

Abstract

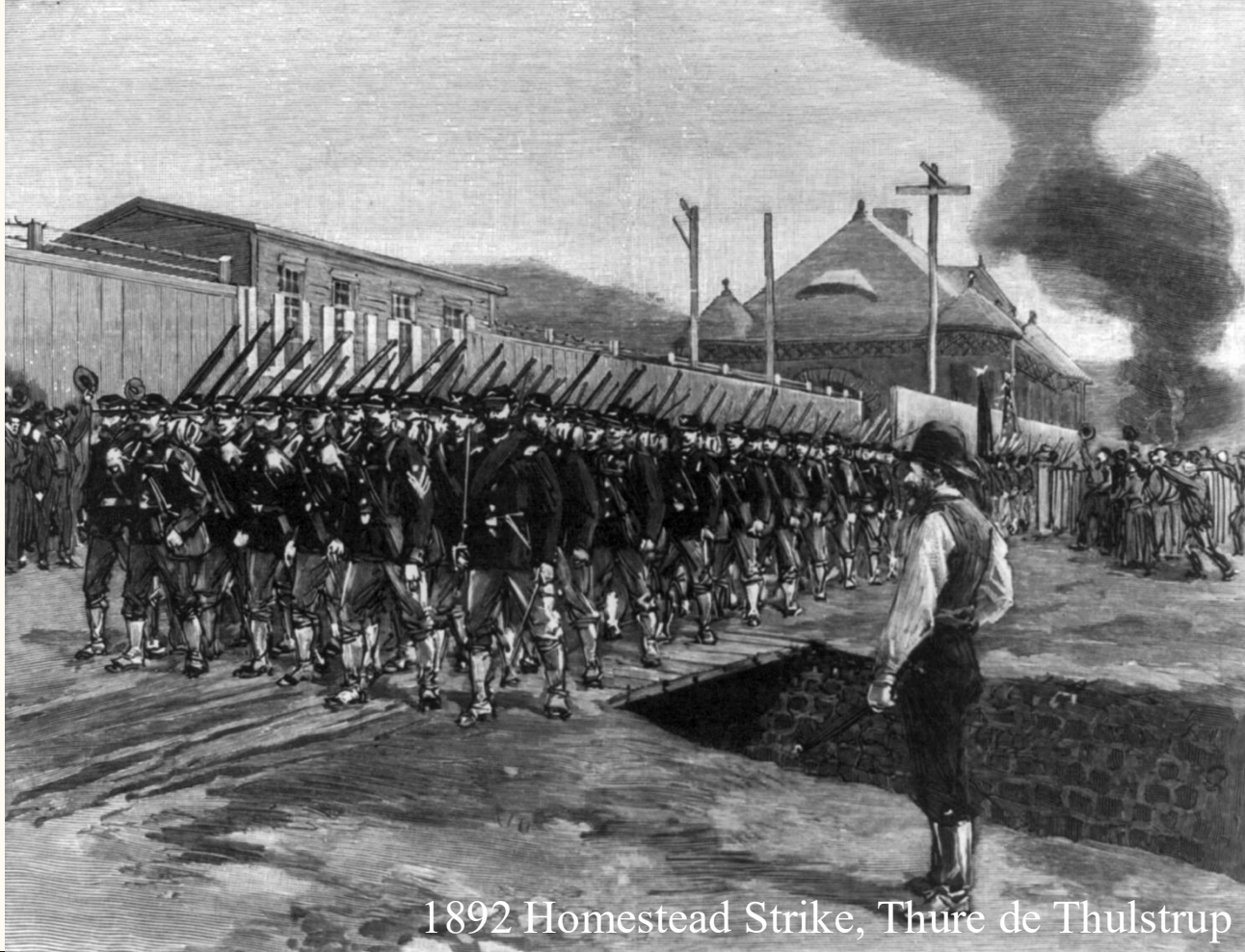
This paper seeks to analyze the possible harms and benefits a monopoly provides to consumers and laborers and what compromise could be established to mend current faults of such a system. This paper first analyzes the negative and positive aspects of monopolies. Monopolies are effective in centralizing capital and administration, which allows for unprecedented, exponential growth. Monopolies also place market power in the hands of their shareholders by stripping consumers and laborers of it. It then further analyzes such effects in industrializing nations of two different time periods: the American Gilded age and the modern Indian Industrial Revolution. The American Gilded Age was characterized by explosive growth in the heavy industry sector, with powerful oligarchs such as Andrew Carnegie, Cornelius Vanderbilt, and John D. Rockefeller gaining significant wealth and market power over consumers and laborers, leading to exploitation. The modern Indian Industrial Revolution is similarly characterized by such oligarchs with the likes of Gautam Adani, Mukesh Ambani, and Ratan Tata gaining significant wealth and control to the point of near-monopolistic control over certain sectors. It thus proposes an alternative of government-run monopolies in democracies to ensure market power stays in the hands of the majority, which also make up the consumers and laborers, while maintaining the benefits of it. An alternative is also mentioned where governments themselves act as investors to incentivize several sectors of the economy while maintaining a sort of control.

