The Influence of Monopoly Capitalism on Economic Globalization

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Abstract. This paper delves into a comprehensive examination of the multifaceted impact of monopolistic capitalism on global economization. By dissecting market monopolies, disparities in resource allocation, the intricate dynamics of innovation, and their potential to fuel geopolitical tensions, this study unravels the complex repercussions of monopolistic capitalism. Market monopolies undercut healthy competition, resulting in elevated prices and a decline in consumer well-being. Meanwhile, resource inequities exacerbate social inequality as dominant corporations amass an overwhelming share of resources. Despite monopolistic firms often possessing superior R&D capabilities, the reduction in competitive vigor hampers overall innovation. Furthermore, in the global arena, monopolistic capitalism has the potential to stoke geopolitical tensions, as witnessed in recent events involving Russia and Ukraine. To navigate these multifaceted challenges effectively, there is a pressing need for rigorous antimonopoly enforcement, the promotion of equitable resource allocation, a balanced approach to incentivizing innovation, and strengthened international cooperation. These findings underscore the imperative for policymakers, business leaders, and stakeholders to proactively address the complex challenges posed by monopolistic capitalism. Such efforts hold the promise of fostering a more inclusive path to economic and social progress.

Keywords: Globalization, monopoly, antitrust policies.

1. Introduction

As the process of global economization accelerates, the interconnectedness of economic systems is deepening. However, this process of global economization has not always been smooth. Monopoly capitalism is attracting increasing attention as an economic phenomenon that generates controversy and discussion. Monopoly capitalism refers to a market structure in which a small number of large firms or organizations control most of the market share in a given industry or market, and thus have significant market power in the economy. The effects of this phenomenon are not limited to the domestic economy, but have profoundly affected the course of the global economy. An example is the Great Depression of 1929, when the collapse of the United States stock market triggered a global economic crisis. The Great Depression led to mass unemployment, business failures and the collapse of the financial system, which exposed the limitations of monopoly capitalism in promoting economic stability and social equity. It then led to the outbreak of the Second World War, which threw the world into a state of war. During this period, the needs of the war led many countries to increase their intervention in their domestic economies to support the war effort. At the same time, the war prompted greater government intervention in resource management, industrial restructuring and maintaining economic stability. This reflected the need for policy enforcement and antitrust laws. This paper will therefore explore the impact of monopoly capitalism on global economization, providing insights into its effects on global markets, competitiveness and fair trade at the economic, social and political levels.
2. Monopoly Capitalism and Government Policy

2.1. Internationalization of Monopoly Capital -- Transnational Corporation

In recent decades, the development momentum of the world economy was more comprehensive than a single region or country. International trade is gradually opening, globalization is accelerating, competition in the global market is becoming more intense, and local oligarchy companies are facing more and more pressure from competitors from other countries. Bigger. The oligopolistic structures of local capitalism were broken and replaced by global economic competition with a broader scope of competition. Manufacturers with monopoly power worldwide maintain their leading positions in their respective fields by establishing multinational companies and improving their discourse power in other countries and the international arena.

Most of the headquarters of multinational oligopoly companies are built in rich countries. After so many years of economic development, although this phenomenon has stayed the same, the overseas branches of these companies are gradually expanding, and the assets of the components account for 10% of the company's total share. The proportion increased from one-third to nearly 60% in 2008 [1]. This is because the international role played by the subsidiaries of these monopolies has changed dramatically. In traditional multinational corporations, the parent company has an absolute advantage in business operations, owning the market and technology alone, and the subsidiaries are in a passive position, just practicing the strategies formulated by their parent company. In the modern international relationship between subsidiaries and parent companies, overseas subsidiaries are increasingly important and have more initiative [2].

In multinational companies, due to the geographical distance between the parent company and the subsidiaries and the significant differences in culture and living habits, the subsidiaries understand the local market form better than their parent companies, and they can meet the needs of different markets. The unique needs of consumers help companies occupy a larger market share. The local market information obtained by subsidiaries forms country-specific proprietary knowledge—a kind of intangible asset and monopoly of multinational companies, which injects new knowledge into enterprises and brings innovative development, like Apple. Starting in 2018, Apple phones in Mainland China, Hong Kong Special Administrative Region, and Macau Special Administrative Region all support two SIM cards. There are two main reasons: 1) Living habits. Most people in Europe and the United States are accustomed to using emails to communicate in their work and life, and the registration of accounts on various platforms is mainly based on emails instead of telephones. In contrast, Chinese consumers prefer to communicate by calling and sending text messages. Therefore, people have a higher demand for dual cards to distinguish between life and work. 2) Market competition. There are various mobile phone brands in China, and the market competition is fierce. Local Chinese mobile phone brands, such as Huawei and Xiaomi, have long supported the function of dual SIM cards. If Apple does not want to lose the big market in China, it is the general trend to develop this function.

