#1529 Monopolies Run By Morons

[00:00:00]

Intro 12-3-22

JAY TOMLINSON - HOST, BEST OF THE LEFT: We've collected into one place all of our favorite ways that you can support the show while doing any holiday shopping this year, that's at bestoftheleft.com/holiday. We appreciate the support. Again, that's bestoftheleft.com/holiday.

And now, welcome to this episode of the award-winning *Best of the Left Podcast*, in which we shall take a look at the mega companies that touch all of our lives and the monopolistic practices that have been developed to keep power and wealth concentrated with the few while the rest of us get screwed. But first, just a quick and exciting announcement—we can now accept text message in addition to voicemails and emails. It's the same number we've always had, but I've done some technical wizardry behind the scenes so that you can now text us using just super standard sms, but you can also use it to find us on WhatsApp and the Signal messaging app. So save our number, and then whenever the mood strikes, you can send me your questions and comments through [00:01:00] the method of your choice. Our number, again, (202) 999-3991 and that's good for voicemails, text, WhatsApp, and Signal messages.

And now onto the show. Clips today are from *Last Week Tonight*, *More Perfect Union*, *The Thom Hartmann Program*, *Pitchfork Economics*, MSNBC, and Adam Conover, with an additional members only clip from *Pitchfork Economics*. And stay tuned at the end where I'll describe my personal example of the need for regulation to prevent a financial scam.

Tech Monopolies - Last Week Tonight with John Oliver (HBO) - Air Date 6-13-22

JOHN OLIVER - HOST, LAST WEEK TONIGHT: Let's start with a tiny bit of history, because in the past, the US has actually taken strong action to break up harmful monopolies. In the early 20th century, we broke up Standard Oil, and as recently as 40 years ago, the government took action against who else but AT&T, our business daddy who left for cigarettes and never came home. They were actually the largest firm on the planet back then, and broadly well respected and [00:02:00] considered good, which is to say completely unrecognizable from the AT&T of today, but crucially, that popularity may well have been because people had no alternatives. You had to rent your phone from AT&T, and they were in charge of both local and long distance services, which as we now know, were wildly overpriced. And when MCI a much smaller company, tried to offer long distance phone service at a lower rate, AT&T was not having it.

ARCHIVAL NEWSREEL: MCI, which charges up to 50% less than Bill, argued that AT&T tried to put it out of business by refusing to provide equipment needed for long distance transmission. A key exhibit, aT&T's own notes of a 1972 Florida meeting by company executives in which one said, "Let's choke them off before they get started."

JOHN OLIVER - HOST, LAST WEEK TONIGHT: Now obviously fuck AT&T now and forever, but the DOJ then actually filed an antitrust lawsuit, which AT&T fought vigorously for a decade, and when in 1984, it was formally broken up by the [00:03:00] government, AT&T's chairman warned the public that we would come to regret what had just happened.

C.L. BROWN: Oh, I've had the conviction and taken the position in more than one forum that the country in the long run will be, sorry. I find it difficult to believe that things will work as well in the future as they have worked in the past.

JOHN OLIVER - HOST, LAST WEEK TONIGHT: Yeah, but he was wrong. Things actually worked better because it turns out, ending a monopoly is almost always a good thing, whether it's AT&T or Standard Oil, or literally any game of Monopoly . We didn't know it at the time, but AT&T's dominance was seriously holding back innovation, but as soon as it wasn't controlling the phone lines and what you could attach to its network, many new products started proliferating, from the answering machine to the modem. The breakup of AT&T was actually a key step in producing the internet revolution, giving us the web as we now know it, and Peter, the ability to look up sports stats, surfing spots, and what we all know he was really doing there. [00:04:00] The point is, when harmful monopolies end innovation flourishes. And I want you to bear that in mind as we talk about the monopolies of today—tech companies.

And tonight, we're gonna focus on just one way that they use their monopoly power, something called self-referencing. It's when companies unfairly favor their own products on their own platforms, which have now become so big that most of us have no choice but to use them. This is a particularly big problem with these three companies, and we're gonna start with Apple, specifically it's

App Store, which is basically the only place to download software for your iPhone, which is already a little bit weird when you think about it. You can download any software you like to your desktop computer, but if you have an iPhone, Apple has set it up so that its App Store is the only game in town. And Apple has been accused of unfairly pushing its own apps to the top of search results. Now, the company denies doing this, but the Wall Street Journal found Apple apps that generate revenue through subscriptions or sales like music or books showed up first in 95% [00:05:00] of searches related to those apps.

But regardless, perhaps more important is the stranglehold that Apple has on developers who want to get their apps onto your phone, because they are required to use Apple's payment processor, which takes a huge piece of every dollar that customers spend on those apps and any digital purchases within them.

NEWS CLIP: Apple takes a 30% commission on sales of apps and in-app purchases. So if an app costs $4.99 up front, Apple collects a $1.50. Same goes for if you use an app to buy digital goods, like virtual weapons, or sign up for a subscription to a monthly service.

JOHN OLIVER - HOST, LAST WEEK TONIGHT: What about Google's app store? They charge similarly high commissions to developers, and the fact is, over 99% of smartphones are part of either Google's or Apple's app ecosystem. Let's actually talk a bit about Google now, because their app store is clearly only a small part of their story, as I'm sure you know, they absolutely dominate online searches.

NEWS CLIP: [00:06:00] Last year, Google conducted 90% of the world's internet searches. When billions of people asked trillions of questions, it was Google that provided the answers, using computer algorithms known only to Google. They have this phrase they use, "competition is just a click away." They have no competition. Bing, their competition, has 2% of the market. They have 90%.

JOHN OLIVER - HOST, LAST WEEK TONIGHT: Exactly. People use Google to the extent that Googling something is now a verb. You can't say that for any other search engine. No one has ever said, "I'm going to Bing it," except for maybe Bing Crosby announcing is about to masturbate, but that's it. And Google has exploited their market dominance in subtle ways, having to do with the search results that it shows you, because it used to be, when you Googled something, you got a page that looked like this—a series of blue links to various pages across the internet that Google's algorithm had determined to be the most relevant, and that was the company's [00:07:00] goal at the time. As it's co-founder Larry Page said in 2004, "most portals show their own content above content elsewhere on the web. We feel that's a conflict of interest. We want to get you out of Google and to the right place as fast as possible." But when you search for something today, you get a lot of Google content before anything else appears.

In fact, the markup found Google devotes 41% of the first page of its results on mobile devices to its own properties and what it calls direct answers. Meaning, that a user would have to scroll nearly halfway down the page before reaching the first organic result in that search. One analysis found that two thirds of searches on Google ended without ever clicking to another web property. And the thing is, information that Google feeds you in searches like that may have been copied from other sources, sometimes without their knowledge or consent. And if thinking, "well, you know, it's free information. Why does it matter if I read it on Google or on the site that they took it from?" Site traffic is one of the major tools that many websites, [00:08:00] especially free ones, use to sell ad space, so taking away visitors to their site is essentially taking money out of their pocket.

But arguably the company most guilty of self-referencing is Amazon. Founded, of course, by a man rich enough to buy absolutely anything, including seemingly the rights to Pit Bull's identity. Amazon reportedly controls 65-70% of all US online marketplace sales. It hosts about 2.3 million active third party sellers from all around the world, and to those sellers, like this man who sold sporting goods, it is close to the only game in.

