Amazon's Stranglehold:

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

By Olivia LaVecchia and Stacy Mitchell
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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)

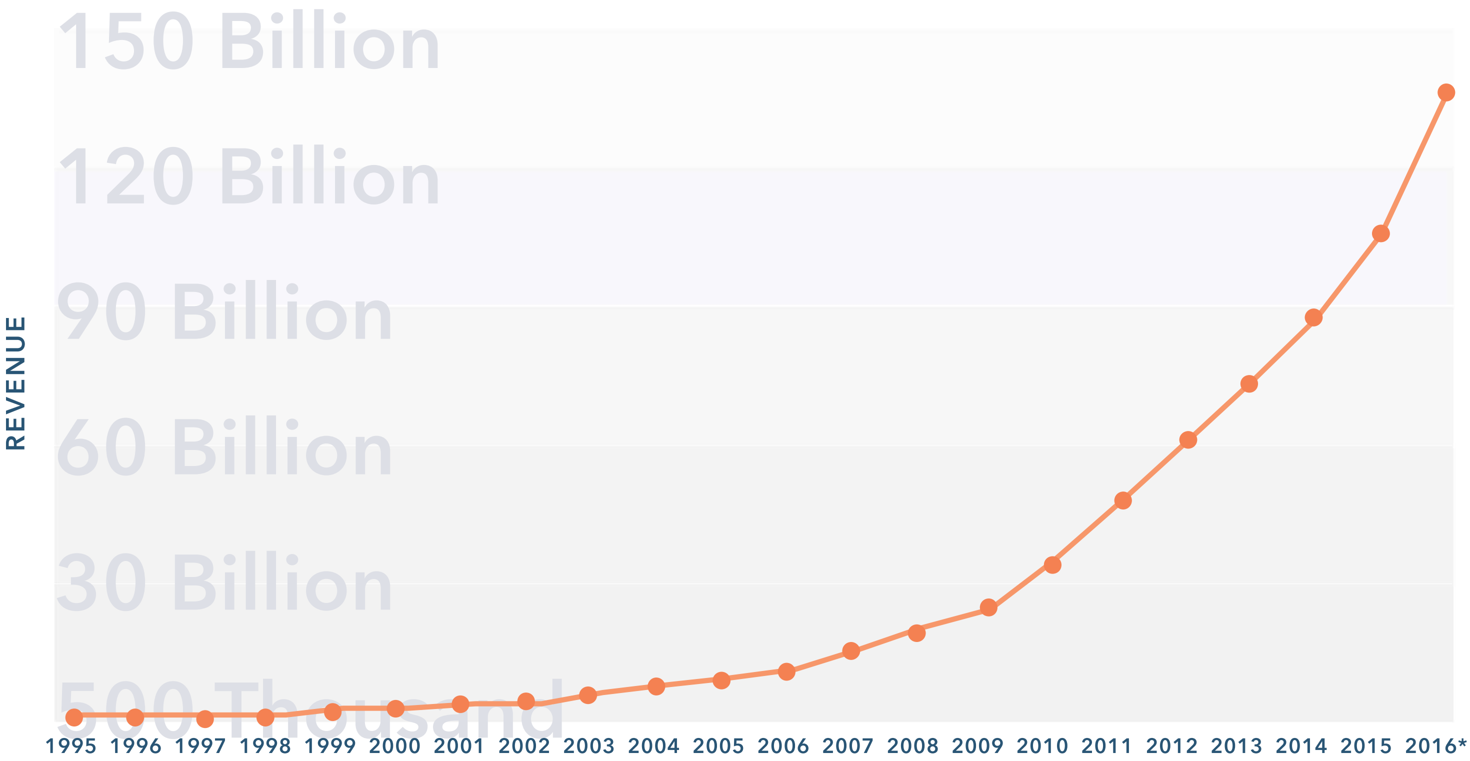
- Local and state governments should stop providing Amazon with subsidies and tax breaks, and revise their planning and economic development policies to reflect the fiscal and community benefits of local, independent businesses. (Pages 70-71)

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%.

