around what ads can be run in elections. And whether right or wrong, a system in which one man makes those choices cannot be called democratic. He even said it straight out. “Facebook in many ways is more like a government than a business.”

What Congressman Cicilline and the antitrust subcommittee is doing with the big tech investigation is the first step towards restoring democracy in the marketplace. They are actually learning about how these corporations and these markets operate with aggressive investigations. This is what every committee in Congress should be doing, especially when it comes to supply chains and risk. Start demanding documents and mapping industries. If you don’t know what is happening, you can’t govern.

If we follow the example of the New Deal, I would put the response to the supply crisis into five buckets playing out over several years. First Congress will have to respond to the direct crisis. This is about pandemic response, fully funding the CDC, vaccine development, which will also include investigations of the administration for its obvious rampant corruption. Second, move large amounts of money to states and cities. Third, move money to small businesses aggressively through direct lending. And fourth, begin rebuilding our supply chains by direct financing of new businesses that make things like chemical precursors to pharmaceuticals. Fifth, Congress restore antitrust rules and begin restructuring our financial system so that financiers don't immediately roll up the new productive capacity we will be building.

The American political project, up until the 1970s, was based on decentralizing both public and private power. We stopped doing that, and today, we are waking up to terrible problems, including our inability to prepare for a pandemic. But that just means that it is also the opportunity to really restructure our culture, because if you're ready in a crisis, that's when everything becomes possible.

You have the great honor of being in Congress at an inflection point. In my research, what I found is that people just like you have sat in those seats that you sit in today, and they have met the moment. This is now your chance.