Amazon's Stranglehold:
How the Company's Tightening Grip Is Stifling Competition, Eroding Jobs, and Threatening Communities

By Stacy Mitchell and Olivia LaVecchia
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ILSR INSTITUTE FOR Local Self-Reliance

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Amazon

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Introduction & Overview

There are tells, but only if you're looking for them. There might be a package on a doorstep, or a pile of boxes outside on recycling day, or a white truck with an unassuming black "A" and an orange arrow underneath stopped at a red light. At coffee shops or libraries, you can see glimpses of the logo on people's computer screens, and if you drive to the industrial office parks on the outskirts of cities, near freight hubs and airports, you can find the warehouses, low-slung and sprawling.

For all of its reach, Amazon, the company founded by Jeff Bezos in 1995 as an online bookstore, is still remarkably invisible. It makes it easy not to notice how powerful and wide-ranging it has become. But behind the packages on the doorstep, and behind the inviting interface and seamless service that has consistently put the company at the top of corporate reputation rankings,[1] Amazon has quietly positioned itself at the center of a growing share of our daily activities and transactions, extending its tentacles across our economy, and with it, our lives. Today, half of all U.S. households are subscribed to the membership program Amazon Prime, half of all online shopping searches start directly on Amazon, and Amazon captures nearly one in every two dollars that Americans spend online. Amazon sells more books, toys, and by next year, apparel and consumer electronics than any retailer online or off, and is investing heavily in its grocery business. As a

Photo Credit: Jeramey Lende / Shutterstock.com retailer, its market power now rivals or exceeds that of Walmart, and it stands only to grow: Within five years, one-fifth of the U.S.'s $3.6 trillion retail market will have shifted online, and Amazon is on track to capture two-thirds of that share.

But describing Amazon's reach in the retail sector describes only one of the company's tentacles. Amazon is far more than a big, aggressive retailer. The company is a novel kind of power, a power that, as *New Yorker* writer George Packer has described, is "something new in the history of American business."[2] As we show in this report, Amazon increasingly controls the underlying infrastructure of the economy. Its Marketplace for third-party sellers has become the dominant platform for digital commerce. Its Amazon Web Services division provides the cloud computing backbone for much of the country, powering everyone from Netflix to the CIA. Its distribution network includes warehouses and delivery stations in nearly every major U.S. city, and it's rapidly moving into shipping and package delivery for both itself and others. By controlling this critical infrastructure, Amazon both competes with other companies and sets the terms by which these same rivals can reach the market.

Amazon captures nearly one in every two dollars that Americans spend online. But Amazon is far more than a big, aggressive retailer.

And there's more still. Amazon now processes payments for other e-commerce businesses; it makes restaurant deliveries in more than a dozen cities; and it rivals HBO and NBC in producing television and movies. It manufactures thousands of products, from blouses to batteries to baby food; it employs more than 1,000 people working on artificial intelligence; it publishes books and its own titles often dominate the Kindle bestseller list. It's taking on Google in search and challenging Apple in devices. It owns familiar brands like Zappos, Shopbop, and IMDB; its Twitch has 100 million users and is one of the largest platforms for video gaming; and its Audible is the top purveyor of audio books. Amazon Handmade seeks to capsize Etsy, and Amazon Business aims to destroy Staples and independent office suppliers. It's set up delivery lockers on college campuses across the country, and hosts a site that provides lesson plans for teachers. It recently launched a music streaming service similar to Spotify, and in the last three years, its video streaming has grown from 1 percent to 4 percent of all prime-time internet usage.[3] It's opening hundreds of brick-and-mortar stores, including bookstores, small convenience stores for groceries, and device showrooms for its Kindle and Echo speaker. It's growing rapidly in Europe, India, and China.

This report aims to pull back Amazon's cloak of invisibility. It presents new data; draws on interviews with dozens of manufacturers, retailers, and others; and synthesizes a broad body of previous reporting and scholarship.

"Everything you buy, starting with your weekly groceries, will be flowing through one pipe called Amazon," Scott Galloway, a professor of marketing at New York University's Stern School of Business, has predicted.[4]

Amazon's bet is that as long as consumers are enjoying one-click ordering and same-day delivery, we won't pay much attention to the company's creeping grip.[5] Even as consumers, Amazon's dominance comes with significant consequences. The company uses its data on what we browse and buy to shape what we see and adjust prices accordingly, and its control over suppliers and power as a producer itself means that it's increasingly steering our choices, deciding what products make it to market and what products we're exposed to.

But we're also much more than consumers. We're people who need to earn a living, who want to have meaningful jobs, who care about the freedom to build a business. We're neighbors and we're citizens, entrepreneurs and producers, taxpayers and residents, with needs and wants from an economy that go beyond the one-click checkout.

As we examine in this report, Amazon's increasing dominance comes with high costs. It's eroding opportunity and fueling inequality, and it's concentrating power in ways that endanger competition, community life, and democracy. And yet these consequences have gone largely unnoticed thanks to Amazon's remarkable invisibility and the way its tentacles have quietly extended their reach.

This report aims to pull back this cloak of invisibility. It presents new data; draws on interviews with dozens of manufacturers, retailers, labor organizers, and others; and synthesizes a broad body of previous reporting and scholarship. It's organized into four main sections.

In the first section, **Monopolizing the Economy**, we look at how Amazon is using its market power to eliminate competition and take control of one industry after another, leaving us with an economy that is less diverse and innovative, and which affords fewer opportunities for businesses to start and grow.

- Amazon uses its vast financial resources to sell many products below its own cost as a tactic for both eliminating competitors that lack similarly deep pockets and hooking customers into its Prime ecosystem, which sharply reduces the chances they will shop around in the future. (Pages 15-16)
- By using Prime to corral an ever-larger share of online shoppers, Amazon has left rival retailers and manufacturers with little choice but to become third-party sellers on its platform. In effect, Amazon is supplanting an open market with a privately controlled one, giving it the power to dictate the terms by which its competitors can operate, and to levy a kind of tax on their revenue. (Pages 17-19)
- Amazon leverages the interplay between the direct retail and platform sides of its business to maximize its dominance over suppliers. As it extracts more fees from them, it's hollowing out their companies and reducing their ability to invent and develop new products. (Pages 18-23)
- Meanwhile, Amazon is rapidly expanding its own product lines, using the trove of data that it gathers from its platform to understand its suppliers' industries and compete directly against them. Many of these Amazon products appear at the top of its search listings. (Pages 24–25)
- Amazon is fueling a sharp decline in the number of independent retail businesses, a trend manufacturers say is harming their industries by making it harder for new products and new authors and creators to find an audience. (Pages 25-28)
- Amazon poses a particular danger in the book industry, where its power to manipulate what we encounter, remove books from its search results, and direct our attention to select titles threatens the open exchange of ideas and information. (Page 28)
- Already there's evidence that Amazon is using its huge trove of data about our buying habits to raise prices, and it's also started blocking access to certain products, charging higher prices, and delaying shipping times for customers who decline to join its Prime program. (Pages 29-30)
- To focus too much on prices, though, is to miss the real costs of monopoly. Amazon's tightening grip is damaging our ability to earn a living and curtailing our freedom as producers of value. New business formation has plummeted over the last decade, which economists say is stunting job creation, squeezing the middle class, and worsening income inequality. (Pages 30-31)

In the second section, **Undermining Jobs and Wages**, we examine Amazon's labor model and find that work inside its 190 distribution facilities resembles labor's distant past more than a promising future, with many workers performing grueling and under-paid jobs, getting trapped in precarious temporary positions, or doing on-demand assignments that are paid by the piece.

- Amazon has eliminated about 149,000 more jobs in retail than it has created in its warehouses, and the pace of layoffs is accelerating as Amazon grows. Many jobs are at risk: the retail sector currently accounts for about 1 in every 8 jobs, and unlike Amazon jobs, these jobs are distributed across virtually every town and neighborhood. (Pages 35-36)

- Work in Amazon warehouses is exceptionally grueling, yet the company pays its fulfillment workers 15 percent less on average than other warehouse workers in the same region earn, according to our analysis of 11 metro areas. (Pages 36-41)

- Many of the workers in Amazon warehouses are subcontracted temporary workers, which the company refers to as "seasonal," but are, in many cases, year-round "permatemps." This set-up allows Amazon to skirt responsibility for these workers and any injuries they suffer on the job, and helps deter its direct hires from advocating for better conditions. (Pages 42-44)

- Amazon is expanding its reliance on on-demand labor. In 30 cities, it's using freelance delivery drivers who take instructions from an app and are paid a small piece-rate for each package. (Page 45)

- The company is also expanding the frontiers of automation, installing orange robots in its newest fulfillment centers and developing unmanned drones that could deliver most of the items it ships. Amazon appears to be aiming for a future in which it employs few workers and instead relies on machines and a bench of on-demand freelancers. (Pages 46-47)

- Amazon is spreading its low-wage, precarious labor model to package delivery, threatening the jobs of nearly one million unionized, middle-income workers at UPS and the U.S. Postal Service. Amazon has leased cargo planes, purchased truck trailers, and lobbied for permission to fly drones as it builds a shipping system that could serve both its own needs and those of others. (Pages 48-51)

- As Amazon squeezes its workers, it's also delivering enormous wealth to a handful of top executives and shareholders, and exacerbating income inequality. This year, Jeff Bezos passed Warren Buffett to become the third-richest person in the world. (Pages 51-52)

In the third section, **Weakening Communities,** we explore how Amazon is upending the longstanding relationship between commerce and place, changing the way that our communities feel and threatening the revenue streams and social capital that they depend on to function.

- Amazon's growing market share has so far caused more than 135 million square feet of retail space to become vacant, the equivalent of about 700 empty big-box stores plus 22,000 shuttered Main Street businesses. (Pages 55-56)

- Property taxes are the leading source of revenue for state and local governments, and brick-and-mortar retailers shoulder a large share of this tax responsibility. As it displaces these businesses, Amazon, which has no property in 20 states and only a minimal footprint in the places where it does have warehouses, is not replacing this critical source of revenue. (Pages 56-57)

- Much of the vitality of our cities is linked to commerce that is based on the street and the many encounters with neighbors and friends that occur as we run errands. At Amazon, shopping is a solitary activity, and this has profound implications for our communities and how we relate to one another. (Pages 57-58)

- Local business ownership is a powerful source of social capital, as well as an expression of closely-held American values, like personal agency and community self-determination. In recent surveys, locally owned businesses name Amazon as the top threat to their survival. (Pages 58–59)

- Amazon's invisibility and lack of a physical presence in most places makes it harder to build a grassroots response to its impacts. As it stealthily expands, however, it's important to consider that not all e-commerce follows its example, and that we could instead support the many local businesses that are operating online while still rooted deeply in their communities. (Page 60)

In the final section, **The Policy Response to Amazon**, we begin by looking at how Amazon's rise has been heavily assisted by government support, including subsidies and tax advantages worth billions of dollars.

- Amazon has pocketed at least $613 million in public subsidies for its fulfillment facilities since 2005, our new research finds, and more than half of the 77 large facilities it built between 2005 and 2014 have been subsidized by taxpayers. (Pages 63-64)

- Dodging sales tax collection was critical to Amazon's early growth and continues to drive sales. Today, Amazon still does not collect sales tax in 16 states, a competitive advantage that recent scholarship shows fuels almost 10 percent of its sales in these states, at the expense of brick-and-mortar retailers. (Pages 65-66)

- Amazon has used an overseas tax haven to skirt hundreds of millions of dollars a year in federal taxes. The company's tax-dodging scheme, which it has used for more than a dozen years, is now the subject of multiple investigations. Whatever the outcome of these cases, the scheme has already helped Amazon grow into a formidable market power by enabling it to pay a federal tax rate of less than one-third the average paid by other retailers. (Pages 66-67)

We then sketch the steps policymakers should take to check the company's power and bring about a more competitive and equitable economy.

- Policymakers should restore the broader range of goals that guided antitrust enforcement for much of the 20th century, and use these policies to divide Amazon into separate firms, prevent it from using its financial resources to capsize smaller competitors, and ensure fair and open competition on its platform. (Pages 68-69)

- Officials should update both state and federal labor laws to protect workers' rights in the digital economy, including establishing stronger protections for temporary workers and blocking companies from classifying workers as independent contractors as a way of evading wage and hour standards. (Pages 69-70)

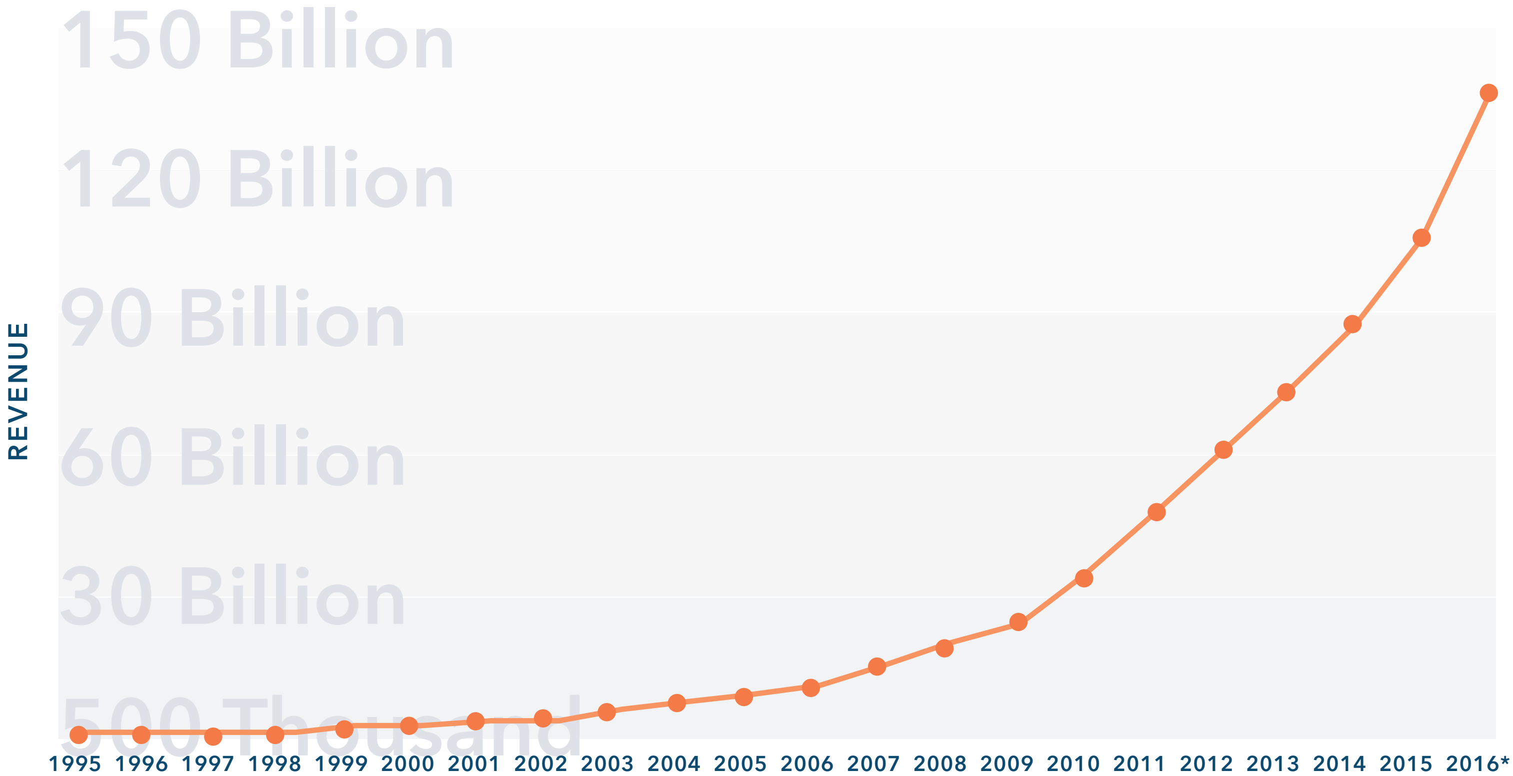
- Local and state governments should stop providing Amazon with subsidies and tax breaks, and revise their planning and economic development policies to reflect the fiscal and community benefits of local, independent businesses. (Pages 70-71)

When you look past its digital trappings, the way Amazon operates, and the way it's changing the economy, looks less like the future and more like the past. Amazon resembles the 19th century railroad baron controlling which businesses get to market and what they have to pay to get there, and like the garment factory owner of that same unequal Gilded Age, who paid laborers a piece rate. Amazon has monopoly ambitions much as Standard Oil once did, and today controls nearly as much of the book industry as Standard Oil controlled of the oil industry when it was broken up in 1911.

It's to this earlier era, with its trust-busters and its wariness of unchecked corporate power, its fights for the eight-hour workday and for a measure of self-determination on the job, to which we can turn as we think about the need for public interest-driven policies to shape our digital future.

Because Amazon's continued dominance isn't inevitable. The company's practices aren't synonymous with digital innovation pointing the way into the future. As we begin to picture what a different version of e-commerce might look like, it can be easy to imagine that Amazon's vision is the only one. Next to Amazon, however, is a crowded field of independent businesses carving out what space they can online, and creating models where commerce is both digital and place-based, and that allow customers to shop locally in-person as well as online. Next to Amazon, too, are companies in retail, distribution, and shipping that pay a middle-income wage, as well as emerging models for how digital platforms could be operated to promote competition and the broader good. But if these other ways of doing business are to have a chance, we must take a hard look at Amazon's growing stranglehold on commerce and the consequences of that power. ■

Timeline of Amazon's Expansion



1995
Jeff Bezos headquarters Amazon in Seattle to avoid collecting sales tax in populous California.

1997
The temp agency Integrity Staffing Solutions lands the first of many contracts to staff Amazon's warehouses.

2000
Amazon opens its platform to third-party sellers, using the data their sales generate to master one industry after another and expand its own retail operations.

2002
Amazon launches AWS, which, by 2016, will control 1/3 of the world's cloud computing infrastructure, powering everyone from Netflix to Comcast.

2003
Amazon opens an office in the tiny tax haven of Luxembourg and, over the next dozen years, skirts paying at least $1.5 billion in U.S. taxes, according to a claim by the IRS that covers just 2 of these years.

2005
Amazon launches Prime. By 2016, Prime members will represent about half of U.S. households.

2007
Amazon unveils Kindle and prices e-books at a loss, deterring competitors from entering the market. It amasses a 90% share of the e-book market.

2009
Amazon acquires Zappos in a shotgun-wedding after losing $150 million selling shoes below cost in order to force the rival shoe retailer to the altar.

2010
Amazon embarks on a massive scaling up of its logistics infrastructure, nearly quintupling the total square footage of its fulfillment network by 2015.

2011
Amazon receives $61 million in subsidies to open up a fulfillment center in South Carolina, one of dozens of such deals.

2012
Amazon buys Kiva, a robotics company that supplies warehouses everywhere, and decides not to extend Kiva's other contracts, but to keep the technology for itself.

2013
Amazon wins a $600 million contract to build a cloud system for the U.S.'s 17 intelligence agencies.

A temp worker is crushed to death at an Amazon warehouse and though OSHA issues fines and citations for unsafe practices, Amazon is shielded by layers of subcontractors and staffing agencies.

2014
Nearly 40 percent of people looking to buy something online are bypassing search engines and starting on Amazon.

Amazon's Tracy, Calif., facility—an example of its 8th generation fulfillment centers—is staffed by 3,000 robots, 2,500 temps, and 1,500 regular workers.

Retail vacancies triggered by Amazon result in a drop of $420 million in property tax revenue for cities and counties, the research firm Civic Economics estimates.

2015
A survey finds fewer than 1 percent of Prime members visit competing retail sites when shopping on Amazon.

Amazon passes Walmart in market capitalization, despite earning only $1 billion in profits over 5 years to Walmart's $80 billion. Some speculate Wall Street sees an emerging monopoly.

Amazon launches Amazon Flex, a piece-rate, 'Uber' model in which anyone with a driver's license and a car can sign up to deliver packages to customers.

Amazon releases a video showing how its drones could deliver up to 86% of its items and predicts that seeing them will "be as normal as seeing mail trucks on the road."

Amazon opens its first brick-and-mortar bookstore. Reports later surface that it's planning 300-400 bookstores and as many as 2,000 grocery stores.

Amazon's growing market share has caused more than 135 million square feet of retail space to become vacant.

2016
Amazon is capturing nearly $1 of every $2 Americans spend shopping online.

In the last year, Amazon has doubled the number of facilities in its U.S. distribution network.

In 16 states, Amazon is still exempt from sales tax, a competitive advantage that an Ohio State study finds boosts its sales by nearly 10%.

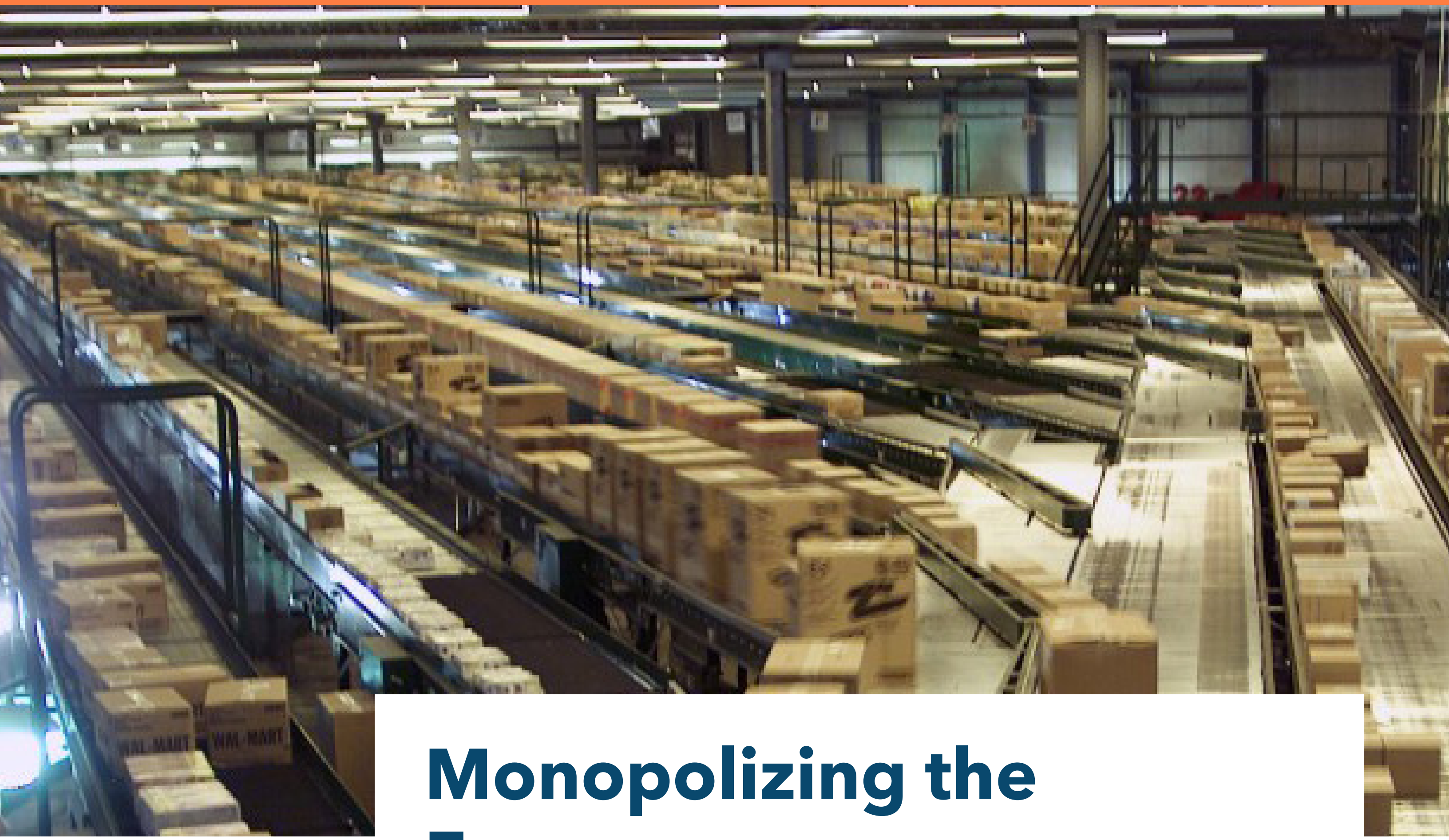
Analysts from Credit Suisse project soaring layoffs in the retail sector as more brick-and-mortar stores shutter.

Research finds that Amazon has begun selectively raising prices and that it often steers consumers to its own products or those of sellers who use its fulfillment services, even when another seller is offering a lower price.

Bezos passes Warren Buffett to become the planet's third-richest person, with an estimated net worth of $65 billion.

* Projected based on Amazon's 1st and 2nd quarter results.

Source: Revenue from Amazon's annual reports. For other sources, see note six.



Monopolizing the Economy

Amazon is Destroying Competition and Market Diversity, Leaving Us with Fewer Choices, Less Innovation, and Diminished Opportunities

We once imagined that the web would be a democratizing force in the economy, making it easier for anyone with a good idea to start a business, find an audience, and succeed. "The digital revolution was supposed to create an age of empowered micro-entrepreneurship, with power devolving to the masses," observes Steven Strauss, a visiting professor at Princeton.[7]

It hasn't turned out that way. Five years ago, Americans spent $170 billion shopping online, and Amazon accounted for one in four of those dollars.[8] By last year, online spending had ballooned to $343 billion and Amazon's share of the market had grown to 40 percent.[9] This year, we estimate, it has soared to 46 percent.[10]

As retail spending, one of the largest sectors of our economy, rapidly moves online, it's even more rapidly becoming the domain of a single company. If the current trends continue, in five years, more than one-fifth of all the goods we buy will be purchased online, and more than two-thirds of this vast $700 billion stream of spending—spanning everything from washing machines to groceries—will be captured by Amazon.

