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At a time of 24-hour news cycles and 15-second attention spans, politicians cannot be blamed for resorting to snappy slogans and one-liners, but they should be castigated for using the wrong ones.

A prime example is the 'pro-business' badge that both the SNP and the Labour Party have been sporting recently: in September 2021 the Scottish Government's Finance Secretary (Kate Forbes, SNP) said: 'We want to create a pro-prosperity, pro-business and pro-jobs environment'. Not to be outdone, in January 2022 the Shadow Chancellor Rachel Reeves proclaimed: 'Labour is a pro-worker party but we are a pro-business party too, and very proudly so'.

The economic data for the last century or so, show unambiguously that prosperity and jobs are not produced by (big) business, but are the by-product of competitive markets. Even more perversely, some of the most pressing economic challenges facing progressive parties (rising inequality, low-wage low-skill jobs, stagnating living standards, etc) cannot be tackled effectively by taking a pro-business stance.

But surely, it is businesses that employ people. It is businesses that innovate and enhance the quality of life. It is businesses that produce the wealth to be shared across the population. An anti-business posture is just that, posturing ideological nonsense.

A modicum of economics literacy is all that is required to understand that the opposite of 'pro-business' is not 'anti-business', but 'pro-(competitive) markets'.

I realise that this is not how the issue is usually framed and that my assertion requires explanation. Fortunately, I will be aided in my economic journey by *The Profit Paradox*. How thriving firms threaten the future of work by Jan Eeckhout, who sets out in very clear and detailed terms some of the arguments that I will inevitably have to summarise in what follows.

The key concept necessary to understand the tension between prosperity and being 'pro-business' is market power. In economics, market power has a very specific meaning: it is the power by firms to charge prices in excess of costs. A related term is mark-up: the percentage of cost that is added to arrive at the charged price. Example: for firm A the cost of a widget (including raw materials, energy, labour costs and normal profit) is £10 and is sold at £15, at a 50% mark-up. A fundamental (and undisputed) tenet of economics is that, in a competitive market, such a situation cannot be sustained over time. Why? Because, tempted by the super-normal profits (see last week's column: **The perfect tax (ManfredilaManna636a.html)**), other firms will enter the widget industry and the increased supply will inexorably lower price until it settles on its equilibrium value of £10.

Let's unpack the beneficial effects of firms entering the widget market: not only consumers benefit from the drop in price and increased consumption, but all workers in the widget industry gain, too, because the increased production of widgets requires more workers, with a consequent increase in wages and reduction in unemployment.

But, if firm A has market power, all these beneficial effects simply do not take place: price remains high, less is produced, and fewer workers are employed (at a lower wage).

Market power has winners, too, namely shareholders and top management, the former enjoying larger profits and the latter earning higher salaries and bonuses.

'Why should I care about widgets?' I can hear you, dear reader, say. The reason is that, far from being a widget-related phenomenon, market power has been the one of the most serious economic scourges of the last few decades and is likely to persist if not confronted head-on.

Some hard data: in 1980 in the USA, the average mark-up rate across all industries was 21% (stuff costing $100 sold at $121); by 2019, it had increased to 54% (stuff costing $100 sold at $154). An almost identical pattern applies to Europe, Asia, and indeed, the whole world. Remember that high mark-ups not only entail higher prices, but also less production and therefore less employment. And the average masks the full negative impact of the scourge of market power: for the last 40 years more than half of all firms in the US have seen no increase whatsoever in their mark-ups whereas the top 10% of them have managed to increase their mark-ups to a vertiginous 150% (selling at £250 stuff that costs them £100 to produce). The emergence of very large, extremely profitable firms insulated from market competition is probably the main reason for the rampant and unprecedented increase in inequality we witness today.

Let's consider a product that will be familiar to most readers: beer. In 2021, 186 billion litres of the stuff were sold worldwide and nearly one third was sold by a single firm. The same firm that sells 46% of all beer in the US, 56% in Belgium and a staggering 68% in Brazil (2016 data). Probably you have never heard of AB InBev, but almost certainly you know a few of its 500 brands (Budweiser, Stella, Corona, Labatt, Leffe, etc). Its reported gross profit

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rate in 2021 was an eye-watering lip-smacking 35%. If InBev had not been allowed to grow merger by merger, its beer would be cheaper, more workers would be employed, not only by it but also by its many suppliers, in a virtuous circle.

And AB InBev is not an isolated case. In a surprisingly large number of industries, a small number of big firms have a dominant position. Whether it's supermarkets, house builders, corporate accountants, mobile telephony, online retail, online auctions, etc. The list could go on and on.

One more example: cars. The last 30 years or so have seen a remarkable concentration of marques in a few hands. VW owns Seat, Skoda, Audi, Porsche, Bentley, Lamborghini, Bugatti, Cupra and a few more. Stellantis is even more octopus-like: it owns Fiat, Alfa Romeo, Lancia, Maserati, Chrysler, Jeep, Citroen, Vauxhall, Opel, Dodge and more. In the automotive sector, the scourge of market power pervades the whole industry: in the USA, for example, it is common for a single company to own dealerships of 'competing' marques with the obvious effect of thwarting competition and keeping prices high. Moving from retail all the way to corporate control, analysis of the shareholding of dominant corporations by large institutional investors (pension funds, insurance companies, etc) reveals extensive cross ownership, diminishing further any incentives to engage in any meaningful price competition.

But why should (progressive) policymakers be concerned with market power and why should the mantle of 'pro-business' be discarded and replaced instead by the banner of 'pro-competition'?

Because the market power enjoyed by too many large corporations is the main cause of the systemic shift that has taken place in the last 40 years or so, resulting in the unprecedented drop in the share of national income that accrues to workers. But the enormous and worldwide increase in inequality, produced by redistribution from the pockets of workers to owners of dominant firms, is not the only or even the main effect of market power. Even if all of the profits generated by competition-shielded corporations were redistributed back to workers, market power would still be a scourge. Why? Because of the output- and employment-destroying effects of market power.

Indeed, the pie needs growing, not by removing regulation à la Truss-Kwarteng but by eradicating market power through targeted anti-trust regulation.

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SR was established in 1995 by Kenneth Roy

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