



# **Technology, Monopoly, and Labor: The Urban/Rural Divide**

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**Address to the Summit on Technology and Jobs**

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**Open Markets Institute**

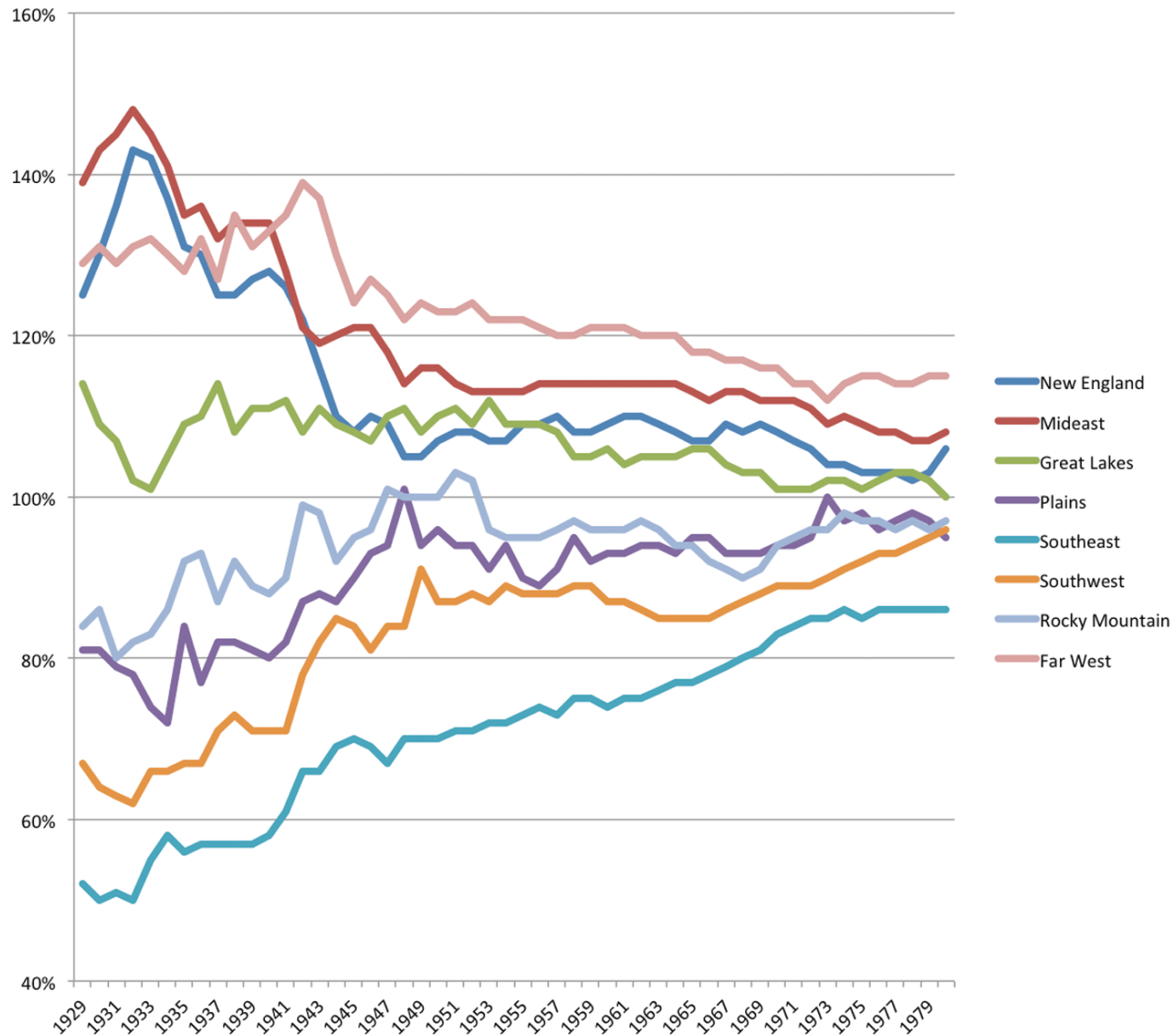
**Johns Hopkins**

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# Mega Trend of American Economic History: 1865-1980

inequality of wealth and income among regions  
declines

*Emergence of a Single American Standard of Living:  
Regional Per Capita Income as a Percentage of National Average 1929-1982*



Increasing regional equality was a major factor driving down the gap between rich and poor.

According to the Harvard economists Peter Ganong and Daniel Shoag, approximately 30 percent of the increase in hourly-wage equality that occurred in the United States between 1940 and 1980 was the result of the convergence in wage income among the different states.

Why Futurist in the 70s thought regional inequality would decline still more radically...

Rise of the service economy diminishes importance of geography.