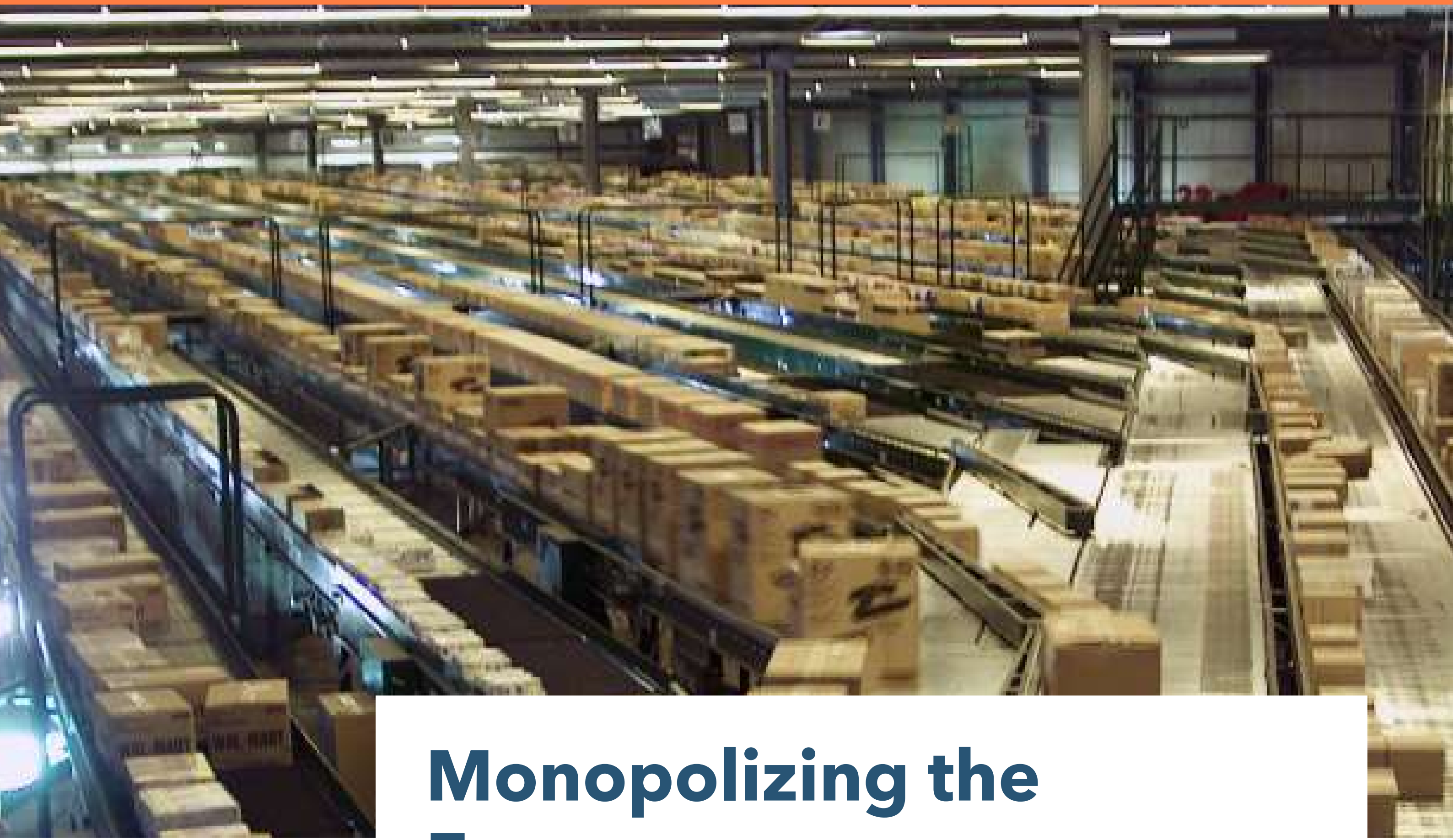
Analysts from Credit Suisse project soaring layoffs in the retail sector as more brick-and-mortar stores shutter.

