

## *Oligopolies and the anti-systemic ratio.*

### The importance of social progress.

Unlike the hard sciences, advances in the social sciences are often infrequent but highly significant. An example of this type of advancement is the discovery of democracy, or majority rule. Democracy was, after the wheel, the second greatest invention of humankind. At some remote and unknown point in history, a group of people decided to adopt majority rule, subsequently giving rise to the democratic system of classical Greece. As I point out in my book, *Institutional Regulatory Competition*, although democratic systems have never functioned perfectly, majority rule—democracy—was a social advancement that radically changed humanity. Without this tool, the hard sciences would have been hindered in their evolution.

Another monumental social advance was making it possible for the general public to invest in the share capital of the Dutch East India Company. In 1602, the company issued shares that could be purchased by a broad base of investors, not just nobles or exclusive members. The securitization of share capital, the large-scale use of securities and paper money, would change the face of the earth in just a few years, accelerating colonialism, giving rise to the stock exchange, financial intermediaries, speculation, and, of course, the emergence of monopolies.

As in the hard sciences, every social advance has its positive and negative aspects, and can be used for good or evil. The emergence of securities accelerated scientific and industrial developments, but also triggered enormous economic crises due to excessive credit and monopolistic or dominant-market companies.

Indeed, one of the major problems that arose with the issuance of securities was what is now called "significant companies." These companies almost always give rise to monopolies or oligopolies.

Especially during the last two centuries, social scientists have been implementing various formulas that have attempted to mitigate systemic risk and the dominance of companies. Recently, a significant step forward has been taken in this area with the anti-systemic ratio, also known as the Gómez ratio. As we will see, this ratio will require the entity to automatically increase its capital as its increase market share. But to understand the significance this important social advance will have in our society, let's first review some history and analyze the current scenario.

### The risk of systemic companies.

At the beginning of last March, the HPS Investment Partners, a subsidiary of the giant BlackRock, received redemption requests for 9.3% of the assets, but reported that, in accordance with the contract, [it would only return 5% or a quarterly limit.](#) This decision raised alarm bells because HPS had never had to apply the 5% contractual limit before, and also because it was the first time a BlackRock fund had activated legal restrictions on withdrawals.

Although these types of decisions are not frequent, it is not the first time a fund has been forced to activate the "redemption gate" clause. However, partly due to the



international context, these cases are becoming more common. For example, at the end of March, other large funds, such as [Ares Management and Apollo Global Management](#) also decided to block the exit door.

Many of us asked ourselves several questions, such as, what would happen if an entity the size of BlackRock, whose assets exceed \$14 trillion, were to experience a liquidity crisis and require a bailout? To give you an idea of the volume of assets this entity manages, it's similar to the combined GDP of Germany, the UK, France, Italy, and Spain.

Is it logical for a company or financial institution to grow so large that, through mismanagement, it could jeopardize the solvency of an entire country? Despite existing regulations, is it possible for a few individuals to disrupt the normal functioning of the free market? What measures are being taken to prevent such entities from emerging? Should the government allow systemically important companies to be created and then let them fail in times of difficulty?



Although they may seem like remote issues, all these questions are relevant in the current context for several reasons. One reason justifying these inquiries is the worrying fact that the world's major central banks have been posting losses for the past three years. In other words, we citizens watch in astonishment as the lender of last resort, the entity that is supposed to bail out these behemoths in the face of potential liquidity problems, exhibits certain management inconsistencies, allows excessive monetary capacity within its sphere of influence, and shows negative results. Another reason for our concern is the reminder that the sole responsibility of managers of these monstrous investment funds is to act like a responsible head of household (*bonus paterfamilias*). These fiduciary managers have only the legal and ethical obligation to manage assets solely in the interest of investors. Surprisingly, BlackRock has avoided being officially designated as a "too big to fail" or Systemically Important Financial Institution (SIFI). Third, while industrial and banking companies can be required to comply with the anti-systemic ratio, investment funds cannot be required to comply with this ratio, since they are simply trusts.

