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When Markets Produce Billionaires: Amazon, Monopsony, and the Limits of Efficiency Arguments

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Amazon's prices undercut most surviving competitors and its warehouse wages sit above the statutory floor, yet the fortune capitalised in its founder's equity is far larger than consumer surplus or wage premia can explain within standard welfare accounting. This paper argues that the missing value lies in the gradual restructuring of the choice environments in which buyers and workers continue to behave rationally. Drawing on the literature on opportunity cost, path dependence, and two-sided platforms, it shows that each locally optimal purchase, repeated across millions of shoppers, erodes the viability of the alternatives that would otherwise constrain the platform, so that consumers gain surplus on today's menu while forgoing an uncapitalised surplus on tomorrow's. The same mechanism operates in regional labour markets, where Amazon's growing share of logistics employment re-anchors workers' outside options. Because monopoly on the buyer side and monopsony on the labour side are produced by a single physical infrastructure, their value compounds rather than adds. The paper concludes that platform wealth is not exploitative in the conventional sense: it accumulates by being chosen, converting other people's optionality into a priced claim.

Keywords: Amazon, monopsony, platform economics, opportunity cost, path dependence, consumer surplus

Introduction

A fortune of roughly two hundred billion dollars usually leaves visible fingerprints: prices marked above competition, wages cut below it, or some mixture of the two. Bezos's fortune leaves neither. Amazon's prices undercut almost every surviving competitor; its warehouse wages clear above the statutory floor and frequently above the regional retail median. Read through the standard categories of extraction and value creation, the magnitudes do not add up. The consumer surplus the platform generates is large, the wage premium it pays is real, and the residual that ends up capitalised in the founder's equity is several orders larger than either could plausibly explain on its own. The economic action lies somewhere else: in the long, quiet restructuring of the choice environments inside which buyers and workers continue to behave rationally.

The Surplus That Does Not Cancel

What is not in dispute is the surplus on the consumer side. The platform offers a higher composite bundle of attributes—nominal price, breadth of catalogue, the search cost that historically constituted the largest hidden tax on retail decision-making, fulfilment speed, and the institutional certainty that defective transactions will be reversed—than almost any feasible alternative under the same budget constraint (Marshall, 1890; Stigler, 1961). Each attribute is a real economic good for households economising on time and cognition (Becker, 1965). A

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purchase under these conditions is the substitution of one combination of goods, time, and effort for another rather than a transfer of money for a thing (Lancaster, 1966). Rational shoppers respond as the model predicts: selecting the platform repeatedly across categories, with revealed willingness to pay measurably above retained nominal price.

Standard welfare accounting is supposed to close on this. The gains from trade between buyer and seller, summed across the two sides, exhaust what a transaction can produce: a portion accrues to consumers as surplus, a portion to the firm as profit, and the residual the firm captures is bounded by the elasticity of demand and the structure of competition. Run that arithmetic on Amazon and the books do not balance. The consumer surplus generated is enormous in aggregate. The capitalised value of the firm and its founder's equity is also enormous. No plausible reading of the standard partition has both quantities simultaneously this large.

The discrepancy is informative. It implies that some category of value is moving between ledgers in a way the partition between consumer and producer surplus is not built to register. The category that is moving—and the one the partition is not built to see—is the future shape of the choice environment in which surplus will later be measured at all.

The Counterfactual That Disappears

Opportunity cost as taught in introductory courses is a static comparison performed by one agent at one moment: choose X, give up the next-best Y. The version that does the analytical work in a platform economy is dynamic and collective. The cost is not what any single shopper foregoes at the moment of clicking "buy"—that is trivial, a marginally less convenient or more expensive alternative she would have rationally rejected anyway. The cost is what the population of shoppers collectively forgoes, by repeating that same locally optimal decision millions of times per day, in the form of the continued viability of the alternatives themselves.

This is not irrationality. Each individual decision remains optimal given the alternatives available at that moment (Sen, 1977). The structural mechanism is that the alternatives available at any future moment are themselves a function of the cumulative behaviour observed at all previous moments. A retail ecosystem composed of independent bookstores, regional electronics shops, neighbourhood pharmacies, and specialty distributors required steady aggregate demand to remain solvent; it could absorb perhaps a tenth of its volume migrating to a more efficient channel and not the substantial majority that actually did. As substitutes thinned, the consumer's outside option degraded—not inside any one transaction, but as a slow drift in the comparison set against which Amazon would later be judged (Hirschman, 1970).

