
Monopoly, a Major Cause of Depression

Author(s): Will Lissner

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Monopoly, a Major Cause of Depression

FOR MANY YEARS some economists who should know better have been pooh-poohing the idea that land monopoly is an important factor in creating domestic and world social problems, economic depressions, the exploitation and impoverishment of the working, enterprising and investing classes and even regional and world wars.

Now they have an object lesson on a grand scale. Oil producing countries, mainly Arab and Moslem nations in the Middle East, organized a cartel, a monopoly, called the Organization of Petroleum Exporting Countries (OPEC). Between 1973 and 1974 OPEC, by monopolistic conspiracy, increased the average export price of oil from \$2.75 to \$10 a barrel (1). This had the effect of imposing a \$75 billion "excise tax" on the oil-importing countries.

The oil and energy crisis this produced was a major cause of worldwide recession in Western Europe, Japan and the United States and of full-fledged economic depression in other countries more vulnerable to outside shocks. Despite national efforts to moderate inflation, it caused an acceleration of inflationary price rises on the one hand and a loss of employment due to spiraling of costs beyond recovery through higher prices and hence a loss in profitability of production. Efforts of the industrial countries to fight the accelerating inflation through restrictive monetary and fiscal policies magnified the loss of employment and output.

Yet the oil monopoly is only a small part of the monopoly of land and other natural resources which taxes every productive person every day of the year on a similar or even grander scale. The oil monopoly nevertheless will claim a significant share of the total output of goods and services. By 1980, it is estimated, this will amount to 1.3 percent of Gross National Product in the United States, 2.6 percent in Western Europe and 4.5 percent in Japan, taking monopoly exactions and economic losses together (2).

Apologists for the monopolists point out that the OPEC cartel is doing nothing more than United States trusts and combinations did in the days before anti-trust legislation and are still doing in successful avoidance of prosecution under the laws. This is true. Its truth should spur efforts to abolish all monopolies, including capital and labor monopolies as well as land monopolies, to end impoverishment and exploitation of the producing classes.

WILL LISSNER

1. "Living With Higher Oil Prices," *Brookings Bulletin*, 12 (Fall, 1975), pp. 1-4.

2. Edward R. Fried and Charles L. Schultze, eds., *Higher Oil Prices and the World Economy* (Washington, D.C. 20036: Brookings, 1975). (The projection is that of Fried and Schultze).