### **The State must always bail out systemic companies.**

Great economists, such as Pareto, Mises, Henry Hazlitt, Milton Friedman, Hayek, Maurice Allais, and others, advocated inaction, refusing to provide assistance to any entity. As I have argued for years, I disagree with this view, since if a company or bank becomes a significant entity, the relevant authorities should intervene to prevent its collapse.

A bailout can be defined as a collective insurance policy imposed by the State on the residents of a country. This policy is designed to prevent the sudden and direct impact of the failure of a significant bank or company on the population, which could otherwise lead to chaos. If the bailout is managed correctly, the impact will be paid for in installments by all resident citizens, whether nationals or foreigners, through increased taxes and inflation. Conversely, if a government decides not to intervene in the bailout of a systemically important entity, the consequences of the resulting shockwave or domino effect may prove more severe than the cost of using the insurance policy. It is unlikely that any sensible economist would dispute this



assertion. It is preferable to pay for the damage caused by a systemic entity in instalments rather than cash.

Based on the foregoing, we arrive at two important conclusions. First, it is preferable to rescue a systemically important company or bank than to allow it to fail. Second, it is imperative to prevent the creation of systemically important entities. Providing assistance to a systemically important entity is not embarrassing. What is truly shameful and unethical is allowing the formation of systemically important entities. It is an insult to collective intelligence to tolerate the existence of entities that lack the stability and transparency necessary to guarantee a free market.

### Origin of systemic companies.

But to combat systemic corporations, we must first classify them according to their origin so that, based on their nature, we can provide solutions that prevent their growth. It is easier to try to prevent the spread of a disease than to address its cure once it has already become widespread in society. Based on this line of reasoning, we can classify systemic corporations into three main groups.

A first group could be those companies that arise from natural monopolies. A natural monopoly is a market situation in which a single company can supply a good or service to the entire market at a lower cost than if there were several competing companies. This usually occurs in sectors where fixed infrastructure costs are extremely high, but the cost of serving an additional customer (marginal cost) is very low. Natural monopolies are typically linked to essential public services, such as the supply of drinking water, high and medium voltage power lines, railways, or gas networks, etc. In many of these cases, it would not make sense for three or four pipes from different companies to reach our homes, or to build three or four lines for rail transport, high voltage, etc. It is more socially efficient to have a single provider than to cause the unnecessary proliferation of costly infrastructure.

A second group of systemic companies are those that are artificially created, giving rise to artificial monopolies or oligopolies. These are companies that have been promoted or licensed by the State without any market justification, catering exclusively to political, geopolitical, or personal interests. According to [The Washington Post](#), from the beginning of the century until 2024, Elon Musk's companies had received an estimated total of \$38 billion in cumulative public funding through government contracts, loans, direct subsidies, and tax credits. Thanks to this support, some of the group's companies have become significant enterprises.

ASML is an example of a near-absolute artificial monopoly in the manufacture of extreme ultraviolet lithography machines, essential for creating the world's most advanced chips. This company has received, and continues to receive, significant State aid and support, primarily from the Dutch government and the European Union, due to its strategic importance in the global semiconductor industry. Control of this technology is creating critical situations in international relations. China is making the greatest effort to create its own supply chain due to US sanctions, which prohibit it from purchasing ASML machines. If, at some point in recent history, we had prevented the creation of this monopoly, international relations today would be very different.



A third group of systemic companies would be accidental ones, which arise without government support. Sometimes a scientific or technological advance, coupled with a regulatory gap or legal vacuum, can lead to the emergence of an accidental monopoly or oligopoly. I will give two examples.

At the end of the 19th century, John D. Rockefeller built the largest accidental monopoly in modern history through Standard Oil, eventually controlling 90% of the U.S. oil market. Rockefeller used strategies that were legal at the time, such as negotiating special and exclusive rates with railroads to transport his oil, as well as forcing the railroads to pay him a commission for every barrel his competitors shipped (drawbacks). In other words, his rivals were unwittingly financing Standard Oil. He also drastically lowered prices in areas where he had competition, driving his rivals into bankruptcy, and then bought them out for a fraction of their value. Rockefeller used profits from markets where he already had a monopoly to finance losses in markets where he still faced competition.

