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Why Americans Love Amazon, and Why Trump Is Wrong to Attack It

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I have firsthand knowledge that President Trump is right. For years, the tech giant Amazon has been carrying out a nefarious plot to sell me things I want at a price I like. How evil can they get?

Many commentators have noted that the president was wrong about almost everything he said in attacking Amazon. For instance, the president says that “only fools” believe that Amazon doesn’t cost the postal service money. However, the Post Office is losing money because of sweetheart labor deals, rising health and pension costs, and the decline in first-class mail. Delivering packages, like those for Amazon, is actually one of the few bright spots for the Post Office.

Revenue from package delivery was up \$2.1 billion last year, nearly a 12 percent hike. There’s even evidence suggesting that Amazon, through practices such as its Sunday delivery, may be driving an increase in postal customers. Yes, Amazon does receive a bulk discount because it ships so many packages, but, by law, that deal cannot reduce Amazon’s payments below the postal service’s costs.

Similarly, the president is wrong about whether Amazon pays taxes. In reality, Amazon pays sales taxes for its products in all 45 states that impose a sales tax. This year, state taxes paid by Amazon totaled roughly \$211 million. Amazon does devolve responsibility to the vendors themselves for payment of sales taxes by third-party vendors that use its platform, but that is not at all an unusual arrangement. Ebay, for example, operates in a similar fashion.

It’s true that Amazon did not pay federal income tax last year, because of a series of credits and exemptions. But it paid a total of \$1.2 billion in federal taxes from 2015 to 2017.

Over the past decade, Amazon paid an average effective federal tax rate of 13 percent, somewhat lower than the corporate average but not out of line for a company that reinvests so much of its revenue into expanding the business. Besides, hasn’t President Trump been concerned about overtaxing American business? Remember last year’s tax bill?

The big problem with Trump’s view of Amazon is not that he gets his facts wrong. By now, we should be used to “taking Trump seriously but not literally,” in Salena Zito’s memorable phrase. And commentators are probably wrong that Trump’s attacks on Amazon stem solely from pique at aggressive media coverage from the Washington Post, which is owned by Amazon founder

Jeff Bezos. Trump has been attacking Amazon for years, starting long before Bezos bought the Post.

The much bigger issue is Trump's Bernie Sanders-style misunderstanding of economics and his nostalgia for an imagined 1950s America.

Trump blames Amazon for "putting many thousands of retailers out of business." In particular, Trump is reportedly upset that his friends in the real-estate business complain that Amazon is responsible for the decline of the shopping center. There is some truth here.

The most pessimistic estimates suggest that competition from Amazon has been responsible for the loss of some 300,000 jobs between the Amazon's founding and 2015. Although in fairness, we should note that Amazon itself employs some 300,000 U.S. workers, and its work force is growing by 40 percent year over year, with plans to hire an additional 50,000 workers at its yet-to-be-located HQ2.

More fundamentally, though, we should recognize that Amazon puts those retailers out of business because it offers a product that consumers prefer. I frequently choose to buy online rather than spend time and effort driving to my local shopping mall. If enough Americans agree with me, the stores in those shopping malls will have to adapt or lose business. That is the "creative destruction" at the heart of free-market capitalism.

And, ultimately, we are all better off because of it. We get newer, cheaper, and better products. How many of us wish that technology had stopped in 1900, or 1950, or 2010?

In the end, we are even likely to get more jobs. George Mason economist Donald Boudreaux points out that last January alone more than 1.8 million Americans lost their jobs. Of course, over that same period, more than 3.3 million quit, and 5.6 million new jobs were created. That is typical for the American economy.

There is a story, possibly apocryphal, about Milton Friedman. While touring China, he came upon a team of nearly 100 workers building an earthen dam with shovels. Friedman pointed out that with a bulldozer, a single worker could create the dam in an afternoon. A Communist official replied, "Yes, but think of all the unemployment that would create."

"Oh," said Friedman, "I thought you were building a dam. If it's jobs you want, then take away their shovels and give them spoons."

Trumpian economics — from his antipathy to Amazon to his escalating trade wars — seems designed to preserve every single existing job, no matter the cost. It makes little more sense than Friedman's spoon brigade.

We should not fear economic change, whether it comes from technology or trade. We should embrace it.

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