NEWS CLIP: You've gotta be on Amazon. You have to be there because that's where everyone is. That's a hundred million prime subscribers. Amazon and executives have told us that there are many other options out there. There is Walmart, there is Alibaba. As a seller, you've got options. I've heard that response from Amazon executives before, and we did that. We listed [00:09:00] all of our products on every other online marketplace. All of the others that were non-Amazon combined did about 10% of what we were doing on Amazon.

JOHN OLIVER - HOST, LAST WEEK TONIGHT: Exactly. Amazon basically is the marketplace. It's essentially the only place to sell anything on the internet, unless that is you're looking to offload some human teeth, because then it's Craigslist all the way baby. And for a third party seller, the most important thing in the world is something called the Buy Box. It's that little box that shows up on any Amazon product page where you can instantly click to buy. So when we search for Duracell AAA batteries, we got this page, and here is the Buy Box right here, where with just one click, we could buy a pack for $14. And you might assume that that is the best deal, but if you click on this little box below, you can see multiple other sellers who are offering the same product, many at a lower price. The problem, is most people aren't going to see that because estimated 80% of Amazon sales go through that first Buy Box, and it's even more for mobile [00:10:00] purchases because if we've learned anything so far tonight, it's that nobody ever, ever wants to scroll down.

So only one seller gets to be in that box, and nobody except Amazon knows how its algorithm picks the winner, but it sure seems to consistently favor Amazon, with one analysis finding that the company chose itself for the Buy Box for about 40% off products, while the next higher seller got in just half of 1% of popular products. And even when the Buy Box did go to a third party seller, 9 out of 10 times it went to those that used Amazon's shipping service, Fulfilled by Amazon. Basically, it is Amazon's playground, they make the rules, and they do seem to win a lot of the time. And as this expert points out, if they're competing with you, you're basically dead.

NEWS CLIP: Third party sellers have told me that once they see that Amazon is selling the same good that they're selling, they liquidate their inventory. They know it's impossible to compete against Amazon on Amazon's own platform.

JOHN OLIVER - HOST, LAST WEEK TONIGHT: Of course.[00:11:00] Amazon isn't just a marketplace, or indeed a shipping company, it's also started coming up with its own products now. Because it currently has approximately 158,000 private label products across 45 in-house brands, and it has been accused of preferencing them over its competitors, or even worse, making clear knockoffs of products that have been successfully sold on its website.

Take a small company called Peak Design. It made this camera bag, and when it noticed they suspiciously similar bag being sold by Amazon, it made this pretty decent snarky video in response.

PEAK DESIGN: This is the Everyday Sling by Peak Design, and this is the Everyday Sling by Amazon Basics. It looks suspiciously like the Peak Design Everyday Sling, but you don't have to pay for all those needless bells and whistles, like years of research and development, recycled Blue Sign approved materials, a lifetime warranty, fairly paid factory workers, and total carbon neutrality. Instead, you get a bag, designed by the [00:12:00] crack team at the Amazon Basics Department.

JOHN OLIVER - HOST, LAST WEEK TONIGHT: Yeah, and it does sure seem that Amazon is putting out a cheap copy with essentially the same name and design. And it's pretty weird that one of the biggest companies in the world seems to be using the same strategy as knock off DVDs designed to confuse parents. "Hey kids, we got you the movies that you asked for, Ratatoing, Transmorphers, and Chop Kick Panda. What are you crying? It's what you wanted."

And Amazon has a huge advantage over its competitors because it runs the marketplace, and has access to all the independent seller data, like, I dunno, hypothetically, what bag is proving popular. And look, Amazon denies that they preference themselves, their own products, or sellers that pay for their logistic services. And they also deny ripping off products based on internal data. Though, when Jeff Bezos was asked about that directly, his answer wasn't great.

PRAMILLA JAYAPAL - US REPRESENTATIVE: Let me ask you, Mr. Bezos, does Amazon ever access and use third party seller data [00:13:00] when making business decisions, and just a yes or no will suffice sir?

JEFF BEZOS: I can't answer that question, yes or no. What I can tell you is we have a policy against using seller specific data to aid our private label business. but I can't guarantee you that that policy has never been violated.

JOHN OLIVER - HOST, LAST WEEK TONIGHT: Not great, Jeff. "We have a policy, but I can't guarantee you it hasn't been violated" has got to be one of the more incriminating ways to answer a question. It's right up there with answering, "did you break the law?" with, "which law?"

Look, it is pretty clear, self-referencing stifles competition, hurts small business, and often results in serving consumers and inferior products. So, what can we do here?

Well, that brings me back to the good news that I mentioned earlier, because these two bills [*Open App Markets App* and *American Choice and Innovation Online Act*] are currently before Congress and would address **some** of the problems that you've seen tonight. Among other things, they'd stop massive companies that operate app stores like Apple and Google, from requiring developers use the company's own in-app payment processor. And, they'd ban advantaging a platform's own [00:14:00] products, services, or lines of business over those of a rival. And unsurprisingly, tech companies are fighting these bills hard, making basically the same arguments that AT&T made 40 years ago that if you tamper with them, things just won't work as well in the future as they did in the past.

How Ticketmaster Is Destroying Live Music - More Perfect Union - Air Date 10-19-22

CORY DOCTOROW: I'm gonna have to give you a brief history lesson on antitrust law. That's the government's toolbox for fighting monopolies. I wrote a whole book about it, it's called *Chokepoint Capitalism*, and I wrote it with my friend Rebecca Giblin.

Now the glory years of antitrust, were right after FDR'S New Deal. The government saw that monopolies weakened worker power, and so they set to breaking up these giant corporations, and to preventing future monopolies from forming. Back then, monopolies were viewed as a threat to the very idea of democratic citizenship. Then in the 1970s, a conservative legal scholar named Robert Bork and has pals at the University of Chicago School of Economics started spreading a very different view of antitrust. They said, forget about that [00:15:00] high minded crap about democracy and citizenship. Instead, anti-monopoly regulators should limit themselves to thinking about consumer welfare.

Basically, they focused on short-term goals, like lowering prices rather than promoting competition in and of itself, most importantly, preventing the gross power abuses of monopolies. Antitrust enforcement fell by the wayside as a priority. The Democratic Party platform didn't even mention antitrust once between 1992 and 2016. This is what allowed for the growth of monopolies in every industry: meat packing, tech, banking, finance, eyeglasses, cheerleading, beer, and in 2010 the music industry.

For 15 years prior to their merger, Ticketmaster was the dominant provider of ticketing services in America, controlling 80% of the market. Live Nation was the largest concert promoter in America. They controlled [00:16:00] America's biggest concert venues and the artists themselves. They managed 200 major artists from Miley to Willie. And Live Nation was Ticketmaster's number one customer. Live Nation used Ticketmaster to sell tickets for venues and artists that Live Nation managed. But in 2007, Live Nation thought, "Hey, maybe we should build our own ticketing platform." Ticketmaster did not like that. And so just two years later, Live Nation and Ticketmaster announce a merger, which sounds like a clear antitrust problem. Isn't someone supposed to be on top of that?

At the time, the Obama DOJ's top antitrust cop was Christine Varney who said, "I understand that consolidation has been going on in the industry for some time. Those are meaningful concerns, but many of them are not antitrust concerns." So there you go. The two most powerful companies in the live music industry joined forces, and it's not an antitrust concern. [00:17:00] They were slapped with a few restrictions when they merged, a few.

