

Price gouging at Amazon and the case for public ownership

By Eric London
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As Florida's residents brace themselves for Hurricane Irma, Amazon is profiting from third party sellers hiking the cost of water sold on the corporation's online marketplace.

Family and residents of areas expected to be slammed by the hurricane's torrential rain and 180 mile per hour winds took to Twitter in recent days to protest high mark-ups on cases of water. Many people have attempted to buy water online in the run-up to the storm because grocery stores and warehouses quickly sold out.

Florida resident Lee Munro tweeted, "So. Florida girl trying to buy food on @Amazon before Irma...prices have tripled. Isn't that PRICE GOUGING? @JeffBezos"

Another user, J, posted a photo of a 24-pack of bottled water priced at \$20, adding, "@Amazon, I'm in Tampa trying to buy water online because stores are out of water and this is crazy price gouging!"

Diana Moskovitz, an editor for the web site Deadspin, posted a photo of Amazon sellers charging \$18.48 for a 24-pack of bottled water usually priced at \$5-6. To ship the bottled water before the storm hits would cost \$179.25, making the total cost \$197.73, or \$8.24 per bottle. *USA Today* reported that an Amazon search for Ice Mountain Spring Water priced a 24-pack at \$99.99 before shipping.

Amazon replied by denying claims of price gouging. "We do not engage in surge pricing," a corporate spokesperson told *Business Insider*, adding that bottled water prices "have not widely fluctuated in the last month." While true that the price increases are not due to surge pricing, Amazon contracts with third party sellers and receives a percentage of sales revenue and is profiting from third party price hikes. The company spokesperson blamed the company's algorithms for the

rising price, noting that "lower priced offers are quickly selling out, leaving higher priced offers from third party sellers."

Even the pro-corporate *Forbes* magazine found this defense suspicious, with Tom Popomoronis writing yesterday: "Personally, I find it appalling and sickening to just 'blame the algorithm' and sweep this under the rug amidst catastrophe." Popomoronis explained, "Under normal circumstances, algorithmic processing can result in price shifts ranging from just a penny or two to several dollars, depending on the demand the AI analyzes and the initial price. ... But in hurricanes and other natural disasters and crises, algorithms break this general rule. Because equipment and supplies that are necessary for human survival get tagged with the increases, the ethics of allowing regular supply and demand concepts to prevail comes into question."

Even in the wake of last week's devastating Hurricane Harvey struck Houston, capitalist think tanks have defended the policies of companies like Amazon. Writing for the American Enterprise Institute, University of Michigan economist Mark Perry wrote recently, "A frequent claim we hear is that the laws of economic should be suspended, ignored or circumvented following a natural disaster like Hurricane Harvey, which then motivates laws against 'price-gouging.' But you can make a stronger case that it's during the period following a natural disaster like a hurricane when we want market prices to prevail and market forces to operate as forcefully and powerfully as possible."

In other words, let the corporations prey on workers and their families in Texas and Florida whose homes have been destroyed or who are attempting to get out of harm's way. Airlines are currently charging Floridians thousands of dollars to leave the state for safe grounds.

American Airlines, for example, is charging just under \$2,000 for flights from Miami to Minneapolis. One twitter user said, “This is how American Airlines helps people to evacuate Miami ... by raising tickets 400% #shameful!”

The recent price hikes by third party sellers on Amazon is a particularly egregious example of corporate profiteering, but this type of vulture activity is the rule under capitalism, where social need and human rights are subordinated to the interests of corporate profit. Amazon has catapulted itself to the top of the economic food chain by imposing a business model based on the hyper-exploitation of its 300,000-person workforce, forcing workers all over the world to labor under strenuous conditions at low pay and low benefits.

While the government protects the right of corporations to profit off of flood victims, it ignores infrastructure, rescue preparations, and leaves residents to fight for themselves. In Houston, rescue efforts were largely spontaneous and organized by the working class without sufficient support from the government. While thousands of workers took their boats into the flood waters looking for victims and bringing them food and water, the *Washington Post*—owned by Amazon CEO Jeff Bezos—sought to paper over the government’s lack of preparedness, writing: “Rescue officials say there was no way to prepare for deluge’s ferocity.”

The response of the ruling class and the working class to this summer’s storms shows the burning need for the socialist reorganization of the world economy. Instead of price gouging and government neglect, trillions of dollars must be taken from the major corporations and from the bank accounts of their billionaire owners to build flood and natural disaster infrastructure across the world. Massive jobs programs involving millions of workers must be launched to protect the population against storms, earthquakes, fires and floods.

Corporations like Amazon must be placed under social ownership and directed not for private profit, but to meet social needs. Under socialist direction, Amazon could be transformed into a platform for natural disaster rescue. The corporation’s fleet of delivery drones could be flown to Miami or Houston and used to deliver free water, food, medical supplies, flares, inflatable rafts, etc., to millions of residents.

Drones with live video cameras could be used to go street-by-street through the floodwaters, identifying residents in need of rescue and alerting authorities. The corporation’s massive warehouses could be used to store food and its growing network of neighborhood shops could be used as distribution centers, supplied with a constant flow of emergency goods and personnel by the company’s complex international supply line.

Rebuilding efforts could be scientifically organized according to a regional plan that calculates the material needs of different neighborhoods, programming drones, delivery drivers and trucks to drop off supplies and pick up waste. With the immense power of a corporation like Amazon at the full disposal of disaster relief efforts, rebuilding a major city like Houston could be as smoothly orchestrated as municipal garbage pickup.

This requires a level of social planning which cannot be introduced under a capitalist system where private profit is the rule.

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