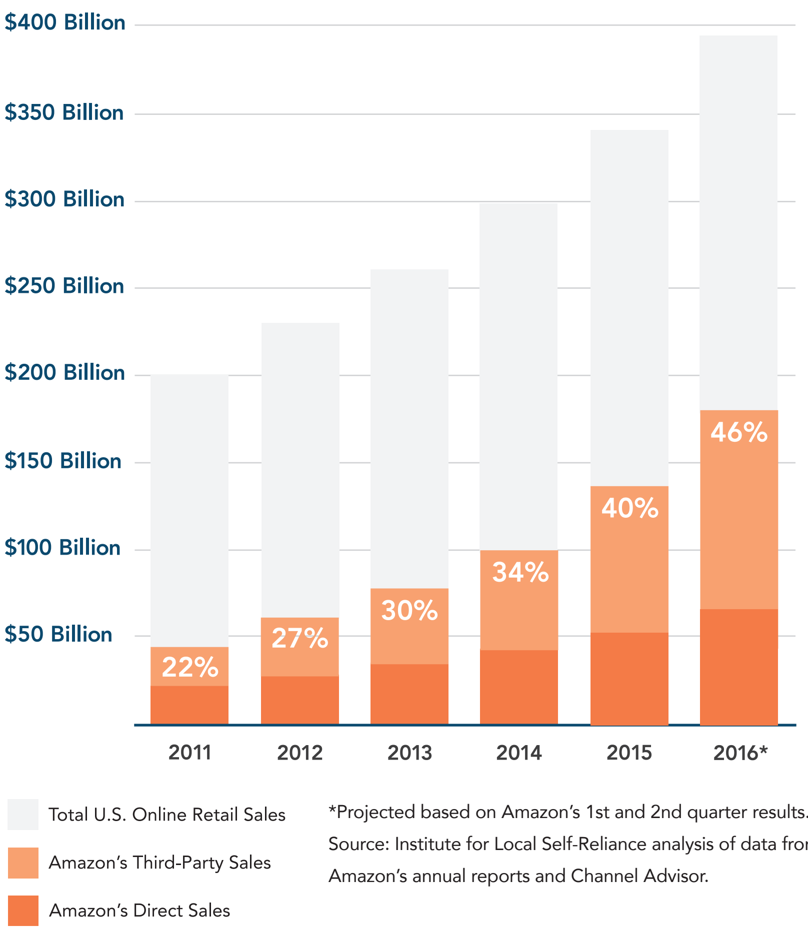
As it has grown, Amazon has reached its tentacles into so many different industries that it can be hard to keep enough of the company in view to grasp how big it is, or take its full measure. Even more striking than its scale, though, is its momentum. Amazon today has the feel of a jet aircraft at the moment when it starts to gain lift-off.

For several years after Jeff Bezos made Amazon.com live in 1995, the company sold only books. Today, many people still think of the company mainly as a bookseller, and Amazon does indeed loom large in the book business. Two-thirds of books, both print and digital, are now sold online and Amazon captures nearly 70 percent of those sales.[11] This is such a significant share of the market that Amazon can, at any moment, remove the buy-button from a particular title on its site and cause overall sales of that book to plummet by 50 percent or more[12] —a dominance so astounding that it warrants pausing a moment to consider what it means. We know Amazon has this power to destroy a book's prospects because it demonstrated it two years ago when it suspended pre-orders and delayed shipping times by weeks for thousands of books put out by the publisher Hachette, and modified its search and recommendation algorithms to direct shoppers to other books. Amazon reportedly wanted Hachette to fork over more fees, and for several months it suppressed the career prospects and incomes of some 3,000 authors to get its way.[13]

Among them was Wisconsin Congressman Paul Ryan, a rising star in the Republican Party, whose Hachette-published book *The Way Forward* had just been released. Appearing on *CNBC*, Ryan described his frustration. "Clearly Amazon's making kind of a power play here," he said.[14] Amazon soon restored Ryan's book to normal, but other authors, lacking the same clout, could do little but watch as their creations floundered.

As big as Amazon is in the book business though, books are now only of small concern to Amazon, making up less than 7 percent of its revenue.[15] The rest comes from selling a vast array of other goods and services. Amazon is on track to be the top seller of apparel by next year, having edged past Walmart and closing in on Macy's.[16] It is the second largest seller of consumer electronics and will overtake the top seller, Best Buy, in 2017, according to analysts at Deutsche Bank.[17] Its share of the toy market has doubled in the last four years, putting it on par with Toys R Us

Amazon's Growing Share of Online Retail Sales in the US



*Projected based on Amazon's 1st and 2nd quarter results.
Source: Institute for Local Self-Reliance analysis of data from Amazon's annual reports and Channel Advisor.

and Target.[18] And Amazon is rapidly expanding into other big baskets of consumer spending, including the nation's huge $800 billion grocery market, where analysts predict its new fresh food delivery service—now available in 17 U.S. markets[19]—and its planned network of hundreds of stores and pickup points[20] will make it a top player within five years.[21]

Even when we think we're not doing business with Amazon, sometimes we are. It owns other big e-commerce brands, like Diapers.com, Zappos, Shopbop, and Audible.

Even when we think we're not doing business with Amazon, sometimes we are. It owns other big e-commerce brands, like AbeBooks, Woot, and the fashion powerhouse Shopbop. It owns Zappos and Diapers.com, both of which Amazon acquired through a shotgun-wedding approach after crippling each company financially. It also owns Twitch, the leading streaming platform for gamers, with 100 million monthly users, and Audible, the world's largest audio book company. And its tentacles are reaching ever deeper into the mechanics of our economy. Amazon recently obtained an ocean shipping license from the Federal Maritime Commission that will allow it to move freight from China to U.S. ports.[22] The license is just one piece of a massive investment Amazon's making in its capacity to move goods from factory floors to our doorsteps. It's purchased thousands of truck trailers, leased cargo planes, and, in the last year, doubled the number of warehouses it operates.

Amazon is rapidly expanding into new areas, including the nation's $800 billion grocery market, with its food delivery service and planned network of hundreds of stores and pickup points. Photo Credit: Andrew Nash

As Amazon grows its logistics empire, it's also manufacturing more of the goods that are moving through it. Earlier this year, the company unveiled 7 of its own fashion lines, offering more than 1,800 items of apparel. It's added hundreds of new products to its AmazonBasics brand, which now furnishes a wide range of household items, from computer cables to swivel chairs. On Amazon.com, many of these products rank as top sellers in their categories and show up first in search results. Amazon publishes books too, and it's not uncommon for as many as half of the titles on its Kindle bestseller list to be its own.

Last May, Chamath Palihapitiya, a Silicon Valley venture capitalist and owner of the Golden State Warriors, stood before an audience of fellow investors in New York City to give a presentation about Amazon. He opened with a stunning assessment. "We believe there is a multi-trillion-dollar monopoly hiding in plain sight," he said of the company.[23] Calling Amazon a monopoly was not an accusation or an admonishment. It was a tribute. Investors like Palihapitiya have sent Amazon's stock soaring in the last two years. Between October 2014 and October 2016, Amazon's market capitalization—the total value of its outstanding stock—rose from about $140 billion to about $380 billion.

In the eyes of investors, Amazon is now worth nearly twice what Walmart is worth, even though the latter generated $80 billion in profit over the last 5 years, while Amazon cleared only a little more than $1 billion.[24] It's obviously not Amazon's current profits that have sent investors clamoring to buy its shares. What they see in Amazon is a company that has attained such a powerful grip across multiple industries that it can be counted on to yield spectacular, monopoly-level returns in the coming years.

In this section, we look at how Amazon has come to have so much power, how it uses its position to eliminate competition and block startups that might challenge it, and how it exploits and hobbles manufacturers and then takes control of their industries. Amazon presents a vastly more dangerous threat to competition than Walmart, because its ambition is not only to be the biggest player in the market. Its intention is to own the market itself by providing the underlying infrastructure—the online shopping platform, the shipping system, the cloud computing backbone—that competing firms depend on to transact business. In effect, Amazon is turning an open, public marketplace into a privately controlled one.

Amazon is positioning its platform to be as indispensable to commerce online as our road network is offline. Photo Credit: Álvaro Ibáñez

We also examine how much Amazon's accumulating power is already costing us, and how much higher that cost will rise if we don't act to check it. As Amazon expands, the portion of the consumer goods economy outside of its control is shrinking. Over the last fifteen years, the number of independent retailers has fallen by about 108,000.[25] This decline has multiple causes, but surveys show that Amazon is now by far the biggest. As the retail sector becomes less diverse, we're losing the invention and innovation that only a varied marketplace can yield. In our interviews with manufacturers, they all describe local retailers as a kind of keystone species in their industries. These businesses play an outsized role in enabling new products to find an audience. People shopping in a local bookstore, for example, are about three times more likely to discover a book they'd like to read than when they're browsing books on Amazon. The difference, manufacturers say, is that these stores are run by people who are passionate about books or sewing or sports. They create a sense of community with customers, and maintain physical showrooms. Manufacturers are alarmed at the prospect of a future where this market diversity gives way to a single online platform, and they say Amazon's dominance is already reducing their ability to invent and launch new products. Consumers have little way of detecting this. "As a consumer, how would you even know that something was missing?" one manufacturer asks.

Jeff Bezos is betting that he can make buying from Amazon so effortless that we won't notice the company's creeping grip and all that we're losing as a result. One of his ongoing preoccupations is finding ways to remove even the tiniest friction in the buying process. "People do more of what's convenient and friction-free," he has said.[26] When we place an order with a single click, or casually ask our Amazon Echo speaker with its built-in voice assistant to send us Elena Ferrante's first novel, it can feel like we're not even choosing anything at all. Bezos has managed to make shopping on Amazon "something close to our unthinking habit," notes journalist Franklin Foer.[27]

Amazon has the power to pick winners and losers, which is alarming enough in the context of toys or fashion, but downright tyrannical when it comes to the creative, cultural, and political life of the nation. If Amazon can stifle Paul Ryan, then surely it can do so to any writer.

Already there is evidence that Amazon is using its huge trove of data about our browsing and buying habits to selectively raise prices, and it's also started blocking access to certain products and delaying shipping for customers who decline to join its Prime

"When you are small, someone else that is bigger can always come along and take away what you have," Amazon founder and CEO Jeff Bezos has said. In July 2016, he became the third-richest person in the world.

program. But to focus too much on prices is to miss the real costs of a monopoly. Amazon increasingly controls what products make it to market and appear before us as we're browsing. It has the power to pick winners and losers, which is alarming enough in the context of toys or fashion, but downright tyrannical when it comes to the creative, cultural, and political life of the nation. If Amazon can stifle Paul Ryan, then surely it can do so to any writer.

And that's hardly all that's at stake. Amazon's tightening hold on our economy is damaging our ability to earn a decent living. The rate of new business formation has fallen sharply over the last decade. There are fewer small, young, and growing businesses, which economists say is stunting job creation, pushing more people out of the middle class, and worsening income inequality.

For all of Bezos's insistence that Amazon represents a modern form of commerce, and that to challenge it is to challenge the digital revolution itself, what's striking when we look closer is how much this company seems to belong to the Robber Baron age. Back then, men like Cornelius Vanderbilt and J.P. Morgan harnessed a new technology, the railroad, to stifle competition across multiple industries and extort money from farmers and small business people who depended on the rail lines. Americans responded by launching the antitrust movement, and it's to the ideas and policies they brought forward that we should turn today in the face of this new colossus.

Blocking Competitors and Locking-In Consumers

"The fact that it's always on, you never have to charge it, and it's there ready in your kitchen or your bedroom or wherever you put it, the fact that you can talk to it in a natural way—removes a lot of barriers, a lot of friction," Bezos said in October at an event in San Francisco.[28]

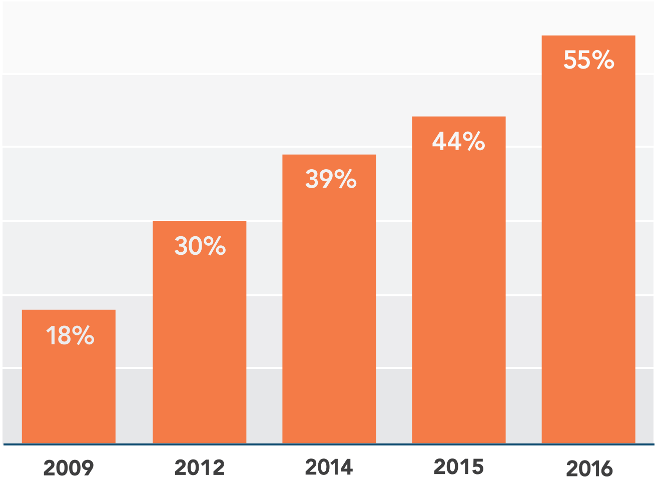
He was referring to the Echo speaker, Amazon's latest device. Echo is powered by Alexa, an always-listening voice assistant, and it allows people to play music, check sports scores, review a bank balance, adjust the thermostat, hail an Uber ride, and, of course, order from Amazon, all by speaking. Amazon's already sold over 5 million Echo speakers,[29] which the company prices, as it does most of its devices, below what it costs to produce them.[30] Thousands of companies are now integrating Alexa into their own products. People will soon be able to use Alexa to control their GE appliances,[31] and they'll be able to call up the voice assistant while driving several models of Ford cars.[32]

Jeff Bezos is betting that he can make buying from Amazon so effortless that we won't notice the company's creeping grip.

Bezos's idea is to make Alexa the central nervous system of our daily lives, so that Amazon will always be at our beck-and-call, mediating our activities and taking our shopping orders, while our lives, in turn, will always be open to Amazon's tracking and data-gathering. To lure more users to the system, Amazon recently added a perk: anyone who buys an Echo can

Amazon's idea is to make its Echo speaker, and the always-listening voice assistant Alexa, the central nervous system of our daily lives. Photo Credit: Amazon

Share of Online Shoppers Who Begin Their Search on Amazon



Sources: "Amazon: Friend Or Foe for Retailers," *Forrester Research*, July 26, 2012; "Google Shopping to Counter Amazon: Testing 'Buy Now' Button, Other Enhancements to Build Online Commerce Site," Rolfe Winkler and Alistair Barr, *Wall Street Journal*, Dec. 15, 2014; BloomReach via "Amazon Is Absolutely Eviscerating Other Retailers Online, New Survey Shows," Jason Del Rey, *CNBC*, Oct. 6, 2015; BloomReach via "More Than 50% of Shoppers Turn First to Amazon in Product Search," Spencer Soper, *Bloomberg*, Sept. 27, 2016.

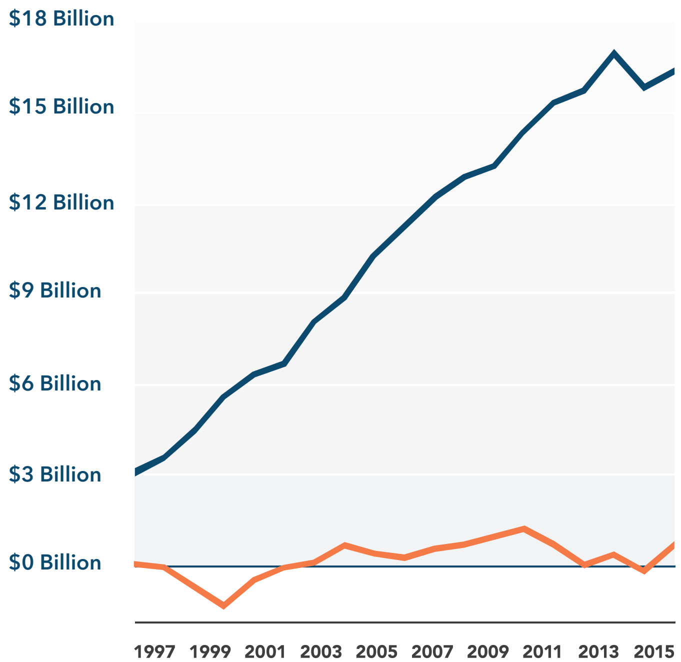
sign up for Amazon's new music streaming service for just $3.99 per month.[33] That's less than half the cost of competing services like Spotify, and analysts say it's below what Amazon spends to license and stream the music, meaning the company plans to lose money on both the speaker and the service with each customer who signs up.[34]

Over the years, Amazon has deliberately incurred losses like this in one venture after another, and these losses, together with investors' willingness to back the company despite them, form a key part of the story of how Amazon came to be a "multi-trillion-dollar monopoly hiding in plain sight." The company uses losses as a tactic for wresting market share from competitors, which are generally smaller and lack the financial backing to match Amazon's below-cost selling. It also incurs losses to fund perks, like cheap music and all-you-can-eat shipping for a flat annual fee, that hook customers, entwine them in the Amazon ecosystem, and sharply reduce the chances they'll shop anywhere else.

Bezos, who worked on Wall Street before founding Amazon, has always been candid with investors about his strategy. In a letter to shareholders after the company went public in 1997, Bezos wrote that he would "make investment decisions in light of long-term market leadership considerations rather than short-term profitability."[35] In other words, Amazon would spend as much as it could to grab market share. Over the next six years Amazon lost a staggering $3 billion[36] and investors barely winced.[37]

One ongoing target of this strategy has been the book business. "Amazon has sold tens or possibly hundreds of millions of physical books at or below cost," Authors United, a coalition of authors, wrote in a letter to the head of the Antitrust Division of the U.S. Department of Justice last year.[38] When Amazon introduced the Kindle e-book reader in 2007, it extended this practice to e-books, selling many titles for less than it was paying publishers.[39] This drove sales of the Kindle, which in turn ensured customers would buy virtually all of their e-books from Amazon. Since potential challengers were unable or unwilling to incur similar losses, Amazon was able to amass and hold 90 percent of the market for e-books.[40]

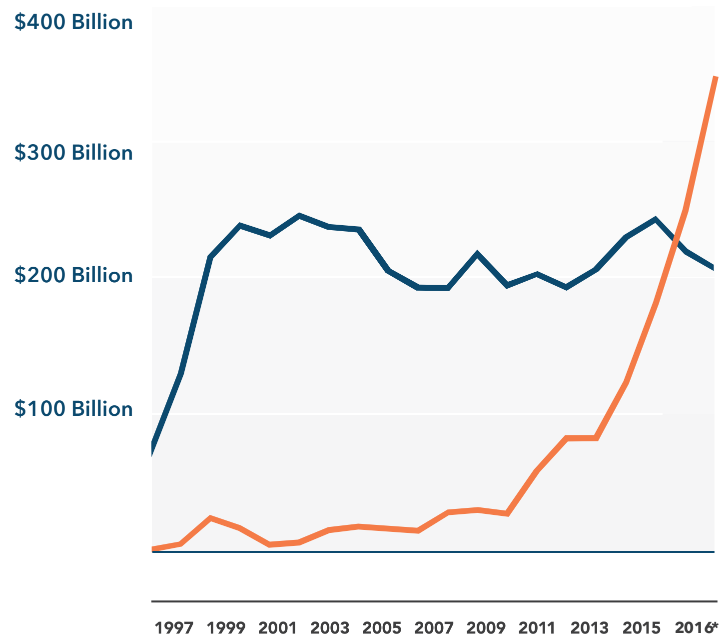
Profits of Amazon and Walmart, 1997–2015



Amazon
Walmart

Sources: Annual reports of Amazon and Walmart.

How Wall Street Values Amazon and Walmart, 1997–2016



Amazon
Walmart

* As of May 2016.
Sources: "Amazon.com Market Cap," *YCharts*, accessed May 2016; "Walmart Market Cap, *YCharts*, accessed May 2016.

In 2010, publishers pushed back, changing the terms of their e-book contracts to bar Amazon's below-cost pricing. Amazon's market share dropped to 65 percent,[41] as Apple, Barnes & Noble, and independent bookstores, through a partnership with Kobo, finally had a chance to compete for e-book sales. But the U.S. Department of Justice, prodded by Amazon, sued the publishers for collusion,[42] and Amazon soon regained its footing. In 2011, Borders Books filed for bankruptcy. In 2014, Sony ceased producing its e-reader and shuttered its e-book store,[43] and Barnes & Noble, which has closed dozens of stores, has shifted resources away from its Nook reader.[44] Independent bookstores have seen a modest resurgence in recent years, and they continue to sell e-books, but their numbers remain well below what they were 15 years ago, according to the American Booksellers Association. Today, Amazon's market share appears to be inching up.

Amazon has also used its capacity for taking on big losses to crush upstart competitors. One such challenger was the shoe retailer Zappos. As Zappos soared in popularity, doubling its sales between 2004 and 2007, Amazon offered to buy it. When Zappos executives refused to sell, Amazon debuted a competing shoe site and started selling shoes at a loss, offering free overnight shipping and, later, a $5 rebate on every purchase. The site was called Endless.com, perhaps a reference to Amazon's endlessly deep pockets. Straining to keep its customers, Zappos matched Amazon's express shipping and began to lose money itself on every pair of shoes it sold. All told, Amazon lost $150 million on the gambit, and it prevailed: in 2009, hemmed in by financial constraints, the Zappos board voted to sell.[45]

Similarly, when Quidsi, the innovative e-commerce firm behind Diapers.com, emerged as a vigorous competitor in diaper sales in 2009, Amazon offered to the buy the company and, when the founders refused, slashed its diaper prices to well below its own cost. According to reporting by Brad Stone in his book *The Everything Store*, Amazon was prepared to lose $100 million over three months in its bid to force Quidsi to sell.[46] It succeeded. Although Diapers.com and its sister sites, like Soap.com, remain standalone online stores, they are now owned by Amazon.

The point of the membership fee for Prime has never been about money. Signing up for Prime greatly reduces the chances that a person will shop around.

By 2009, Amazon was capturing more than 15 percent of online spending. It had begun to post modest profits, but by then had earned only barely enough to make up for its previous losses. After 13 years in business, Amazon had generated virtually no return for investors, but, as Bezos had promised, it had taken over a sizeable share of the market and now had a huge revenue stream to fund further expansion. At this point analysts began to track an even more telling metric of its power: In 2009, nearly one in five people looking to buy something online skipped search engines like Google and headed straight to Amazon.[47]

To drive that figure even higher, Amazon had launched Prime, a program that offers customers unlimited 2-day shipping, and same-day shipping in some cities, along with perks like streaming movies and television shows, for a $99 annual membership fee. Much like Echo, what customers pay for Prime is less than it costs Amazon, which loses an estimated $1 billion a year on the shipping perks alone.[48] But the point of the fee has never been about money. As Vijay Ravindran, a former technical manager at Amazon, explained to Brad Stone: "It was never about [the fee]. It was really about changing people's mentality so they wouldn't shop anywhere else."[49] Signing up for Prime greatly reduces the chances that a person will shop around, in part because the more one orders from Amazon, the more value in free shipping one derives from the annual fee. Less than 1 percent of Prime members visit competing sites while shopping on Amazon, and Prime members spend almost three times as much with the company as non-Prime customers do.[50]

Already, 63 million Americans, representing about half of all households, are enrolled in Prime.[51] To prod the rest to join, Amazon has begun using sticks as well as carrots. It has slowed shipping times for non-Prime households[52] and made some products, including popular video games, unavailable for purchase by non-Prime customers.[53]

Today, 55 percent of people looking to buy something online are skipping search engines and starting their shopping directly on Amazon's site.[54] The spread of Echo will almost undoubtedly drive that figure higher. And, in a bid to further minimize friction and cement Amazon as our unthinking habit, the company recently secured a patent for "anticipatory shipping,"[55] a technique that will enable it to use its extensive cache of data about our habits to determine what products we need and want even before we know it ourselves.

Enclosing and Privatizing the Market

"For 37 years, we were constantly reinventing, and we did that over and over again," says Bill Keller, who, together with his wife Joan, opened a travel store in San Diego in 1976.[56]

They took the business online at LeTravelStore.com in 1997 and for more than a decade, the Kellers did a brisk business on the web, even as they continued to run their store. "At our peak, web sales approached 60 percent of our business," says Keller. But sales began a steep slide in 2011 as more shoppers stopped using search engines to find products, which might lead them to Le Travel Store, and headed straight for Amazon instead. At that point, Keller says, "It became clear that if you were going to sell online you had to go [through] Amazon." Desperate to salvage their business, the Kellers enrolled Le Travel Store as a third-party seller on Amazon's site. But they quickly found that what had made their own web site and store a success—their wealth of knowledge about world travel and travel gear, and the attentive, personalized service they provided—was impossible to replicate on Amazon, which restricted their interactions with customers. A few months later, the Kellers closed for good.

By corralling an ever larger share of the web's shopping traffic, Amazon has forced other retailers and producers who want to sell online to reckon with a Faustian choice. They can either continue to be independent, hanging their shingles out on search engine byways less and less traveled by shoppers, or they can set up shop as third-party sellers on Amazon's site, forfeiting much of their knowledge, revenue, and autonomy to their most powerful competitor.

Amazon opened its platform to third-party sellers back in 2000 and dubbed the initiative Amazon Marketplace. "We wanted to position ourselves as the place to start for shopping," Amazon executive Diego Piacentini explained to the *Los Angeles Times*.[57] To do this, Amazon would need to offer just about anything a shopper might want to buy, and it would need evolve into an "everything store" quickly, before competitors gained a toehold. At the time, though, the company understood few product categories besides books. Rather than hire its own buyers and try to figure out complicated industries like apparel, Amazon invited other sellers onto its platform. Their arrival began to spin Amazon's "flywheel," which is a favorite Bezos metaphor for the way each of the company's strategies feeds the others. As third-party sellers broadened Amazon's selection, more customer traffic migrated to the site, which in turn induced more sellers to join, and so on.