Antitrust mostly relies on two kinds of remedy, structural and conduct. Structural remedies are about actually breaking up parts of a giant consolidated empire. Conduct. remedies are about changing behavior, regulating anti-competitive business practices, and regulating how giant companies wield their power. Conduct remedies are pretty ineffective cuz they're really hard to actually enforce.

The consent decree that the Ticketmaster/Live Nation corporate empire got was a mix of structural and conduct remedies, but essentially it all boiled down to a pinky swear. Live Nation had to promise that they wouldn't use their power over events and venues to grow their ticketing dominance. The combined company violated their consent decree with impunity because, like a playground bully, they had created a culture of fear where no one else in the live music industry would speak out against them.

When we [00:18:00] interviewed people for our book, we always gave them the option not to be named, but almost nobody took us up on it except for those people we spoke to about Live Nation. In most cases, those sources were anxious about even speaking off the record. There's no conduct remedy that can address that kind of power. Structural remedies are more effective because they force monopolies to break off portions of their power. Ticketmaster was forced to sell portions of their empire to much smaller companies, but it was barely a dent. Now, 12 years later, we are seeing a company whose power is so vast that they could sell $5,000 tickets to see the guy who sings "Poor men want to be rich, rich men want to be king, and a king ain't satisfied 'til he rules everything."

We do mean everything. They've also dominated the ticket resale business. They have their own resale software, it's called Trade Desk, and in 2018, an investigation revealed that Ticketmaster had encouraged and incentivized resellers to set [00:19:00] enormously high ticket resale prices. Ticketmaster loves resales for one simple reason—they get to charge their service fees twice, and those resales net them a second, more lucrative fee on the same product, the one they've already sold once.

Live music isn't the only creative industry that has fallen prey to a giant monopolies. Just three massive conglomerates own the major labels and publishers that control the world's music. Those labels design the streaming industry, which is dominated by Spotify, which itself was partially owned by those three same labels. Now that Disney owns 21st Century Fox, just one company controls 35% of the US Box office. The publishing industry is controlled by five big companies. That number was six when we started writing our book, and if they get their way, it'll soon be four. That's just wildly quick consolidation. Yes, it's always been hard to be an artist, but the difference today is that corporations are [00:20:00] extracting the maximum capital from artist labor and they're not sharing it anymore.

We creative workers, we know that our music, movies, and other culture markets are in trouble. In the past, we were told to rely on copyright if we were gonna hold onto our rights and our values. But copyright does nothing to solve a problem like Ticketmaster. Giving us more copyright in these monopolized markets is like giving more lunch money to your kid who's getting his lunch money taken off of him by bullies every day. No matter how much money you give him, the bullies are gonna take that money every day too. And the problem isn't just that artists are getting ripped off, and it's not just that fans and small business owners are getting ripped off, it's that monopoly threatens the overall health of our democracy itself.

Now I've got good news. The Biden administration—yeah, the Biden administration—took a strong stance against monopoly power. Remember when we were talking about the prevalence of Bork and that theory of antitrust that said we shouldn't do anything unless prices are going up. This administration came out [00:21:00] against that sort of thinking, and they handed down an executive order that charged the DOJ to police monopolies and protect consumer autonomy and privacy. That's an admission that monopolies are about more than just prices. Is if they're serious about this, the Ticketmaster monopoly has to be on the DOJs agenda. We need to break up the bullies. Ticketmaster bullies venues into not working with their competitors. They bully smaller artists by denying the management. They bully big artists by controlling their ticket prices and letting their fans down. And they bully customers into paying exorbitant prices for tickets, not only by enabling resellers, but by collecting massive fees on every ticket those resellers sell.

All of this amounts to an environment where competition has been totally removed from the live music ecosystem. Making it worse for everyone except Ticketmaster and Live Nation executives who are making millions of dollars a year. We have to act now. Biden's. DOJ should take [00:22:00] up and review this case due to Ticketmaster's continued violation of their consent decree. We need to unwind this monopoly and break.

Corporate Greed Is Causing Inflation But The Rich Blame Workers - Thom Hartmann Program - Air Date 11-16-22

THOM HARTMANN - HOST, THOM HARTMANN PROGRAM: The op-ed today over at HartmannReport.com is titled "Is Most of America's Inflation About Monopolies Price Gouging and Oil Barons Fleecing Us?" And just to get right to the point, Yes!

What we're finding -- and Katie Porter did a great job of pointing this out in a video and a tweet, I embedded the tweet into my article today -- that 54% of the inflation America is experiencing right now is from excess corporate profits -- corporate profits way over and above anything that we've seen in, well, since the 1930s, since the last Republican Great Depression.

Raising interest rates will do nothing to reduce corporate profits. Nothing. But it will slow down the [00:23:00] economy. It'll throw people outta work. The Fed is operating on the assumption that employees demanding raises are the cause of inflation. In fact, average pay is lagging inflation by about 3% right now. And so taking a two by four upside the head to our economy, which is what Jerome Powell is gonna do, that's not gonna help a whole lot.

Yeah, if you produce a recession, you can reduce inflation somewhat. But when 54% of your inflation is caused by corporate greed, and another 30 or 40% of your inflation is caused by oil companies squeezing every last penny of profit outta the American consumer at the pump, then, you know, raising interest rates is gonna do nothing for that.

The bottom line is -- here's an example. Most of our industries in the United States are monopolized: large corporations, multiple handful of corporations that control entire industries that operate as cartels, essentially. When Delta raises their airline prices a hundred dollars a ticket, [00:24:00] United does, five seconds later, that kind of thing.

That's also the case in Japan. Japan has some very, very large companies that dominate the Japanese economy. The difference between us and Japan is that Japan has laws in place that tax companies when their profits are obscene or outta line. They have essentially windfall profits taxes in Japan. So what's the inflation rate in Japan right now? 3%. What's the inflation rate in the United States right now? Eight and a half percent. And like I said, 54% of that, according to Katie Porter, is directly from corporate profits. So you can have a monopolized economy and have significant regulation of it, like we used to do with AT&T. We used to have one phone company in the United States. We regulated them very heavily so that they didn't rip us off, cuz they had a monopoly. We do the same thing with our water companies, with our electric companies, with our sewage companies. These are -- whether they're [00:25:00] privately owned or publicly owned, but particularly when they're privately owned -- these are essentially monopolies. You only have one water pipe coming into your house. You only have one power cable coming into your house. You only have one septic line leaving your house. That's a monopoly. And so what we say to these companies is, you must operate within these limits. You can't just randomly rip people off.

Now we've got basically every sector of our economy monopolized, but we have stopped, unlike Japan, we have stopped regulating profits. And so either we need to break up these big corporations and restore competition, which will lower prices, which is what I'm recommending, or we need to do what Japan did and start regulating profits. And we can do that over the short term with the oil industry. We should be doing that right away. But I think, Joe Biden is talking about breaking up the big behemoths. They just blocked this merger between Random House and Simon & Schuster, which is a good thing. They're looking with a jaundice eye towards this, what is it, Kroger and Albertson's merger, I believe it is.

So there's [00:26:00] a bunch of places here where there are possibilities where -- actually the Biden administration is the first administration since basically 1980, since Jimmy Carter, to talk about breaking up giant corporations. Reagan, of course, in 1983, directed the FTC, the DOJ, and the FEC or the F whatever it is, to stop enforcing the antitrust laws. That's how we got in this mess.