Another example of accidental monopoly occurred at the end of the last century with Internet Explorer. Thanks to a legal loophole, Microsoft maintained an accidental monopoly in the internet browser market for several years. In 1993, Sun Microsystems sued Microsoft for abuse of its dominant position, arguing that it hindered competitors' servers from communicating effectively with Windows operating systems. The complaint alleged that Microsoft refused to disclose essential technical information necessary for Sun's and other manufacturers' systems to be compatible with the Windows environment. This conflict began in 1993 and evolved into the formal investigation of 1998, which ultimately led to the European Union's landmark sanction against Microsoft in 2004. Based on Article 102 of the Treaty on European Union, which prohibits the abuse of a dominant position by one or more companies within the internal market, Europe compelled Microsoft to provide technical information to improve interoperability with third-party software. This is likely the case today, as various browsers like Firefox, Chrome, etc. They would not exist if Microsoft had not been forced to provide the necessary technical information for other manufacturers to interact with the dominant operating system.

Neither the accidental monopolies of Rockefeller's Standard Oil nor Bill Gates' Microsoft received direct government subsidies for their growth. In fact, their meteoric rise was based on market opportunities, self-financing, and legal loopholes that the authorities eventually closed.

### Legal tools to prevent systemic companies

Economists associated with the Austrian School and the Chicago School have argued that State regulation of oligopolies—and therefore, State regulation of systemically important companies in a sector—is often unnecessary or even harmful. Their central thesis is that genuine competition stems from free market entry, not from imposed laws. These economists believe that such cartels are not usually stable in the long term due to the constant tension between cooperation and competition among their members. Even if a small group of companies acts as a monopoly to maximize profits, internal and external factors tend to fragment this control over time. While history supports this line of thinking, it is equally true that, during their existence, they can cause significant harm to the market. We must dismantle these somewhat simplistic ideas, since the fact that social logic does not make these



organizations eternal or long-lasting does not absolve them of the responsibility for creating unfair situations during their existence. Time is not an excuse for guilt in market manipulation.

Milton Friedman argued that most monopolies and oligopolies persist only thanks to government support or protection (licenses, tariffs, subsidies). Therefore, Friedman denies or downplays the negative effects that accidental systemic companies have on the market. Murray Rothbard, the father of anarcho-capitalism, took this idea to its extreme, asserting that a monopoly or oligopoly is only "bad" if it is coercive or created by the government. If a few companies dominate the market freely and voluntarily, it is because they are serving consumers as efficiently as possible. Therefore, antitrust laws would be an illegitimate interference with private property.

It is clear that Microsoft, due to a legal loophole or ambiguity, benefited for more than ten years from a dominant position in the internet browser market. Similarly, for this reason, between 1880 and 1911—that is, for three decades—Standard Oil controlled between 85% and 91% of oil refining and sales in the United States, unfairly profiting from the market.

From a legal perspective, we can draw the following conclusions. First, the State is a cumbersome and slow tool for adapting sectoral regulations. Second, the solution is not to resort to the laissez-faire approach advocated by many economists, but rather to adapt the regulatory system so that, as I argue in my books, **creative destruction** (*Schumpeter*) and **regulatory destruction** (*Pedro Gómez*) evolve in parallel. Every time a scientific advance occurs, a regulatory advance must follow in parallel and almost simultaneously. The State is designed for problems of scale, not for performing legal microsurgery. When a gap arises between morality and the law, externalities become subject to litigation. These two examples ended in legal proceedings due to a regulatory desynchronization with respect to market needs. The third observable conclusion is that, in most cases, accidental systemic companies emerge due to a regulatory gap and a technological advance. The fourth conclusion is very sad. If an accidental monopoly (ASML) reaches an unbearable international position for a nation and that situation cannot be resolved through commercial, political, or judicial means, the drums of commercial or military war will sound.

To avoid these kinds of situations, states need to allow for Regulatory Institutional Competition (RIC). I refer the reader to my article published in *La Vanguardia* [Pros and cons of the minimum wage \(English version here\)](#). This example will give you an idea of how the RIC works. The misuse of the legislative printer for cleaning city streets is another practical example. See my article in *La Vanguardia*: [The great challenge for Barcelona City Council \(English version here\)](#).