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

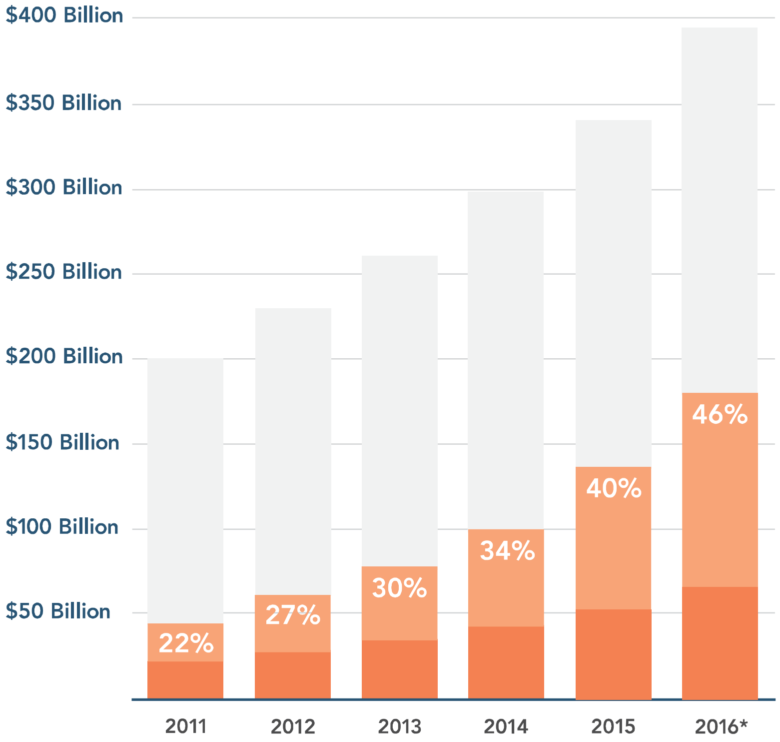
We once imagined that the web would be a democratizing force in the economy, making it easier for anyone with a good idea to start a business, find an audience, and succeed. "The digital revolution was supposed to create an age of empowered micro-entrepreneurship, with power devolving to the masses,"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

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



Total U.S. Online Retail Sales

Amazon's Third-Party Sales

Amazon's Direct Sales

*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.

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 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

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

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.

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]

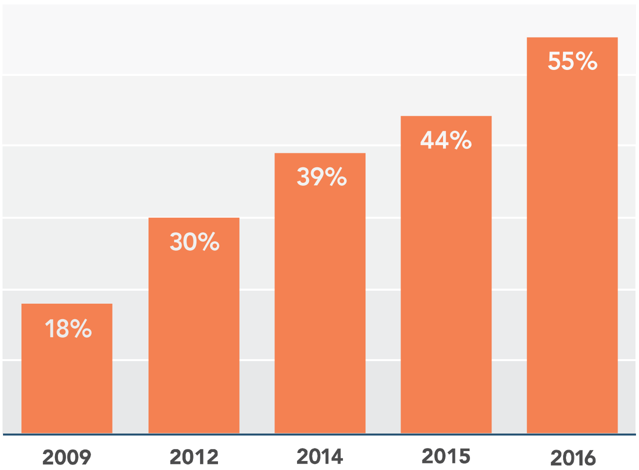
He was referring to the Echo speaker, Amazon's latest device. Echo is powered by Alexa, an always-listening voice assistant, and it allows people to play music, check sports scores, review a bank balance, adjust the thermostat, hail an Uber ride, and, of course, order from Amazon, all by speaking. Amazon's 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.

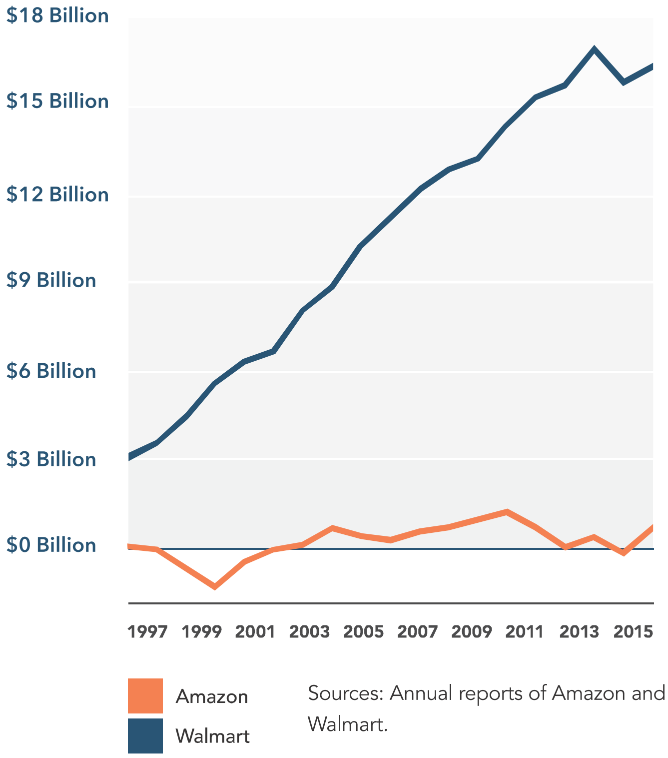
sign up for Amazon's new music streaming service for just $3.99 per month.[33] That's less than half the cost of competing services like Spotify, and analysts say it's below what Amazon spends to license and stream the music, meaning the company plans to lose money on both the speaker and the service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