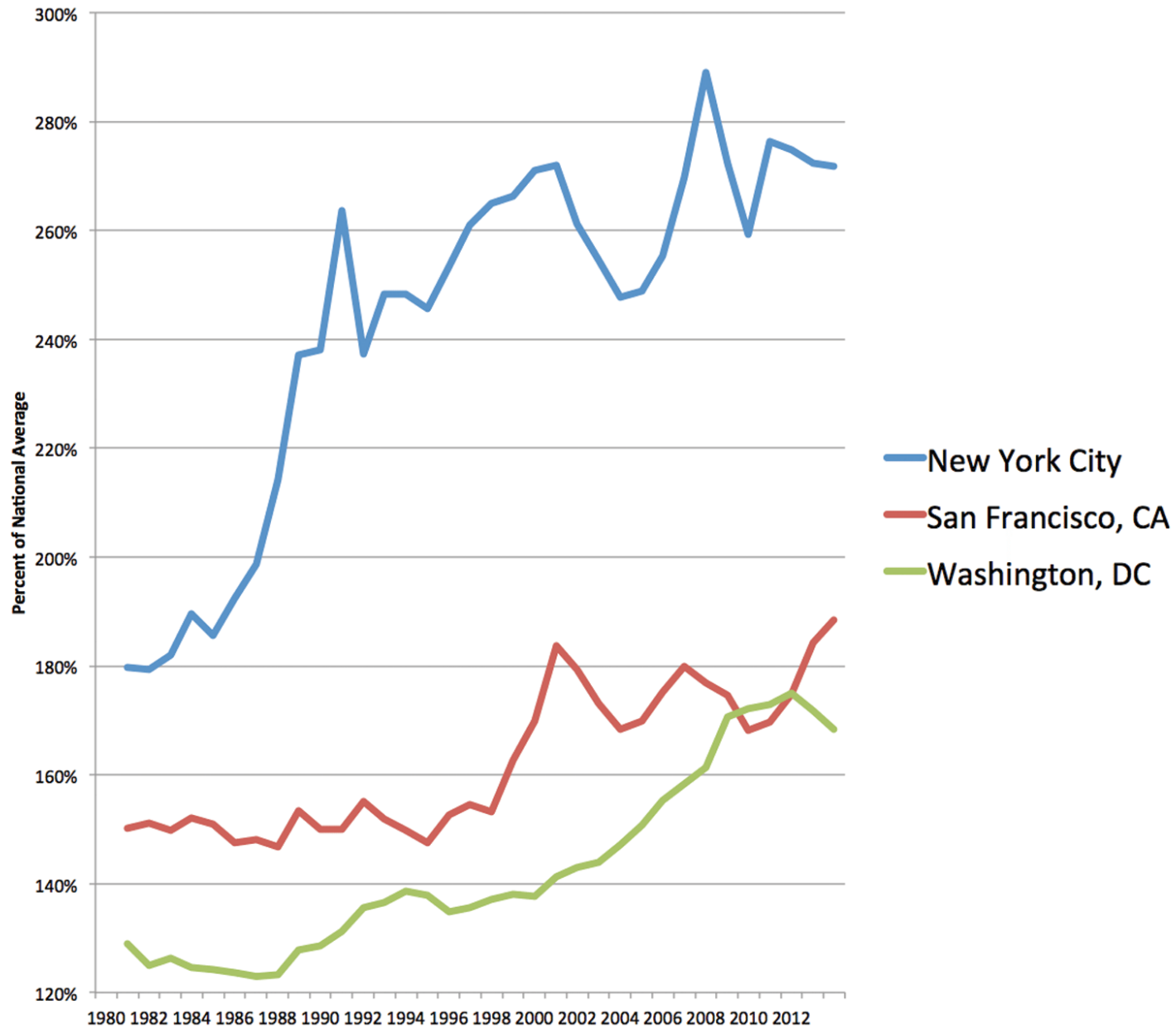
Digital technology will bring the "death of distance"

But then comes the big inflection point...