Along the way, Amazon drew on its sellers' expertise, and the immense stream of data their transactions generated, to master one industry after another and expand its empire. "That was something we did quite well," Randy Miller, a former merchandising director at Amazon, told Brad Stone. "If you don't know anything about the business, launch it through the Marketplace, bring retailers in, watch what they do and what they sell, understand it, and then get into it."[58]

Marketplace was more than a transitional strategy though. Today, nearly half of Amazon's unit sales worldwide are generated by third-party sellers, up from one-quarter a decade ago.[59] Most shoppers have scarcely noticed this evolution, because Amazon gives its Marketplace sellers only the barest visibility. The seller's name is mentioned just once in small text on the product page ("sold by such-and-such"), the checkout process is the same, and many sellers use Fulfillment By Amazon, or FBA, so their products are warehoused by the company and shipped from its fulfillment centers in Amazon boxes.

By operating as both a direct retailer and a platform for competing sellers, Amazon can toggle back and forth, leveraging the interplay between these two parts of its business to maximize its market power.

These inconspicuous sellers, and their dependence on Amazon, form another piece of the story of how Amazon came to be "a multi-trillion-dollar monopoly hiding in plain sight." By operating as both a direct retailer and a platform for competing sellers, Amazon can toggle back and forth, leveraging the interplay between these two parts of its business to maximize its market power. It uses the data it gleans from sellers to expand its direct retail operations, picking off the most advantageous segments for itself. And it uses its platform, now the gateway to more than half of online shoppers, to induce its smaller rivals to supply the rest of its selection, while it levies a lucrative tax on their sales.

At its core, Amazon is an infrastructure company, and it's positioning its platform to be as indispensable to commerce online as our road network is offline. Amazon has the same vision for another of its divisions, Amazon Web Services. AWS controls one-third of the world's public cloud computing capacity, more than Microsoft, IBM, and Google combined.[60] The list of companies that rely on it is miles long and includes Netflix, Dow Jones, and Comcast. In his presentation last May, as he illustrated Amazon's potential to produce monopoly-level returns, Palihapitiya noted that AWS amounts to "a tax on the internet."[61] AWS allows Amazon to tax one large segment of the world's economic activity; Marketplace allows it to tax another.

It would be as if Walmart owned most of our malls and Main Streets, decided the terms by which its rivals could rent these spaces, and oversaw every sale they made.

In effect, Amazon is supplanting an open, public marketplace, governed by democratic rules that facilitate competition and fair play, with a privately controlled market in which entrepreneurs have to abide by Amazon's rules and pay tribute to it.[62] It would be as if Walmart owned most of our malls and Main Streets, decided the terms by which its rivals could rent these spaces, and oversaw every sale they made.

As if keen to divert attention from the existential threat this poses to a competitive market, Amazon's executives have recently been touting Marketplace as a cradle of entrepreneurship. In an interview with the *Seattle Times* earlier this year, Peter Faricy, an Amazon vice president, said of Marketplace: "What this really created is kind of a level playing field for entrepreneurs and small-medium businesses."[63]

This is the fox characterizing his efforts on behalf of the hens. Amazon exploits its sellers, benefiting from their product expertise and work, while destabilizing their businesses. Its market dominance means sellers have little recourse or alternative, and there's always a steady supply of new sellers to take their place.

Who Are Amazon's Third-Party Sellers?

Because Amazon reveals so little information about third-party sellers, it's hard to develop a complete picture of who they are. Amazon reports that it has 2 million sellers worldwide, but the vast majority of these are people casually selling a few things, much like people do on eBay or Craigslist. Only a tiny fraction are businesses, in the sense that they generate enough income to support at least one person. In the U.S., we estimate that these number in the thousands.

Perhaps the largest part of this group, and the mainstay of Marketplace at least until recently, consists of sellers whose entire business is selling online, mostly on Amazon. Some specialize in particular products, but most are retail arbitragers who offer an ever-changing assortment of goods, often acquired from grey-market dealers. To succeed, these sellers rely on software that adjusts their prices every few minutes, with the aim of underpricing other sellers and winning the buy-box—that is, being selected by Amazon as the default seller on a product page. Most have no expertise in the products they sell and little contact with customers. It's "like they are trading stocks," explains Juozas Kaziukėnas, founder of *Marketplace Pulse*.[64] "It's not like traditional retail. If you talk to sellers, they tend to quote movies like Moneyball." A growing share of these sellers are based overseas and use Amazon's logistics network to get their products to U.S. doorsteps.

As Amazon has siphoned off a larger share of customer traffic in the last few years, the arbitragers have been joined by a stream of manufacturers and consumer brands. They include small businesses like Carved, whose 17 employees design and produce wooden iPhone cases in Elkhart, Ind., as well as industry giants like Levi Strauss and KitchenAid. Many became Marketplace sellers only reluctantly. "We realized you are damned if you do, damned if you don't," the CEO of a toy company told us.[65]

Alongside the arbitragers and producers, a small but steady trickle of independent retailers are giving in to Amazon too. "Philosophically, it is tough, but competitively, you have to think, how are you going to continue to survive?" the owner of a 31-year-old sporting goods business with several stores in the Upper Midwest said, referring to his recent decision to become an Amazon seller.[66] His own web site has been generating decent sales, but he can feel the tide shifting as his customers spend more time on Amazon and the site becomes their default provider of everything. Amazon, he says, is now "both a competitor and an access to the consumer base." The decision isn't sitting well, though. "My business model is all about the customer relationship and I can't do that on Amazon," he says.

Amazon keeps a percentage of each Marketplace sale; for most products, it's 15 percent, but can be as high as 50 percent for some items. It gets this cut "through zero effort," notes Juozas Kaziukėnas, founder of *Marketplace Pulse*, which tracks the industry.[67] And Amazon takes its piece off the top. If other sellers, or Amazon itself, drive the price of an item down, and a seller is stuck with inventory to unload, the seller can end up losing money while Amazon still takes 15 percent.

Amazon is expanding on college campuses. Photo Credit: Charles Jischke

On top of this, there are fees for warehousing and shipping if the seller is using FBA, which Amazon strongly encourages by giving FBA sellers a much better shot at the buy-box—that is, being chosen by Amazon's algorithms as the default seller on a product page. By inducing sellers to use FBA, Amazon has upped the volume of packages it handles, which has given it more leverage to wrest discounts from carriers like UPS. These discounts have in turn led carriers to raise shipping prices for small businesses, some evidence suggests, creating a further inducement for them to use FBA.[68] (This added package volume has also given Amazon greater scale economies as it builds out its own package delivery systems, the next piece of its infrastructure empire, which we'll explore later in this report.)

But these fees are hardly the most valuable thing Amazon takes from sellers. It also appropriates their product knowledge. Upstream Commerce recently tracked 857 apparel items first offered for sale by Marketplace sellers and found that, within 12 weeks, Amazon began selling 25 percent of their top-selling items.[69] Another study by researchers at Harvard Business School also looked at patterns in Amazon's entry into new product areas and found, "The likelihood of Amazon's entry is positively correlated with the popularity and customer ratings of third-party sellers' products."[70] The researchers, who described their findings as a "gloomy picture" for sellers, added, "Results also show that third-party sellers affected by Amazon's entry appear to be discouraged from growing their businesses."

Once Amazon brings a seller's most popular products into its own inventory, it can lower its price so that it becomes the default seller, or simply award itself the buy-box anyway. "In our setting, we observe across many instances of Amazon entry that Amazon may present itself as the default seller even when third-party sellers' products are offered at lower cost," the Harvard researchers report. A *ProPublica* analysis this year likewise found: "About three-quarters of the time, Amazon placed its own products and those of companies that pay for its [FBA] services in [the buy-box] position even when there were substantially cheaper offers available from others."[71]

Amazon blocks sellers from building relationships with their customers, which, alongside product expertise, is another key to being a successful retailer. Amazon fiercely guards these customers as its own, allowing sellers to communicate with them only through its system. It monitors these exchanges and forbids sellers from, among other things, including links to websites. Doing so prompts an immediate warning. "It has come to our attention that you may be attempting to redirect Amazon.com buyers to another Web site," read the message Stardust Memorials, a purveyor of cremation urns, received from Amazon last year after responding to a customer's question about engraving.[72] An employee of this Michigan-based small business had replied that custom engraving orders could be made through Stardust Memorials' own website. But however helpful that message may have been to the customer, it was unwelcome by Amazon, whose automated system immediately flagged it.

A violation of this or any of Amazon's many rules can lead to the abrupt cancellation of a seller's account and an immediate halt to her income. "The biggest thing everyone is scared of is being suspended," says Kaziukėnas. Suspensions are frequent. Amazon seller boards on Reddit are filled with frantic sellers trying to figure out how to get their accounts reinstated. A cottage industry of consultants has sprung up to help them. Sellers describe Amazon's process as confusing and inconsistent, and they say it's made harder by the fact that Amazon insists on handling everything through email.[73]

Amazon can upend a seller's livelihood by abruptly changing its terms.

Short of dismissing a seller, Amazon can also upend his livelihood by abruptly changing its terms. "You completely rely on Amazon's rules and those rules tend to change a lot," explains Kaziukėnas. He points to Amazon's latest round of price hikes for sellers, announced in May, which sharply raised fees for FBA.[74] "All of the sudden your business model has changed. You have to change how you manage supply and demand," he says, adding: "No matter how successful you are, depending on what you do, it might become impossible for you to do it anymore."

Sellers who mistakenly think of Amazon as a partner have learned the hard way that it has little interest in their survival. Competition for the buy-box has grown more ruthless in the last year as Amazon has recruited a new contingent of sellers based in China, and extended its FBA service into a global logistics network that directly links Asian factories with U.S. and European households.[75] "U.S. sellers on Amazon.com Inc.'s marketplace have taken note of the growing number of Chinese companies offering their wares on Amazon.com, often at low prices," *Internet Retailer* reported last December.[76] "It's no accident: Amazon is actively encouraging Chinese merchants to sell on its sites, and recently unveiled new services designed to increase the selection of Chinese goods available."

And Amazon remains as remorseless as ever in cutting off sellers who displease it. In a story reported by Spencer Soper of *Bloomberg*, Emad Abukheit described building a business in North Carolina selling health and beauty products on Amazon, only to have his account abruptly suspended, forcing him to lay off his employees.[77] "It's been a nightmare," he told Soper. "They were our partner. You can't just put your partner out of business."

In theory, sellers like Abukheit could diversify their revenue or drop Amazon entirely. But where could they go? Amazon commands such a large share of online shopping traffic that platforms operated by other companies, including Walmart and eBay, are only anemic options. According to Kaziukėnas, even the biggest companies selling on Amazon are almost wholly dependent on it. "While they are trying to sound as if they are diverse and that they are selling in different places," he says, "there is no doubt that 90 percent of their sales are Amazon."

Shaking Down Producers

In July Birkenstock announced that it would no longer sell its popular shoes to Amazon, and that, as of January 1, 2017, it would not authorize third-party sellers to sell them on the site either.

"Amazon direct was one of our largest accounts," David Kahan, CEO of Birkenstock USA, wrote in a letter to the company's retail partners. Giving up the revenue, Kahan explains, was necessary to protect the 240-year-old company's reputation with customers and ensure "a fair and competitive environment" for its retail partners.[78] At issue was Amazon's refusal to stem a "constant stream of unidentifiable unauthorized sellers" who disregard Birkenstock's policies, including "postings by sellers proven to have counterfeit Birkenstock products."

Kahan goes on to disclose that, in three years of discussions with Amazon's management, he "presented multiple proposals and 'out-of-the-box' ideas" to address the problem. But Amazon declined to act. "Amazon has made it clear that the only way to achieve a 'clean' environment (no counterfeits and no unauthorized sellers)," Kahan reports, "is to sell our complete product offering to Amazon directly." Like many manufacturers, Birkenstock sells its most popular shoes through every channel, including mass retailers like Amazon, while it reserves part of its line, typically new and niche designs, for brick-and-mortar stores. These stores provide extensive marketing and customer service for Birkenstock, which helps it sell more shoes, and, in exchange, they get to carry a deeper selection.

Amazon would like to take these sales for itself, but it needs access to Birkenstock's entire line of products to do it. It's been using the threat of allowing an unending river of counterfeits on Marketplace to bully Birkenstock into giving in.

As strictly as Amazon patrols the behavior of Marketplace sellers in some ways, it's conspicuously lax in others. Amazon's platform has "become a haven for counterfeiters," according to reporting this year by Ari Levy of *CNBC*. Among his many examples is the story of a California company called Forearm Forklift, which has had to lay off more than half of its 52 employees as shoddy knock-offs of its patented moving tools have proliferated on Amazon, causing its sales to plummet. Levy writes that Amazon's responses to the company's many complaints have "ranged from terse to deflecting."[79] Alongside the counterfeiters, there are the fly-by-night arbitragers, who acquire goods from grey-market dealers, dump them on Amazon, and let their pricing bots drive margins to near-zero. For smaller manufacturers especially, this is crippling since they suddenly find that the retailers they're counting on to move their full line are not able to compete on popular items. And Amazon is no help. "They don't help at all when it comes to helping us contact unauthorized sellers," says the CEO of a 20-year-old clothing brand that specializes in sustainable, U.S.-made fabrics.[80] In fact, Amazon shields the identities of sellers and makes it easy for them to open multiple accounts under different names. Even the consumer products giant Johnson & Johnson, which makes Tylenol, has struggled to get Amazon to take action against sellers peddling damaged and expired medications.[81]

Amazon has a long history of retaliating against suppliers who resist its ever-mounting demands for bigger discounts and more fees.

This is another way that being both a platform and a direct retailer magnifies Amazon's market power: it enhances the company's ability to bend manufacturers to its will. For one, Marketplace takes away producers' only real source of leverage in negotiations: even if they decline to sell to Amazon, at least some of their products will likely still be available on the site through unauthorized sellers, preserving Amazon's status as a place one can find anything. Indeed, Birkenstock's Kahan expects that shoppers will still be able to find a pair of Birkenstocks on Amazon next year, but warns: "It may be counterfeit. It may be stolen."

Second, Amazon uses its ability to selectively police this activity to pressure suppliers into agreeing to its terms. Manufacturers we interviewed described meetings in which Amazon buyers pressed them aggressively and made direct references to Marketplace. "One of the things they said when we were leaving was that it would be a wild, wild West," an executive with a mid-sized sporting goods manufacturer told us, referring to a conversation with Amazon buyers shortly after his company decided to stop selling directly to Amazon. "Sure enough, we saw people [selling our product] all over the place [on Marketplace]."[82]

Birkenstock enjoys an exceptional level of brand recognition and stature with its customers and, perhaps owing to this, its declaration against Amazon is unusual for its daring. Most manufacturers can ill afford to give up half of the online market, much less risk Amazon's retaliation by publicly denouncing it.

Their fear is well-founded. Amazon has a long history of retaliating against suppliers who resist its ever-mounting demands for bigger discounts and more fees. In the early 2000s, as Amazon solidified its dominance in the book business, Bezos initiated a campaign to squeeze small publishers for better terms. Inside Amazon, the campaign was dubbed the "Gazelle Project," according to Brad Stone, after Bezos told buyers that they "should approach these small publishers the way a cheetah would pursue a sickly gazelle."[83] One target was Melville House, a small Brooklyn-based publisher of quality fiction and non-fiction books. When Amazon approached Melville House and demanded it pay another sizeable fee, its CEO Dennis Johnson bristled at the shake-down, refused to pay, and called *Publishers Weekly*. A story soon appeared and the following day, Amazon removed the buy-buttons from every Melville House title on its site. At the time, Amazon represented 8 percent of the company's sales, which it couldn't afford to lose. "I paid that bribe," Johnson said, "and the books reappeared."[84]

"When you are small, someone else that is bigger can always come along and take away what you have," Bezos has said.[85] As Amazon's share of book sales has soared, so have its demands for more payments from publishers. "Amazon frequently surprises publishers at the end of the year with a sudden demand to pay a flat fee equal to a percentage of the previous year's sales," according to Authors United.[86] These fees "keep rising, though less for the giant pachyderms than for the sickly gazelles," writes George Packer in a 2014 investigation for *The New Yorker*.[87] If publishers don't pay up, Amazon pulls their books out of its recommendations algorithms, so they are no longer promoted to customers. (Unbeknownst to many shoppers, placement is for sale on Amazon: What shows up in search results and recommendations is partly determined by payments extracted from suppliers.)

As Amazon has squeezed bigger fees from publishers, both authors and readers have paid a price. Money to invest in "serious fiction and nonfiction has eroded dramatically in recent years," writes Packer. Publishers are putting out fewer titles,[88] while the average's author's income has fallen by about 30 percent since 2009,[89] and publishers are focusing more on books by established authors that offer better odds of success. "The quest for publishing profits in an economy of scarcity drives the money toward a few big books," Packer explains.

As Amazon expands its grip on other industries, becoming the dominant seller of clothing and office supplies, toys and tennis rackets, it's repeating the same hardball tactics it first developed in the book business, and with the same damaging effect on new product development. "With Amazon as a customer, every year we would go to sign the papers, and they would ask for more and more and more. Every year they would ask for more shipping allowance, more co-op, and so on," says the sales manager of a 20-year-old game and puzzle company.[90] "So the question becomes, now that you have gotten yourself into this mess, how do you get yourself out?"

Today, producers find themselves sinking ever further into Amazon's quicksand. Amazon uses the money it extracts from them to fund the many perks it provides Prime members, and to cover the losses it incurs enticing more people to install Echo speakers in their homes. This in turn binds consumers ever more tightly to Amazon's ecosystem, which then makes suppliers more dependent on Amazon to reach customers, and thus even more vulnerable to its demands.

And, as if slowly hollowing out their companies were not enough, Amazon is now going a step further: It's taking their best ideas and competing directly against them.

Expanding into Manufacturing

After selling their cleverly designed aluminum laptop stands through Amazon for more than a decade, employees at Rain Design, a small business in San Francisco, were dismayed last year when Amazon introduced a nearly identical product.

The only visible difference is that Amazon swapped the stand's iconic rain drop imprint for its own smiling arrow logo.[91] As of this writing, if you shop for a laptop stand on Amazon, the first three images you see, aside from those in the paid ads, are of the company's own stands.[92] Rain Design's stand, despite having a higher rating and more customer reviews than Amazon's, has dropped further down the search results, and its sales have fallen in turn. "We don't feel good about it," Harvey Tai, the company's general manager, told *Bloomberg*.[93]

By now, Amazon is highly adept at exploiting its control of one market to move into adjacent markets. As we've seen, through Marketplace, it provides essential market access for competing retailers and then uses the data it gleans from them to expand its own retail sales. In a similar way, Amazon has begun to exploit the data it's gathered from manufacturers to compete directly with them by producing the same products. Amazon has targeted both everyday goods made by large brands like Procter & Gamble and products dreamed up and produced by small companies like Rain Design.

For these manufacturers, the sudden arrival of an Amazon-made knockoff topping the site's search results can devastate sales. Amazon's laptop stands are part of its AmazonBasics label, a rapidly expanding line that now includes over 900 products, nearly one-third of which were introduced just in the last 18 months.[94] Search for batteries, headphones, an exercise ball, or a desk chair, and there at top of the results will be an item from AmazonBasics.[95] "When we saw AmazonBasics products as best sellers in numerous categories, our stomachs dropped," Tristan Clausell, a staffer at Skubana, which sells software for third-party sellers, wrote in a post on the company's blog.[96]

Amazon also offers bed linens through its Pinzon brand, and baby wipes under AmazonElements. It recently debuted several lines of perishable foods, including coffee, baby food, and snacks, sold under brands such as Happy Belly and Mama Bear.[97]

And, early this year, Amazon quietly unveiled seven separate fashion labels—under names like Franklin & Freeman and Lark & Ro—offering over 1,800 items of clothing for men, women, and children.[98] It's Amazon's bid to become both the apparel industry's largest retailer and its largest manufacturer. The move is "a threat more to us because we sell basics with a twist," the CEO of the sustainable clothing brand told us.[99] "The brands are bringing as much excitement and energy to that site as Amazon itself. If all the brands are being show-roomed, and Amazon is using that data to undercut the brands, that's an unfair market."

For manufacturers, the sudden arrival of an Amazon-made knockoff topping the site's search results can devastate sales.

Store brands are nothing new, of course. Supermarkets and other retail chains have long offered their own private-label products. But Amazon's move into manufacturing is different. One reason it's a bigger threat to competition and consumer choice is the company's sheer market power. By being the first-destination for more than half of internet shoppers, Amazon has unprecedented power to direct consumers to its own products and disadvantage particular competitors in its search rankings and recommendations.

Another reason that Amazon's advance into manufacturing is a more serious threat to competition is the company's vast trove of data. Unlike Kroger or CVS, which gather basic sales data on the products they stock, Amazon has data on everything sold on its platform, and that data is matched to individual consumers. It knows what we search for, find, don't find, browse, buy, and don't buy. It also knows much about what we do when we are not shopping, including how we spend our time online, what we watch on Amazon Prime, and what we tell our Echo speakers to do. This gives Amazon a formidable advantage in going after its suppliers' customers.

One telling clue as to the scope of Amazon's ambitions as a producer is that its own products, unlike typical store brands, are not a low-budget alternative to the leading brands. Many of Amazon's wares, including its coffee and baby food, carry higher price tags than competing premium-brand products.[100] These private-label products earn higher margins for Amazon than what it makes selling other firms' goods.

That's not the only advantage. By making its own products, Amazon also gains leverage in its negotiations with suppliers; should they resist its terms, Amazon can offer consumers a nearly identical product. Speaking at a fashion industry event last fall, Jeff Yurcisin, vice president of clothing at Amazon Fashion, delicately delivered a threat as he explained Amazon's reasons for launching its own clothing lines to a nervous audience of apparel producers: "When we see gaps, when certain brands have actually decided for their own reasons not to sell with us, our customer still wants a product like that."[101]

Independent retailers negotiate vigorously with their suppliers, but they also view these relationships as mutually beneficial partnerships. Amazon, on the other hand, seems intent on weakening all of the other players in each of the industries it enters. It starts by courting top brands, as it did for years in the fashion world by sponsoring events like the Met Ball and New York's first Men's Fashion Week,[102] all the while building its knowledge and market share before unveiling its own competing lines.

Amazon followed the same playbook in the book industry. It cozied up to publishers in the lead up to the release of its Kindle e-reader in 2007. "Publishers—including all the major publishers—have embraced Kindle, and we're thankful for that," Bezos wrote in his letter to shareholders that year. Two years later, Amazon became a book publisher itself, launching the first of several imprints. Today, books from Amazon's imprints and its self-publishing division are featured prominently on both its site and the Kindle platform, and it's not unusual for as many as half of the top 25 titles on the Kindle bestseller list to be Amazon's.[103] Asked recently about his former partners in the publishing industry, Bezos remarked, "It's very difficult for incumbents who have a sweet thing to accept change."[104]

Fewer Choices and Shrinking Opportunities

As the world under Amazon's umbrella expands, the world outside its control is shrinking. Over the last fifteen years, the number of local, independent retail businesses in the U.S. fell by 108,000—a drop of 40 percent when measured relative to population.[105]

A primary cause of this decline has been consolidation in the retail sector and the increasing dominance of a few big retailers, especially Amazon. In a national survey this year, independent retailers ranked competition from large internet retailers as their top challenge, identifying Amazon as a far bigger threat to their businesses than anything else, including big-box stores, rising health insurance costs, and difficulty obtaining financing.[106]

To many local businesses, going up against Amazon doesn't feel like a fair fight. It doesn't seem that way when they have to add sales tax to a customer's purchase while Amazon does not,[107] or when they have to scramble to cover the cost of adding inventory or bringing on a new employee while Amazon picks up hundreds of millions of dollars in subsidies to fund its own growth.

Independent retailers play a pivotal role in helping new products find an audience. Manufacturers are alarmed at the prospect of a future where this market diversity gives way to a single online platform.

It's also not a fair fight when Amazon sells entire product categories at a loss, or when its third-party arbitragers' pricing bots drive margins to zero. "It really erodes the value [of our product] and makes it harder for the [brick-and-mortar] sellers that we depend on," the toy company CEO says. The paradox of this race-to-the-bottom pricing, according to the manufacturers we spoke with, is that it actually reduces their overall sales. The brick-and-mortar retailers they rely on to sell their full line and help them launch new products cannot match the prices on Amazon, because they need to earn at least enough margin to pay the rent and their employees. As these stores struggle and disappear, sales on Amazon do not make up for the losses. "Our product pricing got massacred on Amazon and we actually didn't sell that much either," says the sales manager at the game and puzzle company, referring to a time when his products were sold by both Amazon and many third-party sellers.

Amazon's platform is a poor substitute for what independent retailers do for an industry, according to the manufacturers we spoke with. They all describe these local, small businesses as a kind of keystone species, the absence of which would deeply damage the ecology of their industries, harming both producers and consumers.

Independents, for one, play a pivotal role in introducing new products and helping them find an audience. Almost invariably, they are the ones who provide the initial runway for a new author, an innovative tennis racket, or a toy so ingenious you have to play with it to believe it. One reason for this is that these stores are owned by people who have a passion for books or sports or toys, a genuine interest that propels them to search out and feature new products. Another is that these retailers maintain valuable physical spaces to showcase these products and build a sense of community around reading, or playing sports, or parenting.