What the literature on path dependence describes in abstract form, Amazon executed in retail with unusual completeness (Arthur, 1989; David, 1985). The disappearance of Borders, the steady attrition of regional electronics chains, the contraction of independent bookselling across two decades—`each event left behind a rational explanation in its own market and a structural one in aggregate. The price the platform can extract—including the implicit prices imposed on third-party sellers through commission rates, advertising fees, and Buy Box visibility—drifts upward as the alternatives that would have constrained it cease to exist (Khan, 2017; Rochet & Tirole, 2003). The shopper continues to feel that she is getting a good deal, and she is, relative to the menu now in front of her. The menu that no longer exists is the part the opportunity-cost calculation cannot reach.

What appeared in the standard accounting as a missing quantity now has a location. The surplus consumers gain at the level of the individual transaction is real and capitalised; the surplus they forgo at the level of the future menu is real and uncapitalised, because the standard accounts have no place for unrealised counterfactuals

(Goldfarb & Tucker, 2019). Bezos's equity is the priced version of the first quantity. The second quantity is what makes the first quantity sustainable, and it is borne by the same consumers who appear, by every standard measure, to be winning.

Both Sides of the Same Tightening

The mechanism that compresses consumer alternatives also compresses worker alternatives, and the two compressions are not independent. They are coupled through the same firm.

The worker's decision has the same structure as the consumer's: a rational individual choice under constrained alternatives, repeated across enough of the population to reshape the constraints themselves. A warehouse hire compares the Amazon offer to her local outside option and accepts when the offer dominates (Manning, 2003). The wage is acceptable. The benefits, on tenure, are non-trivial. The hours, in many regions, are more predictable than in retail or food service. As the platform absorbs an increasing share of regional logistics employment, that local outside option is itself shifting—competing employers either match Amazon's wage and adopt similar productivity regimes, or they lose workers and exit. The decision to take the job remains rational. The comparison set against which "rational" is being measured has been re-anchored.

The coupling between the two sides is what generates the magnitude. A platform that controls a large share of consumer spending in a region acquires, almost mechanically, a corresponding share of regional logistics employment; the two market positions are produced by the same physical infrastructure of warehouses and last-mile networks. The monopoly position on the buyer side and the monopsony position on the seller-of-labour side are therefore not parallel facts to be added; they are two faces of a single structural position whose value compounds. A firm that can both raise its take rate on consumers (because their alternatives have thinned) and suppress wage growth on workers (because their alternatives have thinned for the same reason) produces a residual surplus that neither force could generate alone (Autor et al., 2020; Zingales, 2017). The coupling shows up cleanly inside the firm's own optimisation: Warehouse expansion is justified internally by consumer demand projections, and consumer pricing decisions are made conditional on logistics throughput. The two sides are managed as a single problem because they are a single problem.

The experiential vocabulary tracks the coupling. The consumer's "fast" and the worker's "paced" are opposite faces of the same algorithmic clock. The consumer's "certainty" is the worker's "measured"—the rate target calibrated against her own previous productivity, the time-off-task counter that activates after a few minutes of idle, the attrition mechanism that converts her replaceability into a budget line item rather than a managerial failure (Williamson, 1985). The consumer is satisfied and the worker is exhausted, and a single operating system is producing both outcomes from the same fulfilment centre.

Conclusion

The question, asked at the level of the transaction, returns "neither", or, with charitable framing, "both, slightly". At the level of the choice environment those transactions have collectively produced, the answer changes. Bezos has not, in the main, taken from his customers or his employees. He has taken from the future versions of both—from the shoppers whose menu of viable alternatives has narrowed faster than they noticed, and from the workers whose bargaining floor outside the platform has dropped beneath the floor inside it. A fortune of this magnitude is a priced claim on the slow conversion of other people's optionality into one's own. Platform wealth is not exploitative in the conventional sense. It accumulates by being chosen.

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