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Amazon Demonstrates Why Breaking Up Big Tech Won't Solve The Real Problem

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I write about leadership in a startup environment.

An employee checks packages at an Amazon.com Inc. fulfillment center. Photographer: Jason Alden/Bloomberg

Is Amazon becoming saintly?

Amazon announced on Thursday that it will invest $700 million in retraining 100,000 workers for higher-tech positions that will be more secure and hopefully more satisfying as automation and artificial intelligence continue to encroach on more and more jobs. Workers have good reason to be worried about their future. A McKinsey & Company study concluded that existing technologies "could automate 45 percent of the activities people are paid to perform and that about 60 percent of all occupations could see 30 percent or more of their constituent activities automated, again with technologies available today."

Amazon's plan is not unprecedented. AT&T is spending $1 billon to reskill 100,000 of its 250,000 employees by 2020. Walmart, JPMorgan Chase & Co. and Accenture have undertaken similar upskilling programs for current employees. But for Amazon, it comes at a particularly sensitive time. The bad odor from a New York Times exposé a few years ago of the company's bruising work environment still lingers. More worryingly, federal regulators are stepping up antitrust oversight of all of the tech giants while Congress is investigating whether companies like Amazon have stifled competition and harmed consumers. Numerous Democratic presidential candidates, Elizabeth Warren most prominently among them, are calling for the breakup of those companies. Even the co-founder of Facebook, Chris Hughes, has called for that company's breakup. Meanwhile public perception has shifted from idolizing tech ventures toward resenting them for, among many other things, manipulating us, exploiting our personal information and contributing to income inequality.

These investigations and calls for breakup have caused significant anxiety in the tech community. Restrictions, formal or implied, on these companies would upend the existing Silicon Valley strategy of investing for dominance. Many venture capital funds have become so large that they can only make big returns by investing in growth-stage startups that grow rapidly to valuations of $1 billion or more. For the biggest VCs, that figure is now more than $10 billion.

Is breakup the answer? Politicians may not be the most astute judges of such questions. It's worth noting, for example, that John D. Rockefeller became much wealthier after Standard Oil was broken up into 34 separate companies, which together were worth much more than the monopoly out of which they were spawned. Further, Amazon has always had a case to make that it is different. It is an e-commerce company located in Seattle, not Silicon Valley, and while its business is enabled by tech, its focus has been delivering any product to any customer's door for the lowest price anywhere. "Everyday low prices" made Walmart the world's largest company and much beloved by most of its customers. If Amazon can add to that promise to-your-door delivery (or delivery to your TV in the case of movies and shows) as part of that low price then, it is argued, they deserve their business. After all, antitrust legislation in the last century was based on the idea that monopolies caused prices to rise.

In many ways, monopolies have been considered good for societies. Their scale and nearly unlimited capital make them able to deliver lower prices and superior service, while investing heavily in new technologies and techniques. They are also able to better withstand recessions—in the Panic of 1893, Standard Oil never laid off any of its employees while almost every other business had to. Monopolies fell into disrepute only when Standard Oil's unsavory methods for driving competitors out of business were described in muckraking journalist Ida Tarbell's famous series of articles for McClure's magazine 115 years ago, which made monopolies a major political issue.

And so here we are again, a century later, with journalists and politicians railing against our present-day monopolists, but with this difference: 115 years ago the argument was that monopolies illegally restrained trade by competing unfairly, but today many observers argue that monopolies can harm society even if they offer lower prices, like Amazon, or provide their services for free, like Google and Facebook. No one likes ads that follow them around or the idea of bad actors like Russia interfering in our politics, but none of the proposals to break up the tech giants will actually make the situation better. It might even make matters worse, as when Rockefeller grew richer after the breakup of Standard Oil.

The real issue isn't scale; it's ethics. Scale can be good if it is not used against competitors, employees or customers. The real question is how to evaluate the ethics of the leaders of monopolies, particularly since most of them control their boards of directors and are therefore not really accountable for their actions. It is too easy for these leaders to engage in disingenuous rationales for their companies' harmful actions. "Ad-tracking makes the internet free" simply does not justify accumulating and selling dossiers on real people. That's the core issue: unethical behavior on an unprecedented scale.

If we are to be able to judge the ethics of the ultra-powerful and rich founders and leaders of the major tech monopolies, they must become aggressively transparent in describing their programs and policies. They must explain clearly—and verifiably—what they think they do to deliver long-term well-being. It is providing a job? A secure job? A non-stressful job? A job with a living wage or better than average wage or average wage but with superior benefits, or maybe just one where the "fun" of the culture is a trade-off of a below average wage?

Amazon's plan to train 100,000 employees for better and more secure jobs benefits a large number of people beyond employees: their families, their landlords, the businesses they patronize and their communities and country (which might otherwise have to provide a social safety net for workers displaced by machines). It's highly unlikely that Amazon is spending $1 billion merely to win public favor.

There will inevitably be trade-offs—no job is perfect. But you cannot be ethical if you haven't thought of what those trade-offs mean to the company, customers, employees and even the neighborhoods and municipalities in which the company operates and pays taxes. Such transparency is doubly difficult because the founder, the board and senior executives must think through the negative and unintended consequences of their products, processes and policies. "Good" founders and their companies will write out those reservations and tell the world—and they will welcome being judged accordingly.

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