"When somebody is providing all of this one-on-one contact and a place to hang out and be part of a community of people who also love what you love, that's really valuable. That's where consumers are introduced to our brand," says the executive at the mid-sized sporting goods manufacturer. Local retailers organize meets and races, bring in trainers, and guide customers taking up a new sport. All of this activity, he says, benefits both the surrounding community and companies like his. "But if they can't get the margins they need to afford the rent, those places will go away," he adds. Customers may value what these stores provide but they don't always connect the dots: "I hear retailers talk about long-time customers who come into their stores

The U.S. economy has become less entrepreneurial.

Number of new businesses created each year:

550,000
2005

400,000
2012

Source: "The decline of American entrepreneurship — in five charts," J.D. Harrison, Washington Post, Feb. 12, 2015 (citing analysis from the Kauffman Foundation) for advice and they are wearing a running shoe they didn't buy there. They say: Oh, I found it on Amazon for $20 cheaper."

For companies just starting out, local retailers are the way to find an audience. "They are on the front lines of helping parents find great toys for their kids," explains Mike Acerra, co-founder of Lux Blox, a startup toy company in Galesburg, Ill.[108] Galesburg has been hit hard by factory closures, as companies like Maytag, under pressure from big retailers to cut costs, have left. Acerra hopes Lux Blox, which makes its novel building blocks locally, can help reverse the decline. Lux Blox would never have gotten off the ground, though, he says, without independent toy stores, who have showcased its blocks and offered kids and parents a hands-on chance to try them. "To see it in person really clinches the sale," he says.

A growing body of scholarship finds that as small and medium-sized businesses give way to large companies, the middle class shrinks and the gap between rich and poor expands. Photo Credit: Stacy Mitchell

"The cheapest way for us to build a brand is to work closely with our brick-and-mortar stores. They are in a much better position as small retailers to do that boot-strapping," says Michael Levins, who founded Innovative Kids, a 27-year-old company that makes books and puzzles for kids.[109] Levins and his partner are in the midst of launching a new toy brand, and all they need to get it going are a few enthusiastic toy retailers. If Amazon succeeds in killing off local stores, he says, creating a new venture like this would become too expensive for most entrepreneurs. "If we were owned by a private equity firm with a huge trove of capital, then I suppose we could do it. We could do a bunch of advertising and build a brand online," he says.

Manufacturers are alarmed at the prospect of a future where the great variety and diversity that independent retailers bring to the market gives way to a single online platform. In a diverse retail sector, products can find their way to consumers via any one of a vast number of streams and tributaries, some large and many small. When these give way to a single river, fewer products make it downstream.

We can't know how Amazon is using the torrent of data it's gathering as we search, browse, and click, but we can be certain the algorithms that direct and focus our attention are serving Amazon's interests, not ours.

Research confirms this. Readers browsing in a bookstore discover new books they'd like to read at about three times the rate they do while shopping on Amazon, according to the market research firm Codex Group. Even though it dominates the market, capturing about half of book sales, Amazon accounts for only 7 percent of new book discovery. Local bookstores account for 20 percent.[110]

As more browsing and shopping migrates to Amazon, the company is gaining unprecedented power to decide what products we encounter, and to pick which companies, authors, and creators will be winners, and which will be losers. "Amazon has the ability to promote or destroy a book in the national marketplace for any reason it chooses, and nobody outside the company can know why or how—or even that it was done," observes Authors United.[111] We also can't know how Amazon is using the torrent of data it's gathering as we search, browse, and click, but we can be certain the algorithms that direct and focus our attention are serving Amazon's interests, not ours.

As Amazon uses its market power to extract ever higher fees from manufacturers, and as it demotes their products in its search rankings in favor of its own private-label goods, producers are left with less revenue to invest and fewer opportunities to compete by innovating. "If you can't make any money, it takes away invention and innovation," the sporting goods executive points out. Indeed, studies have shown that industries populated by lots of small businesses generate new products at a much faster clip than those dominated by a few large companies.[112]

The trouble is, as much as this loss of innovation and variety impacts our choices, and as much as it stunts the economy over the long-term, it's virtually impossible for consumers to detect in real time. "As a consumer, how would you even know that something was missing?" asks the sales manager at the game and puzzle company.

As Amazon reduces the choices available to us as consumers, it's having an even more alarming impact on our liberty as producers, workers, and people who need to earn a living. Amazon's tightening hold on our economy is narrowing our opportunities, eroding our agency and self-determination, and making it harder to earn a decent income. Starting a new business has become less and less possible: the number of new businesses launched each year has plummeted by more than one-quarter in the last decade,[113] a trend many economists say is owed to the increasing dominance of big companies like Amazon and their ability to crush smaller rivals and block new firms from entering markets. This in turn is hobbling job growth, because young, growing businesses are responsible for virtually all net new job creation.[114] It's also propelling economic inequality, according to a growing body of scholarship, which has found that, as small and medium-sized businesses give way to large companies, the middle class shrinks and the gap between rich and poor expands.[115]

Jeff Bezos is counting on us not to notice all that we're losing. His big bet is that we'll be so charmed by the ease of ordering a book from one of Amazon's bestseller lists, or telling our Echo speaker to deliver more Amazon-branded baby food, that we will fail to see how our freedom and our choices are shrinking—not only for what to buy and whom to buy it from, but for how we can earn a living.

Bezos is also betting that we'll mistakenly attribute the effects of Amazon's power grab to the digital revolution, and that we can be hoodwinked into believing that the sharp decline in competition and market diversity are the inevitable price of this new technology. During an interview on *60 Minutes* a few years ago, Bezos was asked about all the small publishers and local bookstores who "worry that the power of Amazon gives them no chance."[116] His response was emphatic: "Amazon is not happening to book selling; the future is happening to book selling."

The real future that Bezos has in mind for bookstores began to arrive last year. Amazon opened its first bookstore in Seattle. Clad in brick and mortar, the store is a cozy simulacrum of an independent bookstore. More of these Amazon bookstores are coming: to San Diego, Portland, Boston, Chicago, and Washington, D.C. On a call with investors in February, Sandeep Mathrani, CEO of the mall operator General Growth Properties, revealed that Amazon plans to open between 300 and 400 bookstores.[117]

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It turns out that Bezos knows what publishers and independent booksellers have known all along: There is nothing obsolete about bookstores or even printed books. It is not the analog nature of these stores that Amazon has set out to challenge. Rather, it is their ownership and their independence.

Amazon's Monopoly Power

Amazon is indeed a monopoly hiding in plain sight. Monopoly is a word that seems to belong to another age, but Amazon warrants its resurrection. A monopoly exists, the conservative economist Milton Friedman wrote, when an "enterprise has sufficient control over a particular product or service to determine significantly the terms on which other individuals shall have access to it."[118] Amazon certainly has this power in books, an industry in which the majority of sales have migrated online and Amazon's share of those sales is now larger than Standard Oil's was in 1911 when it was broken up by federal regulators.[119] And it is rapidly gaining this ability to dictate terms across much of the economy as it comes to control the basic infrastructure that both producers and competing retailers depend on to access customers and transact business.

And yet, aside from Amazon's giddy investors, most people have been slow to recognize the breadth of the company's power and the threat it poses to competition, open markets, and self-determination.

This is partly because we're accustomed to thinking of the web as a highly fluid place where upstarts can come along at any moment and fundamentally reorder entire industries. Yet, as the cases of Quidsi and Zappos make clear, Amazon has the financial resources to crush and devour would-be competitors. And that's not its only weapon against challengers. Its vast logistics infrastructure, which now encompasses about 190 warehouses and other facilities, forms a formidably high fortress. It's "why they have the monopoly," observes Kaziukėnas. "As a new e-commerce player, how do you get to the same level? People are used to the speed of Amazon's deliveries. Anything else seems so bad." Amazon's cache of data adds yet another bulwark, giving it an extraordinary knowledge advantage over its suppliers, competitors, and customers.[120]

More than anything, though, the reason we've been slow to recognize Amazon's tightening grip is that the company seems so consumer-friendly, and so unlike our image of a monopolist. We're too busy marveling at Amazon's effortless check-out and lightning-fast shipping to worry about the vanishing competition. But there is every reason to be deeply concerned about the ways Amazon is already using its dominance, and the ways it may do so in the future.

"There is an assumption that they are treating us the consumer fairly and it's not at all obvious that that is actually the case. And even if they are today, they might not be tomorrow," says Sabeel Rahman, a law scholar at Brooklyn Law School and a fellow at the Roosevelt Institute and New American Foundation. "How do we make sure they are not putting their thumb on the scale and driving you toward Amazon goods rather than those from competitors who might offer a product that is better? How can you be sure that the search is not biased?"[121]

After years of being dismissive of bookstores, Amazon is now challenging their ownership and independence with its own brick-and-mortar stores. Photo Credit: SEASTOCK / Shutterstock.com

Amazon has the potential to raise prices, but that's not the biggest reason to be alarmed by its tightening grip. Photo Credit: Amazon

Already, there are signs that Amazon has quietly begun levying its monopoly tax on consumers as well as producers. "Now, with Borders dead, Barnes & Noble struggling and independent booksellers greatly diminished… Amazon is, in effect, beginning to raise prices," a 2013 *New York Times* article reported, noting that the increases were mostly on books put out by smaller presses, not the bestsellers readers could more easily shop around for.[122] Another analysis found that Amazon continues to offer low prices on high-visibility items like televisions, but charges more than competitors for other goods, like the cables that go along with a new TV.[123]

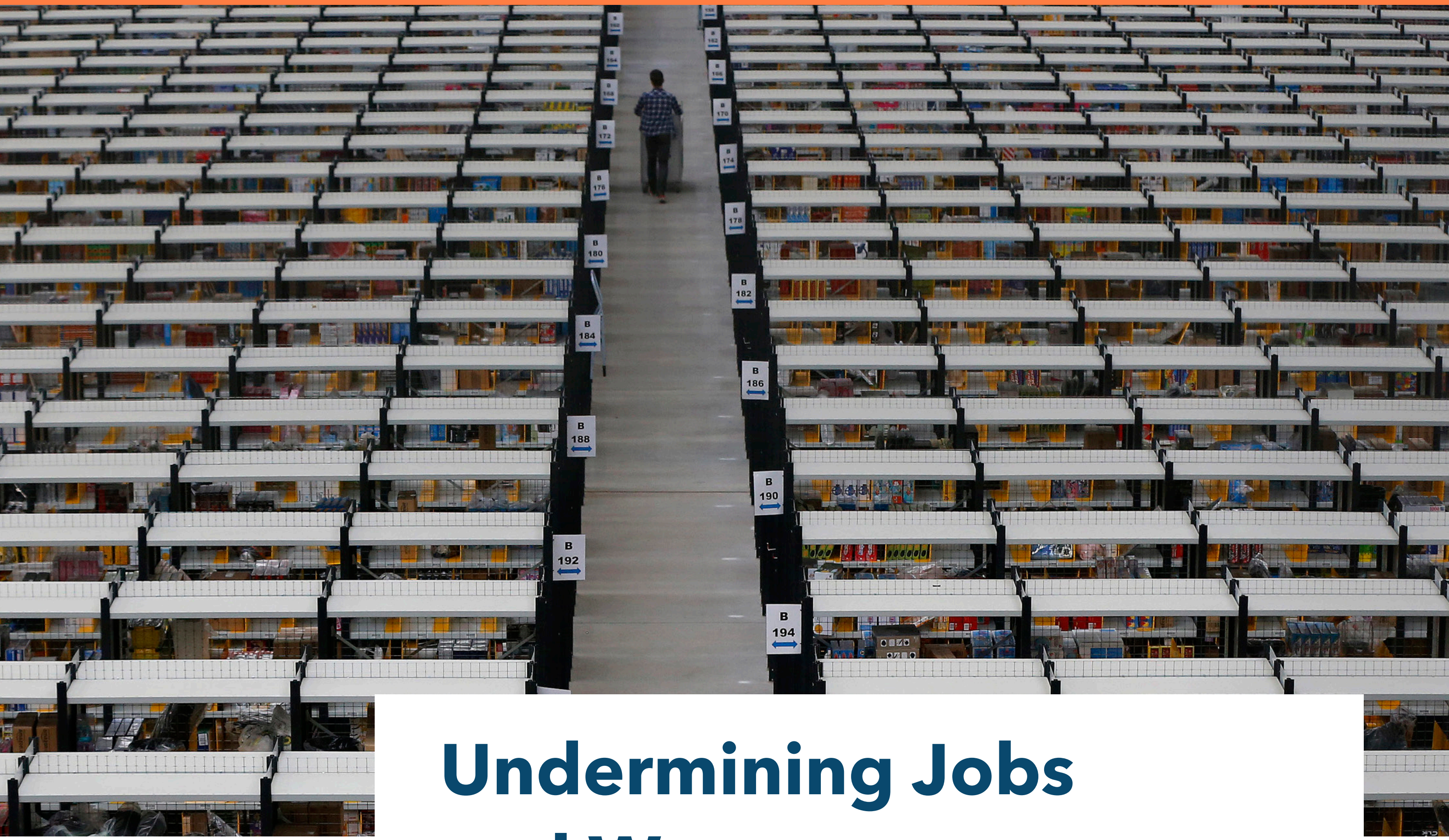
As buying from Amazon becomes habitual, as more households install its Echo speakers and sign up for its subscription service, which provides regular deliveries of household staples, the more the company can drive sales based on convenience rather than price. And when it comes to setting prices, Amazon's data cache gives it an information advantage over customers, which it puts to prodigious use. Amazon adjusts its prices constantly, making at least two-and-a-half million price changes a day.[124] These non-stop price changes, notes Lina Khan, a law scholar and fellow at New America Foundation, mean that, for both consumers and regulators, "it may not be apparent when and by how much Amazon raises prices."[125] For shoppers who subscribe to monthly deliveries of supplies like dog food and toilet paper, *New York Times* reporter Brian X. Chen found that these adjustments can result in unexpected price swings of up to 170 percent.[126]

When it comes to setting prices, Amazon's data cache gives it an information advantage over customers, which it puts to prodigious use.

But Amazon's potential to raise prices is not the only, or even an especially important, reason to be alarmed about its tightening grip. Amazon has the power to shape and limit the choices available to us and, even more worrisome, it is rapidly curtailing our ability to build a business, engage in commerce, and earn a living independent of its oversight. Although we have largely forgotten this today, concerns about our liberty and agency as producers of value, not just as consumers of it, propelled the passage of our antitrust laws a century ago. At that time, a few industrialists had harnessed another technological revolution, centered on railroads, to become all-powerful gatekeepers. We responded with laws that, among other things, bar companies from using their dominance in one industry to gain control of another, and prohibit them from leveraging their size to sell goods at a loss with the intention of driving smaller competitors out of the market. We also designated railroads, the essential infrastructure of commerce in those days, as "common carriers," a status that entails strict regulation to ensure open and fair access for competing businesses.

About 35 years ago, a radical ideological shift in how these laws are interpreted and enforced took root. Codified under Ronald Reagan, and backed by a key block of liberals, these changes stripped antitrust enforcement policies of their commitment to protecting competition and open markets, and limited regulatory action to the narrow goal of maximizing economic efficiency. As this new way of thinking swept in, we came to see antitrust policy as solely about keeping prices low. This has confounded our ability to see Amazon for the monopoly it is, creating a pathway for the company to gain a stranglehold on our economy with little interference from regulators. "With its missionary zeal for consumers, Amazon has marched toward monopoly by singing the tune of contemporary antitrust," notes Khan.

With corporate concentration soaring, a growing number of scholars, policymakers, journalists, and public interest advocates are now questioning this sharp shift in antitrust oversight, and many are calling for the restoration of the broader range of concerns and values that, for decades, animated these policies. No company better illustrates the stakes than Amazon, and it's beginning to draw more scrutiny. Both the European Union and Japan have opened antitrust investigations into Amazon. Former Republican Senator Olympia Snowe has described some of Amazon's tactics as "anti-competitive."[127] In June Democratic Senator Elizabeth Warren gave a groundbreaking speech on antitrust, in which she singled out Amazon as a particular threat. "The opportunity to compete," she said, "must remain open for new entrants and smaller competitors that want their chance to change the world again."[128] ■



Undermining Jobs and Wages

Amazon is eliminating more jobs than it is creating, driving down wages and working conditions, and spreading its low-road labor model to other sectors

For a customer looking to buy something online, the experience of shopping on Amazon is seamless. The Amazon page for an item is one of the first things that comes up in a Google search, and from there, it keeps getting easier: There's the price comparison, the product reviews, the one-click checkout, and then, in as little as an hour, the box at the door. It appears as if out of thin air, as if by magic.

Behind that magic is in fact a complex system of warehouses, conveyer belts, and scanners, of chutes and cubbies and machines that stamp bar codes on boxes two at a time. There are also people. There are people unloading toothbrushes, people sorting cell phone chargers into bins, and people dashing up and down aisles to gather pet food and earbuds, canned green beans and the latest John Grisham; there are people matching orders, and people packing boxes, and people loading trucks in the outgoing bays. Most of this work takes place well out of sight, in nondescript, windowless buildings on the outskirts of cities or near major rail hubs.

Amazon's been expanding this infrastructure at a breakneck pace. Between the summer of 2015 and the summer of 2016, Amazon's network of distribution facilities doubled in number, as it rolled out 14 of its massive fulfillment centers, 11 new sortation centers, and 60 smaller facilities like delivery stations and Prime Now hubs. In July, the company announced that it would have 18 more new fulfillment centers up and running by the end of September.[129] "It's the biggest expansion of any distribution system for any retailer that we've ever seen," says Mark Meinster, the executive director of Warehouse Workers for Justice, a worker center based in the Chicago area.[130]

Most of this work takes place well out of sight, in nondescript, windowless buildings on the outskirts of cities or near major rail hubs. Photo Credit: Amazon

As Amazon has arrived in cities and counties across the country, it's been hailed as an engine of economic growth and job creation. "There's not a lot of places in Florida where we've added 2,500 jobs in the last year and a half," said Gov. Rick Scott at a grand opening ceremony for a new fulfillment center in Ruskin, Fla., in April.[131] Communities hit hard by manufacturing job losses have been especially eager to stake their future on Amazon. These are places like Madison County, Ill., which was still reeling from the layoffs of 2,000 workers at U.S. Steel's idled mill when Amazon rolled in,[132] and Baltimore, where officials lured the company to the site of a former General Motors assembly plant with a $43 million incentive package.[133] "Amazon's continued growth in Baltimore is an important part of a larger economic transformation taking place throughout our state, where we are working hard to make Maryland a place where businesses choose to invest and create jobs," Maryland Gov. Larry Hogan told the *Baltimore Sun*.[134]

As it grows, Amazon is indeed transforming the U.S. economy, the labor market, and the future of work. As our analysis shows, however, the results are far from positive. In Illinois, Maryland and almost every other state, Amazon is destroying more jobs than it's creating, undercutting the wages of warehouse workers, and experimenting with ways to shed its responsibility for its workforce altogether.

In this section, we present research that finds that Amazon has eliminated about 150,000 more jobs than it has created; that the average wages at its warehouses are significantly lower than the prevailing wage for comparable work within the same areas; and that it relies heavily on subcontracted, temporary workers year-round. We delve into Amazon's investments in automation and new forays into on-demand "flex" labor that will allow it to shrink its workforce even further, and into how Amazon is spreading its labor model to shipping and package delivery. Finally, we examine how, even as Amazon has squeezed its workers, it's delivered enormous wealth to a handful of top executives and shareholders.

Though analysts and public officials talk about Amazon as a leading light of the economy, as we pull back Amazon's cloak of invisibility in this section, we find that there's nothing innovative about the company's labor model. At Amazon, the future of work looks much like the distant past, with workers paid a piece rate and shouldering all of the costs and risks of their work, just as they did in 19th-century sweatshops.

This version of work is not only low-road, it follows a steady path of declining returns for workers. It starts with fewer jobs overall as Amazon captures a larger share of spending. Then it moves to jobs that are increasingly precarious, as Amazon has shown with its temp workforce. It progresses to work that's more and more contingent, such as Amazon's "flex" package delivery operation. It ends, finally, with automation, and with Americans' $4 trillion in retail spending increasingly decoupled from any meaningful job creation.

In the story of the widening gulf between haves and have-nots in the United States, Amazon is thus a central protagonist. Earlier this year, Jeff Bezos leapfrogged Warren Buffett to become the planet's third wealthiest person, with an estimated net worth of $65 billion.[135]

Back behind the computer, ordering that toothbrush and pet food and cell phone charger, it's easy for a customer to forget that all of this infrastructure and all of the people with livelihoods at stake even exist. That's because part of Amazon's magic is in rendering the chain of interactions that make retail happen invisible, and shifting the retail economy from one in which workers play critical roles in face-to-face interactions to one in which they are cogs in Amazon's flywheel. As *New Yorker* writer George Packer has put it, "Online commerce allows even conscientious consumers to forget that other people are involved."[136]

In the story of the widening gulf between haves and have-nots in the United States, Amazon is a central protagonist.

This is all in contrast to different models. There's the traditional model of retail, where there are strong connections between a community and a network of grocers and pharmacies, shoe shops and art supply stores. This is a face-to-face economy, in which the person helping a customer find the right book or try on a pair of shoes is engaged in the most central, visible, and meaningful part of the business. There's also a model that's still emerging, in which e-commerce becomes an extension of this ecosystem. The warehouse work that fuels e-commerce is less familiar, but here too there are better versions than the one Amazon is spreading across the landscape. "They have a choice when they set up these warehouses," says Meinster, of the Chicago worker center.

Here's what Amazon has chosen.

Pushed to the Limit: Amazon's White-Collar Workers

Our analysis focuses on work in Amazon's warehouses, as these jobs comprise about 80 percent of the company's U.S. workforce, and are the jobs most comparable to the kinds of jobs that Amazon's growing footprint is replacing or eliminating. They're also the jobs relevant to most of the country, as all but several hundred of Amazon's corporate employees are based in just two states — Washington, where it employed approximately 23,000 workers at its Seattle headquarters at the end of 2015, and California, where it employed about 7,000 non-warehouse employees.[137] Many of these white-collar jobs are technology roles concentrated not in retail, but in sectors that are new, such as Amazon Web Services or Amazon's artificial intelligence research division, a project staffed by 1,000 people.[138]

Yet, it's worth noting that Amazon has also come under fire for its treatment of its white-collar workers. "Employees would stand up and pose direct questions to the executive team, and often they inquired about the enormous workload and frenetic pace," Brad Stone reported in his 2013 book, *The Everything Store*.[139] More recently, the *New York Times* published a detailed exposé for which it interviewed more than 100 current and former Amazon employees. The *Times* called the company's corporate culture "bruising," and described Amazon as, "conducting an experiment in how far it can push white-collar workers to get them to achieve its ever-expanding ambitions."[140]

Dwindling Jobs

Amazon pulled off a feat in Illinois in 2014. That year, it sold an estimated $2 billion worth of goods to Illinois residents.[141] It did so without employing a single person in the state.

At the time, Amazon's desire to avoid collecting sales tax in this populous state had kept it from building any facilities there, instead opening a warehouse just across the Wisconsin border and expanding its operations in Indiana. The company finally opened its first fulfillment center in Illinois in 2015, after nearly two decades of sales to state residents, but its job creation has remained paltry relative to its sales. Last year, Amazon generated about $1.5 million in sales in Illinois for every full-time warehouse worker it employed there.[142] By comparison, the state's brick-and-mortar retail stores employ about seven people to accomplish the same sales.[143]

Until now, retail sector jobs have been widely dispersed across the country, with virtually every town and neighborhood claiming at least a few. Retail jobs account for 13 percent of all employment, which means, in most cities and towns, that about one in every eight jobs is in retail. Now, this mainstay of local employment is beginning to unravel. Amazon is causing widespread job losses in retail, and not creating nearly enough new jobs to fill the gaps. The few positions it does create, moreover, are clustered in just a few locations, which means that as its sales expand, most communities are only experiencing layoffs.

Illinois is just one example of what adds up to tens of thousands of missing jobs across the country. While Amazon often paves its way into communities, and into taxpayer subsidies, with promises of all of the people it will hire, the company in fact uses its scale as a distraction from the fact that it destroys more jobs than it creates.

We analyzed Amazon's impact on employment and found that, by the end of 2015, the company had displaced enough sales at brick-and-mortar stores to force the elimination of about 295,000 retail jobs.[144] We then counted all of the full-time, part-time, and temporary employees on Amazon's payroll at the end of December, and found that Amazon had created only 146,000 jobs in the U.S. In other words, Amazon's expansion has resulted in a net loss of about 149,000 American jobs. Our figure is conservative: Amazon's employment is higher in December than at other times in the year, and we counted all of the company's jobs, including those in Amazon Web Services and other divisions that are not involved in retailing goods.

These job losses will only increase if Amazon takes over more of the retail sector. In April, only a day after Amazon announced its plans to open two fulfillment centers in New Jersey and touted the creation of 2,000 full-time jobs, Credit Suisse analysts reported that over 24,000 retail workers had lost their jobs in the first three months of the year and projected that 2016 would produce at least twice the number of retail layoffs as the year before. "These layoffs are clearly an attempt to deal with the decline in brick-and-mortar productivity, as brick-and-mortar sales are lost to e-commerce," the analysts wrote.[145]

Amazon's Net Job Impact in the U.S.

Full-time, part-time, and temporary employees on Amazon's payroll in the U.S. — **145,800**

Displaced jobs at brick-and-mortar stores — **-294, 574**

-148,774

Net job losses at the end of 2015

Sources: Institute for Local Self-Reliance analysis, drawing on Amazon's annual reports, U.S. Census data, and data disclosed by Amazon on its website, available at "Economic Impact — About Amazon," *Amazon*, accessed May 2016.

