

## The Great Reckoning in Retail

Next Thursday is our [EBI Conference](#) in New York City. The line-up for the conference is stacked -- Liz Ann Sonders, Cliff Asness, Jason Zweig, Tim Buckley, Jim Ross, and a whole bunch of other well-known names from the asset management, financial media, and blogging worlds.

There's also NYU professor Scott Galloway who is one of the smartest voices on technology trends and companies right now. I love Galloway's weekly blog posts and videos because I always learn something and he's got a hilarious dry wit to his delivery.

Galloway also has a new book that just hit the shelves called [The Four: The Hidden DNA of Amazon, Apple, Facebook and Google](#). He describes how these four companies have succeeded by tapping into our most basic instincts: love (Facebook), religion (Google), sex (Apple), and consumption (Amazon).

Amazon is the most interesting company profiled because Galloway brings up some potentially scary consequences from their utter domination of retail. He says he heard Amazon CEO Jeff Bezos give a speech at a conference where he was asked about job destruction from technology and its impact on society. Bezos suggested we should consider a universal minimum income. Galloway pulled no punches in his response to this idea from the tech titan:

*The answer will not only decide the fate of companies, but millions of workers and households as well. What's clear is that we need business leaders who envision, and enact, a future with more jobs - not billionaires who want the government to fund, with taxes they avoid, social programs for people to sit on their couches and watch Netflix all day. Jeff, show some real fucking vision.*

People generally get a sense of worth from their jobs so I'm not so sure about the basic income idea either. My guess is the government will have an easier time going after Amazon than building a better safety net. The idea that tech firms are going to put many people out of a job is nothing new but Amazon is going to be a difficult corporation to regulate. Galloway continues:

*The inside of an Amazon warehouse is upsetting, even disturbing. Unsafe working conditions? Nope. Abuse of employees as per the New York Times article? No. What's disturbing is the absence of abuse, or more specifically, the absence of people. The reason Jeff Bezos is advocating a guaranteed income for Americans is he has seen the future of work, and, at least in his vision, it doesn't involve jobs for human beings. At least not enough of them to sustain the current workforce. Increasingly, robots will perform the functions of human employees, almost as well (and sometimes a lot better), without annoying requests to leave early to pick up their kids from karate.*

How can you regulate a company that is making it more convenient and cheaper for people to shop? I love Amazon but it is alarming the impact they're having on the retail world. Galloway says

there are nearly as many Americans working as cashiers (3.4 million) as there are school teachers in the U.S. He then makes a bold prediction about what technology means for this group:

*How will the mall or box store, much less mom-and-pop shop, compete? We are witnessing the great reckoning in retail. Just as we witnessed the percentage of our populace working in agriculture decline from 50 percent to 4 percent in a century, we'll see a similar drop over the next thirty years in retail.*

The number of jobs that could be displaced from technology is staggering but there is another side to this argument.

Marc Andreessen gave an [interview](#) last year about the millions of jobs that are forecasted to be lost because of driverless cars in the future. His response has stuck with me:

*[It's] a two-part answer. These are things that are true and nobody knows. The American economy this year will create 24.5 million gross new jobs, and it will destroy 21 million gross jobs. This is where the headlines are misleading. They're unintentionally misleading, but they're misleading. When you read the job headlines it's like, "The US economy created 300,000 jobs last month," and you're like, "That seems like a really small number." It's always reported as the net. The gross is much larger than the net.*

*The first-order answer to the question is the US economy, just this quarter, will destroy over 5 million jobs normally. **The US economy is like the duck: it looks calm on the top and is paddling furiously underneath.** We will destroy and re-create over 5 million jobs just this quarter, and we will do it again in Q1 of '17, and we'll do it again in Q2 of '17, and we'll do it again in Q3 of '17. Five and a half million jobs get reallocated over the next five years — it sounds like a lot, but it's a drop in the bucket compared to the overall level of change happening in the economy.*

The tech crowd is usually more optimistic about these things but he brings up a good rebuttal. I'm fairly optimistic about the dynamism in the U.S. economy as well. However, that doesn't mean there won't be some painful transitional periods to get there. I believe workers will adapt but there are bound to be huge swaths of people who get left behind.

Galloway predicts that Amazon will become the first trillion dollar market cap company in the coming years (it's currently at around \$470 billion). The only thing stopping them from reaching that level will be some sort of government intervention. Eventually, politicians are going to pick up on the narrative that Amazon is destroying jobs.

It will be fascinating to see how Amazon and Bezos respond if and when that happens.

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There's still time to buy tickets to the event if you would to hear Galloway's talk (promo code RWM25 even gets you 25% off):

[2nd Annual EBI East Conference](#)

Further Reading:

[The Unintended Consequences of Innovation](#)

Now here's what I've been reading lately:

- The money people ([A Teachable Moment](#))
- Patient investing requires a little faith ([Monevator](#))
- There's no talent required to constantly predict a market downturn ([Reformed Broker](#))
- An update from the Bogleheads conference ([Humble Dollar](#))
- What if high asset prices are good for the economy? ([Bloomberg View](#))
- Playing the odds ([Irrelevant Investor](#))
- Beware extremist bond market calls ([Prag Cap](#))
- Don't blame Morningstar for our own shortcomings ([Bloomberg View](#))
- Loved this podcast between Marc Maron and Jeff Bridges, who may actually be 70% of The Dude in real life ([WTF](#))