Surprising Government Protections of Monopoly

There are several ways in which government protects monopoly that are so pernicious, that few see how damaging they are. By protecting monopoly, government forces the rest of us to live and die by cutthroat competition.

Although the reality offends most economists, competition, one that destroys all profits and wages, is a tragic example of market failure. Ironically, it is such deadly competition, rather than monopoly, which results from barriers to entry.

The inability to capitalize on new ideas, utilize free land, find new talent, all in conjunction with the burden of raising a family, lock entrepreneurs onto their dead businesses, killed by creative destruction, but still walking. Zombies! We watch in horror as they turn their cities to blight, desperately raise prices to no avail, fire workers, and keep filthy stores, until they too finally succumb.

The right to compete is an objective right, very much akin to the right of self-defense. And yet, most people who carry a weapon or know martial arts do so with the intention of preventing or stopping violence, not starting it. Mutually assured destruction (MAD), the threat of deploying nuclear weapons, is an extreme example of preventing violence through self-defense.

Suppose a town could support 10 appliance stores. Then, Amazon and Walmart wash in on an internet wave of creative destruction, leaving the town able to support just 2 appliance stores. But there are 10 and they engage in a fight to the death.

This will result in mutually assured destruction that will kill the town and kill all of them. Or, perhaps, one will remain standing in the blight, miles of crime-infested streets between them and most of their customers. What forces kept them in this deadly competition? Who or what is responsible?

These problems are the direct result of barriers to entry, imposed primarily by government protection of monopoly. These barriers prevent adaptation to creative destruction. This module describes these barriers and explains how the barriers cease to exist in a land-based capitalist economy.

The current economy is built around three critical ways in which the government creates barriers to entry through protection of monopoly - 1) intellectual property monopoly, 2) protection of private title to land, and 3) allowing certification of knowledge by purveyors of that knowledge.

The prevailing opinion is that these barriers to entry are good. One might expect to hear, "Thank God the government protects our private property, protects our ideas, and requires our doctors to be qualified." But, in fact, the government does none of these things. It does precisely the opposite.

The Intellectual Property Monopoly

Those who choose to run an enterprise using the protected ideas of others without permission face fines, damages, and possibly even imprisonment. Consider an innovation that requires the use of 25 differently-owned patented concepts to implement.

A single holdout could make the cost prohibitive, or shutdown the product altogether. Owners of lifesaving drug patents can and do raise the price of their products 1000-fold. Sometime, it is something as simple as the perfect song at the end of the perfect movie – but the artist won't give permission.

The counterarguments that innovation must be encouraged, research must be funded, and creativity rewarded for the betterment of society are not counterarguments at all. They are, instead, a failure to "think outside the box", as the cliché goes, and realize that there is a far better solution than the current patent and copyright systems. The solution is a Pareto improvement. Artists and inventors will be better off. Society and the economy will be better off. Nobody will be worse off!

Check out the complete solution to intellectual property. Inventors today have a 5-year ticking time bomb to sell their invention to a major corporation or lose everything. Artists get nowhere without selling out to a major corporation. The intellectual property monopoly protects nobody but major corporations. Artists and inventors are thrown under the bus.

Monopoly of Land Title

The ability to withhold land from a more efficient use, or completely from any productive use, is the most significant barrier to entry. If there were free land, at the nearby outskirts of a metropolitan area, where any person, family, or collective could settle and start a manufacturing and/or agricultural enterprise, a significant barrier to entry would be lifted.

This barrier goes beyond elimination of free land at the margin. The monopoly of land is the essence of property law. The owner of land that contains the nation's only deposit of a rare earth element is free to develop or not develop that resource as they see fit. Nobody else can enter into that business.

More typically, the owner of a gas station at the intersection of two busy roads and land on the other three corners can prevent a more efficient gas station from opening up at the intersection. Every land parcel is unique and has comparative advantages, if not absolute advantages, that are protected from would-be competitors by property law – the right to exclude more efficient users of the land, by the nature of ownership.