Even though the gains in places like New Jersey aren't enough to offset the losses, many parts of the country are experiencing Amazon-induced layoffs without any offsetting gains at all. There are 20 states in which, as of July 2016, Amazon has no physical presence, and no employees.[146] In Missouri, for instance, Amazon generated nearly $1 billion in sales in 2015, and didn't employ a single person.

Some hail this type of job destruction as efficiency.[147] As we'll see on the following pages though, Amazon gets by with so few employees by setting a punishing pace within its warehouses and taking advantage of a bottomless supply of temporary workers and on-demand freelancers who lack even the most basic protections of regular employment. What might look at first like efficiency devolves into simple exploitation, a means of squeezing as much labor as it can from workers while denying them a fair share of the gains. By supporting this model with tax breaks and subsidies, elected officials are encouraging a widening of income inequality rather than broadening opportunity.

Amazon's been expanding its infrastructure at a breakneck pace.
Photo Credit: Shutterstock.com

As if uneasy about how few jobs his company creates, Jeff Bezos has started taking credit for the people employed by Amazon's Marketplace sellers. Worldwide, these sellers have "created over 600,000 new jobs," Bezos announced in his most recent letter to shareholders.[148] This is highly misleading though. As we discuss in the previous section of this report, it's not correct to picture Marketplace as an entirely new world of business ventures. Rather, Marketplace is the capture of much of the existing business ecosystem by Amazon. Many Marketplace sellers are established retailers and manufacturers whose companies have existed separate from Amazon's platform. And many of these businesses will confide privately that Amazon is having a negative impact on their ability to invest and grow.

As these jobs figures make clear, Amazon is at the center of a collapse in job creation in one of the largest sectors in the U.S. economy. Such stark job losses are not an inevitable part of e-commerce and the evolution of the retail sector. Rather, they are specific to Amazon's consolidation of retailing and distribution, and the way the company is using its market power to stifle opportunity for workers and for young and growing businesses, which as discussed in the previous section, create the lion's share of jobs.

Grueling Work for Lower Pay Than Average

Amazon's job postings are full of upbeat language. "Our fulfillment centers are where Amazon orders come to life, where we focus on delighting our customers by delivering smiling boxes filled with everything under the sun," reads one typical posting for a job in a Joliet, Ill., fulfillment center.

Beneath that sugar-coated opening comes the actual job description. "Temperature in the fulfillment center may vary between 60 and 90 degrees and will occasionally exceed 90 degrees," the Joliet posting continues. "You'll stand in one place for extended periods of time, and be walking a good distance around the facility… you are willing and able to work all shifts… you are willing and able to work overtime as required, bringing smiles to our customers doesn't take time off… you must be able to lift up to 49 pounds with or without reasonable accommodation, stand/walk for up to 10-12 hours, and be able to frequently push, pull, squat, bend, and reach."[149]

This is how Amazon advertises its warehouse jobs, and the reality is even more grueling. Employees describe running across warehouses that sprawl the distance of 17 football fields; production quotas, or "rates," that can be set 60 percent higher than the industry standard;[150] and a disciplinary system that tracks workers' every action and inflicts "points" for any deviation from Amazon's standard. Underlying these conditions is Amazon's fundamental approach to its warehouse workers. The company's warehouses are finely-tuned machines, and the company creates conditions such that its workers are expected to be parts of that machine. The result is a work environment that is profoundly dehumanizing.

"There's no way for me to fully describe the size of this place," one fulfillment center employee in Tennessee told *Gawker*. "There are over seven miles of conveyor belts."[151] Many workers describe the physical strain of criss-crossing such vast facilities. "If you're a picker you have this scanner gun that counts down 22-seconds between every pick and you're running sometimes to the other side of the warehouse to get that pick," explains Meinster, of the Chicago worker center, who works with employees in Amazon's Joliet, Ill., and Kenosha, Wisc., warehouses. "The worst part was getting on my hands and knees 250 to 300 times a day," an employee working as a "picker" told the paper *The Morning Call*,[152] adding that he was expected to "pick" 1,200 items in a 10-hour shift, and that picking often involved reaching into low bins on the floor.

The handheld scanners that workers use to track inventory also allow managers to monitor them, and to set ever higher targets. "One day we came in to work and they said, 'Your rate is now 500 units per hour,'" one 22-year-old who worked receiving incoming inventory told *The Morning Call*.[153] Another worker, this one assigned to be a "picker," told the paper, "It started with 75 pieces an hour. Then 100 pieces an hour. Then 125 pieces an hour. They just got faster and faster and faster."[154] As Beth Gutelius, a researcher who has looked extensively at Amazon, told us, "It's actually impossible to meet the productivity standards and do so safely."[155] The *International Business Times* has reported that these production quotas are set intentionally too high. "Amazon's productivity numbers are apparently purposely designed to be unattainable for most workers so that employees feel that they are falling down on the job and push harder to hit the impracticable levels," *IBTimes* wrote. "This strategy [is] known as management by stress."[156]

Amazon's warehouses are finely-tuned machines, and the company creates conditions that make its workers parts of that machine.

Failure to hit these quotas ("make rate")—or failure to comply with mandatory overtime, or failure to register a new pick on a scanner within one minute of ending a break—results in discipline. Amazon uses a point system. Even if workers are not at fault for a slowdown in their rate, they're still held responsible. A supervisor in Amazon's Sumner, Wash., warehouse told the *Seattle Times* that the company, "penalizes workers for errors such as not properly scanning merchandise, even if the scanner itself caused the problem."[157] This workplace surveillance extends to management calling out the names of the select workers who have been successful at making rate during the twice-daily breaks,[158] and to employees getting pinged with a text message if they're falling behind.[159]

Other reports suggest that the point system is also used as retaliation against those who speak up. "After nearly two years on the job, one former manager was troubled enough about conditions to write an email to an Amazon regional vice president," the *Seattle Times* has reported. "A week later, the former manager says, he was accused of a minor rules infraction and given the choice of leaving the company or getting fired."[160]

One result of such grueling conditions is high turnover. "Many hires don't last more than a few months," reports *The Morning Call*.[161] "I had training with a group of seven other people, two girls and five men. None of us lasted longer than four months," one Amazon fulfillment center employee told *Gawker*. A survey of 250,000 workers at Fortune 500 companies by the firm PayScale found that Amazon was in the top three for high turnover, with median tenure of just one year.[162] While the PayScale survey doesn't control for the pace of hiring and also includes white-collar workers, it describes a company-wide attitude. This model of churning through workers is in keeping with Amazon's approach to workers simply as parts in the machinery of its warehouses, to be replaced when necessary. "It's really about investing in workers as little as possible," says Erin Hatton, a professor at SUNY Buffalo and the author of *The Temp Economy: From Kelly Girls to Permatemps in Postwar America*.[163]

Another result is injury. While Amazon has a low annual "incidence rate" according to the federal Occupational Safety and Health Administration (OSHA), that rate is partly a result of the company outsourcing liability to subcontractors, and also a result of closely managing workers' injuries so that they don't get reported. For instance, "A former warehouse safety official said in-house medical staff were asked to treat wounds, when possible, with bandages rather than refer workers to a doctor for stitches that could trigger federal reports," a *Seattle Times* investigation found.[164] In January 2016, OSHA fined Amazon for failing to record work-related injuries, as well as for the on-site medical unit overseeing care, "beyond what is allowed by their licensing and certification."[165] Among the injuries that Amazon failed to report to OSHA were severe ones, such as an employee who, after being injured by a falling box, was placed on work-restricted light duty for 56 days and issued a prescription.[166]

"As a 'picker,' you are sometimes walking the entire way across all three connected warehouses, for one item," says one Amazon fulfillment center worker. Photo Credit: Scottish Government

Amazon would have the public believe that in exchange for enduring these conditions, it pays its workers well. Our analysis finds that this is not the case. Drawing on more than 1,300 wage postings on Glassdoor.com, we found that that Amazon's fulfillment center positions pay an hourly mean wage of $12.32,[167] which is 9 percent less than the industry average for comparable work, according to Bureau of Labor Statistics (BLS) data.

The national figures are somewhat misleading, however, in that labor markets are regional, rather than national. When we drilled into eleven metro areas where Amazon has a significant presence, we found an even larger difference between its average wage and the prevailing local wage for warehouse work in all but one metro area. In the Dallas-Fort Worth area, where Amazon has seven large facilities, its mean hourly wages were 11 percent lower; in Seattle-Tacoma, where Amazon has five warehouse facilities, wages were 18 percent lower. The smallest gap was in the Phoenix metro area, where Amazon workers make an average of 6 percent less than other warehouse workers. The largest gap was in Kenosha, Wisc., where Amazon has one fulfillment center and one sortation center, and pays an average wage of $12.23—22 percent less than the average wage for comparable work, and 26 percent less than the living wage for the county.[168]

How Amazon's Wages Stack Up in 11 Metro Areas

METRO AREA	NUMBER OF LARGE AMAZON FACILITIES IN METRO AREA*	RECEIVED SUBSIDIES	LIVING WAGE IN METRO AREA	AVERAGE WAREHOUSE WAGE IN METRO AREA	AVERAGE WAREHOUSE WAGE AT AMAZON IN METRO AREA	DIFFERENCE BETWEEN AVERAGE WAGE AND AMAZON WAGE
Atlanta	3	No†	$14.62	$13.03	$10.55	-19%
Cincinnati	4	Yes	$14.25	$14.34	$12.18	-15%
Columbia, S.C.	1	Yes	$13.19	$13.69	$11.22	-18%
Dallas-Fort Worth	7	Yes	$13.87	$12.78	$11.36	-11%
Harrisburg-Carlisle, Pa.	6	Yes	$14.39	$15.84	$12.72	-20%
Inland Empire, Calif.	9	Yes	$16.08	$13.64	$12.18	-11%
Kenosha, Wis.	2	Yes	$16.49	$15.60	$12.23	-22%
Louisville, Ky.	6	Yes	$14.39	$13.97	$11.65	-17%
Nashville, Tenn.	4	Yes	$13.07	$12.98	$11.74	-10%
Phoenix	4	Yes	$15.67	$13.39	$12.56	-6%
Seattle	5	Yes	$16.29	$16.02	$13.16	-18%
Average			**$14.76**	**$14.01**	**$11.96**	**-15%**

*In addition to these, Amazon also has a number of delivery stations, Prime Now Hubs, and other smaller facilities in these metro areas.
†We did not find record of a subsidy award at these three Atlanta locations, but publicly available information is incomplete.

Data and Methodology: We defined comparable work to be the Bureau of Labor Statistics (BLS) occupation, "Laborers and Freight, Stock, and Material Movers, Hand (SOC 537062)," and then looked at that occupation across these eleven statistical areas. We chose to focus on statistical areas where Amazon has a large presence, where the company received particular subsidies, where the data was robust, or all of the above. We adjusted the BLS wage data to 2016. For Amazon's wages, we relied on more than 450 wage postings submitted to Glassdoor.com across eleven Amazon warehouse job types, which we accessed in June 2016. For the living wage in these metro areas, we relied on the calculator from the Massachusetts Institute of Technology.

Sources: "Living Wage Calculator," *Massachusetts Institute of Technology*, accessed August 2016; *Bureau of Labor Statistics*, May 2015, extracted June 2016; Glassdoor.com, accessed June 2016.

Across these eleven metro areas, we found that Amazon wages were an average of 15 percent below the wages for comparable positions. It's important to note here that though there are examples of better warehouse jobs, much warehouse work is not very well-paid to begin with,[169] and Amazon is dragging those low wages down further. Amazon is paying 15 percent less than an already low-wage job. These low wages disproportionately affect African-American and Latino workers, who comprise 45 percent of Amazon's warehouse workforce, but only 8 percent of the company's management.[170]

"The big issue that we hear is pay," says Meinster. "People aren't being paid minimum wage, but there is the feeling that people aren't being paid in a way that's commensurate with the work. Most workers tend to be the max $12, $13 an hour range, for really grueling work, and with a lack of regular wage increases."

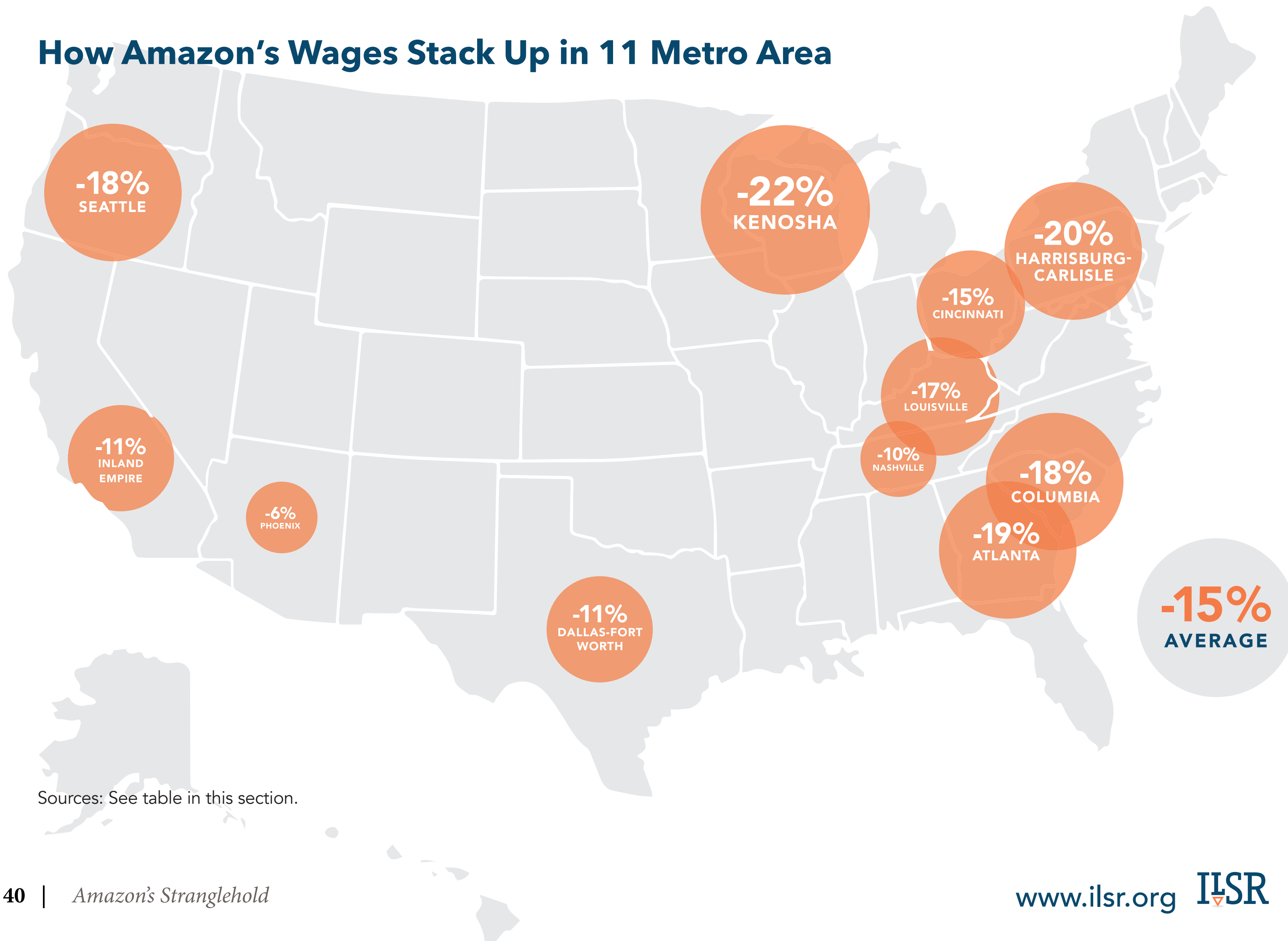
Amazon often defends its wages by talking not about warehouse work, but about retail jobs, and saying that average pay at its fulfillment centers is "30 percent higher than employees' pay in traditional retail stores."[171] That claim, however, doesn't line up with any of the available data. The average hourly pay for the nation's 7.5 million retail sales workers was $11.72 in 2015, according to BLS data; adjusted for inflation to 2016, that means Amazon paid just 3 percent more. Meanwhile, work in its warehouses is considerably more physically demanding than work on a retail sales floor, and these wage figures don't capture the large number of lower-wage workers who work in Amazon's warehouses but are employed through staffing agencies and subcontractors.

There's also the question of benefits. Amazon misses no opportunity to talk about the benefits it offers its warehouse workers,[172] which it bills as health care "starting day one," a 401(k) with a company match, and educational assistance through its Career Choice program. What it doesn't mention are that the premiums and deductibles for its medical plan options may be beyond the means of a worker making $12 per hour,[173] that the company match doesn't vest until after an employee has been with the company for multiple years, and that the Career Choice program is only open to employees who have lasted one continuous year at the company. It also takes pains to avoid disclosing that a large share of its workforce—part-time workers, temp workers, and seasonal workers—aren't eligible to receive these benefits. For part-time and seasonal workers, for instance, Amazon's much-touted "day one" promise doesn't apply: These employees are only eligible for health care after 90 days,[174] and given the turnover cycles at Amazon's warehouses, many don't make it that long.

Amazon could pay more. Some of its competitors do. At Associated Wholesale Grocers, for instance, a wholesale grocery cooperative owned by its members, many of whom are independent grocers and local chains, a small sample of salaries shows an average wage of $15.27 per hour for a picker.[175] Or take Amazon's closest neighbor at one of its fulfillment centers in San Bernardino, Calif. From the back of Amazon's facility there, workers can see a warehouse for Stater Bros. Markets, a regional chain of discount supermarkets, where workers earn an hourly rate of $24.59, according to a two-year union contract ending in spring 2016.[176]

The grueling conditions for which Amazon is paying this lower wage aren't the norm. Though warehouse work is hard, "pretty much no matter where you are," says Meinster, Amazon is "unique." Part of this is e-commerce in general. While warehouses that distribute goods to brick-and-mortar retailers are able to work mostly with goods that are still on pallets, in e-commerce, workers have to sort, pick, and pack individual orders. Even within the world of e-commerce, though, Amazon squeezes its workers harder than other companies. As the journalist Spencer Soper reported for *The Morning Call*: "One staffing industry recruiter whose company serves the Lehigh Valley shipping industry said he has interviewed roughly 40 job applicants who complained of difficult working conditions at the Amazon warehouse. Ordinarily, if someone only

How Amazon's Wages Stack Up in 11 Metro Area



Sources: See table in this section.

lasted a few months in a warehouse job, it would raise questions about their abilities, he said. But he has placed former Amazon warehouse workers in other warehouse jobs and they were able to meet expectations, he said."[177]

Amazon could pay more. Some of its competitors do. Workers at an Amazon warehouse in San Bernardino, Calif., can see across to a regional supermarket chain's warehouse, where the workers earn twice the hourly rate that they do.

One of the best ways to improve the conditions and wages in Amazon warehouses would be for workers to join a union. Amazon, however, has blocked collective organizing at every turn, and has a history of employing "union avoidance" tactics.[178] Amid a 2001 effort to organize an Amazon call center in Seattle, the center was shut down and 400 workers were laid off, though Amazon attributed the decision to a company-wide restructuring.[179] Even in Germany, where Amazon has operated warehouses since 1998 and where unions continue to have significant influence, Amazon has defied the country's labor model.[180]

Part of Amazon's ongoing ability to resist unions is that its warehouses are the most difficult kind of organizing project. There's the invisibility of them, which makes it hard to engage public support. There's the scale of them, and the capacity issues that come with organizing 1,000-plus workers. And there's also the high turnover. "It's a very good perk for anti-union employers," says Hatton, of high turnover. "The workers generally aren't around long enough to organize."

As over-worked and under-paid as these Amazon employees are, there's also another kind of worker who Amazon relies on, and who it treats even more poorly: the temp worker. And at Amazon warehouses, there are a lot of temps.

Amazon Workers Speak Out

"I have never felt more disposable or meaningless than I do at Amazon… In Prep, more than a hundred of us were put in front of stations with computers, scan guns, and full pallets of products. Full, six-feet-tall pallets of all sorts of things. For instance, deodorant. We'd unpack box after box of Right Guard six packs, put two of them into another bag, put that bag into a yellow tote bin, and keep going until the entire pallet of hundreds of deodorants was empty. Then another pallet would be put in front of us… We had to unpack and repack a certain number of product per hour. Our UPH, or units per hour, was what determined whether or not we'd get a talking to by one of our many bosses. When I first got hired on, we had to make a Rate of 85, which was doable, if challenging at first. By the time Peak season came around the rate was about 180. After Peak, it stayed at 180. That meant that we had to Prep about 3 units per minute, which was fine if the product had no Prep to be done to it, but not easy at all if the product had to be bagged, and bubble wrapped, and then boxed up." – *Amazon fulfillment center employee in Moreno Valley, Calif., as published by Gawker in June 2016.*[181]

"Rate: you have to hit 100 percent, not 99 or 98, 100 percent. For my job this meant sorting either 12 items a minute(mediums) or 15 items(small). This can sometimes be grueling depending on the size of the items; smalls ranging from cell phone covers to huge textbooks and mediums from iPads to crystal cat dishes. Every day, non stop and if you are not making it for the week you are written up. Get three of those and you do not have a job anymore." – *Amazon fulfillment center employee in Hebron, Kentucky, as published by Gawker in Oct. 2014.*[182]

"As a 'picker,' you are sometimes walking the entire way across all three connected warehouses, for one item. They say you should be walking this quarter-of-a-mile in three minutes or less. It would take me five." – *Amazon fulfillment center employee, as published by Gawker in July 2014.*[183]

Photo Credit: Álvaro Ibáñez

Reliance on "Permatemps"

They spring up wherever Amazon announces a new fulfillment center. There's the one in Joliet, Ill., a 17-minute drive from the Amazon warehouse on East Laraway Road, or the ones in Windsor, Conn., or Kenosha, Wisc., that are housed inside the Amazon fulfillment centers themselves.

They're the offices of the temporary staffing agencies that employ as many as half of the workers in Amazon's warehouses at any given time and as many as three-quarters of workers in the final two months of the year.[184] Amazon often calls these workers "seasonal," as if to imply that it uses temporary workers only during the peak holiday season, but the term is a dodge. In fact, Amazon relies on temps year-round. While Amazon does hire some of these temps directly—and in the past has even made them sign 18-month non-compete agreements[185]—it has also outsourced a large portion of its staffing needs to two temporary staffing firms, Integrity Staffing Solutions and Staff Management, known as SMX. These firms have come to serve as human resources arms for the company, allowing Amazon to distance itself from the responsibilities and liabilities that come with the standard employer-employee relationship. Nor are all of these workers doing only brief stints in Amazon's warehouses. Many are assigned to Amazon indefinitely as a new class of worker: the "permatemp."[186]

Within any given Amazon warehouse, there are two tiers of workers. One group is the direct hires, the full-time and part-time workers who are employed directly by Amazon. The second group is the temps, the full-time and part-time workers employed through the staffing agency. "There's a class structure," says John Getz, an organizer with the United Food and Commercial Workers International Union.[187] The two groups generally perform the same tasks, and might work at the warehouse for the same period of time, but they're easy to tell apart: The Amazon hires wear blue badges; the temps wear white.

The use of temporary workers is a model that's boomed across the U.S. economy in recent years, more than doubling from 1.2 million workers in 2005 to 2.7 million workers in 2014.[188] It's particularly taken hold in the warehouse industry. In May 2015, according to data from the Bureau of Labor Statistics, nearly 1 in every 5 workers who moved freight and stock by hand—the largest occupation in the warehousing industry—was a temp, and those workers also comprised 16 percent of the entire temp industry, by far the largest share of all occupations.[189] "In this latest recovery, the temp industry was the fastest growing sector in the economy," says Erin Hatton, a professor of sociology at SUNY Buffalo and expert on the temp industry.

Amazon has been a leader in this shift. "Amazon has done nothing to change the model, and has really adopted it," says Meinster. It's difficult to know just how many temp employees are working in Amazon warehouses. The company claims, "Throughout the year on average, nearly 90 percent of associates across the company's US fulfillment network are regular, full-time employees."[190] It's hard to say how Amazon arrived at this statement, but it doesn't line up with anything else. In October 2015, for instance, Amazon announced that it would employ 100,000 seasonal workers nationally to augment its 90,000 full-time permanent workers during the rush of holiday orders.[191] Amazon's statement also doesn't square with other figures it has released to news media about staffing at individual warehouses, which indicate that temps account for more than half of the workforce during much of the year, and up to 75 percent during the holiday peak.[192] Within warehouse work generally, many estimate a rough split of 60 percent direct hire to 40 percent temp.[193] Our review of the available information suggests that this breakdown is roughly accurate for Amazon year-round.

A primary reason that Amazon and other companies have so completely incorporated temp work into their businesses is that the model allows them to thoroughly distance themselves from the workers, absolving them of responsibility and liability. "Firms often work hard to isolate the employment relationship to the subcontractor or staffing agency only," finds the UC Berkeley Labor Center.[194]

The largest temporary staffing firm that Amazon uses in this process is Integrity Staffing Solutions, which has contracts with Amazon to staff its fulfillment centers in at least 48 locations.[195] Integrity was founded in 1997, just two years after Amazon, and started contracting with it that year. "We did things others weren't willing to do," CEO Todd Bavol has said.[196] Today, the company handles functions from recruitment to background checks to tax filings, and not just for the workers it employs, but for a portion of Amazon's direct hires as well.