On Musk and uh, and Marjorie Taylor. Interesting stuff. Uh, as I mentioned, Jannis Vera Fas, who is the former Greek foreign or finance minister, he's an economist, um, has a piece that was published over Common Dreams. I, I believe they picked it up from someplace else. But, um, it's titled, don't Be Fooled.

This is what Elon Musk is really up to with Twitter, and I found it fascinating and it is not portraying him as some kind of dark Lord or anything. It's. Uh, it's pointing out that there is this new kind of ruling class of [00:27:00] masters of the universe. and it, the, the old power, the old economic power used to be I own factories, I own railroads, I own telephone systems, I own, you know, stuff like that, right?

Owning things and, and making things, and selling things. We have a chain of stores all across the nation here on, uh, Sears or Macy's. That used to be how you got rich and powerful and famous, and to be a captain of industry and one of the most powerful capitalists in. . Now you do it by owning data about people.

Now you do it by selling data that people themselves give you. You sell a product that is given to you for free, right? The, I go on Facebook and I post something about, you know, had had a nice Thanksgiving with Louise and the ki and the kids. And you put that on Facebook, I'm giving them content for free.

They're [00:28:00] learning about me, plus they own my content now, and they're selling that content to other people. They're showing it to other people, and in exchange for that, advertisers come in. So basically by buying Twitter, what Elon Musk did is he went from being a billionaire based on making cars and spaceships and drilling tunnels and, and you know, doing some kind of cool stuff, but just stuff.

To being a billionaire who controls the information about all of us, what we like, what we hate, what we love, what we fear, what we dread, what we're passionate about, what we don't care about. Information is power. And Google has, you know, this has become part of Apple's business. This is part of Microsoft's business model.

That's why they came up with their own browser. It's why they, they track everything you do. Same with Apple, same thing with with Twitter, same thing [00:29:00] with Facebook. This is, you know, and so now Elon Musk has stepped into that universe and become a cap, a true captain of the universe, or master the universe as it were a tech lord.

Um, as, uh, phrases. Got a little clip of Marjorie Taylor Green for you on the other side of the break, and then I will pick up your phone calls. So stick around. It's a brand new week here, the last week in November.

Why Food Prices Could Skyrocket Thanks to This Grocery Merger - More Perfect Union - Air Date 11-14-22

ERROL SCHWEIZER: Kroger's already the number two grocery in America with over $130 billion in annual sales. Albertsons is number four with over $70 billion in annual sales. If allowed to go through, this massive new firm would command over $210 billion per year in sales, or over 15% of the US grocery market, and the lives of over 700,000 people who stock, pick, sweep, or ring registers on your behalf.

BENJAMIN LORR: To put it bluntly, this deal is an antitrust travesty. In a time of record food prices and skyrocketing corporate profits, it should be criminal in the moral sense to even suggest [00:30:00] it. And it might actually be criminal in a legal sense too.

ERROL SCHWEIZER: But this merger isn't just a product of two bad actors, it's the inevitable outcome of a broken grocery system.

Clean up on aisle busted.

To understand why we need to go back and study grocery history.

KROGER COMMERCIAL: Supermarket. Symbol of the highest standard of living in this country today. These products come from farms and ranches despite distance and season.

BENJAMIN LORR: You might find it funny, but the supermarket was truly a miraculous American innovation. Before the supermarket, American spent about 40% of our budget on food. Today we spend less than 10%. It's the lowest percent in the world and shrinking every year. Before supermarkets, grocery stores were horribly inefficient and expensive. Then a very American discovery was made. A manager at Kroger, at that time, just a small regional chain, realized if he made everything bigger, he could also make everything cheaper. Bigger stores meant less warehousing, [00:31:00] staffing and construction costs. And then he took those lower costs and he passed them on to the customer, using the power of size to lower prices. It changed everything.

KROGER COMMERCIAL: Help yourself to a miracle. Now, in one shopping trip, the average family can buy a full week supply of groceries.

BENJAMIN LORR: The model was so successful that in 1930 there was exactly one supermarket. Just five years later, there were thousands. The only thing left to do was to keep making supermarkets bigger and bigger.

ERROL SCHWEIZER: But without competition and regulation, the bigger and cheaper model allows for just two or three firms to grow so big they have a real advantage, and it simultaneously creates a cost cutting race to the bottom for everyone, including those giants. You may never have set foot in a. Kroger or Albertson's, but you probably recognize some of the stores that they now control.

These brands are tombstones in a graveyard of chains that Kroger and Albertson's gobbled up over the years as they've gotten bigger [00:32:00] and bigger. Their brand names give the illusion of a diverse marketplace, but from 1993 to 2019, the number of grocery stores nationwide declined by roughly 30%. The biggest brands tripled their control of grocery sales, with five chains controlling 60% of the market. This merger will make things much worse.

BENJAMIN LORR: First, it will give the new firm huge leverage over its workers. The combined duo would become America's largest private unionized employer, and if history is any guide, they will use that power against workers as the grocery industry is consolidated, workers living conditions have declined.

NEWS CLIP: Okay, like a show of hands, can you guys show me how many people feel comfortable with what they're paid each week? Do you feel like you're living a comfortable life? Anybody?

BENJAMIN LORR: A recent report found that up to 75% of Kroger employees faced food insecurity, 14% experienced homelessness.

ERROL SCHWEIZER: Imagine working in a grocery store, handling food all day, when [00:33:00] your family is going hungry. Is this the dystopia that you want to live in?

BENJAMIN LORR: A merger will also be dependent on large scale layoffs in warehousing operations and other behind the scene jobs that keep a store running. Grocery becomes a reverse Robin Hood, taking all those cost savings from "synergies" (layoffs), and funneling them into rich executives and institutional investors who own large swaths of stock. This isn't cynicism or theory, we just watched it happen during COVID.

ERROL SCHWEIZER: Grocery purchases surged. Americans bought more than ever. Kroger's profits went up 90%, and what happened? Kroger gave "essential workers" a $2 per hour raise for six weeks. Then it canceled the raise. And then it sunk its profits into two separate billion dollar buybacks, rewarding executives and investors. And prices didn't go down, they went up.

SIR HISS, ROBIN HOOD: Sire, you have an absolute skill for encouraging contributions from the poor.

ERROL SCHWEIZER: And this brings us to how this merger will impact you, [00:34:00] the consumer.

RODNEY MCMULLEN: A little bit of inflation is always good in our business.

ERROL SCHWEIZER: So that's Kroger's CEO Rodney McMullen spilling the beans on how grocers like Kroger and Albertsons took advantage of the inflation narrative to gouge consumers and rake in extra profits. Some analyses have shown that over 50% of price inflation has been driven by corporate profits. For every extra dollar you are paying this past year, 54 cents has just been pure corporate profit.

And consolidation in the grocery industry is a big driver of this dynamic. Don't believe us? Compare restaurants to grocery stores. Both restaurants and groceries suffer from inflation, but Americans' grocery costs have inflated almost five points higher. Why? Because restaurants exist in a relatively healthy industry defined by lots of small chains and heavy competition, while grocery has been reduced to just a handful of swollen conglomerates operating as a massive oligopoly. Research shows when there is less competition, price savings get turned into corporate profits. And if allowed to go through [00:35:00] this merger, will set off a wave of regional grocery mergers that will further concentrate the.