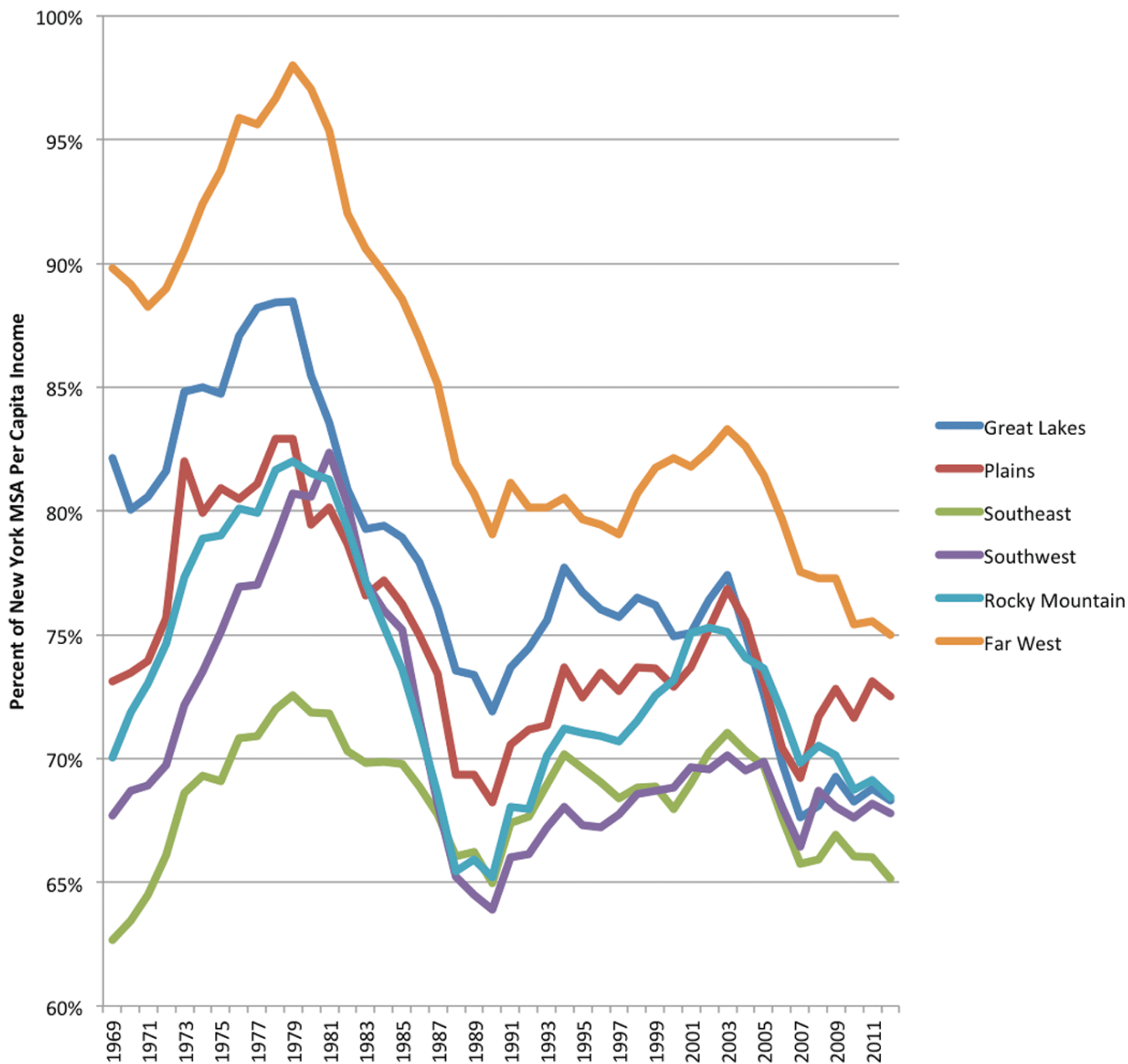


## *Rich Cities Get richer*

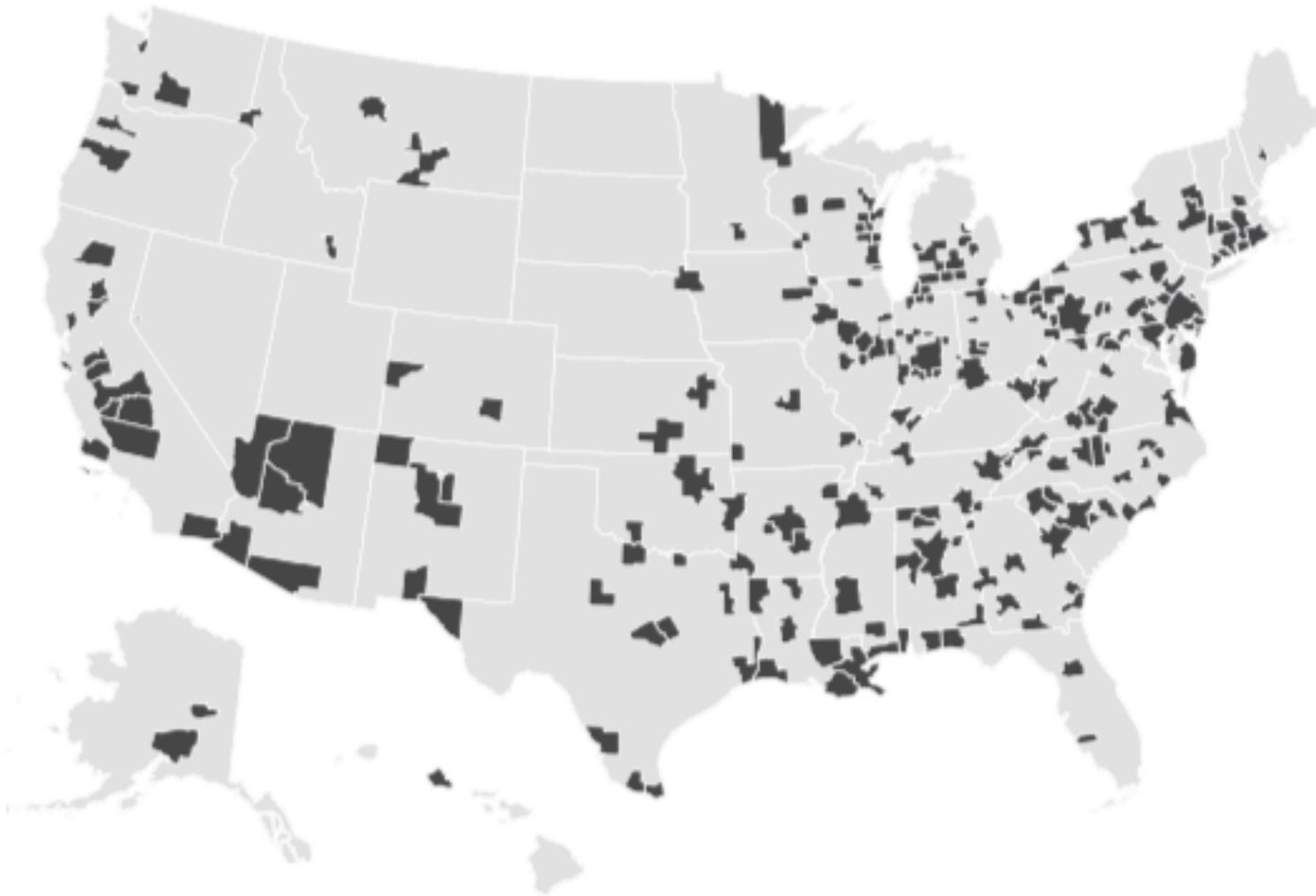
*Rise in the Per Capita Income of NY, SF, and DC compared to American average: 1980-2014.*



