

HQ2: How Amazon Made Governments Do Their Bidding for Free

It wasn't just about financial breaks and subsidies. Cities gave up all sorts of data the giant can use for its own market advantages.

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 Amazon HQ In a Fassbender/dpa/picture-alliance/Newscom There were many problems with how Amazon's search for the site of its new "HQ2" corporate offices went down.

There were the [over-the-top subsidies](#) that state and local governments offered to entice the tech giant to their borders. Then there was the general [lack of transparency](#) for the

taxpayers footing the bill. And who could forget the [sometimes-nauseating press](#) for this torrid [competition in corruption](#), as if an [extension of government privileges](#) to a favored mega-firm was some kind of fairy tale love story.

All of this has served Amazon quite well. The downsides, when they did crop up, were minimal.

There *was* a good amount of criticism over how public officials slavishly courted Amazon with favors and favoritism. No matter: the company merely leveraged its position to [muzzle officials](#) of the 20 regions that made the shortlist.

What have gone less discussed are the many *indirect* ways in which policymakers were unknowingly deputized to bolster Amazon's bottom line. It really was ingenious on Amazon's part. They have been able to not only have their pick of the nation's plum and primed office space, they will be able to monetize the resulting data too.

On the simplest level, consider the company's last minute decision to split its satellite offices (are they really "headquarters" anymore?) between two cities.

Despite the dramatics of its national sweepstakes, Amazon [reportedly is about to announce](#) it has selected two early-anticipated locations: Queens, N.Y. and Crystal City, Va. (located right outside D.C.). This puts the company close to the levers of financial and political power.

Choosing two locations benefits Amazon more generally. First, the company can enjoy two incentive packages at the same time.

This maximizes the company's taxpayer-funded benefits while possibly minimizing taxpayer-lodged complaints.

How? Well, fear of increased resident costs was a big NIMBY argument against *any* HQ2 move to their town, subsidized or not. The tens of thousands of jobs that Amazon would bring might be a feather in officials' caps, but they would not all be manned by locals. An incoming horde of highly-paid techies would [raise rents and stress local infrastructure](#).

Splitting the offices could split the pressures, and therefore take some heat off Amazon. Leaders in Queens and Crystal City may be disappointed to not be the "only" HQ2. But they are not exactly in a place to complain. To save face, they may end up promoting Amazon-preferred public narratives. And it is doubtful that they will amend their incentive package to reflect the new reality.

The double-dipped tax goodies and dispersed costs for these two towns are just the start. Really, each of the [238 regions](#) that participated in the search was taken for a ride.

The Amazon HQ2 search was not about HQ2: [it was market research](#).

The mayors and governors and councilmen and commissioners and local developers of America handed priceless information about their plans, investments, and reserve prices to Jeff Bezos *for free*.

What could Amazon do with this data?

For starters, Amazon now knows exactly what each area is willing to pay for a shot at some sweet tech investment. This gives the company a nice, fat Rolodex for the next time it needs to open a suite. And we can be sure they'll be jonesing for more treats on the next round.

There is a competition angle as well. Think about what Amazon does. It is an e-commerce company, responsible for almost half of all online retail in the US. This means it is also a logistics company, and may soon specialize further in innovative transport methods. It is a cloud computing provider, powering some 40 percent of application workloads with its global server network. And it is a consumer product company in its own right, offering branded merchandise, gadgets, media, and even credit as part of its sprawling empire.

Amazon is now [privy to information](#) about where different municipalities are going to direct investment and infrastructure in the near future. [The company can exploit this information.](#)

Use your imagination. Maybe Amazon just happens to purchase a new fulfillment center right around a soon-to-be-developed locale which would see increased demand for Amazon products. Maybe it simply decides to squat on land for a while, knowing that it will soon be smack dab in a hive of activity. A new brick-and-mortar store? They'll have the option. Or maybe knowing where news roads will be built will make it easier for Amazon to plan transit routes. There's profit to be extracted from this data that you and I could not even conceive.

Photo Credit: Ina Fassbender/dpa/picture-alliance/Newscom

This can be defensive, too. Perhaps Amazon knows something that Wal-Mart does not, so it makes a loss-leading move in that area just to knock the other guy out.

The possibilities are as imposing as Amazon's ambitions.

Perhaps most remarkable is how Amazon's gambit pushed government functionaries to do all of this for free. Actually, it was sometimes better than free: Officials tried to shower Amazon representatives with [gifts](#) and even [vanity names](#). All Amazon had to do was dangle the promise of an already-needed office park before public officials, who then scrambled to deliver the goods. Fear of missing out lead officials to offer more than they otherwise might have, and Amazon ended up picking two cities (and two sweeteners) anyway.

Other mega-corporations are surely studying this affair closely. Will they follow Amazon's lead? It must be very tempting. Of course, not everyone is an "Amazon," able to make people divulge how high they can jump before even being asked. But for those who can—why not?

A very destructive kind of precedent is being set here that might exceed the potential damage to municipal budgets and market competition. We apparently find ourselves in a culture that is not only okay with the idea of a corporate hunt for data and privilege—it is downright cheered on.

Our recourse looks scant, and Amazon can't exactly unlearn what policymakers fell over themselves to reveal. So the task is to prevent this from happening again.

We cannot rely on corporations to *not* push for government perks where they can be gleaned. Nor can we apparently rely on our politicians to abstain from costly and counterproductive toadying. They must be tied to the mast: An [interstate compact](#) against these arrangements may be just the ticket.

Unfortunately, coordinating these leaders to cooperate for everyone's eventual benefit is easier described than achieved. The unceremonious conclusion of the HQ2 con will ideally give impetus for reform.

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