### Systemic companies and natural monopolies.

Regarding systemic enterprises that arise from natural monopolies, to date, no school of thought has been able to develop an economic theory that can subject natural monopolies to the laws of supply and demand. Therefore, the growth of these enterprises cannot be restricted by either economic or legal means.

However, natural monopolies require adequate management control, and in this area, social calculus or Regulatory Institutional Competition can provide significant added value. Thus, natural monopolies are sometimes tempted to expand their



business lines or areas of operation without any real justification. For example, in the late 1990s and early 2000s, Canal de Isabel II, the natural monopoly managing the entire water cycle in the Community of Madrid, began an international expansion of its activities in Latin America. However, [after becoming involved in judicial investigations](#) and after registering economic losses, the company began a process of total divestment of its assets outside of Spain in 2017.

I am convinced that the economic disaster and loss of life it caused [Valencia flood of 2024](#), one of the greatest natural disasters in recent Spanish history would not have occurred if the natural monopoly on the management of reservoirs and river basins had been subject to social calculus; that is, if the recommendations of the research published by the [academics from the Technical University of Valencia](#) or as various spokespeople for the College of Civil Engineers had stated. These studies had been calling for years for the completion of the hydraulic works that were left unfinished and were planned after the 1957 flood. *We cannot leave the management of the public goods exclusively in the hands of the State.*

### Three measures to avoid artificial systemic companies.

Regarding artificial monopolies, I simply want to point out that they should not be allowed. When a State promotes or licenses these types of companies, it ends up distorting the balance that the four fundamental variables of the economy must maintain, in addition to provoking a race between geopolitically rival companies. If a State encourages the arms race or the control of communications and movement through satellites located in low Earth orbit, its neighbours will do the same. Faced with the perennial political temptation to favour a national company in the development of these types of projects, I believe that legal remedies are not the best solution. Politicians will always be tempted and will find justification to alter current regulations and help the company that's currently in vogue.

One way to avoid oligopolies, monopolies, and artificially systemic companies is to prevent them from growing their market share without sufficient financial solvency. To achieve this, we have three tools that must be used simultaneously. First, as I mentioned, through social calculation we must allow sectoral regulations that promote competition to emerge. Second, we must use economic standards, such as the Gómez Ratio, to prevent the formation of gigantic, undercapitalized entities. Third, we must demand greater rigor from monetary authorities in issuing money, so as not to create monetary oversupply that fosters systemic companies. Let's analyse each of these tools.

### The anti-systemic ratio or Gómez ratio.

The current monetary system fosters large industrial and banking conglomerates in all sectors. Excessive corporate concentration, in many cases, undermines the free market. It is striking to observe how the largest number of artificially systemic companies are located in the financial sector. This is because, since the 2007 crisis, Basel III and the 2014 Bank Recovery and Resolution Directive are favouring bank concentration. Since the 2008 crisis, banking concentration in all countries has reached alarming levels. Some of these institutions are gigantic, both in terms of market share and relative to their country's GDP.



Entidad Financiera	Contry	Trillions USD		Asset to PIB
		Asset - AUM	PIB	
Banco Santander	España	1,84	1,89	97%
BNP Paribas	Francia	2,82	3,36	84%
BlackRock	EE.UU.	14,1	29,18	48%
Vanguard Group	EE.UU.	12,2	29,18	41%
UniCredit	Italia	0,88	2,54	35%
Deutsche Bank	Alemania	1,29	5,01	28%
Fidelity Investments	EE.UU.	6,4	29,18	22%
JPMorgan Chase & Co.	EE.UU.	4,56	29,18	16%
Bank of America	EE.UU.	3,4	29,18	12%
Volkswagen Group	Alemania	0,6	5,01	12%

Source: Pedro Gómez; author's own calculations

AUM=Assets Under Management

Furthermore, there is the paradox that these types of entities are poorly capitalized, meaning their debt ratio is usually high, as I indicated in my article published in La Vanguardia about the alarming [banking concentration in all countries](#).

In 1516, Thomas More, in his book Utopia, specifically coined the term oligopoly to describe the price behaviour in the English wool market. By 1776, Adam Smith had already observed the problems that banking concentrations generated in the market. He argued that increasing the number of banks would increase the stability of the system. With more banks, competition would force each institution to be more cautious so as not to risk its credibility in the eyes of its competitors and customers. And this argument is equally applicable to industrial companies.