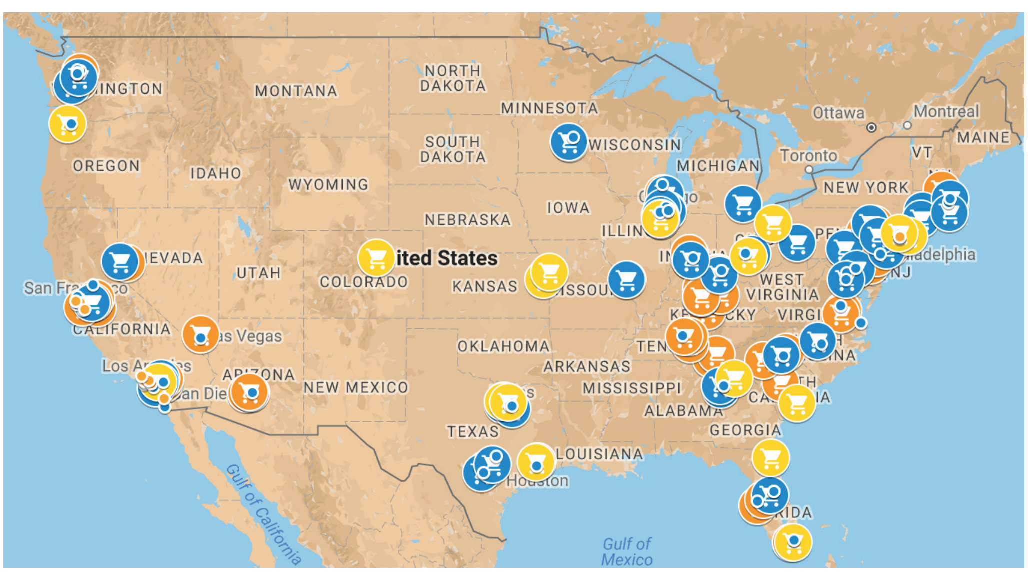
One example of how this arrangement allows Amazon to outsource liability to Integrity is the case *Integrity Staffing Solutions, Inc. v. Jesse Busk and Laurie Castro*, which went up to the U.S. Supreme court. Busk and Castro were two Integrity employees who worked at Amazon warehouses in Nevada, picking and packing goods. In 2010, Busk and Castro sued Integrity for back wages and overtime pay, on behalf of employees in the Nevada warehouses. They argued that they should be compensated for the time they spent going through security checks, which they said added up to roughly 25 minutes every day.[197] The 9th U.S. Circuit Court of Appeals ruled in favor of the workers, but in December 2014, the U.S. Supreme Court reversed the decision. Though Amazon's name often appeared alongside Integrity's in the ensuing news coverage and backlash, Integrity was front and center. Along with the public relations benefit, there's also a cost savings for Amazon that comes with shifting this liability. It's Integrity that would have been on the hook financially had the appeals court ruling stood.

Another example is in liability for the safety and training of workers, on which temp agencies notoriously skimp. For instance, when temporary worker Ronald Smith was crushed to death by a conveyor system at an Amazon fulfillment center in Avenel, N.J., OSHA cited and fined four temporary staffing agencies and the third-party logistics company with which Amazon had contracted to manage the warehouse, but not Amazon itself.[198]

This distancing also works when it comes to wages and benefits, and the temp model allows Amazon and others to more readily get away with paying lower wages with fewer benefits. In general, the warehouse worker in the industries Amazon's warehouses are impacting—wholesaling, retailing, and warehousing—makes a mean hourly wage of $13.41; the same worker in the temp industry earns just $11.56, according to BLS data, or 14 percent less.[199]

Our review of about 50 job postings for temporary work at Amazon warehouses indicates that Amazon's

Amazon's Logistics Network



LEGEND

- Large Facilities, pre-2015
- Large Facilities, 2015 and 2016
- Large Facilities, Announced
- Small Facilities, 2015 and 2016
- Small Facilities, pre-2015

Source: MWPVL International; news accounts.

To see the map in more detail, go to: ilsr.org/amazon-logistics-map temp positions pay about $0.50 to $1.00 less per hour than its direct hires make.[200] With temp workers, there's also no upward pressure on wages over time, and these positions further contribute to the high employee turnover that adds to Amazon's ability to dodge accountability. And unlike with direct hires, Amazon doesn't have to provide temporary employees with any benefits. Amazon's primary staffing agency offers only a vague promise, "As an employee of Integrity Staffing you may also be eligible for medical and dental benefits."

Along with wages and benefits, the temp agencies also handle myriad other HR responsibilities, and part of how they earn their keep is by squeezing savings in these areas. One story in *The Morning Call* details the struggle of a former Amazon warehouse worker to secure unemployment benefits: "Months after she suffered heat exhaustion and lost her job in an Amazon.com warehouse in Breinigsville, Rosemarie Fritchman sat in a small conference room pleading for unemployment benefits of about $160 a week… the human resources agent is not from Amazon. She works for Integrity Staffing Solutions." The story goes on to report that Integrity is involved in more unemployment compensation appeal hearings than almost all other employers in Pennsylvania, and even surpasses Walmart, the state's largest private-sector employer. "The practice reveals one of the ways Amazon keeps costs down and one tactic used by a temporary staffing firm to win Amazon's continued business," the story finds.[201]

Amazon often calls temp workers "seasonal," but in fact, it relies on them year-round, and has outsourced many of the responsibilities and liabilities of being an employer to temporary staffing firms. Photo Credit: Scott Lewis

Companies often talk about flexibility, and what workers get out of the temp model. Talk to actual workers, though, and an overwhelming majority of them would prefer to be a direct hire. "A full 96 percent of workers interviewed said they would prefer a direct hire position, while 1 percent stated a preference for temp work through a staffing agency," found a survey of 319 warehouse workers.[202]

"These are people who really want to work. They by and large want secure employment," says Hatton, the SUNY Buffalo professor. Temps, however, provide Amazon with advantages the company is loath to give up, including a helping hand in keeping its direct hires in line. "The very clear and occasionally explicit message to employees is that you're replaceable, you should be thankful for what you have, and if you're going to ask for one penny more, one ounce more security… they can replace you," says Hatton.

Shifting to On-Demand "Gig" Jobs and Automation

In September of 2015, Amazon started testing a new service in its hometown of Seattle. Called Amazon Flex, it let anyone over age 21 with a driver's license and a car sign up to be an Amazon delivery driver. Drivers had to pass a background check and download an app, and from there, they could start signing up for two-hour shifts to pick up packages from Amazon's hubs, plus orders from restaurants and stores participating in the company's delivery service, and deliver them to customers. One month later, Amazon expanded the program beyond Seattle, and by February, it was in 14 cities and Amazon had started using Flex drivers not just for Prime Now, a more niche service that offers two-hour delivery of groceries and household staples, but for regular Amazon deliveries as well.[203] By August 2016, people could sign up to be Flex drivers in 30 cities.

In its pitch to new drivers, Amazon emphasizes the pay and the flexibility. "Make $18 to $25 an hour," its copy reads. "Be your own boss." In fact, however, Amazon Flex is another step down in the sequence of Amazon's model of increasingly degraded work. As it expands its Flex program, Amazon increasingly shifts responsibility away from itself, and replaces jobs that were formerly stable and full-time with work that drivers can't rely on or build a life around.

What Amazon shies away from in its pitch is that drivers are paid not by the hour, but by individual delivery, and as independent contractors, they have to cover their own expenses, including fuel, maintenance, and insurance. By the end of the day—or, as it were, the two-hour shift—that $18 starting hourly wage is suddenly a lot lower. Amazon's focus on "flexibility" is also questionable. It looks for drivers who are interested in picking up work in "their spare time," as it described Flex when it expanded the program to Britain in July 2016.[204] However, Amazon is actively participating in creating a labor market where a Flex job isn't work that a person takes on to supplement a stable job, but work a person takes on because it's the only job she can find.[205]

Flex is Amazon's latest foray into what's alternately termed the "sharing" economy, the on-demand economy, or perhaps most aptly, the gig economy, in which companies contract with workers to perform individual tasks (gigs) on an as-needed basis. The number of people working in alternative work arrangements—which includes part-time, temp, and other contracted workers, as well as those in the gig economy—soared from 10 percent to 16 percent of the U.S. workforce between 2005 and 2015,[206] and Amazon's been a powerful agent of this profound shift in employment. In 2005, three years before the ride-hailing company Uber was founded, Amazon rolled out Mechanical Turk, a platform that connects people listing "micro-tasks," such as data entry, with workers willing to perform them. As of 2015, it had about half a million workers signed up.[207] Though it's difficult to come up with an hourly wage figure for workers who use the platform, *The Verge* has reported an average of $2 to $3;[208] in 2014, users of the service started a letter writing campaign asking Jeff Bezos to recognize them as "actual human beings"; and in 2015, Amazon increased its commission from 10 percent to 20 percent of every task.[209] "Amazon's platform enables an array of companies to access digital labor at low cost and without any of the associated social protection or moral obligation," researchers have written.[210]

Now, Amazon is continuing to escalate its role in the gig economy, and analysts project that it will persist in its rapid expansion of Flex. "We think Amazon is likely to expand its use of on-demand delivery over the next 5-10 years," Deutsche Bank found in a recent report.[211]

Photo Credit: Álvaro Ibáñez

As precarious and arduous as jobs like a fulfillment center worker for Integrity Staffing Solutions or an independent contractor for Amazon Flex are, they're still paid work. Through them, Amazon continues to have to share at least a small portion of the wealth that it's generating to a work force, instead of entirely to executives and shareholders. But this is changing. At the same time that Amazon is pushing at the boundaries of the employee-employer relationship, it's also expanding the frontiers of automation.

In 2012, Amazon bought Kiva Systems, a robotics company that at the time supplied warehouses everywhere. "The acquisition effectively gave Jeff Bezos command of an entire industry," *Bloomberg* has reported, and Bezos decided not to extend Kiva's other contracts, but to use the technology for Amazon's warehouses alone.[212] In 2014, Amazon started building its eighth generation of fulfillment centers, fully integrated with Kiva, and a year later, it renamed Kiva as Amazon Robotics. Amazon now has about 30,000 [213] of the 320-pound orange robots [214]—double the number it had in 2014[215] —in its warehouses around the world, and Deutsche Bank analysts have found that Amazon saves $22 million in payroll and other costs at every warehouse where it deploys the technology.[216] To this day, as *Bloomberg* reports, "it's really only Amazon that has this kind of technology at scale."[217]

Here's how *MIT Technology Review* describes the robots themselves: "At the center of the warehouse is a storage space containing square shelves packed with countless products from Amazon's inventory. In previous generations of its fulfillment center, Amazon's workers would have roamed these shelves searching for the products needed to fulfill each new order. Now the shelves themselves glide quickly across the floor carried atop robots about the size and shape of footstools. In a carefully choreographed dance, these robots either rearrange the shelves in neatly packed rows, or bring them over to human workers, who stack them with new products or retrieve goods for packaging."[218]

There's not yet technology that gives robots the dexterity or object recognition to do that picking themselves, but Amazon is working to change that. The company has sponsored two robotics contests that it's called the "Picking Challenge," where it awards the team that can design the best warehouse "picker." The challenges have drawn entrants from robotics teams around the world, and in the summer of 2016, researchers from TU Delft Robotics Institute and Delft Robotics, in the Netherlands, took home the prize.[219] Their winning robot's edge came from the artificial intelligence it used to analyze the objects that it had to pick,[220] and artificial intelligence is itself an area in which Amazon's investing heavily. In 2015, Amazon acquired the AI startup Orbeus,[221] and since then, Jeff Bezos has disclosed that the company has more than 1,000 employees working on artificial intelligence projects, which includes its Alexa voice assistant platform. [222]

The acquisition of the robotics company Kiva, "effectively gave Jeff Bezos command of an entire industry," *Bloomberg* has reported.

When it talks about its robotics initiatives, Amazon's careful to note that its current systems rely on human-robot interactions, and that it hasn't laid off workers as it has expanded its use of robots. Like many

Robots like this one are already performing tasks that in other warehouses are done by human workers. Photo Credit: Amazon

of Amazon's framings, though, this one uses the company's scale and rate of expansion to obscure what's really happening. The company's use of its robotics fleet has so far been limited, and just 13 of its facilities are equipped with the orange bots. In those facilities, however, the robots are already performing tasks that in other warehouses are done by human workers. "It's obvious that humans are going to lose these jobs," analyst Michael Pachter told the *Los Angeles Times*. "There will be exactly the same impact on retail as robots have had on manufacturing."[223] As Amazon scales its use of technology, and implements new technology, these impacts will scale too.

Amazon's also working on automation as a tool to enter sectors that it does not yet control, including package delivery. As early as 2013, Jeff Bezos revealed that Amazon was working on technology to deliver packages by drone. "I know this looks like science fiction. It's not," Bezos said on *60 Minutes*, adding that its drones can carry up to 5 pounds, "which covers 86 percent of the items that we deliver."[224] An Amazon web page reports that its drones can make deliveries in under 30 minutes and predicts: "One day, seeing Prime Air vehicles will be as normal as seeing mail trucks on the road."[225] Between 2014 and 2015, Amazon increased its lobbying expenditures by 91 percent as it sought to influence the U.S. Federal Aviation Administration's rules for unmanned aircraft,[226] and in July 2016, it announced a partnership with the British government to conduct drone test flights.[227]

In a report on Amazon's expanding influence in logistics, Deutsche Bank analysts noted that as Amazon cuts workers, and their wages and benefits, out of the delivery chain, "full automation from self-driving trucks to delivery robots and drones should bring unit cost to near $0."[228]

To be clear, automating jobs that are grueling and dehumanizing is not a bad thing. What Amazon is doing, however, is taking work that has historically provided routes to a prosperous, satisfying life, degrading those jobs, and meanwhile, planning to automate them. As we grapple with the impact and influence of the company, we also must think critically about the loss of jobs and the distribution of benefits to the top that go hand-in-hand with its rise. Because this is the furthest point in Amazon's sequential model of work. In the Amazon world, the future of work has robots and drones. What it doesn't have are locally owned retailers or long-time shop employees, packers or sorters or delivery drivers. It doesn't have very many people at all.

Spreading Its Low-Road Model to Package Delivery

As Amazon expands its scale and its ambitions, it's spreading its model of increasingly devalued work into sectors of the economy that have traditionally provided stable, well-paid jobs. Nowhere is this more clear than in the logistics sector.

For years, the United States Postal Service (USPS) and UPS have handled a majority of Amazon's deliveries. UPS has 362,000 employees in the U.S.,[229] and for the Postal Service the number is 493,000 workers who are "career" employees, i.e., full-time.[230] For the most part, as "career" implies, these are stable jobs with union representation and the benefits and protections of a regulated employer-employee relationship. According to the Teamsters' current master agreement with UPS, which runs through 2018, the hourly wage for a delivery driver starts at $18.75.[231] For Postal Service city letter carriers, the February 2016 National Association of Letter Carriers contract has hourly wages starting at $17.70 and going to $30.55, and annual salaries ranging from $36,814 to $61,097.[232]

In a bid to reduce its shipping costs, Amazon has taken aim at this surviving corner of the middle class, and its actions threaten to drag down labor standards across the logistics industry. Already, it's used its leverage as one of the largest buyers of package delivery services to undermine work standards. Its contract with USPS for Sunday package delivery, for instance, has resulted in Postal Service workers having to work more than seven consecutive work days.[233]

At the same time as Amazon is undermining work standards at the major carriers, it's also been building out its own shipping infrastructure. It now has more than 20 sortation centers and dozens of delivery hubs scattered in and around cities across the country, where it sorts packages by ZIP code and feeds them directly into the postal system. As Amazon has increasingly taken the sortation process in-house, it's cut business it once gave to national carriers, mainly UPS. Over the last three years, the share of Amazon packages delivered by UPS and others has fallen from 49 to 36 percent.[234]

Now, Amazon is testing ways to take over the "last mile" between the sortation center and the customers' doors. Just as it learns about a new product category from Marketplace sellers and then brings that category into its own inventory, so too has Amazon learned from UPS and USPS how the logistics industry works. It's relying more and more on Flex drivers and on regional couriers that contract with freelance drivers to make deliveries. Since 2014, these couriers have seen their share of Amazon deliveries triple from 5 percent to 15 percent.[235]

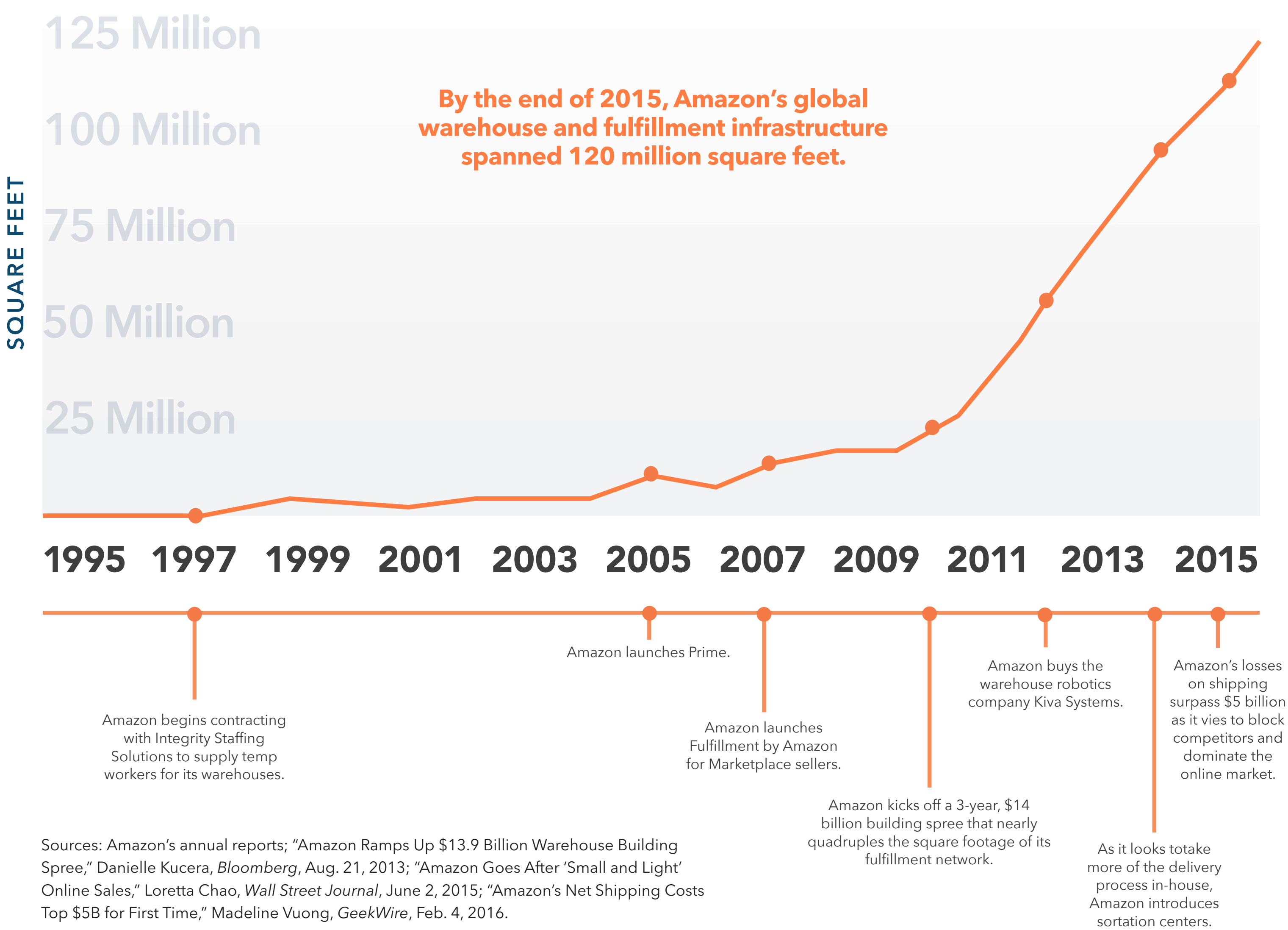
In a bid to reduce its shipping costs, Amazon has taken aim at this surviving corner of the middle class.

These couriers, which Amazon relies on particularly for its Prime and Prime Now deliveries, distinguish themselves largely by being willing to meet same-day, two-hour, and even one-hour delivery windows, and being willing to do so on the cheap. They're able to do this, in large part, by shifting costs onto their drivers, who are in many cases treated like employees but denied the benefits and security of the employer–employee relationship. Take, for instance, the southern California courier company called Scoobeez, which is operated by ABT Holdings, Inc., and is one of the many subcontractors that Amazon uses for deliveries. In October 2015, four former delivery drivers for Prime Now filed a class action lawsuit against all three entities, which the drivers alleged had "willfully deprived" them of their rights and protections under California law.[236]

As couriers for Scoobeez, the drivers' jobs had been a lot like those of full-time employees: They had worn uniforms identifying them as representatives of Amazon Prime Now. They had reported for shifts at an Amazon warehouse. They had been closely managed, down to the level of receiving text messages from their dispatchers alerting them when they were behind schedule. Scoobeez, however, had classified the drivers not as employees, but as independent contractors. As a result, the drivers hadn't been eligible to receive standard labor law protections. They "not infrequently" were scheduled to work six or seven consecutive days, according to the complaint, and couldn't turn down shifts without discipline, but didn't qualify for overtime pay. They had to use their personal vehicles, and often drive "100 miles or more in a day," but weren't reimbursed for fuel, insurance, maintenance, or tolls. They were told when they were hired that they would be paid $11 per hour, plus $2.50 per delivery drop and tips, but shortly after they started, Scoobeez changed their contract to eliminate the per drop bonus, and the drivers allege that they didn't receive tips that customers designated for them. The drivers' net compensation was at times less than the $7.25 minimum wage, the complaint alleges. In their suit, the drivers argue that they were misclassified, and seek back wages and other restitution.

This kind of misclassification allows companies to save on workers' compensation insurance and payroll taxes, and in many cases, other protections too, like time-and-a-half pay for overtime. On the flip side, workers themselves get saddled with more expenses, including self-employment tax and health insurance. As the *Huffington Post* reporter Dave Jamieson

Amazon's Expanding Footprint



Sources: Amazon's annual reports; "Amazon Ramps Up $13.9 Billion Warehouse Building Spree," Danielle Kucera, *Bloomberg*, Aug. 21, 2013; "Amazon Goes After 'Small and Light' Online Sales," Loretta Chao, *Wall Street Journal*, June 2, 2015; "Amazon's Net Shipping Costs Top $5B for First Time," Madeline Vuong, *GeekWire*, Feb. 4, 2016.

has explained it, it's "a system that shifts the costs associated with employment away from the company and onto the worker… that's partly why the service is so cheap for retailers, and, ultimately, for customers as well."[237]

Among the courier services that Amazon relies on, Scoobeez's treatment of its drivers is not an exception. In Arizona, Prime Now drivers have filed a similar suit over misclassification against Amazon and the subcontractor Courier Logistics Service.[238] In Massachusetts, the state attorney general fined one Amazon subcontractor, VHU Express, $80,000 for failing to pay drivers for completed deliveries,[239] and in another case in the state, the Amazon subcontractor LaserShip was required to pay $800,000 for classifying drivers as independent contractors instead of employees.[240]

Amazon is increasingly relying on regional courier companies, which are able to meet one-hour delivery windows on the cheap by shifting costs onto their drivers.

LaserShip, which is based in Virginia and serves the east coast, is one of the biggest couriers that Amazon contracts with, along with OnTrac, which is headquartered in Arizona and works in the west. Both are privately held, and details are scarce, but the companies are growing and thriving; in 2013, LaserShip's e-commerce delivery business grew by more than 30 percent.[241] Like Scoobeez, both classify their delivery drivers as independent contractors, not employees. OnTrac's job postings specify that its contractors must own personal vehicles "equipped with lift gates and measuring at least 24 feet in length."[242] At LaserShip, drivers are paid not by the hour but by the delivery. One example from Washington, D.C., in 2014 had a LaserShip driver making $1.50 per Amazon delivery, or $225 at 150 deliveries per day.[243] Much of that went to repay the driver's own expenses, from his personal cargo van to his gas and insurance.

In order to keep their contracts with Amazon, these courier companies have to keep their costs down. As Jamieson reported, LaserShip co-founder Farhang Aryan said in a deposition related to the Massachusetts case over misclassification, "'I know of situations [where] a customer says, 'If you do not increase the rates, I will give you [an] additional year of contract, and if you do want to do any increases, this has to go to a bidding process.'" One of the plaintiffs in that case, Milton Sanchez, testified that like the workers at Scoobeez, LaserShip would change his contract to reduce his pay. "At the beginning we were making decent pay, and then they started cutting, cutting… They couldn't make money with the client, so they make money with us."[244]

Amazon's not alone in using subcontractors and independent contractors to its advantage. It's a gray area of labor law that Amazon along with other tech titans, like Uber, have figured out how to exploit. For Amazon, legal experts suggest, the calculus may be that what it can squeeze out of workers will be greater than any penalties it faces as the issue winds its way through the courts.[245] While the issue is garnering more attention from policymakers, by the time regulations around how companies classify their workers have caught up to the gig economy, Amazon may have grown beyond needing to use couriers and subcontractors as a stop-gap. Because here too, the bottom rung in the ladder of Amazon's labor model is automation. "By then," *Bloomberg* notes of better policy for the gig economy, "Amazon may be using drones for deliveries."[246]

At the same time as it's pushing down work standards, Amazon is also building out additional capacity within its logistics empire. The company has recently purchased 4,000 trailers to move its goods,[247] leased a fleet of air cargo planes,[248] and registered a U.S. maritime license for freight forwarding.[249]

Amazon has a record of building capacity for itself and then selling that capacity to other companies. It's what it did with Mechanical Turk, and, most notably, Amazon Web Services. Now, it's beginning to do

Amazon is building out capacity within its logistics empire, including with a fleet of air cargo planes. Photo Credit: Amazon

Amazon recently purchased 4,000 trailers to move its goods, leased a fleet of air cargo planes, and registered a U.S. maritime license for freight forwarding.

this with delivery. For Marketplace sellers who sign on for Fulfillment by Amazon, Amazon handles all of the logistics, and even retailers that sell through their own sites can contract with Amazon to pack and deliver their goods in unmarked, non-Amazon boxes. Amazon is building out its new infrastructure big enough, and with enough specialty features like tracking, that it seems to intend down the road to offer shipping services to other companies more widely, eventually taking away business from national carriers like UPS and USPS. As it does so, it will take with it the middle class wages, benefits, and life of a significant population of workers.