The Application and Dangers of a Monopoly in an Industrializing Economy From the Perspectives of Consumers and Laborers

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Introduction

Monopolies (duopolies and oligopolies operate similarly) are widely examined and studied in the field of economics and generally regarded as a negative in the free market, due to their tendency to stifle competition and hand market power to firms that exploit consumers and laborers. Individuals within these firms then use this capital to manipulate politics to their benefit [1]. However, through this, it is possible to overlook their benefits, such as their ability to rapidly expand and effectively centralize capital [2]. Therefore, this paper seeks to analyze both the negatives and positives of monopolies and seek to find a suitable balance that maintains both the pros and cons of monopolies. This paper is a theoretical paper that draws heavily on existing literature.



Methods

This paper examines the pros and cons of monopolies by analyzing the growth and profits of monopolies while taking into account their ability to transfer market power to centralized private figures seeking profit via the lens of the American Gilded Age and modern Indian Industrial Revolution focusing especially on large monopolies, such as Ford Motors, Carnegie Steel, Reliance Industries, Adani Group, Tata, etc. Then, this paper will synthesize a theory on ensuring growth and profit that benefits the collective from a utilitarian perspective. This paper will also make a few predictions on the future of economic growth and their impacts on the rise of monopolies, duopolies, and oligopolies with respect to the emergence of revolutionary new technologies such as AI and frontiers of resources such as space. Sources were collected from old online news articles, government websites, museum websites, a few primary sources, and several academic papers and other scholarly sources. The information synthesized from each was then condensed and analyzed in this paper. The theories mentioned in this paper were independently developed through an analysis of historical scenarios and patterns.

Results

Through review of existing literature, this paper has found that modern monopolies are able to also become monopsonies, through establishing themselves as the sole buyer of specialized labor, which emerged with Ford’s assembly line [3]. With this power, workers are tied to monopolies, allowing said monopolies to exploit them via lowering real wages [4], cutting costs via unsafe working conditions [5], and even child labor [6]. Monopolies are also able to invest heavily into certain sectors of the economy thanks to their large profit margins [7]. This has led to both historical and modern domination by firms in certain industries, such as US Steel, Standard Oil, and the “big 5” Indian conglomerates, as well as rapid expansion, as demonstrated by the well-known rapid economic growth within the nation and time period that these firms existed in.



Discussion

It is established that the cons of monopolies, their centralization of market power, arises from the lack of competition within the sectors that monopolistic firms exist in. Given the rise of the new age of AI and (in the far future) space, there is potential for monopolies to arise within these sectors that will define the new age of humanity. AI has already drastically changed several aspects of business [8], and there is a vast amount of wealth to be extracted from space [9]. Therefore, it is important to develop a productive solution that both tackles the market power of firms and promotes strong growth. The proposed solution in the paper is the establishment of decentralized monopolies, where its assets are split into several independent branches that compete, are generally regulated by a centralized board, and deliver dividends to it. Therefore, we maintain the capital centralization aspect of monopolies while also introducing a competitive aspect. This can be further explored through government-owned monopolies, in cases where the governments serve the people through democratic means to place market power in the hands of civilians that make up consumers and laborers.

Conclusion

Monopolies have substantial market power over consumers and laborers. This power is placed in the hand of profit-motivated individuals, leading to exploitation and domination over said consumers and laborers. Thus, this paper sees it fit to propose this alternative of decentralized monopolies. Further research should be completed in putting this theory into practice via testing, starting with small firms, then eventually medium to large-sized firms. Within these tests, these decentralized monopolies should be compared to scenarios of total competition and monopolies, and be tested against several real-world factors, such as technological innovation or market crash.

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