In both the financial and industrial sectors, to prevent the formation of significant entities, it is imperative, in addition to implementing preventive risk policies (*Cooke Ratio*), to require anti-systemic measures (*Gómez Ratio*). Therefore, to prevent the growth of companies with inadequate equity, reduce unfair competition, and align ownership with management, it is essential that companies exceeding certain market share thresholds be required to increase their capital, that is, to raise equity. In other words, corporate capitalization requirements will become stricter as market share increases. Each economic sector should require a capital ratio similar to that proposed in the following table for companies operating within it.

Anti-systemic Ratio Gómez by contry	
Market Share	Equity capital / Total balance sheet
+1%	2%
+2%	4%
+3%	6%
+4%	8%
+5%	10%
....	....
+10%	20%
....	....
+20%	40%
+30%	60%
+40%	72%
+50%	84%
+60%	96%



Thus, as a company's market share increases, its growth becomes more expensive. The company will be forced to lock up a large portion of its profits and convert them into equity. Eventually, it will be more advantageous for shareholders to separate the company into regional or specialized entities based on their type of activity than to continue expanding the large corporation.

If we don't take this step through economic means *ex ante*, we will have to do so through legal means *ex post*. Thus, in 1911, the United States Supreme Court broke up Standard Oil into 34 independent companies, with Rockefeller retaining only 25% of his capital in each. Many of these companies became the most powerful oil companies in the world today: Exxon of New Jersey, Chevron of California, Amoco of Indiana, and Sohio of Ohio (the latter two now part of the BP Group).

Another famous case of forced segregation was the division of AT&T into seven independent regional companies such as Bell Atlantic and Pacific Telesis. As it rightly points out [The New York Times](#), segregation allowed the entry of competitors in long-distance and telephone equipment, drastically lowering prices for consumers.

The anti-systemic ratio becomes even more relevant when we observe that the State can be used to conduct business between private parties. This occurs when the State bails out companies that fail to meet the standards for strategic enterprises, such as the bailouts of the Spanish companies Plus Ultra and Tubos Reunidos, which are currently under investigation [UCO and UDEF](#), or rescue operations of companies that, being significant (Air Europa), may also have been subject to commissions.

On the other hand, the bailout of the Pacha entertainment group by funds managed by the State-owned COFIDES is particularly noteworthy, with the intervention justified by its impact on the leisure and tourism sector. For the reader's peace of mind, it should be noted that while Pacha and Air Europa have fully paid off their debts, Plus Ultra and Tubos Reunidos have outstanding payments or are renegotiating their terms due to financial difficulties.

Therefore, the anti-systemic ratio implies a giant leap forward in the social sciences that will prevent murky situations linked to corruption or lengthy and costly legal processes, as well as market distortion for years until the resolution of the legal conflict.

It will also force systemically important companies to be more transparent. SpaceX, a company with a dominant position in its sector, with more than 9,000 Starlink satellites, does not publish full accounts because it is not publicly traded. Although the figures [published by analysts](#) indicate that the company is heavily capitalized, with its liabilities consisting of approximately 65% equity. For the proper functioning of the market, it would be advisable for companies of this type, with balance sheets exceeding \$100 billion, to be subject to anti-systemic ratios and greater transparency. Looking ahead, we must avoid creating international monopolies, similar to ASML, which generate profound international tensions.

### **The Interest Pattern as an anti-systemic tool.**

The third tool that man should use to avoid extreme market situations is the Interest Pattern. If we inject more money or monetary energy than the market needs,



depending on its level of activity, we will be opening the door to the creation of artificial systemic enterprises. It is essential that the magnitudes of savings and investment have the same sign and, approximately, the same vector dimension. Otherwise, the four fundamental economic variables will become unbalanced. For more information on this system and its effects, I refer the reader to my article in La Vanguardia: [The Interest Pattern in the 21st Century \(English version here\)](#). Today there is a huge monetary overcapacity in the market because various studies confirm this, but an irrefutable fact is that most central banks have been in the red for the last three years.