In addition, alliances between monopoly capitalists are also a way of concentrating economic power. "Alliance capitalism" refers to the cooperation and alliance relations established by large multinational companies in different countries on a global scale, including industrial alliances, joint ventures, cross-border mergers and acquisitions, supply chain cooperation, and technology sharing [1]. Its purpose is to bring economic benefits to both parties involved: Further, expand the market share in the international market, expand customer groups, and increase sales through cooperation; alliances provide convenience to each other in the supply chain and production links to control costs and obtain greater sales profits; take advantage of each other's advantages, improve the company's competitiveness, and respond to the competition and challenges in the globalized market with better solutions. For example, in 1999, there was a cooperation between the French automaker Renault and the Japanese automaker Nissan, known as the Renault-Nissan alliance [3]. The alliance adopted various cooperation models, including joint ventures, cross-shareholdings, and technology sharing. This helped Nissan, which was in a financial crisis, escape financial difficulties and revive its business.
Let Renault gain more international market share and significantly expand its market in Europe and South America; one of the most milestone effects are promoting electric vehicle technology development, such as Leaf and ZOE.

The influence of transnational corporations with monopoly capital is double-sided in promoting economic globalization. First, Positive aspects can improve the world's technological level. These monopoly companies usually invest considerable funds in their overseas subsidiaries to promote technology research and development to maintain their position in the market, and these new technologies can drive the technological level of developing countries through global dissemination improvement. Second, increase the employment rate. These multinational companies have created many local employment opportunities, which can increase the income of local people and improve people's quality of life. And promote the opening and connection of the global market. The working organization of multinational companies blurs the boundaries of the company's internal organization: On the one hand, it is conducive to the communication and exchange of members and improves work efficiency. On the other hand, it promotes the cross-border flow of capital, technology, human resources, and other elements. This kind of resource flow helps to promote resource integration and complementary advantages among different countries. But the potential downside is that such large MNCs help to strengthen international oligopolies, leading to the gradual domination of the world economy by these few MNCs with considerable monopoly power. Ultimately lead to: 1)Uneven playing field. These monopolies can limit the entry of other competitors into the market, inhibit the development of other emerging companies, and damage market competitiveness. 2) Manipulating prices. Because monopolies can manipulate market prices, consumers face high prices and low-quality products. 3. Lead to unequal distribution of resources among different countries, exacerbating economic inequality [4].

2.2. Necessity of Government Intervention

Faced with the problems brought about by monopoly globalization, the government needs to help solve them. Historically, the onset of the Great Depression brought about a series of catastrophic events that highlighted the urgent need for government intervention in the economy. The collapse of the stock market and a succession of bank failures between 1930 and 1932 plunged the United States into a state of financial turmoil. These banking panics triggered widespread panic among bank customers, who rushed to withdraw their deposits in cash, fearing the solvency of their banks. This led to a paralyzing lack of confidence in the financial system, severely disrupting the flow of credit [5].

As the stock market crashed and banks faltered, the financing system ground to a halt. Businesses, starved of credit, found themselves unable to fund their operations and investments, causing distress across industries. This scarcity of funds resulted in production cutbacks, investment reductions, and widespread layoffs, which, in turn, triggered a devastating cycle of unemployment and reduced consumer spending (see Fig. 1). The erosion of income and purchasing power among the population further dampened consumption, worsening the already grim economic landscape.
The aftermath of the financial shocks compounded the crisis in several interconnected ways. The bursting of asset bubbles, which had previously inflated the stock and real estate markets, led to a dramatic decline in people’s wealth. This abrupt loss of wealth negatively impacted both consumption and investment, further weakening the economy’s prospects. A profound crisis of trust emerged as the financial system crumbled. People’s faith in banks and financial institutions was shattered, as the insecurity of deposits prompted massive bank runs and widespread loss of funds [6]. This crisis of confidence intensified the financial system’s fragility, exacerbating the economic tumult. Moreover, the Great Depression triggered a ripple effect across international markets, causing a severe disruption of global trade. This reduction in international trade compounded the recession’s reach, further amplifying the crisis.