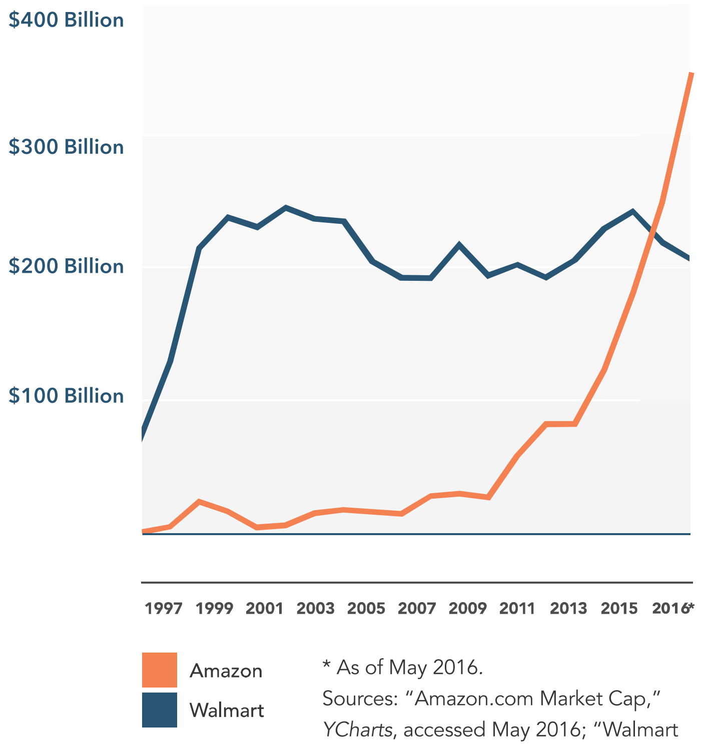
One ongoing target of this strategy has been the book business. "Amazon has sold tens or possibly hundreds of millions of physical books at or below cost," Authors United, a coalition of authors, wrote in a letter to the head of the Antitrust Division of the U.S. Department of Justice last year.[38] 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



Sources: Annual reports of Amazon and Walmart.

How Wall Street Values Amazon and Walmart, 1997–2016



* 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?

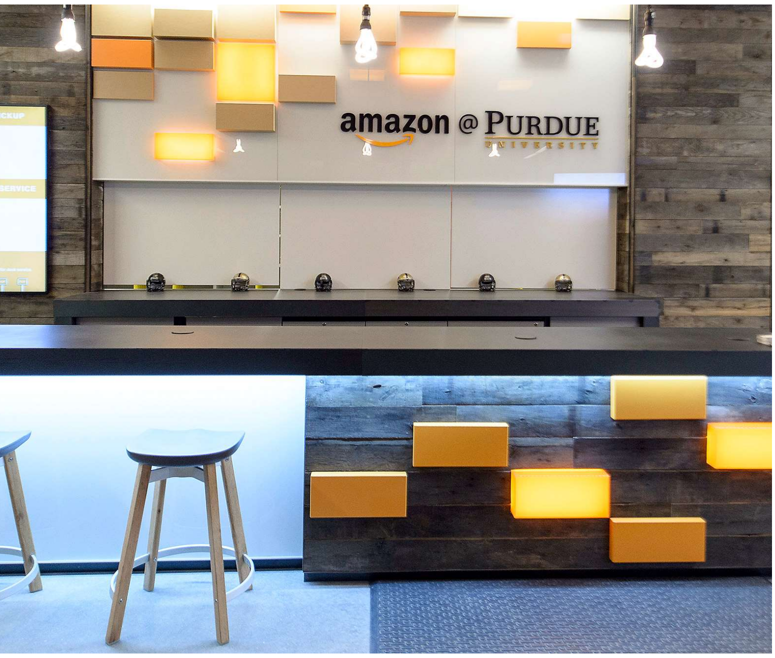
Because Amazon reveals so little information about third-party sellers, it's hard to develop a complete picture of who they are. Amazon reports that it has 2 million sellers worldwide, but the vast majority of these are people casually selling a few things, much like people do on eBay or Craigslist. 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] ■