BENJAMIN LORR: We need a new model. In 1944, the government moved to break up the great A&P, which at its peak only controlled 12% of the US grocery market. This new Kroger/Albertsons chain would sit at 15% instantly. Walmart is already at 27%. Costco at 9%. The creation of these giant chains was intentional policy. Over the last 50 years, antitrust protection has weakened as regulators allowed mergers to go through as long as prices stayed low.

ERROL SCHWEIZER: But Covid 19 destroyed the solution. Not only do we see the effects of over consolidation in high prices, we see it in fragile, just in time supply chains that can't shift with erratic demand.

BENJAMIN LORR: This deal is rotten. If the FTC doesn't block it, what's the point of the FTC?

ERROL SCHWEIZER: But here we're optimistic. New chairwoman, Lina Khan, understands the importance of preventing mergers like this one.

LINA KHAN, FTC CHAIRPERSON: An inflationary environment can give cover to [00:36:00] companies with market power, monopoly power to exploit that power.

ERROL SCHWEIZER: But regulators and policy makers should do more than just block Kroger and Albertson's merger. They need to take a hard look at the grocery industry's race to the bottom, where cost savings come out of workers in the environment. If every store needs to size up to compete, that necessarily means competing against fewer and fewer stores. It just doesn't work.

BENJAMIN LORR: Just as the supermarket was America's gift to the world in the 1930s, we can lead the way to a more just food system today.

ERROL SCHWEIZER: We need enforcement of antitrust law, such as the Robinson-Patman Act. We need to look at breaking up the grocery giants to encourage the growth of cooperative, employee owned and family-owned grocery chains and stores that reflect our community's diversity and regionality.

BENJAMIN LORR: We can build strong unions with strong industry-wide wages and safety standards,

ERROL SCHWEIZER: and we need to start building a public food sector, or public option for our food system. Food should be a right, and there are major issues in our food system that even the most well-intentioned private industry just can't solve.

BENJAMIN LORR: [00:37:00] The same ingenuity that revolutionized an inefficient model in the 1930s will be required to reinvent the unjust ones we have today.

ERROL SCHWEIZER: The good news is we know it can be done.

Chokepoint Capitalism (with Cory Doctorow and Rebecca Giblin) - Pitchfork Economics with Nick Hanauer - Air Date 11-1-22

NICK HANAUER - HOST, PITCHFORK ECONOMICS: Can you talk us through ,like, what happens and why?

CORY DOCTOROW: Well, I mean there's some pretty, pretty straightforward examples. We, we, a lot of this book is digging into these, um, accounting practices that in the finance industry they call MEGO - my eyes glaze over - which are these things that are sort of performatively complicated. They're complicated so that they'll be hard to understand, but they pretend that they're hard to understand because they're complicated. But some of them are really straightforward. When I started in the publishing industry, there were about 20 good size publishers in New York. When we started writing this book, there were six. Now there's about to be four. Just means that when your agent goes out to shop your book around, Instead of auctioning the book to six [00:38:00] publishers or 20 publishers, or even just two out of those 20 who might be interested in it and who can be played off against each other, there's just one. I mean, Steven King just made this point in the Simon and Schuster merger review where he said, Well, you know, Penguin Random House wants to buy Simon and Schuster. And, uh, they, they claim that they'll still bid against each other for books. And that is just facially absurd. It's like saying a husband and wife will bid against each other for the same house. Doesn't make any sense. But, you know, one of the points that we make in the book and that other antitrust observers, monopoly observers, have made before us, is that monopoly begets monopoly. You know, the publishers' consolidation was driven by a long run phenomenon in which you had consolidation first in retail, so the big box stores all came together, and that caused a crash in the number of distributors from about 400 to about three, which is now down to one. Uh, because the big box retailers were able to lean on the distributors to get preferential treatment and that meant that the only way they could push back was to consolidate. [00:39:00] The distributors, in their consolidated position began to lean on publishers, and the publishers started to consolidate. And now you have retailer distributors like Amazon and you know, the big six publishers that once were got together with Apple to conspire, to force Amazon to end its predatory pricing on Kindle books because Amazon was willing to lose money on every book they sold, use their access to capital markets to become the only place that any rational person would go for books cuz they were cheaper there. And then they were gonna use that to lock people into the Kindle and seize control over the destiny of the publishing industry. So they all got together and they illegally conspired with Apple to rig ebook prices and they all got beaten up by it. And then they just started merging with each other because you know, if the CEO of Penguin and the CEO of Random House and the CEO of Simon and Schuster got together to arrange a common pricing plan for Amazon, that's illegal. But when the presidents of Penguin, Random House, Simon and Schuster, who used to be the CEOs of those three companies, got together in a boardroom under one corporate roof, and they [00:40:00] have the same conversation, that's perfectly legal. And as with every one of these monopolistic arrangements, you know, we focus a lot on what this does to the customers, and rightly so, it's not a good program for customers when the decisions about what books can get published and how they're marketed is gathered into just four hands. But you know, it's even worse for the people on the other end of the supply chain for the creators who are now facing lower wages and a more harsh environment and having to give up more concessions. There's some really practical concessions, right? The consolidated publishers are now asking for things that writers used to sell separately, like worldwide English rights, audiobook rights, ebook rights, graphic novel rights, film adaptation rights in some cases. These are rights that you used to go out and sell separately and get another check for. Now you don't get checks for it. It's not just that you get a lower advance or less marketing or you're more likely to be struck off if you have a book that doesn't perform as well as they'd hoped. But it's also that even with your successful books, you don't share in the bounty the way you used to.

REBECCA GIBLIN: When we talk about [00:41:00] chokepoint capitalism, this is coming back to this idea that, you know, a lot of the quiet parts being said out loud now. Say what you will about capitalism, but competition is supposed to be fundamental to it. But it is inherently extractive and it inherently leads to more and more concentration. And so you see Warren Buffet celebrating over companies that have what he calls wide sustainable moats, which he means, uh, are barriers to other people coming in and competing away those monopoly profits. We have Peter Thiel coming out and saying, competition is for losers. This is now what's being taught in business schools. You don't make something, you find a way of locking everybody in so that you can extract more than your fair share of value. And that's what we see throughout this, and that's what we're talking about with the idea of chokepoints. That there's all of these companies who are setting out to create these hourglass-shaped markets that have got buyers at one end and sellers at the other and themselves in the middle where they're squatting predatorily at the neck. [00:42:00] And in the creative markets, of course, we've got its audiences on one side and creators at the other, and we're seeing exactly the same thing. And why it's really interesting to look at it in the context of creative markets is because the tools that are used, um, you know, such a wide variety and also they've been so incredibly successful. But also we've talked a lot about, um, monopoly so far. But perhaps we could mention monopsony as well. Now, we talk a lot about monopsony in the book, less than in the first draft because everybody who read it made us take the word out. We are determined that we can make this sexy, but not everybody's convinced. But, um, this was a term that...

NICK HANAUER - HOST, PITCHFORK ECONOMICS: We love the word monopsony, so go ahead.

