

## Dead-Tree Luddites

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Imagine you're living in the 15th century. You're witnessing a revolution that will profoundly change the world. This revolution doesn't involve swords and cannons but rather words and books. The cause of this upheaval is the most important invention in more than a thousand years: *the printing press*, by Johannes Gutenberg.

Within a few decades of its launch, you see the printing press transform the field of bookmaking in ways previously unimaginable. Printed books are far easier, faster, and less costly to produce than the books that had preceded them, which had to be laboriously copied, one page at a time, by hand. In the time it takes to copy one page by hand, the printing press can turn out hundreds or thousands of copies of that same page, thereby making it possible for the first time in history for almost anyone to own books.



Within a century of its creation, the printing press will spread throughout western Europe, producing millions of books, spurring the economic development of industries related to it, such as papermaking, and spreading literacy and knowledge around the world. The printing press will make possible the rapid development of education, science, art, culture — and the rise of mankind from the medieval period to the early-modern age.

Let us further imagine that not everyone in the 15th century is happy about this innovation. Unable to match the benefits of the printing press, the producers of hand-copied books are outraged. The scribes are being put out of business. The penmanship schools that train the scribes, the quill makers that supply their pens, and the manufacturers of the stools and drafting tables that literally support them are seeing a drop in sales. The hand-copied books are now priced too high to compete with the Gutenberg press, so their publishers are experiencing no growth, with no new capital coming into their industry. The sales force for the hand-copied books is also in despair, with their customers now ordering the new printed books from the Gutenberg people, and their lost income being money they can no longer put into their communities. Alas, the monopolistic monster, the printing press, is taking over.

The hand-copied-book interests complain bitterly to the Great Sages at their Hallowed Council of Justice. "Sires," they cry, "you must stop the predatory pricing and scorched-earth policies of the Gutenberg press. It's wiping out the competition. How can this be in the public interest?"

Fast-forward to the 21st century, and we see another revolution that is turning the book industry topsy-turvy — the transformation from printed books to electronic ones. This revolution is spearheaded by a modern-day Gutenberg, Amazon.com, the pioneer of the ebook, the Kindle device for reading it, and the online marketplace for publishing and selling it.

What Amazon has accomplished is truly amazing. With Kindle, it has eliminated the industry middlemen who come between the writer and reader of a book — from agents to publishers to distributors to wholesalers to brick-and-mortar bookstores. Kindle has also eliminated the need for a physical inventory of books, with its high printing, warehousing, and shipping costs. These

innovations have resulted in far less expensive books now available to consumers. And the new marketplace of ebooks has been especially advantageous for self-publishers unable to get their books accepted through the traditional channels, who now have an avenue open to them for reaching customers directly.

The popularity of these ground-breaking innovations is enormous, with Kindle books now outselling (<http://www.nytimes.com/2011/05/20/technology/20amazon.html>) the combined total of all paperback and hardcover books purchased from Amazon.

Without any middlemen or gatekeepers, with virtually no costs involved, and with self-marketing possible through social media and other Internet channels, electronic publishing is creating a robust market for new writers and books. For example, one novelist who was unable to find an agent or publisher has self-published two of her novels on Kindle. With her books priced at \$2.99 and with a 70 percent royalty from Kindle, she earns approximately \$2 per book. She is selling 55 books per day, or 20,000 books per year, which amounts to sales of \$60,000 and royalties to her of \$40,000. (As a simple comparison, without getting into the complexities of book contracts, this author might earn a royalty of approximately 10 percent from a traditional publisher, which would require her to achieve sales of \$400,000 to earn as much money as she does self-publishing on Kindle.) Other authors are doing even better, including two self-published novelists who have become members of the Kindle Million Club in copies sold. These writers started with nothing — they were not among the favored few selected by agents and trade publishers, and they had no publicists or book tours — yet, thanks to electronic publishing, they are making a living, with some achieving stunning success.

The low pricing of ebooks, scorned by the traditional publishing interests, is the emerging writer's new ticket of admission into the book industry. While readers may be highly reluctant to risk \$25 in a bookstore to try a new writer's hardcover work, they are buying the ebooks of new writers priced at or around \$2.99 on Kindle. Writers are finding their fans and making money at these prices, and readers, judging by Amazon's "customer reviews," are happy with these low-cost books.