Faced with this convergence of economic catastrophes, government intervention became an imperative. The central aim was to stabilize the market and revitalize the economy. To achieve this, the government adopted a multifaceted approach. Tax cuts and increased fiscal spending were implemented to inject liquidity into the market. This, in turn, stimulated both investment and consumption, driving economic growth.

Additionally, the government sought to mitigate market failures and inefficiencies. Regulatory frameworks were crafted to establish market order, counteract adverse production and consumption patterns, and ensure the smooth functioning of the economy. Despite the concerted efforts by governments and economists, the far-reaching impacts of the Great Depression persisted, casting a long shadow on both social and economic fronts.

3. Implementation of Antitrust Policies and Regulatory Measures

3.1. Policy Aspect

The implementation of the Sherman Antitrust Act played a pivotal role in the United States during the attempt to curtail monopolistic behavior and foster competitive markets. Amidst the Great Depression, certain major corporations drew widespread attention due to their monopolistic practices. In response, the government and antitrust agencies-initiated investigations and legal actions against these corporations, including notables such as the Standard Oil Company and the American Telephone and Telegraph Company. Accusations centered on their possession of an exclusive market position, stifling competition, and disrupting market equilibrium [7].

A prime example is the case of the Standard Oil Company, where in 1882, John D. Rockefeller orchestrated a consolidation of over 40 manufacturers under the “trust” concept—initially proposed
by his lawyer Dodd. This move created a monopoly organization, granting Standard Oil control over 80% of the nation’s oil refining industry and 90% of the oil pipeline sector [5].

Standard Oil’s dominance marked the dawn of the American monopoly era. This period witnessed the advocacy of trusts as a mechanism to empower Standard Oil in terms of cost control, profit enhancement, and efficient management. The proliferation of trusts rapidly enveloped the entire United States, with this monopolistic organizational structure quickly commanding a staggering 90% of the American economy. The success of Standard Oil prompted emulation, with other industries like telecommunications and tobacco joining the monopolistic wave. As Standard Oil’s reach expanded, so did the chorus of anti-trust voices. Critics argued that monopolies hindered the participation and competition of other investors in the market, leading to elevated prices, consumer detriment, and undue profits for the monopoly [8].

In 1890, the U.S. government introduced the Sherman Act, mandating the fragmentation of the Standard Oil Company into smaller entities. This divestiture aimed to diminish the market influence of monopolized industries, thereby reinstating market competition. The enactment of the Sherman Antitrust Act prompted an augmented governmental focus on regulating monopolistic practices [9]. The establishment of the Federal Trade Commission as a specialized regulatory entity bolstered market oversight and punitive actions against violations.

The attenuation of market imbalances and instabilities by antitrust laws instilled an anti-monopoly consciousness among the populace. This shift in perspective induced governmental adaptations in economic policies and laid the groundwork for subsequent antitrust enforcement endeavors.

3.2. Overseeing Mergers and Acquisitions

Government supervision is also an important means to ensure the fairness of market competition and safeguard the interests of consumers. Monopolistic mergers and acquisitions can be subject to strict regulation and scrutiny by the government to ensure that these transactions do not lead to market monopoly. Relevant regulatory agencies may require the merging party to sell assets, limit market share and other measures to maintain market balance.

The EU’s ongoing investigation into Google over the years is a case in point. In the European Commission’s antitrust investigation against Google, it was pointed out that Google abused its market dominance by changing the ranking of search results on web pages, favoring its products, restricting competitors, and undermining the fairness of market competition. Google was eventually fined €2.42 billion and ordered to return to normal results ordering [10]. In 2018, Google was fined €4.125 billion again [11]. The European Commission determined that Google forced manufacturers to pre-install Google’s applications and search engines on Android devices, thereby restricting the installation of related applications of its competitors. This behavior of Google, on the one hand, destroys the peaceful competition in the market, and on the other hand, it also limits the diversity of the market, reducing the opportunities for users to choose and reducing the degree of freedom. The EU’s intervention not only maintains the order of the market, but also protects the rights and interests of consumers to a large extent.