### **The problem of significant investment funds.**

Although everything discussed is valid for traditional financial and industrial companies, and the Interest Pattern would help reduce the creation of significant funds, the risk of investment funds would remain unresolved, since we cannot force them to apply the Gomez Ratio, nor, as of today, can we prevent investors from concentrating around a fund. Let's take a quick look at the current regulations that limit investment operations.

The fund or institution Collective Investment Schemes (CIS) that invest more than 10% of their portfolio in other funds must clearly report the aggregate expense ratio, so that the investor knows the real cost of the entire structure or "cascading commissions". This data already provides an indication of possible dominant positions or positions that, while not legally dominant, are intimidating. To avoid dominant positions, a fund cannot own more than 3% of the voting shares of another fund.

Nor can they exceed certain property thresholds being required to publicly declare its investments in view of the Regulator. To each and 5% of the share capital, the funds must inform the regulatory authority, like the SEC in the US or the CNMV in Spain of its shareholding position. According to the regulations [UCITS](#), the funds registered in the European Union are subject to the Rule 5-10-40. Thus, a fund cannot invest more than 10% of its assets in securities (stocks or bonds) from a single issuer as, for example, Renault. Furthermore, the sum of all shares exceeding 5% no can exceed 40% of the total value of the fund.

Royal Decree 1082/2012, to ensure diversification and avoid the concentration of risks, and specifically in his Article 50.3, it establishes that investment in securities of entities within the same group cannot exceed 15% of the portfolio bottom.

Additionally, the funds are required to have a liquidity ratio. In Spain, traditional regulations required 3% of assets liquid however, subsequent reforms have relaxed this limit to 1% to harmonize it with European standards. The funds Real Estate Agents (FII), because its assets (buildings, premises, etc.), they are illiquid, meaning it they are difficult to sell quickly without losing value. They are required to have a much higher coefficient, usually 10%. Net worth should be understood as demand deposits and bank deposits, to active monetary and rein short-term child, mainly Treasury Bills or other public debt securities with high credit quality and near maturity, as well as Repos or purchase transactions with repurchase agreement, that is to say, very short-term loans guaranteed by public debt assets.

When an investment fund or management company is declared a Financial Institution of Significant Importance (SIFI), radically changes its nature going from



being a simple intermediary that manages other people's money considered and treated legally as a giant commercial bank. The entities responsible for determining whether an entity is significant are the Financial Stability Oversight Council (USA) and the Financial Stability Board (Europe). For a fund, being SIFI means less profitability and more bureaucracy, since it must divert money that it previously invested towards "safety mattresses" required by law.

Although everything seems nice and orderly, the reality of the market makes us doubt its proper regulation. As I mentioned, it is surprising to note that BlackRock, with a consolidated portfolio of over \$14 trillion, is not considered a significant entity. Furthermore, in 2025, the amount of fines levied by the CNMV (Spanish National Securities Market Commission) increased considerably, exceeding €26 million. The fines imposed on the funds are striking. [Bestinver Management, CA Indosuez Wealth and Grifols](#). The high fines are a symptom of the lack of regulation that would prevent ambiguous situations or allow managers to mask asset situations.

In any case, even if they don't hold a dominant position in any sector, it doesn't seem reasonable that a few executives should have so much responsibility. The Gómez ratio philosophy should be applied to investment funds, requiring them to operate by country or by economic sector once they exceed a certain investment volume.

To avoid politicizing the subjective process of deciding when a fund can be considered a Significant Financial Institution (SIFI) after the fact, it seems reasonable to establish objective rules that determine this beforehand. For example, I propose that if a fund reaches a consolidated investment volume of €100 billion, it should stop growing and raising capital for investment: the management cap rule.

Among other reasons, history is tired of teaching us about revolving doors that regulatory agencies, on many occasions, end up being captured by the very companies they are supposed to monitor. The market functions better when there are clear and precise objective rules than when there are regulatory ambiguities that must be determined by the courts or by bureaucrats.

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### Books:

- The Interest Pattern.  
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- Regulatory Institutional Competition  
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- The America Plan. (ISBN: 9788409557349 in Spanish) [k3s.editor@gmail.com](#)
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