Government protection of private property in land is at its worst when it protects land held by speculators, including land held by the government itself. Most land in the United States is unused, with some of it in and around developed areas. If an entrepreneur needs 12 acres to start a business and there are 12 idle acres nearby, government protection of private property in land creates a barrier to entry.

Readers who have read earlier modules are now aware of a curious AFFEERCE business plan enigma; only by defending private property in land can the monopoly power of private property in land be eliminated. We defend the right of a commons trust to purchase land and the right of property owners to sell their land into the trust.

Furthermore, the trust's charter demands that it rent the land to the highest bidder of ground rent through the treble. The charter also specifies how rents are to be distributed. These are all rights of land ownership and private property. Yet they create an "application layer" of land exclusivity that removes all barriers to entry.

Certification of Knowledge by Knowledge Purveyors

It is impossible to compete with universities because the only measure of success is the diploma issued by the university itself. "Diplomas" issued by unaccredited institutions have no value, nor should they.

With no possibility of competition, the quality of a university education declines as the cost rises. In any field where certification is handled by the same cabal that provides the training, quality falls and prices rise.

It is not bad that universities can engage in monopoly pricing. All businesses should strive to charge monopoly prices. Instead, it is an inelasticity of demand created by the propaganda and laws surrounding the value of their diploma.

The problem goes beyond government protection. The entire business community contributes to the problem, yet they have no choice. Shareholders do not expect the CEO to experiment with the hiring of non-graduates and those with alternative diplomas.

In fact, standard business methods are more profitable. The business bears none of the cost of the diploma, yet reaps the limited benefit it provides, while the burden of student debt acts to enslave the debtors to their jobs.

The problem is not confined to undergraduate degrees. Medical schools use high pricing and stringent requirements to limit the supply of medical doctors, destroy the quality of healthcare, and raise the cost of medical insurance, precisely because their medical degree is the only legal barometer of quality. Unlike the undergraduate degree, this is full government protection of monopoly, with imprisonment promised for those who choose to compete without a license, de facto granted by those same medical schools.

The testing distribution solves this problem everywhere. Standard testing questions are prepared by a voluntary standards group for professional certification and student progress.

Thousands of test questions, if possible, are created in each category of knowledge to be tested. Givens, in each mathematics problem, are generated on the fly when each instance of the test question is created. All tests are created at random from the knowledge categories at the time the test is administered.

Test results are not only the primary input to employers, but are used to reward teacher merit as well. The top 25% of all test scores appear on student resumes. Although students are paid a nominal amount to take each test, testing is a cost of free and unlimited education, and repeated scores of zero will find their way into the top 25% and into resumes. Scores of zero seriously hurt the merit pay of the teacher as well.

Funding New Enterprise

For most people, the greatest barrier to entry is the risk of investing in a new enterprise. Families can be destroyed, retirement savings depleted, and all hope lost, when 4 out of 5 businesses that start, fail.

Land-based capitalism removes this barrier to entry, as well. The distributions of ground rent include an Earth Dividend for nutritious meals, warm and safe shelter, quality healthcare, and unlimited free education. Unlike cash, these funds cannot be used as collateral for loans, or to repay debts. No matter what happens to the business, the necessities of life will continue.

If the partners in a business agree to forego all VIP$ salaries from operations during the life of the loan (not difficult with the Earth Dividend and perhaps an otherwise employed spouse or two), they are entitled to a low interest earmarked loan from the 1-year advance rent fund pool – if a citizen investor approves the business plan and takes on the small risk of failure.

Conclusion

Land-based capitalism eliminates the primary barriers to entry: intellectual property monopoly; monopoly on land title; certification of knowledge by knowledge purveyors; and the high risk of starting a business.

Without barriers to entry, there will always be a better alternative than pure competition. Small businesses will have the pricing power to adapt to creative destruction.