## Per Capita Personal Income of Selected Regions Compared to the New York Metropolitan Area

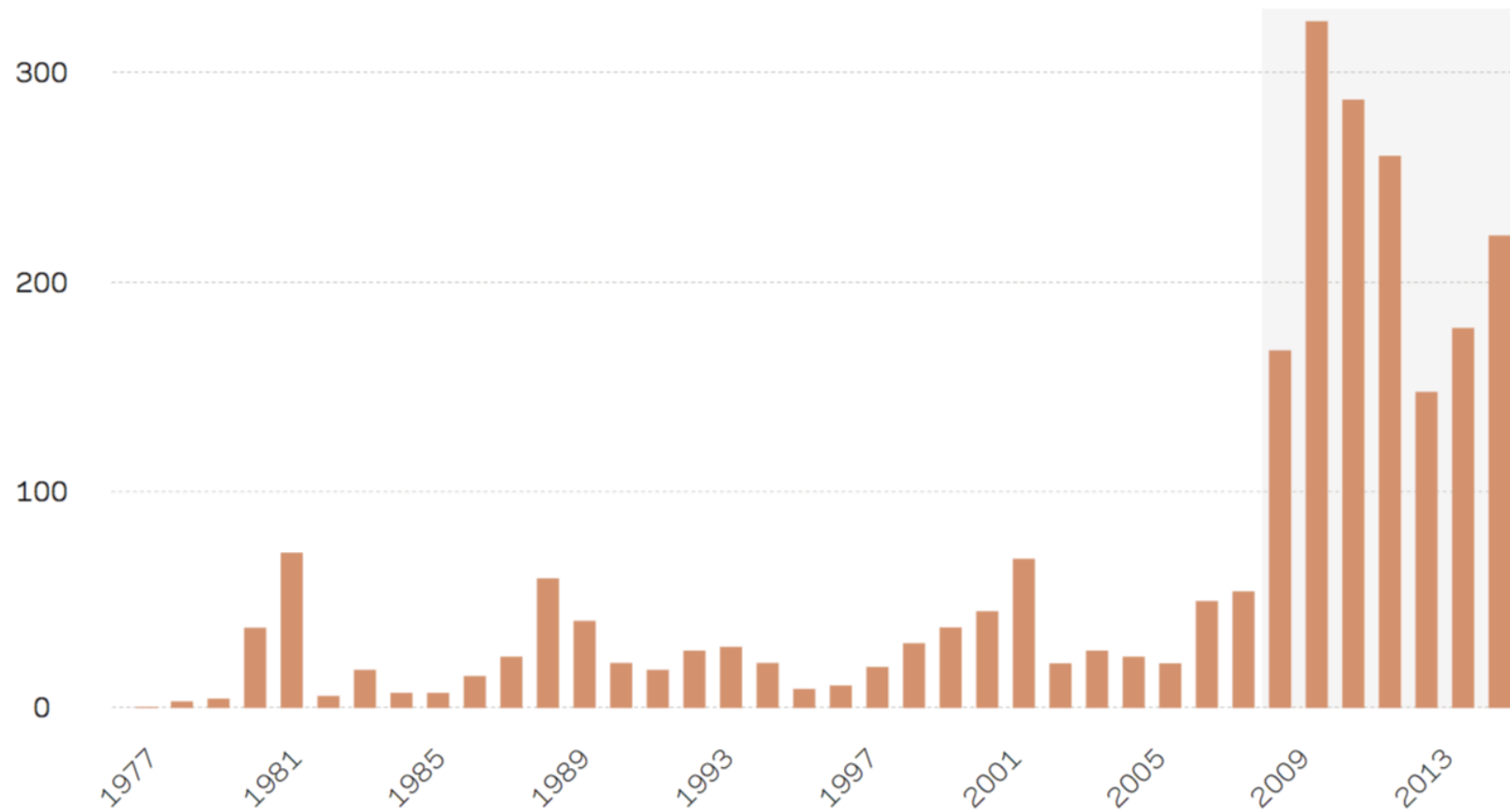


Nearly two-thirds of U.S. metro areas saw more firms close than open in 2014.