In addition, in China, the Chinese market regulator has conducted a review of Alibaba's acquisition of Ele.me. During this process, the market supervision department required Alibaba to provide relevant information and data in order to evaluate the impact of this transaction on market prices, market structure, consumer choices, etc., so as to prevent the market from being too concentrated and leading to monopolistic behavior and the emergence of unfair market competition. Although in the end Alibaba successfully acquired Are you hungry, this move shows China’s concern about market competition and monopolistic behavior, which is conducive to strengthening the supervision of market competition, promoting the establishment and improvement of relevant supervision systems and laws, and maintaining market order.

Monopoly capitalism affects the global economy in many ways, such as market competition and resource allocation. An example of this is Russia, which fell into economic chaos after the collapse of the Soviet Union. Massive privatization of state-owned enterprises resulted in a small group of
oligarchs monopolizing many key industries, such as energy and media. Russia's monopoly capitalism gradually took shape. When Putin took office, he restored control of state-owned enterprises, especially in the energy sector. This led to the rise of state monopoly capitalism, with state-owned enterprises dominating the domestic economy. Russian energy monopoly capitalism plays a major role in the global energy market, and the recent events of the Russian-Ukrainian conflict are essentially a war between Russian monopoly capitalism and Ukrainian monopoly capitalism [12]. The purpose of Russia's war is to compete for Ukraine's fertile black land, the "breadbasket of Europe," and to ease class and ethnic conflicts at home by waging wars of aggression abroad. By waging a war of aggression abroad, the country's class and ethnic tensions were eased. Expansion of territories and creation of buffer zones to ease the contradictions between Russian monopoly capitalism and Western monopoly capitalism. In response to Russia's aggression, U.S. President Joe Biden has said he wants to impose sanctions on it, such as cutting Russia off from SWIFT and blocking Russia's global trade, but this poses a huge risk to global markets. Russia has a huge monopoly in the energy and agricultural markets, and Belarus has a 40% market share in global potash production and exports. Before sanctions were imposed, the global price of potash had risen to $600 per ton [13]. And Russia produces ammonium nitrate, a key ingredient needed for fertilizers, with nearly 66 percent of the global market share in the production of the chemical. 2022 Russia imposed an export ban on ammonium nitrate. The move has driven up fertilizer prices and kept the market under control. These are the result of ineffective antitrust enforcement [13]. Enforcement of antimonopoly laws requires consideration of many factors to ensure market competition without jeopardizing economic growth. On the international front, international cooperation is needed to deal with transnational monopolies. The government's monopoly legislation should take into account market factors to avoid jeopardizing consumer interests, and establish strict merger and acquisition review procedures to ensure that the market is not further controlled by monopolies. It should also support the development of new enterprises, provide appropriate resources to attract new enterprises to join the market, and legislate to protect them from being swallowed up by large enterprises. On the social front, we popularize the dangers of monopoly capitalism and encourage people to report monopoly behavior and protect their legitimate rights and interests. In conclusion, this study delves into the impact of monopoly capitalism on global economization and presents the complexity of this impact through the case of Russia [14].

This study highlights the potential impact of monopoly capitalism in terms of market competition, resource allocation, and international relations. A number of policy recommendations are made, including strengthening antimonopoly enforcement, supporting emerging firms, maintaining fair competition, and enhancing international cooperation. However, monopoly capitalism is a complex and multidimensional problem with no one simple solution.

4. Conclusion

In summary, our comprehensive exploration of the influence of monopolistic capitalism on global economization has unveiled a nuanced landscape. This complex phenomenon encompasses market monopolies, disparities in resource allocation, intricate innovation dynamics, and far-reaching geopolitical consequences.

Effectively addressing these multifaceted challenges demands a multifarious approach. Robust anti-monopoly measures must be enforced to restore fair competition, while equitable resource distribution should be promoted to mitigate social inequalities. Striking a balance in innovation incentives is crucial for sustained progress, and fostering international collaboration is essential to navigate the global landscape.

Looking ahead, further research and policy formulation are imperative to forge a more equitable, inclusive, and sustainable global economic system. It's vital to acknowledge the volatility of the international arena, which can significantly impact global markets, necessitating ongoing attention and research.
In conclusion, we hope that this study provides scholars, policymakers, and business leaders with valuable insights into the intricate relationship between monopoly capitalism and global economization, with the ultimate aim of fostering improved economic and social development.

Authors Contribution

All the authors contributed equally, and their names were listed in alphabetical order.

References