Enriching the Haves

At the end of July 2016, Jeff Bezos vaulted past Warren Buffett to become the third-richest person in the world.[250] Amazon's stock had continued its run as a market darling and Bezos, who owns about 17 percent of the company, became worth $65.3 billion. It was a new high, and put him behind only Bill Gates and Spanish mogul Amancio Ortega on the list of the world's billionaires.

Bezos offers the most striking example, but there are other numbers. Amazon has spent at least $4 billion building its sprawling corporate headquarters in Seattle,[251] with its three biospheres, for instance. The company spent $1.5 billion acquiring other companies in 2014 and 2015, including $842 million in cash for the video gaming site Twitch, and at the end of 2015, just four top executives, not including Bezos, held $171 million worth of non-vested restricted stock.[252]

In the story of the widening gulf between haves and have-nots in the United States, Amazon is a central character. As the company has squeezed the workers who sort inventory, pack boxes, and deliver packages, repeatedly and rigorously distanced itself from responsibility, and implemented increasingly precarious work arrangements, Amazon has also delivered enormous wealth to a handful of its top executives and shareholders. From its reliance on temp workers to its investment in automation, Amazon's vision of labor is one that seeks to shift its profits to an ever-smaller group. A century ago, workers and unions waged hard-fought battles to end piece work and win reliable wages and salaries. Today, though, Amazon is eroding this basic agreement, and moving backward to adopt a 19th century labor model that drives returns to the top at the expense of the rest.

Amazon has a record of building out capacity for itself and then selling that capacity to other companies. Photo Credit: Shutterstock.com

Figures suggest that in the kinds of work environments that Amazon is creating, this gulf is widest for populations that have been historically marginalized. Among temp workers generally, for instance, African-Americans comprise more than 20 percent, compared with 11 percent of the overall workforce.[253] At Amazon itself, there are significant racial disparities between management and the rest of the company's workforce. As of July 2015, African-American and Hispanic workers comprised 45 percent of Amazon's warehouse workforce, but only 8 percent of its management.[254]

From its reliance on temp workers to its investment in automation, Amazon's vision of labor is one that seeks to shift its profits to an ever-smaller group at the top.

As Amazon continues to grow its market share, this income inequality calcifies. A central driver of inequality, recent research has found, is the increasing size and market share of a handful of big companies. One October 2015 study from the economists Jason Furman and Peter Orszag, for instance, suggests that growing monopoly power is allowing a few dominant firms to extract more income than they would earn in a truly competitive market, and allowing them to distribute those returns to their shareholders and top-level employees.[255]

Every year in his letter to shareholders, Bezos includes a copy of the shareholder letter he wrote in 1997, Amazon's first year as a publicly traded company. It's often held up as an example of the clarity of Bezos's vision even early on. "We believe that a fundamental measure of our success will be the shareholder value we create over the *long term*," Bezos writes (emphasis his). "This value will be a direct result of our ability to extend and solidify our current market leadership position. The stronger our market leadership position, the more powerful our economic model."[256]

There's no question that, nearly 20 years later, Bezos and his company have established a powerful economic model, attained a market leadership position, and created shareholder value. The question now, however, is at what cost, and whether they're creating value for anybody else. ■

Weakening Communities

Amazon is Saddling Our Cities with More Vacancies, Less Tax Revenue, and Weaker Social Bonds

When people think about the place where they live, many picture their friends and neighbors, or a favorite local park, or the school their kids attend. Many also think about going for morning runs with the group organized by the local running retailer, or getting project advice from the corner hardware store, or browsing new releases at the bookshop. They think of the restaurants where they bring out-of-town friends when they come to visit, and the businesses that bring utility and enjoyment to their daily routines.

Throughout history, merchants have located near their customers and played a pivotal role in the liveliness and financial upkeep of their communities. Amazon is upending this relationship. This section examines how Amazon, as it severs the longstanding link between commerce and place, is directly threatening cities with vacancies, job losses, and revenue shortfalls. It also examines how at the same time, Amazon is corroding values that are more abstract, but equally critical, including street life, civic engagement, and social capital.

Photo Credit: Stacy Mitchell

Brick-and-mortar retailers create about one out of every eight jobs, and account for a large share of the commercial activity in most towns and cities. If they are locally owned, they also generate a second tier of economic activity, as they spend some of their revenue with nearby suppliers and service providers, sending money flowing into numerous local paychecks.

Locally owned businesses are intimately linked with our own self-interest and how we experience our communities. Photo Credit: AdobeStock

States and cities have structured their revenue bases around this age-old model of commerce, and most depend on retail stores for a sizable portion of the property and, in all but five states, the sales taxes they use to fund schools, libraries, roads, and other services. Property taxes are the largest single source of state and local government revenue, comprising about one-third of the total.[257] Although it varies from state to state, on average, half of this revenue comes from commercial properties.[258]

The decline in tax revenues as Amazon grows has urgent fiscal implications, but it's a threat with which governments haven't yet begun to grapple.

Today, a rising number of those properties are becoming vacant. We estimate that by the end of 2015, Amazon's growth had displaced enough sales at brick-and-mortar stores to cause about 135 million square feet of retail vacancy. Over the last year, headlines have frequently carried news of chain retailers shuttering dozens or hundreds of stores, and of sprawling shopping malls going dark. The closure of independent retailers as Amazon takes a larger share of the market is harder to track, but there too, the number may reach into the tens of thousands. Amazon, meanwhile, doesn't have a physical presence in most of the places where it does business.

Not all e-commerce follows Amazon's example, and many local business owners are creating alternate models for online shopping that allow them to better serve their customers while still operating on the scale of the community.

For cities and counties, the result is a decline in tax revenues that has urgent fiscal implications. Yet, it's a threat with which governments haven't begun to grapple. Instead, as we examine in the final section of this report, many continue to subsidize Amazon's expansion.

Along with the fiscal impacts, some of the most damaging effects of Amazon's growth are not financial. Brick-and-mortar stores, particularly those that are locally owned and in walkable business districts, are also intimately linked with our own self-interest and how we experience our communities. Shopping and errands represent an important share of the trips people take when they leave their house,[259] and testing train sets at the local toy shop, or trying on backpacks at the outdoor gear retailer, brings sensory and social enjoyment to the task of shopping that go beyond the exchange of money for goods. At the same time, these stores create an economy embedded in multifaceted relationships: the bookstore owner lives in the same neighborhood as her employees and customers, and the hardware store owner sponsors the Little League team.

Looked at in the context of a single interaction, these connections can seem small, but taken together, they create tangible meaning and define much of our sense of place and belonging. Research has found strong links between a vibrant local business community and positive outcomes that range from social connectivity to civic engagement.

With its vision of shopping as a solitary act, Amazon makes it easy to forget that in our economic interactions, we're not just consumers. We're also neighbors, workers, entrepreneurs, producers, taxpayers, residents, citizens, and so on, with needs and wants from a shopping experience and an economy that go beyond the one-click checkout.

Though Amazon is now opening stores of its own, these physical locations are designed primarily to support its online sales, and in both quantity and quality, outposts like its device kiosks and its grocery pickup points offer poor substitutes for locally owned businesses. Meanwhile, Amazon's dominance and identification with online sales have masked alternate visions for how we can structure our digital commerce. Many local business owners are savvy entrepreneurs who are creating different models of e-commerce that enable customers to shop locally from home, but that, unlike Amazon's model, remain distributed and place-based.

A Rising Tide of Vacant Stores

Brick-and-mortar retailers – local businesses and national chains alike—have been hit hard by the dramatic growth of Amazon's market share, and one result has been a wave of vacancies. For national retailers, every week brings a new headline about the decline: "Macy's to Close 100 Stores as E-Rivals and Discounting Hit Legacy Retailers," read one in the *New York Times* in August 2016;[260] "American malls are dying faster than you think—and it's about to get even worse," read another in *Business Insider* two weeks later.[261] Staples closed 242 stores between 2014 and 2015, and Office Depot closed 349 stores in the same period.[262] Sports Authority, and its remaining 463 stores, went out of business entirely. Of about 1,200 enclosed shopping malls in the U.S., about one-third of them are dead or dying.[263]

These retailers are closing for many reasons, including the massive overbuilding of big-box stores during the last two decades and stagnating household income. Amazon's expansion, however, is one of the leading causes. As a retail analyst put it in 2015, "Amazon has played a key role in the structural shift away from brick-and-mortar retail, and it may lay waste to many other retailers in the years to come."[264]

Our analysis estimates that in 2015, Amazon's growing market share caused more than 135 million square feet of retail space to become vacant.[265] For perspective, that's the equivalent of 1,267 vacant Home Depot stores, or about 700 empty big-box stores plus 22,000 shuttered Main Street businesses. As Amazon's sales expand, these vacancies will mount.

When big retail properties close, it's the public that's left to pick up the pieces. Not only do closed properties no longer generate the same levels of property and sales taxes, but cities are also forced to grapple with the expenses of increased crime, ongoing services, and often, how to make the site viable again, or at least prevent it from dragging down properties around it. After decades of struggling with the many damaging impacts of big-box retailers, communities are now having to grapple with the sprawling empty boxes and hollowed-out local economies that these stores are leaving behind.

When the mall next to Austin Community College in Austin, Texas, started to decline, the college

"Amazon has played a key role in the structural shift away from brick-and-mortar retail, and it may lay waste to many other retailers in the years to come," noted a retail analyst in 2015.

looked on worriedly as the crime rate increased and other commercial and residential vacancies started climbing. Ultimately, the college felt it had no choice but to buy the property itself. "The whole community surrounding it begins to deteriorate," the CEO of the school explained of what happens as a mall decays. City voters later approved bonding packages totaling $386 million for the college to transform the space for its needs.[266]

More commonly, cities saddled with dying malls and empty big-box properties buy the spaces and simply raze them. That's what the city of Southfield, Mich., did when it bought the closed Northland Center mall for $2.4 million, and prepared to spend upwards of $10 million to demolish it. "We bought it because we did not want Northland Center to become a vacant shopping center significantly blighting the community," the mayor said at the time.[267]

While America's multiplying collection of dead malls and vacant superstores has been at least partially catalogued, the emptying out of retail space occupied by locally owned retailers is harder to put numbers to. Yet the implications for communities are even greater. Talk to local business owners, and it's at the top of their minds. In a 2016 survey of more than 3,000 independent business owners around the country, 70 percent ranked competition from large internet retailers as their top challenge, by far the largest share of any response. "This year Amazon was Santa and no one was on our street shopping," wrote one respondent, the owner of a home goods shop.

Declining Public Revenue

In 2015 the small city of Portland, Maine, adopted a $323 million budget,[268] with provisions for everything from new police officers to investments in parks, street plowing to library operations. All of the revenue came from a pot of fees, taxes, and grants, and by far the largest share of it —55 percent —came from property taxes. Nearly 40 percent of this in turn came from commercial properties.[269]

Portland is just one example, but most city revenue sources follow similar outlines, and property taxes are the leading source of revenue for state and local governments around the country. Businesses, in particular, shoulder a disproportionate share of this tax responsibility. In 39 states, property tax rates for commercial and industrial property are higher than they are for residential property. The gap is large enough that the average commercial property in the U.S. pays a tax 1.724 times greater than that paid by a homeowner; in Denver the ratio gets as high as 3.5 times greater, and in New York City businesses pay six times as much.[270]

Businesses that are in walkable, mixed-use districts are particularly valuable to municipal bottom lines, research has found. This is because they generate relatively high property tax payments with a comparatively small burden on public services. One study, for instance, looked at costs like road maintenance and public safety services, and found that for a Massachusetts town, big-box retail and shopping centers ran a net deficit for taxpayers, costing more in services than they paid in taxes. Meanwhile, specialty retail like Main Street businesses generated more revenue than they required in public services, providing a surplus of

$326 per 1,000-square-feet.[271] Other research has found that though economic development policies often favor sprawling projects like big-box retailers and warehouses, the high-density, mixed use buildings that locally owned retailers tend to occupy generate far greater property tax returns.[272]

In contrast, Amazon doesn't pay property taxes on prime commercial properties in central business districts. In fact, in 20 states, Amazon doesn't have property at all.[273] Even in states where the company does have a physical presence, its fulfillment centers occupy less space than the retail stores they empty out and, built in places where land is cheap, are generally valued at much lower rates than traditional retail.

For cities and counties, this lack of a robust physical presence—coupled with rising storefront vacancy as Amazon gains market share—has significant fiscal implications. In its 2016 report "Empty Storefronts," Civic Economics estimates that the land use changes triggered by Amazon resulted in a drop of $528 million in property tax revenue in 2015, losses that are expected to mount as Amazon's market share continues to grow. And even as Amazon is impacting property tax revenues, it continues to evade other forms of taxes. The company does not collect sales taxes in 16 states, which, as we detail in the final section of this report, costs local and state governments an additional $704 million on top of the property tax losses.

At the same time that Amazon undermines the revenue sources of local and state governments, it also imposes direct costs on the public. One example is infrastructure. Trucks laden with Amazon delivery boxes put wear-and-tear on roads, and Amazon not only skirts the taxes that pay for upkeep on those roads, it's also skilled at getting local governments—desperate for employment in an Amazon economy that is shrinking opportunity—to pay for new ones. In Shakopee, Minn., for instance, when public outcry forced Amazon to drop its request for direct tax incentives for a proposed fulfillment center, the company was still able to wrangle $5.8 million from the city for road improvements for the new facility.[274]

Amazon also imposes costs that are more mundane, but still significant, like increased traffic. In one town in New Jersey, after Amazon opened up a new fulfillment center, the mass of employees driving to the site led to gridlocked roads and a 300 percent increase in the accident count. The town had to allocate five police officers to direct traffic near the facility during rush hour, and public officials had to dedicate time to working with Amazon to discuss shift schedules and road expansions.[275]

An Existential Threat to the Vitality of Cities

Cities have long been praised for their vitality, and the power of their busy streets to connect people, spark ideas, and foster creativity. Much of this vitality is linked to commerce that is based on the city street—in visits to the pharmacy and conversations in line at the grocery store, in the business owner rearranging the window display and the live-music event hosted by the record store. The number of small ways that people interact when they're out and about on sidewalks and streets may seem trivial, but, as the great urban theorist Jane Jacobs has written, it creates a sum that's not trivial at all. "The sum of such casual, public contact at a local level—most of it fortuitous, most of it associated with errands," Jacobs writes, "[is] a web of public respect and trust, and a resource in time of personal or neighborhood need."[276]

Though Jacobs was writing in the 1960s, today, the value of city streets is more recognized than ever. In recent years millennials and boomers alike have flocked to cities in search of walkable neighborhoods and vibrant downtowns. Business schools teach theories of "serendipity," or how to mimic the ways that ideas can spark when people run into each other, and cities from Minneapolis to Cincinnati are investing in pedestrian infrastructure and public spaces. Even cities like Carmel, Ind., a suburb of Indianapolis, are designing city planning policies to favor multi-story buildings, underground parking, and attention to street life. "The idea is people will be able to walk everywhere," the city's five-term, Republican mayor explained.[277]

As much as Amazon may admire cities and their street life, its rise poses an existential threat to them. Aside from work and school, by far the largest share of the trips we take when we leave the house involve shopping and errands.

Even Amazon recognizes this value for itself. Though he eschews other tech company employee perks like free lunches, Jeff Bezos has committed to the amenity of keeping his company's headquarters in a city. Early on, he moved his young company from suburban Bellevue to downtown Seattle, and today, Amazon's corporate footprint spans more than 10 square blocks, and the company encourages its employees to walk to work.[278] "It is a fact that we could have saved money by instead building in the suburbs, but for us, it was important to stay in the city," Bezos wrote in his 2013 letter to shareholders. "Our employees are able to take advantage of existing communities… I also believe an urban headquarters will help keep Amazon vibrant, attract the right talent, and be great for the health and well-being of our employees." As the *New York Times* has described, "Mr. Bezos has put his chips on the idea of Seattle and urban America itself."[279]

As much as Amazon may admire cities and their street life, its rise poses an existential threat to them. Aside from going to work and school, by far the largest share of the trips that we take when we leave our homes and head out into our communities involve shopping and errands.[280] While a trip to the store for pasta, or paint, or new running shoes is full of greetings exchanged and people encountered, ordering those same items at Amazon happens with a few strokes on a keyboard, a scan of products, and a click. In Amazon's world, people are fundamentally consumers and consumption happens alone. It's a vision that holds profound implications for our communities and how we relate to each other.

"When a city heart stagnates or disintegrates, a city as a social neighborhood of the whole begins to suffer," Jacobs wrote. People who ought to get together, don't. Ideas and money that ought to meet fail to. Overall, Jacobs continued, without lively commerce and passing interaction, the city "falters at producing something greater, socially, culturally and economically, than the sum of its separated parts."

Weakening Local Ownership, a Powerful Source of Social Capital

The loss of local businesses as retail spending shifts to Amazon also means the loss of a group of people that is critical for the health of place: Small business owners. While Amazon, and companies of similar scale, operate many hundreds of miles and layers of hierarchy away from most of the people they serve, small business owners are deeply connected with their employees, their customers, and their communities. Those connections come with tangible benefits.

Take political participation. Counties with economies dominated by a few large businesses, sociology research has found, have lower levels of voter turnout, interest and knowledge of politics and current events, local newspaper readership, participation in associations, and engagement in protest activity. As a

Much of the vitality of cities is linked to commerce that is based on the city street, and research has found powerful links between local business ownership and social capital.

result of this economic concentration, the researchers wrote, "the independent middle class of local owners is eroded," and continued, "Our findings suggest that the absence of an independent middle class signals an equally absent civic spirit among local residents."[281] In their paper, the researchers link their findings to contributions that local business owners make to social trust, cross-cutting social networks, and the "problem-solving capacity" of a community. Local business owners are more engaged with their community, they write, in part because to a greater degree than is true for corporations with headquarters elsewhere, "improvements to the broader community generally benefit local business owners as well."

Other research has found similarly powerful links between local business ownership and social capital, civic engagement, and well-being. Having an economy made up of small-scale businesses is correlated with lower rates of crime and better public health, one study found, which the authors concluded was a result of the greater "collective efficacy," or ability to work together for mutual benefit, in such communities.[282] Other researchers have focused on measures of loyalty, and found that firm size and local ownership are positively correlated with employee commitment to the firm,[283] and that counties with greater shares of locally owned retail experience a less-steep slope of out-migration, particularly among college-educated residents.[284] Still more research has focused on the impacts of the economy shifting away from local firms, such as a study that found that the presence of a Walmart reduced the number of social capital-generating associations, such as churches, political organizations, and business groups, per capita, and was associated with lower voter turnout.[285] The authors of that study hypothesized that the drop in social capital is owed to the disappearance of local businesses and the decline of downtowns as Walmart claimed retail market share. This is a process that happens to an even greater degree as spending shifts to Amazon, which has an even more limited local presence.

The research clearly describes something that many Americans also understand intuitively: Local businesses and their owners play a critical role in community life. Along with their outsize contributions to economic indicators like business dynamism, job creation, and innovation, these business owners also perform vital social and civic functions. Some of these functions are expressed in concrete metrics like voter turnout and number of civic associations in a community. Others are expressed in experiences, like the many business owners who go on to become civic leaders themselves, as in the classic example of Harvey Milk, whose San Francisco camera shop launched him into local politics.

Many of these functions, however, are also linked to something more abstract, which is that an economy made up of diverse, small, and independent enterprises is also one aligned with values—personal agency, self-determination, local control—that are at the core of the American story. In conversations about Amazon's impacts, such broad values are often left out in favor of questions about automation or market capitalization, but it's nothing less than these values that is at stake.

Stealth Invasion

Amazon's placelessness is not only a threat to cities, towns, and their residents, it's also part of the challenge in how to take on the company. The company's invisibility makes it harder to connect its impacts back to it, and also to build the kind of grassroots response and resistance that citizens and towns have been able to deploy against Walmart and other big-box stores, but haven't yet begun to establish against Amazon.

In beginning to think about how to approach the threats posed by Amazon, campaigns against Walmart offer instructive examples. Between 1998 and 2005, more than one-third of Walmart's proposals for new stores were met with local protests, and those protests were successful in stopping the proposed store in 65 percent of cases, researchers at Columbia and Stanford universities have found. "The principal obstacle to the expansion of Walmart has been protests by local activists," those researchers concluded.[286] One example of this type of action was in Damariscotta, Me., when Walmart revealed plans to build a 187,000-square-foot supercenter there and the national conversation about the big-box retailer suddenly arrived in the 2,000-person village's backyard. The proposal galvanized town residents, who gathered enough signatures to bring before voters a measure to cap the size of stores in town, next passed it with overwhelming turnout and support, and then organized surrounding towns to take similar action.[287]

Site fights like these give citizens a clear target for protest, and also crystallize a sense of the impacts. With big-box retailers, impacts are visible on the landscape. When a Walmart opens up outside of town and the longtime grocery store closes 6 months later, there's a direct link of cause and effect. Amazon's placelessness, however, means that its impacts are even more insidious. It leaves small signs scattered around cities—a white delivery truck with its logo on one side, or its boxes piled outside on recycling day—but when the toy store closes down, it's hard to know the degree to which its customers had started shopping at Amazon.

At the same time that Amazon slowly infiltrates our neighborhoods, it's important to consider that not all e-commerce follows its example. Indeed, across the country, locally owned businesses are creating e-commerce models that allow them to better serve their customers while still operating at the scale of the community. In west Michigan, the athletic equipment retailer Gazelle Sports has grown its online sales from 2 percent to 6 percent of overall revenue over the last two years, [288] and the Washington, D.C., bookstore Politics & Prose saw growth of more than 20 percent in its online business between 2014 and 2015, and recently overhauled its website with a focus on highlighting its online browsing and shopping offerings.[289]

These retailers are just two examples of the many who are finding ways that technology can, instead of making commerce placeless and solitary, in fact strengthen a local business's ability to provide communication, convenience, and connection. As local retailers are advancing these models, we can turn to them, as well as to a strong public policy response, to begin to address Amazon's unchecked impacts and to create an alternate vision for e-commerce in our communities and lives. ■

The Policy Response to Amazon

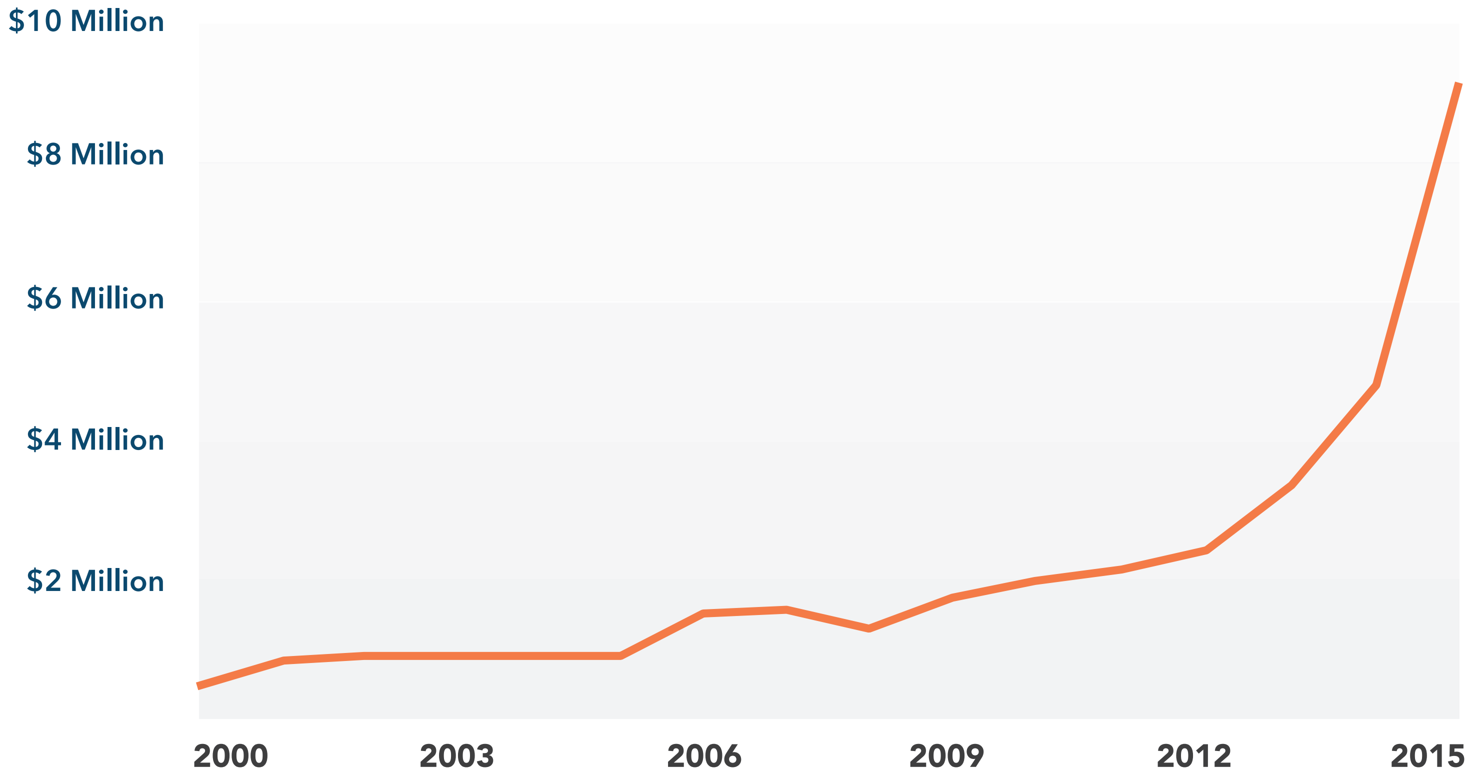
Policymakers should put an end to the lavish subsidies and tax breaks that have fueled Amazon's growth, and instead adopt policies that would create a more competitive and equitable digital economy

As Amazon has extended its tentacles into one sector of the economy after another, as it has used its market power to eliminate competition and exploit workers, and as it has weakened the financial and social structures that underpin our communities, we might have expected a robust response from elected leaders. We might have expected policymakers to draw on existing antitrust and labor laws to hold Amazon accountable and ensure fair and open markets for competing businesses and workers, and to propose new policies to address the novel aspects of the company's power.