REBECCA GIBLIN: Well, maybe you're the folks who are gonna make it sexy, or maybe we can make it sexy together, but, um, but for those who are listening who don't know about this is a term that was coined in 1933 by Joan Robinson, an economist who we dedicated the book to. She warned us of the dangers of monopsony. And let me just unpack a little bit of what it's about, and hopefully people will still keep listening despite the fact that a lot of [00:43:00] people turn off when they hear the word. And in fact, technically what we're talking about is oligopsony, which is perhaps even less appealing. Um, and like we kind of all have a pretty good idea about what monopoly is because we've got a board game for that, is where our seller's got lots of power over buyers. So, Amazon over consumers, um, can have monopoly power, but monopsony is where a buyer has a lot of power over sellers. And so this Amazon in its dealings with publishers, for example, and all kinds of other sellers that need to access its marketplace in order to access consumers. Um, and monopsony is really dangerous for reasons that aren't particularly well-recognized. For one thing, it accrues at way lower market concentrations than monopoly does. So just eight or 10%, of a market can give a buyer lots of power of a sellers. And that's why when Amazon, for example, started the Gazelle Project, which is exactly what it sounds like they set up to target the weakest publishers in the market, in order to [00:44:00] take more and more of their margin to subsidize the rest of their business so that they could, you know, use that to help eliminate competition. Melville House tried to stand up against them, um, and Amazon retaliated by immediately removing the buy button. And Melville House had to give in and at that time I think Amazon only had 8% market share. But that was 8% where Melville House wouldn't be able to replace those sales with anyone else. And so they had to give in. And now if you think about how concentrated these markets are on the buyer side now, so whether it's Amazon for books, the Hollywood talent agencies, the big three record labels who are in the big three music publishers, Spotify and a couple other companies over music streaming, and so on and so on, we see that there are huge, huge dangers here.

NICK HANAUER - HOST, PITCHFORK ECONOMICS: Yeah. You mentioned that the purpose of writing the book is to build a path of, you know, what to do. So let's talk about that. What should we do?

CORY DOCTOROW: Yeah, so one of the things that is distinctive, I [00:45:00] think, about our book relative to other books about problems in the economy and problems in our modern world, was really crystallized well by an editor who rejected it. He said, You know, I really like this book, but I got to the second half, which is just, you know, one solution after another. It's just like half the book is just things that we should and could do, and none of them are things that individuals could do. They were all systemic solutions and that's gonna really bum individuals out because they're gonna want to take individual solutions.

And we were like, Dude, you are so close to getting it, because you can't shop your way out of a monopoly for the same reason that you can't recycle your way out of climate change. These are systemic problems, right? It's, this is not giving your bullied kid more lunch money. This is getting the bullies away from the gate and we have proposals that range from pretty straightforward, kind of the one weird trick realm, to some pretty big ambitious systemic ones. Most of them are not the traditional antitrust, anti-monopoly remedies for a couple of reasons. One is that they're not as effective with [00:46:00] monopsony. The other is that they're slow. You know, people will tell you that it took seven years to break up AT&T but from the first time the DOJ tried it until 1982 when it happened, it took 69 years. I don't wanna wait 69 years for Penguin Random House or Facebook-Instagram to get broken up. I want this to happen. I want there to be actions straight away.

Making The Case For Abolishing Billionaires - MSNBC - Air Date 11-21-22

WILLIE GEIST - ANCHOR, MSNBC: In part, " Elon Musk is running Twitter into the ground, with much of the company's staff fired or quitting, outages spiking, and everyone on my timeline hurrying to tell the app the things they have been meaning to say before it departs."

Jeff Bezos, the founder of Amazon, made a big splash when CNN released an interview in which he announced he was giving the great bulk of his more than $120 billion fortune away. Just minutes after his philanthropy announcement on CNN, news broke Amazon will be laying off thousands of workers.

Then of course, there was Sam Bankman-Fried, the disgraced crypto kingpin whose spectacular downfall along with that of FTX, the company he founded, caused $32 [00:47:00] billion to disappear. Much of it belonged to hundreds of thousands of regular people.

Finally, of course, this week there was Donald Trump. On Tuesday night, he addressed a crowded room at Mar-A-Lago and, as expected, announced he was going to run for president, again.

So Anand, I'll let you flesh out the case a little bit here. That's sort of the top line. But we can start with Elon Musk and what he's doing at Twitter. It appears to be a game to him, but letting Donald Trump back in the room, Kanye was posting again yesterday as well. What does it all add up to?

ANAND GIRIDHARADES: You know, first of all, I think something we often forget as Americans is that billionaires exist as a class of people who have that much money at our collective pleasure. Right? It is a policy choice to allow some people to accumulate that much money, hundreds of billions of dollars in the case of people in the United States, before everybody has the chance to live with dignity, right? Other countries make that choice very differently. We have chosen [00:48:00] historically to heavily prioritize having billionaires over having dignity for all people, and that's a choice, I would just start by saying that we could make differently in the future.

And so I wrote the piece to try to remind people of that choice we have. And last week was remarkable. I mean, I, I've written about billionaires for years and talked about these issues on the show, but it was hard to imagine a week when there was so many spectacular reminders of the way in which this kind of billionaire classes is inconsistent with democracy as we live it.

Elon Musk is a sort of adolescent in his fifties -- everybody can see that; I don't think anybody would say Elon Musk is a normal 51-year-old man -- who has bought this platform that he himself calls a global town square -- certainly functions, has that kind of social importance -- and because of what is so evidently his own feeble limitations -- he's just not, he's a limited man -- his limitations become all of our problem. They ramify into all of our lives. They [00:49:00] start to unleash antisemitism because he wants Kanye back on the platform. Kanye announces Shalom when he comes back after his big antisemitism benders in recent years. He brings back Donald Trump, who's unleashed the white nationalist demons in this country, on that platform and off in ways that obviously have caused us to come to the brink of losing our democracy. Elon Musk's big idea is let's bring him back. He's gutted the company. Photos of him from the company at a so-called "code meeting" show that there's basically no women left working around him. It's just a big sausage fest in there working in the team that he has remaining around him.

And then the rest of the week was Jeff Bezos doing this big song and dance about philanthropy while then, an hour later, his company lays off thousands of people, thousands of people right before Thanksgiving, going home having to tell their kids, mommy, your daddy doesn't have a job anymore because of this guy who's apparently giving money away to help people I guess like us who don't have jobs.

You have Sam Bankman-Fried, an incredible example of someone who [00:50:00] had these pretend -- he wasn't even into philanthropy in this moment, he was still just making money and telling us that simply the way he was making money was gonna help all of us. He was gonna smash the system, man. He was gonna bring down the big banks and he was gonna create this new era of finance for everyone. You could all get in on the crypto thing. And he just lost everyone's money. He makes the big banks look good by comparison.

And then of course Trump, who I always have appreciated. He's not even necessarily an actual billionaire, but I've always appreciated the nakedness. Unlike some of these other guys, he doesn't do a very good job of pretending that he's for the public benefit. He certainly ran on a campaign of smashing the system in 2016. But he is very nakedly revealing what I think is true of this group in general, which is that their existence as billionaires is antithetical to our flourishing as a democracy.

MSNBC ANCHOR: So let's talk about the intersection of gullibility and greed and SBF. That's how he goes now, Sam Bankman-Fried, who comes up with this idea that crypto -- crypto is gonna mean the end of [00:51:00] JP Morgan. It's gonna mean the end of Bank of America. We're gonna be dealing in crypto. How does that happen?