The writer-publisher in America dates back to our founding, promoting vigorous free speech and *intellectual* entrepreneurship. Benjamin Franklin's *Poor Richard's Almanac* and Thomas Paine's *Common Sense*, both bestsellers in their day, were self-published. If the American dream is to start with nothing but one's own talent, motivation, and hard work, and from that achieve success, then in recent times this dream was essentially closed to writers who failed to win the favor of the agents and trade publishers. Prior to the ebook revolution and online marketing spurred by Amazon, there was a stigma attached to self-publishing, despite its long and distinguished tradition in America. The major trade reviewers would not consider a self-published book, which meant that libraries and bookstores, which order based on the reviews, would not carry it. Now, ebooks are not only taking the stigma out of self-publishing but arguably making it the preferred route. Amazon has opened the avenue to pursuing the *intellectual's* American dream once again.

Yet the same medieval attacks projected above against the printing press are now being launched against Amazon, with the attackers imploring the modern-day "sages" at the Justice Department to stop the new menace called Amazon.

Leading the charge back to the Middle Ages is the *New York Times*. Two articles appearing on the front page of its business section on April 16, 2012, illustrate what happens when the Luddites (i.e., those hostile to technological development) meet the statist (i.e., those who look to achieve their ends through government force).

"Daring to Cut Off Amazon" ([http://www.nytimes.com/2012/04/16/business/media/amazons-e-book-pricing-a-constant-thorn-for-publishers.html?\\_r=3&hp](http://www.nytimes.com/2012/04/16/business/media/amazons-e-book-pricing-a-constant-thorn-for-publishers.html?_r=3&hp)) by David Streitfeld praises a publisher-distributor for pulling its printed books out of Amazon. (Amazon discounts not only ebooks but also the printed books it so successfully sells.) The company is Educational Development Corporation, whose CEO, Randall White, laments, "Amazon is squeezing everyone out of the business.... They're a predator. We're better off without them."

One of Mr. White's concerns was that his sales people were losing business because their customers were buying the company's books cheaper from Amazon. Sales consultant Christy Reed comments about her local customers, "Yes they got the books for less [from Amazon]. But my earnings go back into our community. Amazon's do not." It apparently didn't occur to her that by buying books cheaper on Amazon, her *former customers* have more money to spend in her community, and the Amazon staff who replaced her have more money to spend in *their* communities. But where spending does or doesn't take place is not the main economic point. The real point is that for the same total spending in the economic system as a whole, people now obtain more books and have money left over to buy more of other things.

"Book Publishing's Real Nemesis" ([http://www.nytimes.com/2012/04/16/business/media/amazon-low-prices-disguise-a-high-cost.html?\\_r=2&ref=amazoninc](http://www.nytimes.com/2012/04/16/business/media/amazon-low-prices-disguise-a-high-cost.html?_r=2&ref=amazoninc)) by David Carr cites the recent antitrust suit brought by the Justice Department against five publishers and Apple, charging they engaged in the price-fixing of ebooks. Instead of condemning this police action against production and trade, Mr. Carr bemoans the fact that the strong arm of the law didn't go far enough to grip the "monopolistic monolith" Amazon, which "has used its market power to bully and dictate." Mr. Carr considers it bullying and dictating when a private company (Amazon) sets its terms, and other players (the publishers) are free to do business with it or not. But it's *not* bullying and dictating when the compulsory power of the state intervenes to set economic terms and punish businesses arbitrarily?

Mr. Carr quotes Authors Guild president and best-selling author Scott Turow, who worries that the club of authors and publishers will shrink. (*Really?*) "It is breathtaking to stand back and look at this and believe that this is in the public interest," complains Mr. Turow about Amazon's success. He also wonders if Amazon will drive the price of books so low that there will be "no one left to compete with them." Apparently the "public interest" doesn't include the millions of customers who choose to buy the mother lode of affordable ebooks from Amazon and who may not welcome his solicitous concern over the low prices they're paying. And apparently the "public interest" doesn't include the fresh crop of new authors now sprouting through ebooks, without the benefit of the major publishers and lucky breaks that he had.

The Luddite tone of the attacks against Amazon rings like the following: The electric light will replace the candle. The car will replace the horse and buggy. The cure for tuberculosis will put the sanatoriums out of business. The computer will replace the typewriter.