Photo Credit: Robert Scoble

But quite the opposite has occurred. From Amazon's founding in 1995, and continuing all the way through the company's breakneck expansion

Amazon's Lobbying Expenditures, 2000–2015



Source: Open Secrets, *The Center for Responsive Politics*, accessed May 23, 2016

of the last few years, Jeff Bezos has made evading public obligations and securing government favors a core part of his strategy, and many policymakers have eagerly assisted the company.

In this section, we first document Amazon's heavy reliance on government handouts and favorable treatment. We present new research finding that Amazon has negotiated lucrative public subsidies for more than half of the 77 fulfillment centers and other large warehouses it built between 2005 and 2014. We look at Amazon's long and continuing history of sidestepping sales tax and how this competitive edge continues to swell its sales at the expense of brick-and-mortar retailers. And we examine how Amazon uses an overseas tax haven to skirt paying federal taxes—a scheme that has reduced its tax rate to less than one-third of what competing retailers pay.

Although we do not know the precise value of these tax breaks and subsidies across Amazon's 21-year history, based on the figures that are available, the total amount almost certainly exceeds the company's profits since its inception. In other words, had Amazon played by the same rules as its smaller and less politically influential competitors, it would have had to charge higher prices or slow its expansion or both. Bezos appears see these favors as critical to the company's continuing dominance. Between 2012 and 2015, Amazon increased its lobbying expenditures almost fourfold, and it's now spending more to buy political influence in Washington than many other big companies, including Walmart and Apple.[290] Amazon also recently hired several top-flight D.C. lobbying firms,[291] including one of the nation's foremost antitrust lobbyists,[292] and in 2013, Bezos purchased the *Washington Post*.

We then turn to the question of how citizens and policymakers should respond to Amazon. We call for restoring the broader range of goals that guided antitrust enforcement for much of the 20th century, and propose using these policies to divide Amazon into separate firms, prevent it from using its deep financial resources to capsize smaller competitors, and require fair, nondiscriminatory terms for both sellers and buyers on its platform. We also call for updating state and federal labor laws to protect workers' rights in the digital economy, including establishing stronger protections for temporary workers and blocking companies from classifying workers as independent contractors as a way of evading wage and hour standards. And finally, we call on local and state governments to stop providing Amazon with subsidies and tax breaks, and to revise their planning and economic development policies to reflect the community benefits of local, independent businesses.

A Fulfillment Network Built with Public Subsidies

In 2014, Amazon opened the first of two massive warehouses along Interstate 94 in Kenosha, Wisconsin. Just 9 miles from the Illinois border, and 50 miles from Chicago, the location was crucial to Amazon's strategy. At the time, Amazon had no facilities in Illinois and therefore did not have to collect sales tax on orders shipped to state residents, a competitive advantage that research shows increases the company's sales by almost 10 percent, or roughly $200 million a year in a state the size of Illinois.[293] Figuring out how to preserve this competitive advantage while also opening warehouses within a short delivery range of the Chicago area's 10 million people presented Amazon with a dilemma. Locating in Kenosha offered a perfect solution. And, better still, although Amazon clearly needed Kenosha more than Kenosha needed Amazon, the company managed to wring $27.3 million in public subsidies from state and local officials in exchange for locating there.[294] "It's a win-win for everyone," Gov. Scott Walker declared at the ribbon-cutting.[295]

The following year, in search of more capacity in the Chicago area, Amazon decided to open its first

Share of Amazon Warehouses That Have Received Public Subsidies, 2005-2014

40 **Fulfillment Facilities Built with Subsidies**

77 **Total Fulfillment Facilities Built**

52% **Share that Received Public Subsidies**

Sources: Institute for Local Self-Reliance analysis, drawing on news accounts, as well as: "Amazon Global Fulfillment Center Network," *MWPVL International*, accessed May 2016 and "Subsidy Tracker: Amazon.com," *Good Jobs First*, accessed May 2016.

fulfillment center in Illinois, finally giving up its sales tax advantage after 21 years. The company chose a spot in the town of Joliet, a growing logistics hub southwest of Chicago. Although Illinois was struggling with a budget crisis that would ultimately lead to cuts in services and layoffs, Amazon managed to wrangle from the state a 10-year tax break, worth about $10 million, for the new facility.[296]

A few months after winning that deal, in early 2016, Amazon embarked on building two fulfillment centers in the Illinois town of Edwardsville. Once again, the company and its developer secured a public handout. City officials agreed not to levy property taxes on the two facilities for a full decade, a subsidy whose value will not be known until after the warehouses are completed.[297] Much like Kenosha, Edwardsville has

Amazon secured $27.3 million in public subsidies from state and local officials to build this fulfillment center in Kenosha, Wisconsin.

strategic value to Amazon. It's part of the St. Louis metro, putting Amazon within close delivery range of the metro's residents and yet beyond the borders of Missouri where its lack of physical presence means the company still does not have to collect sales tax.

Meanwhile, back in Joliet, Amazon announced that it wanted to build a second facility, and the state again rolled out the tax breaks, offering about $20 million, or twice as much as it did for the first one.[298]

Extracting economic development incentives like these has been a vital part of Amazon's expansion strategy for the last decade, our review of dozens of these deals shows. Prior to 2005, Amazon operated only a handful of warehouses, and it chose locations mainly based on maximizing its sales tax advantage. But as Amazon grew it increasingly staked itself on rapid delivery, and beginning in 2010, Amazon overhauled its logistics strategy in order to start locating a fulfillment center within striking distance of every U.S. city. This meant foregoing its sales tax exemption in many states, and so Amazon honed its ability to secure other kinds of tax breaks. It focused on getting officials to subsidize its new warehouses, a strategy that has paid off handsomely.

Matching a list of the 77 fulfillment, sortation, and other large facilities Amazon built in the U.S. between 2005 and 2014 with data from Subsidy Tracker, a project of Good Jobs First, and information in news accounts, we found that the company received public subsidies for at least 52 percent of these facilities. These subsidies had a combined value of $613 million. Amazon received another $147 million in subsidies connected to its data centers during these years. The combined value of these incentives, $760 million, is equal to 17 percent of Amazon's global profits during this period. (Because of limits in the availability of data, our analysis almost certainly misses some of the deals Amazon negotiated in these years, so these figures are conservative.)

We found that Amazon picked up subsidies in every corner of the country: $61 million in West Columbia, South Carolina;[299] $43 million in Baltimore;[300] $12 million in Fall River, Mass.; [301] $18 million in Etna, Ohio,[302] to name a few. And, even as its revenue soared, Amazon's demands for subsidies did not slow. In 2014, the company reported $2 billion in free cash flow,[303] and yet still squeezed incentives worth an estimated $66 million from state and local governments, our analysis found.

Among the reasons that public officials agree to these deals, Amazon's promise to create jobs is at the top. Yet, Amazon's growth is eliminating more jobs than it's creating, both nationally and in almost every state, as we detailed in the second section of this report. Mark Meinster, executive director of Warehouse Workers for Justice, marvels at the feat Amazon has pulled off: "The company has made the decision to hedge everything on same-day delivery, and try to put the brick-and-mortar retailers out of business, and they've gotten [the strategy] to be largely publicly funded."[304]

Allowing Amazon to Sidestep Sales Tax

For most of its history, Amazon has operated without having to collect sales taxes in most states. Today, there are still 16 states where virtually all of Amazon's competitors are required by law to collect sales tax from customers, but Amazon is not. This gives Amazon a built-in price advantage. Its value varies by location, but combined local and state sales tax rates typically range from about 6 to 10 percent.[305]

The prospect of not having to pay sales tax[306] adds to Amazon's appeal to shoppers and drives a portion of its sales. In a 2016 study, economists at Ohio State University tracked spending by 275,000 households and found that, after Amazon starts charging sales tax, people cut their spending on the site by 9.4 percent, and by 29.1 percent for items priced over $250.[307] If sales tax matters this much at this stage of Amazon's development, given its size and everything else it has going for it, one can only imagine how much this government-granted competitive advantage propelled Amazon's growth back when it was merely a book retailer, or after it introduced Prime in 2005, when it was an $8 billion company exempt from collecting sales tax in almost every state.

Although Bezos has downplayed the strategic value of this exemption, Amazon's actions over the years tell a different story. In an interview with *Fast Company* in 1996, Bezos explained his decision to locate the company in Seattle: "It had to be in a small state. In the mail-order business, you have to charge sales tax to customers who live in any state where you have a business presence… We thought about the Bay Area, which is the single best source for technical talent. But it didn't pass the small-state test."[308]

States Where Amazon Does Not Collect Sales Tax

Sources: Institute for Local Self-Reliance analysis; "About Sales Tax," *Amazon.*

As it grew, Amazon went to great lengths to ensure that its activities could not be construed as establishing "nexus" (a physical presence in a state) that would require the company to collect sales taxes. According to a 2011 investigation by the *Wall Street Journal*, Amazon maintained a map showing states where employees were barred from traveling unless they were outfitted with fake business cards indicating they worked for a subsidiary, rather than Amazon, lest their activities trigger nexus.[309]

As Amazon grew, the company bullied states to allow it to build facilities without having to collect sales taxes on in-state orders. In South Carolina, Amazon cut a deal with the governor to remain sales tax free even as it built warehouses in the state.[310] When the legislature balked, Amazon halted construction, resuming only when lawmakers backed down. In Texas, Amazon even went so far as to conceal its presence operating a warehouse that state tax officials were unaware of until reporting by the *Dallas Morning News* uncovered it. When the state sued for $269 million in back sales taxes, Amazon threatened to shut down the facility and fire hundreds of people. The state canceled the tax bill.[311]

Economists at Ohio State University tracked spending by 275,000 households and found that, after Amazon starts charging sales tax, people cut their spending on the site by 9.4 percent.

For more than a decade, legislation has been proposed in Congress that would allow states to extend sales tax to large internet retailers, regardless of whether those firms have a physical presence within their borders. In 2013, the U.S. Senate overwhelmingly passed such a bill, but the leadership in the House declined to bring the bill to a vote there. Meanwhile, about a dozen states, tired of waiting on Congress and spurred by local business owners and advocates, have devised a way to require Amazon to collect sales tax even if it does not have a warehouse or other facility in the state.[312] As a result of these states changing their policies, and Amazon expanding its warehouses into more states, the company is now collecting sales tax from a majority of the U.S. population.

But in 16 states, including ones with sizeable populations, like Missouri, Amazon continues to operate sales tax free. The research firm Civic Economics estimates that Amazon's uncollected state and local sales taxes totaled more than $704 million in 2015.[313] That year, Amazon reported profits of just $596 million.

"An Extremely Advantageous Tax Rate"

In 2003, Amazon decided to establish a European headquarters. With sales booming in the U.K. and a network of fulfillment centers planned for Germany, one might have expected Amazon to pick London or Berlin. But instead it chose to site its headquarters in the tiny nation of Luxembourg. What Luxembourg has going for it is that it's a tax haven, a place where companies can funnel profits and shield them from tax authorities in other countries. Locating there was part of an elaborate scheme—involving multiple shell companies and a lengthy chain of transfer payments between them—that Amazon devised to dramatically cut its income taxes in both the U.S. and Europe.[314]

Ever since, Amazon has benefitted from what *Newsweek* investigative reporter Simon Marks describes as "an extremely advantageous tax rate."[315]

Whether Amazon's tax-skirting scheme is legal has become the subject of multiple investigations. The IRS is pursuing Amazon for $1.5 billion in back taxes–and that figure is based on just two years, 2005 and 2006, of the company's operations. Additional investigations have been launched by France, Italy, and the European Union. Pressure from U.K. lawmakers led Amazon to stop using the tax-dodge in that country last year.

Whatever the outcome of these cases, Amazon's tax scheme has undoubtedly helped it grow into a formidable market power by allowing it to pay a lower tax rate than many of its competitors pay. Between 2008 and 2012, Amazon paid an effective federal tax rate of about 9 percent, which is less than one-third the average rate paid by other retailers, according to the Institute on Taxation and Economic Policy.[316] And that edge continues: in the last quarter of 2015, *Newsweek's* Marks reports, "Amazon paid just $73 million in taxes on $35.7 billion in revenues."[317] That works out to a federal tax rate of just 2 percent.

In its *2015 Annual Report*, in a section on risks, Amazon explains to shareholders the extent to which its profitability and free cash flow depend on aggressive, and potentially illegal, tax avoidance. "A successful assertion by one or more states or foreign countries requiring us to collect taxes where we do not do so could result in substantial tax liabilities, including for past sales, as well as penalties and interest," it declares.

Establishing an office in Luxembourg was part of an elaborate scheme, involving multiple shell companies, that Amazon devised to dramatically cut its income taxes in both the U.S. and Europe.

How Public Policy Should Address Amazon's Power and Impacts

As we begin to imagine what a different, more competitive and equitable, version of e-commerce might look like, it can be easy to assume that Amazon's vision is the only way things could turn out. After all, it's been at the center of the online economy from the start. Bezos would have us believe, as he's argued with the book business, that the many consequences of Amazon's takeover that this report documents are merely the inevitable aftershocks of technological change, and that to challenge the company is to challenge the digital revolution itself. But if you look beyond Amazon's modern veneer, the company looks remarkably like the Robber Barons of another age, who also took advantage of changing technologies to assert control, impede competition, and exploit workers. That era had an air of inevitability too, but Americans rose up and over time passed a series of laws that instituted open markets and fair labor standards, and in the decades that followed, we reaped the benefits of a more dynamic, competitive, and equitable economy.

It's to this earlier era, with its trust-busters and its wariness of unchecked corporate power, its fights for the eight-hour workday and for a measure of self-determination on the job, to which we can turn for inspiration as we think about public interest-driven policies to shape the digital economy. What follows is a sketch of some of the most promising approaches.

Restoring Competition in the Platform Age

The antitrust laws that Americans enacted in response to that first Gilded Age are, by and large, still the law of the land. But how we interpret and enforce those laws has radically changed.[318] When they were first adopted and for many decades following, these laws embodied a broad set of aims and values. They sought to protect our liberty as producers as well as our welfare as consumers, and they recognized that concentrated power was a threat not only to the economy but to democracy. Then, beginning about 35 years ago, policymakers, influenced by the theories of economists and legal scholars associated with the University of Chicago, began systematically refashioning the enforcement of these laws. The changes they implemented stripped antitrust of its commitment to protecting competition and open markets, and limited regulatory action to the narrow goal of maximizing economic efficiency. As this new way of thinking swept in, we came to see antitrust policy as solely about keeping prices low for consumers.

If you look beyond its modern veneer, Amazon looks remarkably like the Robber Barons of another age, who also took advantage of changing technologies to assert control, impede competition, and exploit workers.

Illustration Credit: Udo J. Keppler

This profound shift in the ideology guiding antitrust enforcement has impeded our ability to recognize the dangers of Amazon's tightening stranglehold on American commerce. So long as the company appears to offer consumers a good deal, at least in the short term, regulators have been inclined to overlook the predatory and exclusionary ways it exercises its power, and the harmful effects on competition and market diversity.[319] In fact, as we noted earlier in this report, the Department of Justice acted to strengthen the company's power in the book industry in 2012, when it accused publishers of colluding in the e-book market at a time when Amazon controlled 90 percent of e-book sales.[320]

Amazon is drawing new scrutiny from policymakers and calls for stepped up antitrust enforcement.

Today, a growing number of scholars, policymakers, and public interest advocates are calling for a restoration of the broader range of concerns and more vigorous approach to enforcement that guided antitrust policy for much of the 20th century.[321] Amazon in particular is drawing new scrutiny. According to *The Capitol Forum*, several U.S. senators are "circulating a letter that calls on DOJ to launch a formal investigation into Amazon" and, in two recent Senate Judiciary Committee hearings, "a bipartisan group of senators has also requested stepped-up enforcement of platform monopolies," including Amazon.[322] In June Senator Elizabeth Warren gave a widely covered speech on antitrust, in which she singled out Amazon as a particular threat.[323] Both the European Union and Japan have opened antitrust investigations into Amazon as well.[324]

Here are three ways policymakers could use anti-monopoly policies to check Amazon's power and bring more competition and dynamism to the economy:

- **Enforce existing antitrust laws to bar Amazon from using its financial resources to crush**

competitors – In the wake of the federal government's case against Standard Oil—a firm that maintained its dominance in part by slashing prices in certain markets to drive competitors out of business—Congress strengthened antitrust statutes to prohibit companies from pricing goods below cost "with the intent to destroy and make unprofitable the business of their competitors" and with the aim of "acquiring a monopoly."[325] Many states subsequently adopted their own policies against predatory pricing, often known as fair trade laws. With the ideological changes that upended antitrust policy beginning in the 1970s and 1980s, regulators and the courts stepped back from investigating and prosecuting predatory pricing, on the theory that such tactics are rarely carried out and rarely successful, and that loss-leading can benefit consumers. Amazon's own track record of selling below cost, both in the book business and to block potential challengers like Zappos, strongly suggests otherwise and illustrates the harms such tactics inflict, including on consumers who are left with fewer choices and diminished product diversity, and the potential of higher prices in the long-term. In a related vein, regulators have also backed away from blocking big retailers like Amazon from using their market power to extract discriminatory and unwarranted discounts from suppliers that result in competing retailers being charged higher prices.[326] Each of these tactics—predatory pricing and price discrimination—are ways that a powerful company can use its deep pockets to undermine competition. The enforcement of laws against both should be restored at the federal and state level.

- **Break up Amazon to prevent anti-competitive conflicts of interest –** Prior to the 1980s, antitrust policy took a dim view of vertical integration, which occurs when a company operates in two different parts of the supply chain. As Lina Khan documents in a forthcoming *Yale Law Journal* article,[327] regulators generally prohibited such combinations, because of the way an integrated company could use its power in one part of the supply chain to impede competition in another—as Amazon can do by privileging its own products in search rankings, or by using the data it gathers from third-party sellers to pick off the most profitable retail segments for itself. Regulators should once again adopt a tougher stance on vertical integration and should initiate action to separate Amazon into distinct companies. At the very least, Amazon should be prohibited from operating as both a direct retailer and a platform for other sellers, an arrangement that is inherently harmful to competition, and given the company's dominance in the retailing of books, its publishing division should also be spun off.

- **Adopt common carrier rules for Amazon's platform –** We should consider regulating Amazon's platform as a common carrier, similar to how we treat railroad companies and other firms that control essential transportation and communications infrastructure. "A platform," writes Sabeel Rahman, "presents a uniquely troubling form of private power… Unlike a traditional monopoly whose power stems from its control over the production and pricing of a single good, a platform draws its power from its position as a kind of middleman, a broker that controls the relationship with producers and consumers alike. Once a platform reaches a critical mass of consumers, producers, or both, these groups become vulnerable to the platform's control over standards and policies."[328] Applying common carrier obligations to a spun-off Amazon platform would be similar to the "net neutrality" policy that has been adopted for internet service providers. Amazon would be required to treat all producers and consumers equally, and would be barred from discriminating among them by charging different prices or imposing different terms.

Protecting Workers in the Digital Economy

One of the best ways for Amazon's workers to improve the grueling conditions, below-average pay, and precarious nature of employment in its warehouses would be for them to form a union. That's a challenging organizing project, but public policy can improve workers' odds by giving them more protection on the job and more opportunities to bargain collectively. Here are some of the important steps policymakers could take:

- **Proactively enforce wage-and-hour laws –** For starters, more states should proactively enforce their existing wage-and-hour laws, and also take prompt action when claims are filed, as some states, notably California, already do.

- **Adopt policies that protect temporary workers and expand joint employment liability –** Also promising are policies that make companies and their subcontractors and staffing agencies jointly responsible for workers, known as "joint employment." At the federal level, the Department of Labor issued new guidance on joint employment this year,[329] and recent National Labor Relations Board rulings have made it more straightforward for unions to bring companies, instead of just their subcontractors, to the bargaining table.[330] One of the changes, for example, allows direct hires and temps to organize and bargain together, rather than having to form separate unions.[331] These rules can change with new presidential administrations, but Congress could give such standards the weight and permanence of law. States can also enact legislation that establishes joint liability for wage theft, compensation claims, and other labor violations, as California did in 2014 by adding Section 2810.3 to its Labor Code, and Illinois did earlier with its Day and Temporary Labor Services Act.

- **Enact stronger state laws and enforcement mechanisms to block employers from misclassifying workers –** As Amazon increasingly tests the boundaries of the employer-employee relationship, hiring couriers and "flex" drivers to deliver packages, policy also needs to keep up, particularly with regard to the classification of workers as independent contractors or employees. States without laws against misclassification should pass them, and states with them should strengthen them and dedicate resources to vigilant enforcement.[332]

  Massachusetts and California offer two examples of best practices, and of how these laws can be effective. In Massachusetts, for instance, the independent contractor law creates a strong presumption for employee status, outlines a strict three-part test companies must pass to overcome the presumption, and carries high penalties.[333] In both states, legislation also makes companies liable for misclassification found at any of their subcontractors.[334]

  These states have also followed through with enforcement. Massachusetts, for instance, has the Joint Employment Task Force on the Underground Economy and Employee Misclassification; in 2014, the task force helped state agencies recover more than $20 million in wage restitution, state taxes, unemployment taxes, and other fines.[335] As the state's results make clear, strong enforcement not only protects workers, it also benefits the state's bottom line.

  Federal action can also support states' misclassification statutes, particularly through funding for enforcement. In 2014, for instance, the Department of Labor awarded 19 states $10.2 million to assist their efforts to fight employee misclassification. Meanwhile, the Department of Labor also recently issued important guidance on proper classification.[336]

  The laws are working. It was drivers in Massachusetts and California that brought a class-action misclassification suit against Uber; the ride-hailing company was prepared to settle for as much as $100 million in April 2016, but a federal judge denied the settlement as not adequate enough, and the case is still pending.[337] It was drivers in Massachusetts that brought a class-action suit against Amazon courier LaserShip, which LaserShip settled for $800,000.[338] And it was drivers for Prime Now in California who brought a suit against the courier service Scoobeez and Amazon which, though the suit is ongoing, has resulted in Amazon directing Scoobeez to classify the drivers as employees.[339]

Recognizing the Value of Independent Businesses

Finally, policymakers need to rethink the merits of giving huge subsidies and tax advantages to Amazon. State and local governments, in particular, have much to lose by financing Amazon's growth, only to end up with fewer jobs, more commercial vacancies, and less revenue to provide services. Economic development incentives, which overwhelmingly bypass small businesses and flow to the biggest firms,[340] have come under new scrutiny in the last few years, as it's become increasingly clear that these giveaways often fail to deliver the promised jobs, even as they distort competition by favoring some firms over others. Amazon offers a particularly striking case of a company that neither needs a handout nor creates the economic benefits that might warrant one.

Meanwhile, though locally owned businesses generate significant value for their communities, policymakers have often ignored their needs and challenges. In order to enable these businesses to thrive, state and local officials could look to loan funds

Laws in Massachusetts and California are giving new rights and protections to workers misclassified as independent contractors.
Photo Credit: SounderBruce

that help small businesses access credit;[341] zoning policies that create a built environment hospitable to locally owned businesses;[342] formula business policies that allow city planners to account for factors like the balance of neighborhood-serving businesses and the proliferation of chain stores;[343] and purchasing policies that use public dollars to strengthen the local economy,[344] among other strategies. As we've documented elsewhere, the most vibrant cities are the ones finding ways to address the challenges that their local businesses face, and prioritizing their development.[345] As independent retailers continue to grow online, city and county officials can also think about tools to help promote a place-based, community-rooted approach to digital commerce.

Without a strong and thoughtful public policy response to Amazon's growing monopoly power, and the high costs it's imposing on competition, small businesses, workers, and consumers, many of the benefits of the digital revolution will not be realized. The opportunities this new technology affords—for new businesses and innovations, for more variety and competition, and for a rising tide of productivity that lifts all boats—will be lost as more power and wealth centralizes in the hands of a single company. Taken together, the policy approaches outlined here represent an initial sketch of how to loosen the company's grip. We hope this report will spark discussion and more ideas for how to ensure that markets are open to all entrepreneurs, that the future of work is one of opportunity and equity, and that our communities are vital and prosperous.

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