

## Antitrust and Democracy

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tl;dr

**Background:** In recent years, a set of politicians, academics, regulators, and activists have [called for](#) more stringent antitrust scrutiny of companies perceived to be threats to democracy simply by virtue of their size. Today, the brunt of these criticisms target so-called “big tech” companies (see [here](#), [here](#), and [here](#)).

**But...** There is little evidence to support the contention that more concentrated markets lead to less democratic outcomes. Furthermore, the fears of private economic power expressed by advocates for more forceful antitrust tend to elide the genuine threat of state coercion. This is at odds with key principles of liberal democracy, such as the rule of law and freedom from arbitrary state interference.

### KEY TAKEAWAYS

#### BIG FIRMS DON'T DOMINATE POLITICS

The contention that large firms and concentrated markets threaten democracy rests largely on intuition and populist antipathy. There is little evidence for the claim that [“political power follows economic power.”](#) When Geoffrey Manne and Alec Stapp looked at the question, they found [no correlation](#) between lobbying spending and market capitalization. Other academics have likewise

found no substantive link between corporate concentration and political influence (see [here](#) and [here](#)). These findings undermine the argument that it is necessary to break up large firms or pursue other antitrust interventions to preserve democracy.

#### ANTITRUST LAW IS NOT ABOUT ‘BIGNESS’

Antitrust law is not designed to [constrain](#) companies’ political power. It is instead dedicated to protecting competition for the benefit of consumers. [Proposals](#) to embed “democracy” considerations into the law therefore necessarily run into significant obstacles, as the law is fundamentally ill-suited to accommodate them.

First, there is no clear, actionable standard that would define the size threshold at which big companies supposedly become threats to democracy. The absence of such a standard is precisely why the consumer-welfare standard [ultimately won the day](#) and [should remain](#) the [lodestar](#) for antitrust enforcement.

Second, even if “big business” were bad for democracy, it is possible that the net benefits large companies bring to society [outweigh the downsides](#). Unwinding every “big business” would thus mean foregoing such [benefits](#) as economies of scale, vertical integration, and mass employment, when a more targeted approach could use other policy levers to better address the perceived problem.

Third, granting government agencies power to intervene against companies seen as too big or too powerful, without clear standards and a process to weigh trade-offs, invites abuse by antitrust enforcers. This is currently apparent in China, where authorities have invoked antitrust justifications [to target political rivals](#) or companies that refuse to adhere to the official party line.

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### UNCHECKED STATE POWER IS THE BIGGER THREAT TO DEMOCRACY

Some proponents of more stringent antitrust, such as [White House adviser Tim Wu](#), invoke historical claims that “big business” was to blame for the [rise of the Nazi Party](#) in Germany. This thesis—popular with [Marxist historians](#)—is more rooted in ideology than fact.

While the Nazi Party did enjoy support from some corporate sources—particularly once Adolph Hitler’s rise to power was imminent—most [remained at arm’s length](#). Indeed, the Nazis’ most fervent supporters could be found among the middle-class clerks, small shopkeepers, and minor civil servants whose ambitions had been frustrated by the post-war economy.

It also defies common sense to draw the lesson that the rise of Nazism counsels greater skepticism toward *private* power. If the 20th century taught us anything, it is that the biggest threats to democracy and human rights are powerful states, a lesson that [Americans have not forgotten](#). Therefore, the Nazi example militates *against* granting the state broad powers to subjugate business.

Critics sometimes retort that authoritarian governments can more easily capture a concentrated industry than an unconcentrated one. But even if this is true, it would be absurd to base antitrust policy on this fear. A dictator might also prefer a country with excellent

infrastructure, which would make it easier to deploy forces from one city to the next. Does this mean that we should rip up ports and highways? Of course not, and neither should we break up big companies because they might one day fall into the wrong hands.

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### CONCLUSION

Reimagining antitrust law to serve as a bulwark of democratic principles would be factually misplaced, would undermine the integrity and purpose of the law, would ignore crucial lessons from history, and would lead to government overreach and the arbitrary exercise of public power. Further, it would be antithetical to liberal notions of democracy and the rule of law. In other words, it would be deeply illiberal.

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For more on antitrust and democracy, see [“Political Philosophy, Competition, and Competition Law”](#) by Lazar Radic; [“Consumer Welfare & The Rule of Law: The Case Against the New Populist Antitrust Movement”](#) by Geoffrey Manne, et al; and [“Does Political Power Follow Economic Power?”](#) by Geoffrey Manne & Alec Stapp.

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