The statist element lies in the attackers' desire to enlist the police power of the state to stifle the competition and artificially prop up their businesses.

Granted, it may be disappointing and painful for those whose jobs are thinning out or becoming obsolete due to technological advancements, but that can't justify government intrusion. Morality is on the side of the people engaged in voluntary trade and against those who urge the Justice Department's encroachment into their industry. The charges levied against Amazon — as a predator, monopolist, bully, etc. — actually do *not* apply to a company engaged in voluntary trade, no matter how big its market share, but rather to those trying to preserve their interests through government action.

In the case of Amazon, the ones trying to restrain trade are the attackers themselves. Moreover, not only is morality on the side of Amazon, but so too are the long-run material self-interests of everyone in the economic system. Everyone working will earn money, but, thanks to Amazon and every other innovator of better products or more efficient methods of production, the buying power of the money he earns will be greater. The enemies of productive innovators are, by the same token, antisocial enemies of the general buying public.

The complaints lodged against Amazon would be harmless if the complainers could not use the government to advance their cause. But they can, through *antitrust laws*. These laws give the state the power to evaluate the price of a company's product in relation to its competition and to punish companies — severely and arbitrarily — for prices deemed to be unacceptable. If a company's price

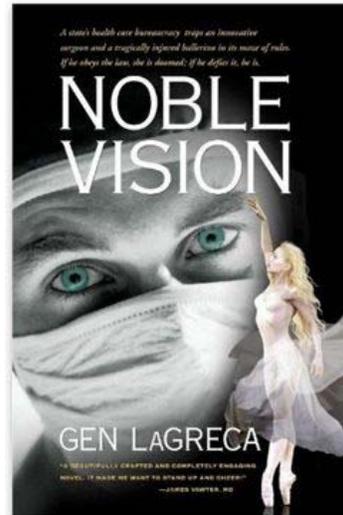
for its goods is deemed to be *too low*, it can be punished for being predatory and destructive of competition. If the price is deemed to be *the same* as its competitors, it can be punished for collusion and price-fixing. If the price is deemed to be *too high*, it can be punished for being monopolistic.

Using antitrust laws against the *book* industry poses an additional grave danger over and above their use against other industries. Because the book industry represents the dissemination of knowledge and ideas, an attempt to regulate the price of books abridges the free flow of ideas and violates our First Amendment right to freedom of the press.

Anyone interested in the survival of a robust book industry – or any other industry – with the free flow of products, the creativity of new business methods, and the preservation of economic freedom and property rights, must support the repeal of these oppressive laws.

The *market* – comprising the voluntary decisions of millions of free people – determines the pricing of books, the form a book will take, the device it will be read on, the winners and the losers of the competition. If the market chooses an innovative technology and a new direction, then so be it. Let the medieval bookmakers copying their books by hand and their contemporary counterparts using needless paper and ink, warehouses, delivery trucks, and bookstores, adopt the advances or quit!

Totally unlike competition in the animal kingdom, in which the losers are eaten or die of starvation, the losers of an economic competition do not die. At worst, they must relocate in the economic system at a lower level. But in an economic system free enough rapidly to progress, as ours has been for most of the last two and a half centuries, even the lowest-paid workers enjoy a standard of living that surpasses that of the kings and emperors of earlier ages. This is why the Gutenbergs of the world must be left free to dream, to create, and to trade without fear of punishment.



(<http://www.amazon.com/gp/product/B00514WM06?ie=UTF8&tag=misesinsti-20&linkCode=xm2&camp=1789&creativeASIN=B00514WM06>)

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Gen LaGreca is the author of *Noble Vision* (<http://www.amazon.com/gp/product/B00514WM06?ie=UTF8&tag=misesinsti-20&linkCode=xm2&camp=1789&creativeASIN=B00514WM06>), a novel that won a *ForeWord* magazine Book of the Year Award and was a finalist in the *Writer's Digest* International Self-Published Book Awards. After being rejected by dozens of agents and unable to find a trade publisher, it now enjoys steady ranking in the Top 100 Best Sellers in medical and political genre fiction on Kindle. Send her mail (<mailto:glagreca@sbcglobal.net>). See Genevieve LaGreca's article archives (<http://mises.org/daily/author/1725/Genevieve-LaGreca>).

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