**224** metro areas saw a **decline** in firms in 2014

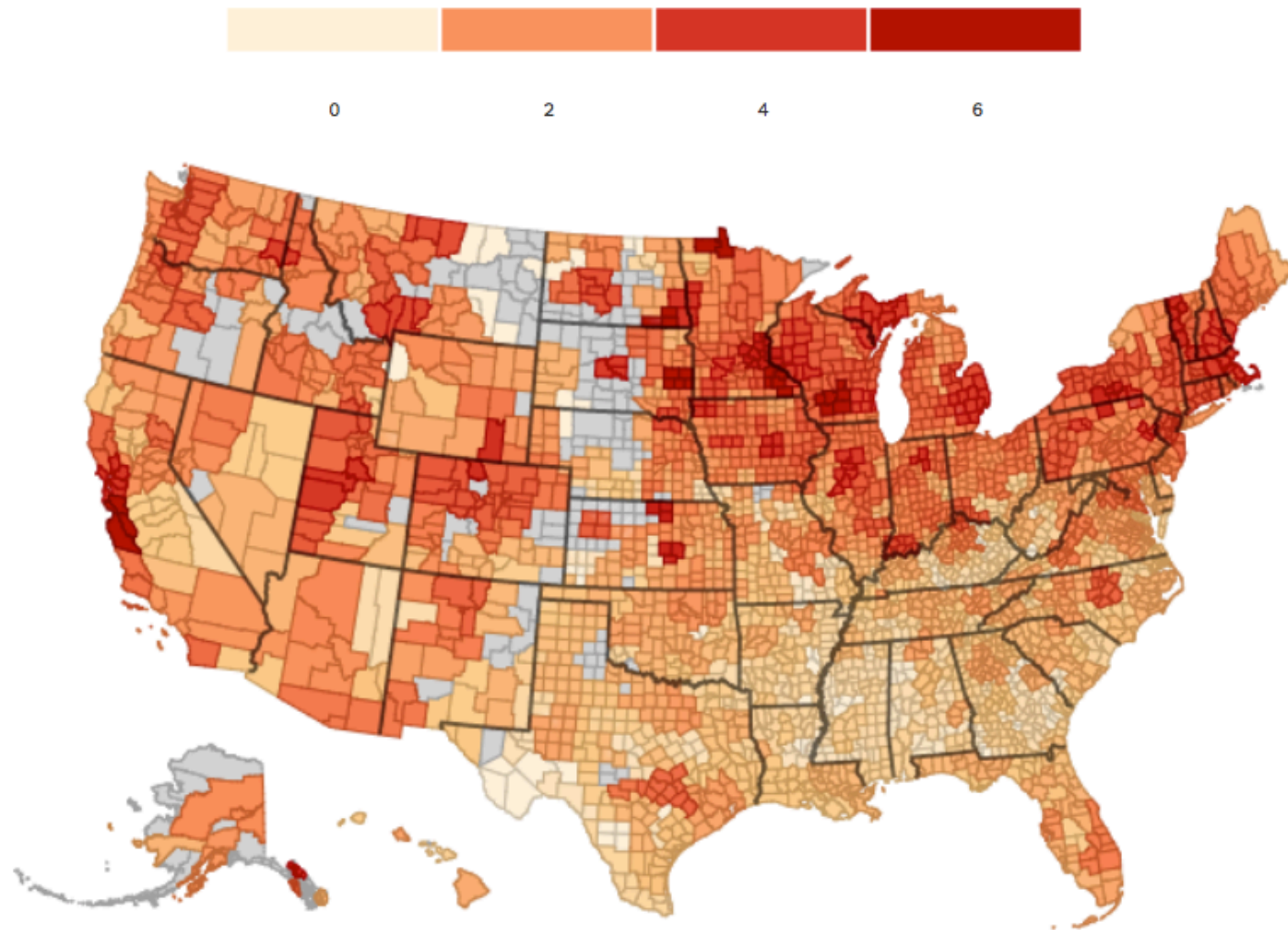
*Number of metro areas with higher firm death rates than birth rates*



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## Where Inventors Grew Up

Patents granted per 1,000 children, by metropolitan area



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Study analyzed children born between 1980 and 1984.

By The New York Times | Source: Equality of Opportunity Project

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# Some explanations offered by others

Decline of Rust Belt?

But sunbelt is also falling behind NY, SF, DC

Rise of Creative Class?

But why would creatives need cluster more today than in the past?

Rising rewards to innovation?

But with the “death of distance,” can’t innovators live anywhere?

Alternative explanation for rising regional inequality after 1980:

Retreat from America's anti-monopoly policy tradition.

The link between monopoly and regional inequality was once well understood...

“the swallowing up of ... small-business entities transfers control from small communities to a few cities where large companies control local destinies. Local people lose their power to control their own local economic affairs. Local matters are within remote control.”

Representative Emanuel Celler , 1950, explaining the need for tougher anti-monopoly law.

## Link between anti-monopoly and liberty.

“We are talking about the kind of America we want.... Do we want an America where the economic marketplace is filled with a few Frankensteins and giants? Or do we want an America where there are thousands upon thousands of small entrepreneurs, independent businessmen, and landholders who can stand on their own feet and talk back to their government or to anyone else?

