Amazon/Whole Foods: What Me Worry? [Amazon-Whole Foods Symposium]
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One year after the Amazon/Whole Foods merger, prices at Whole Foods stores have gone down. Amazon Prime members receive discounts on select products and if they use their Amazon credit card they receive 5 percent back. Consumers in many markets can now order groceries online and have them delivered for free. Amazon is expanding the number of stores nationwide. Not surprisingly, consumers appear to like the post-merger changes. Moreover, competitors are fighting back. Kroger, for example, is increasing its stock of organic foods, starting free grocery delivery, and expanding private label goods to reduce prices.

In other words, one year out, the merger has done what its defenders said it would do: improve consumer welfare. But if today's neo-Brandeisian opponents of all things big had gotten their way, the merger would not have happened.

Such opposition to larger retailers that clearly benefit consumers is nothing new. As Mike Lind and I write in Big is Beautiful: Debunking the Myth of Small Business, there has long been opposition to chain stores, including grocery stores. In the first half of the 20th century the rise of more efficient chain stores threatened the local monopolies of general stores owned by local elites, particularly in rural areas. A&P, the nation's largest retail chain, was demonized by populists in the 1920s and 1930s in the same way that Wal-Mart and other "big box" stores were vilified by populists in the 1990s and 2000s, for putting out of business "Main Street" stores. The intellectual basis of that opposition came largely from Louis Brandeis who famously referred to the "curse of bigness," by which he meant that the only way a firm could get big is through "sinning" (e.g., unfair competition).

Supporters of Brandeis succeeded in passing an array of laws designed to restrict larger, chain stores. A "fair trade" law passed by California in 1931 was copied by nine other states, including New York and Illinois, by 1935. Around the same time, fifteen other states enacted resale price-fixing legislation that prevented the chains from offering discounts. In *Jackson*(1931), the Supreme Court upheld an anti–chain store law passed by the Indiana legislature that imposed higher taxes on chain stores, and later upheld a similar Georgia law. Between 1931 and 1940, twenty-two states adopted anti–chain store tax laws that survived court tests. But not all did. The Court struck down a Florida law targeting chain stores in *Liggett*(1933), in a decision in which Brandeis wrote a passionate dissent. Former governor of Louisiana Huey Long, then a U.S. senator but still the dominant Louisiana politician, declared: "I would rather have thieves and gangsters than chain stores in Louisiana." Another southern populist, Congressman Wright Patman, became the national leader of the anti–chain store movement in the 1930s and led the passage of the Robinson-Patman act which limited price discrimination. In 1937, mom-and-pop operations won another victory with the Miller-Tydings Act, which amended the Sherman Antitrust Act to allow contracts to prescribe minimum prices for the resale of products sold in interstate commerce.

But this marked the peak of the influence of the anti–chain store movement. Consumer groups and labor unions joined retail chains to fight back and by the 1950s it became clear to most Americans that chain stores had clearly made their lives better. But still, it took anti-trust law decades to catch up that reality. In 1966, the Supreme Court in *United States v. Von's Grocery Co.* rejected a merger that would have produced a firm with just 7.5 percent of the relevant market because of "threatening trends toward concentration."

However, as we write in *Big is Beautiful*, Brandeis is back, with today's neo-Brandeisians reflexively opposing virtually all mergers involving large firms. For them, industry concentration has grown to crisis proportions and breaking up big companies should be the animating goal not just of antitrust policy but of U.S. economic policy generally. The key to understanding the neo-Brandeisian opposition to the Whole Foods/Amazon mergers is that it has nothing to do with consumer welfare, and everything to do with a large firm animus. Sabeel Rahman, a Roosevelt Institute scholar, concedes that big firms give us higher productivity, and hence lower prices, but he dismisses the value of that. He writes, "If consumer prices are our only concern, it is hard to see how Amazon, Comcast, and companies such as Uber need regulation." And this gets to the key point regarding most of the opposition to the merger: it had nothing to do with concerns about monopolistic effects on economic efficiency or consumer prices. It had everything to do with opposition to big firm for the sole reason that they are big.

However, knowing that most Americans value lower prices, the neo-Brandeisians deny, just as Justice Brandeis denied, the existence of economies of scale because they know that this reality, more than any other, undercuts their claim that limiting the kind of merger Amazon/Whole Foods represented would be good for consumers. Matt Stoller, a fellow at the Open Markets Institute, reflects that view when he tweets "I'm increasingly convinced the biggest con in business history is the notion of 'economies of scale'." Yet the scholarly literature on the economies of scale is long and deep. As one study finds, "much of the increased competitive pressure on small retailers is due to the fact that growing chains face decreasing marginal cost.

In short, most of the opposition to Amazon/Whole Foods merger had little or nothing to do with economics and consumer welfare. It had everything to do with a competing vision for the kind of society we want to live in. The neo-Brandesian opponents, who Lind and I term "progressive localists", seek an alternative economy predominantly made up of small firms, supported by big government and protected from global competition. For this school, local production by small firms (or even better, worker-owned co-ops or government-owned enterprises) is the desired model, and there is no need for large corporations with extended production chains. Many seek a return to an idealized prior world of national and even regional autarky in which most products and services are produced by small organizations in close geographic proximity to where they are consumed. Inspired by the motto "Think global, act local," they want to act, produce, and consume at the local level. Progressive localists are willing to sacrifice consumers' interest in the lowest possible prices and broadest choice for their small producer vision, in part because they reject consumerism as a vice and a blight on the global environment. And the Amazon/Whole Foods merger took us in the other direction from that vision. It took us in the direction most Americans support: a world with higher productivity, lower prices and more consumer choice.

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