Books and Commerce in an Age of Virtual Capital: The Changing Political Economy of Bookselling

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While a growing literature calls attention to ownership concentration in book publishing (Miller, 1997; Bagdikian, 2000; Gomery, 2000), far less scholarly attention has been paid to corresponding developments among booksellers, though the battle for market dominance has received attention in the business press. By 1997, the four largest chains in the U.S. accounted for 52 percent of all bookstore sales, up from 46 percent just one year earlier. Hundreds of independent bookstores had been forced from business, and three-fourths of independent booksellers surveyed by the American Booksellers Association were either unprofitable or marginally profitable. The two leading chains have continued to expand even as online operators emerged to claim a significant and rapidly growing share of the market. Many cities are now left without even a single independent bookstore (Bekken, 1997/98).

This growing concentration of control over the distribution channels by which books reach readers is not the result of economies of scale or other inexorable market forces. Rather, the book chains' march to market dominance was made possible by illegal special treatment by the major publishers – sometimes offered voluntarily as part of publishers' efforts to push their titles to bestseller status, but often exacted by threats that publishers who did not grant favourable terms would suffer reprisals. Regardless of motives, without special discounts and promotional payments – as much as 7 percentage points, more than twice average profits in the sector – the leading bookstore chains would long ago have been forced into bankruptcy. To this day, the chains frequently demand and receive an additional 2 or 3 percentage points of discount in addition to a wide range of special promotional payments that together amount to more than their total net profits.

The dominance of the bookstore chains, like the recent emergence of Internet booksellers as a major force in the industry, has also been made possible by the willingness of investment bankers to turn a blind eye to traditional economic criteria. Four years ago, when the leading bookstore chains were awash in red ink, Janney Montgomery Scott analyst Terence McEvoy ("More Wall Street Woes," 1996) wondered whether even market-leaders Barnes & Noble and Borders could survive in the long run:

> We keep opening these monsters and destroying the older, smaller booksellers, but to no net gain. The question is whether the industry is big enough to support them all .... If you look at the numbers, they're already in trouble. Eventually Wall Street will get tired of giving them money to open these things, and they'll be faced with the reality of making them profitable.

Ironically, investors began abandoning the Number 2 chain (Borders Group) just as it settled into modest profitability, in favour of the spectacularly unprofitable Amazon.com. In 1998, Borders boasted nearly four times Amazon's sales, but had less than one-third of