Humbert Humphrey, arguing for tougher anti-trust laws, Senate floor speech, 1952.

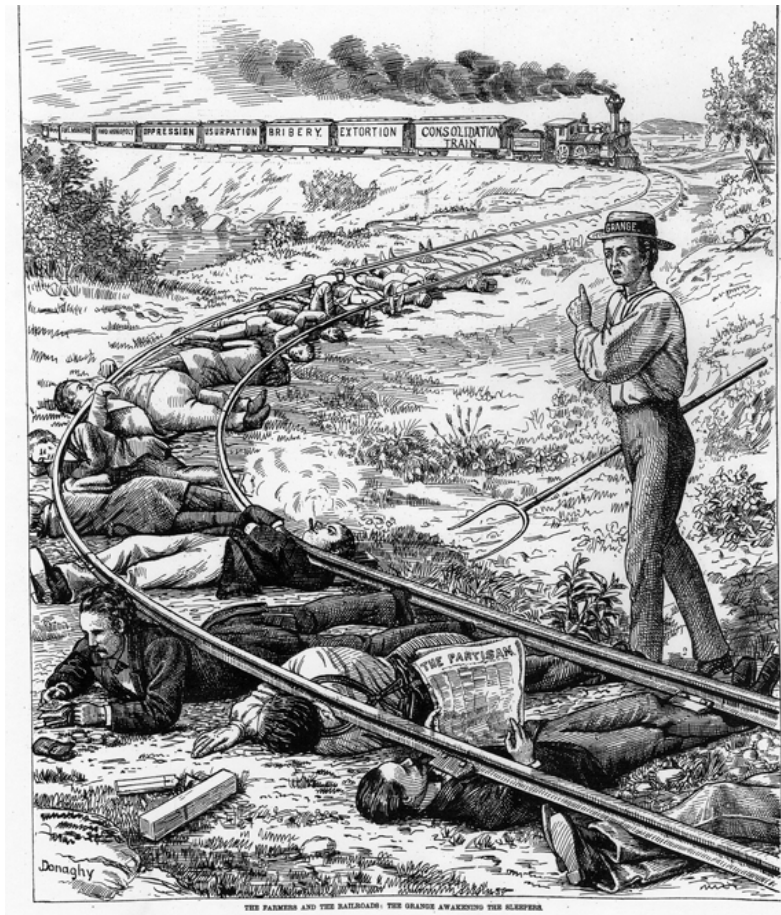
# Postal Clause, U.S. Constitution, 1789