ANAND GIRIDHARADES: I think he was this disciple of a movement called Effective Altruism, but this has always been the move. There's different flavors of it. If someone shows up and just says, Hey Mike, I'm really eager to make a ton of money, you and most people listening to them would be like, good for you, but I'm not gonna put you on TV. I'm not gonna give you help. But if someone comes along and says, "I wanna change the world, Mike, I wanna change the world. I wanna bring down these powerful institutions. I want to empower the little guy to get in on the big gold rush of our time." Right? That kind of post. We in America in particular, are suckers for this kind of thing.

And so people have figured out that although the business interest is what is real in their mind, what they front load is this phony altruism. They front load, I'm making all this money. He called it "earn to give" part of this effective altruist movement. I'm gonna earn all this money to be able to give it away. [00:52:00] I'm gonna smash the system. Right? It's what Trump did with his pseudo populism. It's what all of these guys do. And talking about the persuaders, my focus is not on persuading billionaires to be different; it's persuading you, watching this and all of us to think about our power to have a world in which we first worry about regulating these companies properly, taxing these billionaires properly, doing antitrust properly so we don't have one store, one news site, one everything. And we can do that. That is within our power. We've done it before in prior eras of American history, when we realized the robber barons were robber barons, and I think it's time we do it again.

Elon Musk Is An Idiot (and so are Zuck and SBF) - Adam Conover - Air Date 11-23-22

ADAM CONOVER - HOST, ADAM CONOVER: The problem is our culture. Our entire society is run by dudes like this. Privileged,

incompetent men who claim to be changing the world, when what they're really doing is hoarding power they don't deserve. And so they design the world we live in to protect them and elevate them and amplify their message. So our media, our corporations, our government, they all bought [00:53:00] these guys bullshit. And then they served it back to us like one of Zuck's smoked meats. Meat!

"Eat up," they said. "These men are geniuses. Their shit tastes like candy." And so can you really blame people that a lot of us believed it?

I mean, sure, Elon must be a genius. They said it on the news. And that belief, our cultural conviction in their brilliance, gave them power they did not deserve. Not just money, not just political power, but psychological power over all of us. Like seriously, I have friends who are literally worried that their kids will grow up trapped inside of Mark Zuckerberg's Metaverse because Zuck convinced them it's really going to happen. Cities canceled their transit projects because Elon Musk said the Hyperloop was on the way. Real people gave Sam Bankman-Fried their money because they believed he was building the future of finance.

And now, now that they're inevitably failing, we are the [00:54:00] ones who are paying the price. It's our money that's getting lost. Our cities and online spaces that are being destroyed. Our jobs that are being eliminated while they skip off happily to their next fuck up.

The only way that chaos will stop is if we stop elevating and admiring idiots like this. And that is the silver lining to the bursting of this bubble. Sam, Zuck and Elon haven't been hurt by their apocalyptic failures, but their image has. Everyone from the media to the government can finally see the truth. And that's a good thing. Because if we remember that these guys are actually dumb asses, we can beat them. Twitter users have figured out that if a man is dumb enough to waste $44 billion to boost his own ego, it's really easy to troll him into wasting even more. The game VR Chat is way more popular than Horizon Worlds, but the team that created it spent a fraction of what Mark did because, you know, they're smarter than him. And Sam Bankman-Fried, [00:55:00] well, his exposure as a fraud was such massive news that it's reduced confidence in the entire crypto sector, and caused millions of people to distrust other crypto companies as well, which is a good thing because crypto is full of shit.

When we think critically about these people, their power evaporates. And it's so important that we start to do so, because here's the kicker: there are millions of them. The mediocre man with rich parents, a bachelor's from an ivy, and a bullshit vision for the future -- I see 10 guys like that every day. Elon, Zuck and Sam, they're just the ones who got lucky, and as soon as they fall, there will be more on the way. They're just like zombies. They're hungry, they're numerous, and they want to eat your brain because they don't have one.

But you know what the best part about zombies is? Once you know how to outsmart them, they're really fun to take down. So the next time some vacant-eyed business boy shambles up and tells you to do as he says, cuz he's [00:56:00] gonna change the world, remember, you're smarter than him, and don't let anyone tell you otherwise.

Chokepoint Capitalism (with Cory Doctorow and Rebecca Giblin) Part 2 - Pitchfork Economics with Nick Hanauer - Air Date 11-1-22

REBECCA GIBLIN: So, for example, in the early 2000s when the record labels, you know, I'm talking about the big three record labels were engaging in the most egregious abuses and we've got a whole chapter on this called "Why Prince Changed His Name", where we unpack exactly what happens when you give labels unfettered power over the people they're supposed to be representing. And it's really just an extraordinary litany of abuses. Uh, there were a bunch of bills that were put up in California at that time, especially around auditing that came very close to passing. Then what we saw, however, was, you know, with the advent of the Internet and digital technologies and particularly file sharing, we saw an almost complete collapse of the business model of recorded music. And we don't wanna romanticize this period by any means cuz so many people just in almost an instant lost their livelihood. But what we also saw was a [00:57:00] democratization and a deification, if you will, around how people could get their music to customers, to audiences and that meant that the record labels had to reform their most egregious practices, at least for, you know, new contracts that they were entering into because people finally had a choice. And that's a really important lesson when we talk about the solutions in this book. And Cory mentioned the fact that, um, monopsony power is something that our traditional antitrust solutions or competition law solutions really struggle to respond to.

But we do know what does work to respond to monopsony: it's anything that encourages new entrants into a market, that directly regulates excessive buyer power, and that builds countervailing power in workers and suppliers. And so that's what we saw and that can result in those same sort of reforms. But absolutely, we should be seeing more of it actually happening in practice, like we were seeing in those bills. But unfortunately, the big challenge, is that there is a lot of money to push for more copyright when it means more [00:58:00] copyright for the powerful rights holders, like the Motion Picture Association and the Recorded Music Industry Association [sic]. But there's very little money for, uh, for actions that support creators over those powerful rights holders because creators don't have any money and it's really difficult without resources to mobilize for those causes. So that's why you see things, like, we talk about the importance of having time limits on copyright contracts. But, um, that reality is why, you know, every time you've had a termination law or a version law passed, um, those powerful lobbyists have managed to water it down to the point where it is almost unusable and not worth anything for creative workers. And so we do have to find better ways of mobilizing and creating solidarity in order to do that. And a lot of our book is about that, too. When we talk about transparency, you know, things like in auditing rights, there's an importance of transparency that goes well beyond that, and that is around the fact that it's so difficult to fight an enemy if you don't know what they look like. And my favorite [00:59:00] story in the book that shows us, this is around the, the Audiblegate scandal. And that, for those of you who haven't heard about it, Audible of course, is a huge monopolist and monopsonist when it comes to audiobooks. Customers or subscribers of Audiblegate, those who were signed up for a new credit every month were given, almost unbelievably generous offer to be able to return their audio books, no questions asked for a full credit even if they'd had them for maybe a year, even if they'd listened to the whole thing, even if they'd enjoyed it, you know, no problem at all. And what people didn't realize is when they took advantage of that and sort of used the service like a library, is that Audible was clawing back the full royalty from the author. What they wanted to do was get the subscribers locked in. So the more value they could give them, as long as they didn't have to pay for it. The other thing that they did is they hid this, they knew that this was absolutely not okay. And Amazon and Audible and notoriously secretive. So what they did is they, because nobody's forced them [01:00:00] to report transparently, they hid this in a little accounting fiction that they called net sales. So an author might, you know, log on their sales dashboard and see, oh, I sold five audio books today. What they didn't see is they sold 15 audiobooks today, but 10 of the previous sales had been returned. And so they were just seeing the net result.

