

Andrew Moe

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### Public Policy Memo

In today's local market economy, large ecommerce businesses possess an inequitable advantage over local small businesses. The Small Business Administration defines small businesses as those with less than 500 employees and reported in 2022 that 99.5% of businesses registered in Washington state are small businesses (U.S. Small Business Administration 1). As of June 2022 Amazon occupied 37.8% of the U.S. ecommerce market, almost triple the combined market share of its largest three ecommerce competitors (Chevalier). Though Amazon primarily exists as an ecommerce business, it enjoys almost limitless physical presence in local markets with relatively little cost or competition through its ubiquitous delivery network. RCW 19.85.020 states that "a vibrant and growing small business economy is critical to creating jobs in a dynamic economy" and "the failure to recognize differences in the scale and resources of regulated businesses can adversely affect competition in the marketplace." Bearing this in mind, it is imperative that consumer dollars are spent locally at small businesses, as a study conducted in 2018 by American Express found that for every dollar spent locally \$0.67 stays in the local economy and an additional \$0.50 is generated for other local business activity. (American Express and Econsult Solutions). This spending pattern encourages and fosters a positive market environment for local small businesses to grow while investing in jobs, community, and innovation. As large ecommerce businesses generate sales in such great volume and have access to additional resources, technology, and markets, they are able to operate with margins fractional in comparison to local small businesses. Because local small businesses do not enjoy these same

advantages, they are required to increase prices while lowering operational costs by trimming staff, wages, services, and goods offered. This ultimately creates and reinforces a cyclical pattern of negative experiences at local small businesses causing consumers to instead patronize ecommerce and other large businesses. In order to correct this paradigm, it would be prudent to develop a policy seeking to ameliorate the burden on local small businesses while encouraging conscientious decision-making in large ecommerce businesses. One solution may be a redistributive tax on large ecommerce business sales paid into a fund existing as an annual pooled tax subsidy for local small businesses. This tax could be collected similarly to Destination-based Sales Tax and then distributed to local small businesses in the municipality corresponding to the final destination of goods sold by the large ecommerce businesses. The most likely negative effect of this policy would result in higher prices at large ecommerce businesses, potentially having an immediate deleterious effect on those with lower socioeconomic status. However, this tax would eventually cause greater local economic parity between local small businesses and large ecommerce businesses, consequently encouraging consumers to patronize more local small businesses. This would allow local small businesses to create more jobs with higher wages and provide higher quality goods and services at lower, more competitive prices, resulting in a more equitable, fair, and accessible local market economy.

### Works Cited

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