## “postal net neutrality”



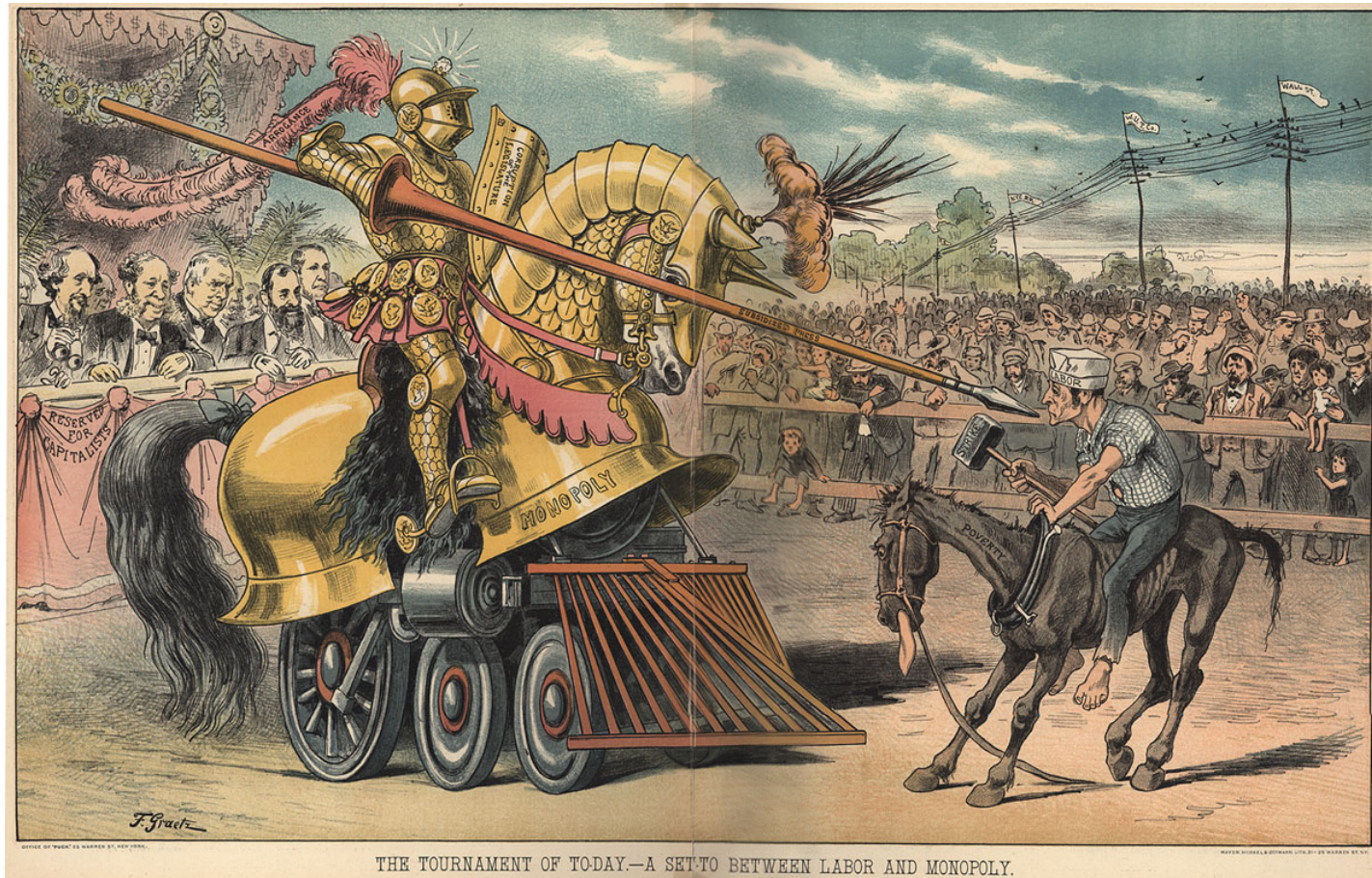
# Interstate Commerce Act, 1887

“railroad net neutrality”