NICK HANAUER - HOST, PITCHFORK ECONOMICS: So they, they did this without the permission of the authors?

REBECCA GIBLIN: Well, so I think it was, I think it was understood in the contracts that this is what would happen, right?

NICK HANAUER - HOST, PITCHFORK ECONOMICS: If somebody hated it and would return it, yeah. But no one would've ever imagined that they were using it as a promotional vehicle.

REBECCA GIBLIN: Yeah, it's brilliant and dastardly, but the authors were starting to suspect something was up because they were seeing these weird sales patterns. Their sales were falling in a way that they really couldn't figure out, and they thought it might be returns. There was this woman called Susan May who was on the case, and then what happened is there was a sales glitch, a reporting glitch one day and three weeks of returns data [01:01:00] showed up in a single day.

And so the veil was lifted and people saw, you know, sometimes it was hundreds of returns over that, you know, over that three week period. And they realized the scale of this and how much it was impacting their bottom line. Having that insight, right?, meant that they were able to mobilize, that they had something to fight, that they were able to go after Amazon and Audible, again, led by Susan May. Um, she was supported by a woman called Colleen Cross in this. Um, and this is maybe one of my favorite stories in the book as well, former forensic accountant turned writer of forensic crime thrillers who found herself in the plot of one of her own novels, basically, she started thinking, Well, hang on a minute, if they're doing this to us over returns, what else are they doing to us? So she took her forensic eye to the contracts and to the royalty statements, and she figured out if they were actually paying us the way that they were supposed to be paying us, the way the contracts say that they do, this doesn't add up at all.

And she told us she thinks that Amazon actually didn't just pull this accounting [01:02:00] scam, they possibly counted the returns twice. So not just completely scammed authors on these returns thing, but then did it again, but then also still took I think close to 90% of the income in some cases. For books that have been fully financed by the authors themselves and then hidden all of this in these accounting fictions. So it's really extraordinary. They're still, they have managed through solidarity, working together and public organizing, they have managed to get Audible to reform some of the most egregious of these practices. But there's so much more work to be done and they obviously need to be assisted with rights to transparency, with rights to accurate information, with rights to be able to bring a class action in the event that you, you know, you are being screwed over. And that's another thing that's being, you know, constantly taken away with these contracts that insist on commercial arbitration, for example. Um, what that is, is it's not legal, it's administrative. It doesn't have precedential value. [01:03:00] The arbitrators are paid for by the people, the big companies that they're being used against. And we know from the research that arbitrators put a pretty heavy thumb on the scale, on the side of the people who are actually paying the bills.

And so there's lots of things that we can do to build that countervailing power in workers and suppliers, but we need the political will to do so, and that means all of us stepping forward and saying enough is enough.

Final comments on how regulation helps stop financial scams

JAY TOMLINSON - HOST, BEST OF THE LEFT: We've just heard clips today, starting with *Last Week Tonight* laying out the problem with monopolies, with a focus on self-preferencing. *More Perfect Union* explained the policy change from the Bork effect that steered all politics away from enforcing antitrust, using Ticketmaster as an example. *The Thom Hartmann Program* tied in the lack of monopoly regulation with inflation and the need for a windfall profits tax. *More Perfect Union* detailed the grocery store merger that could raise prices for everyone. *Pitchfork Economics* looked at the effect of mergers and consolidation within the publishing industry. [01:04:00] *MSNBC* had on Anand Giridharadas to make the case against billionaires as a policy issue. And Adam Conover assured us that most billionaires are idiots and that we need to stop collectively falling for their self-serving scams. That's what everybody heard, but members also heard a bonus clip from *Pitchfork Economics* going into more detail on unfair practices in the music and publishing industries.

To hear that and have all of our bonus contents delivered seamlessly to the new members only podcast feed that you'll receive, sign up to support the show at bestoftheleft.com/support or shoot me an email requesting a financial hardship membership, because we don't let a lack of funds stand in the way of hearing more information.

And finally, Just in case the point hasn't been driven home enough yet that people in positions of power and wealth will use those positions to entrench themselves permanently, I have a quick personal story that might help make the point. Now, this story lacks the angle of the [01:05:00] monopolistic practices, but I think you'll get the point anyway. So, back when I was probably 13 or 14 years old, eBay, the auction site, had come on the scene not too many years earlier and I was doing some very small time buying and selling, like video games, that sort of thing. And a friend of mine and I realized that when I was auctioning off items that he could log into his account and place bids on my items to artificially push the price higher than it would've otherwise gone. And now that I'm making this public, hopefully the statute of limitations has expired on this crime by now. But, at its core, this transaction that I was doing, I was selling a legitimate product, I had a legitimate buyer, the buyer ended up paying an amount that they were willing to pay, I wasn't stealing their money, but it was still clearly a scam. We were artificially inflating the price. And the point of the story [01:06:00] is that it did not take a genius to work out how to game that system and squeeze a little bit of extra money out of people. We were just a couple of punk 13 year olds who thought we were geniuses for having come up with this, what we assumed was an entirely original idea. And any time that there is a system with any amount of complications, those complications and people's ignorance of the systems can be exploited to squeeze money out of people. We all have limited time and resources, so it makes no sense to leave everything up to a 'buyer beware' mentality. And when it comes to monopolies, as was described in the show, there is no individual actions that can be taken to subvert the power of monopolies. Only systemic action, only regulations can do that, and it should be seen as basically preventing what effectively amounts to a scam.

Monopolies should be seen as a [01:07:00] scam and nothing short of major regulation will do. Now, the end of my story, by the way, is that eventually somebody bidding on something I was selling noticed that the only other account bidding on that same item had also been bidding on everything else I had for sale. And so this person somewhat accused us of running a scam and threatened to report us. So, I mean, we were 13, we panicked, we stopped the scam, but only because there was a threat of a regulating entity - eBay - with the power to punish our behavior.

As always, keep the comments coming in and remember that our old number now works in new ways in practically all of the ways you could possibly want to send in a comment. You can still use to leave a voicemail, as always, or you can now send us a text message through just like your most normal standard text messaging feature on your phone, [01:08:00] but you can also find us on WhatsApp and the Signal messaging app, all with the same number, which is 202-999-3991, or you can keep it old school by emailing me to jay@bestoftheleft.com.

That is gonna be it for today. Thanks to everyone for listening. Thanks to Deon Clark and Erin Clayton for their research work for the show, and participation in our bonus episodes. Thanks to the Monosyllabic Transcriptionist, Trio, Ben, Ken, and Brian, for their volunteer work, helping put our transcripts together. Thanks to Amanda Hoffman for all of her work on our social media outlets, activism segments, graphic designing, web mastering, and bonus show co-hosting. And thanks to those who support the show by becoming a member or purchasing gift memberships at bestoftheleft.com/support, through our Patreon, or from right inside the Apple Podcast app. Membership is how you get instant access to our incredibly good bonus episodes, in addition to there being extra content and no ads in all of our regular episodes, all through your regular podcast [01:09:00] player. And if you wanna continue the discussion, join Best of the Left Discord community to discuss the show or the news or other shows or other news or anything you like. Links to join are in the show notes.

So coming to you from far outside the conventional wisdom of Washington, D.C., my name is Jay, and this has been the Best of the Left podcast coming to you twice weekly, thanks entirely to the members and donors to the show from bestoftheleft.com.