# Sherman Anti-trust Act 1890

## “Industrial liberty” for small producers.



# Robinson Patman Act, 1936

## No loss leading/limits on chain stores

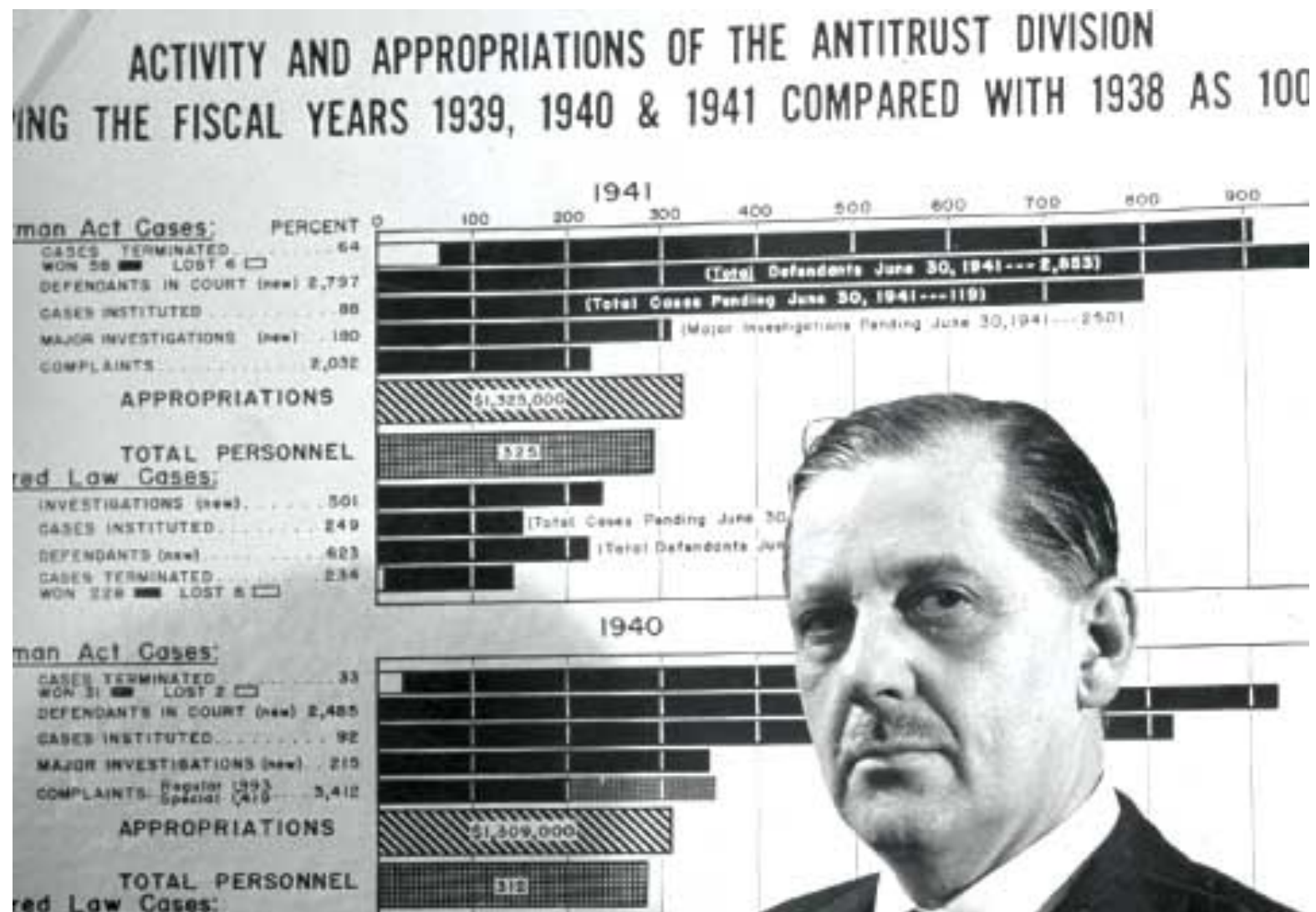


# Community Banking Laws

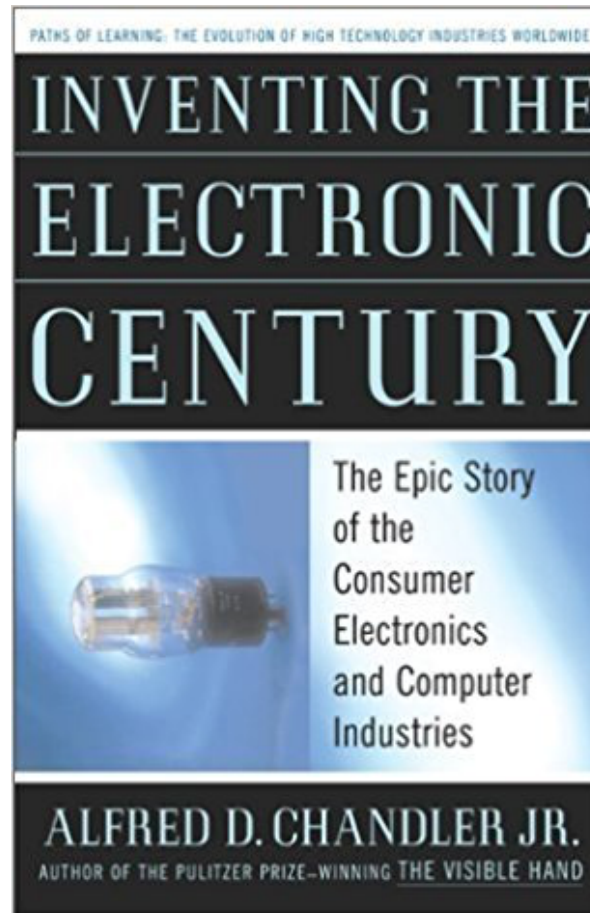
## Limiting money center power/financialization



# New Deal-Era Patent Monopoly Policy

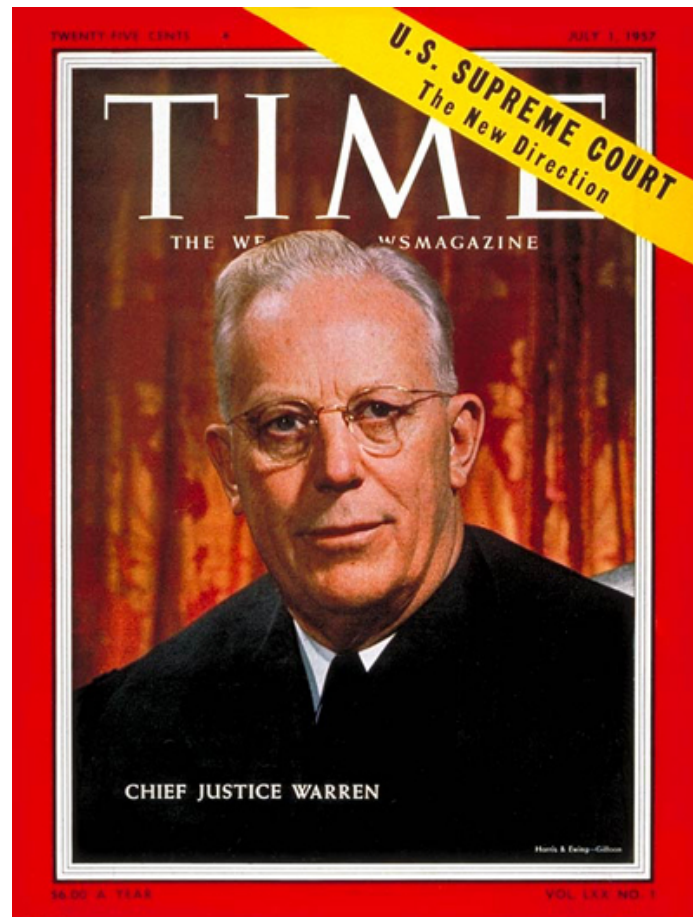


# Anti-monopoly policy enables Silicon Valley



# Brown Shoe Co. v. United States, 1962.

Anti-trust enforcement zenith.



Retreat from anti-monopoly policies beginning the  
the 1970s hollows out the middle:

“Deregulation” of airlines/railroads/trucks.

“Deregulation” of banking/Wall Street.

Repeal of “fair trade” legislation.

Patent monopoly expansion.

# Causes and consequences of regional inequality

The emergence of “colonial” economies throughout the U.S.

Hollowing out of civic capital/trust as absentee owners replace local owners.

Rising monopsony power suppress wage growth (even for programmers!).

Dramatic declines in rates of entrepreneurship.

Loss of innovation.

Rise of the populist grievance politics.