

The world in which we live is in constant change, today's world has nothing to do with yesterday's or tomorrow's world. This adage has been true since the beginning of globalisation. The methods of communication, the way of consuming, trading and travelling have nothing to do with the methods used fifty or twenty years ago. Some certain firms now ubiquitous in the e-commerce market such as Amazon, communications services such as Messenger, Whatsapp, Instagram run by Facebook, or search engines strongly dominated by Google. Entrepreneurs such as Jeff Bezos, Mark Zuckerberg, Larry Page and Sergey Brin or Steve Jobs, understood that our way of living and consuming could drastically change thanks to the development of internet. In 2020 it is almost impossible to go a day without using a service offered by a GAFAM (Google, Amazon, Facebook, Apple, Microsoft). This domination of these firms can worry certain institutions or governments because they can be a threat to basic principles such as freedom of competition, freedom of the market which represent the foundations of a capitalist society.

We can therefore ask ourselves whether we are entering a "winner-takes-all economy" or How did we end up in a winner-take-all economy?



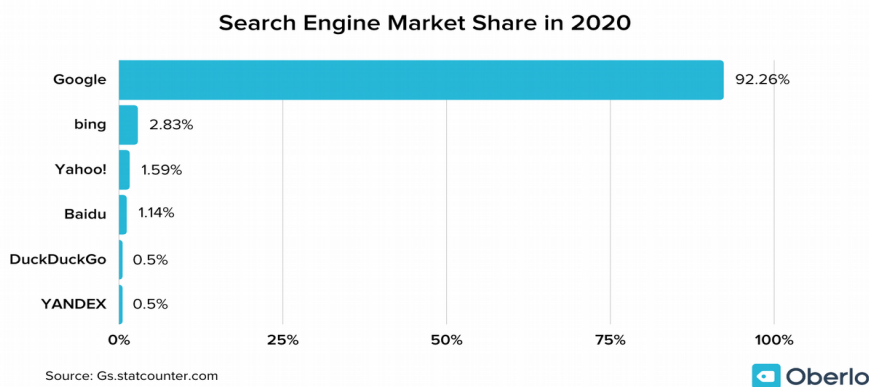
In a mario kart game has to finish first of the race. The principle is simple but there are several rules to know in order to finish first. In particular the start of the race is already a disadvantage for the players because depending on your starting position, the race turns to the advantage of the first ones on the starting line.

To begin with we can establish what a winner-takes-all economy is by taking the example of a video game called mario kart.

In addition, there are about twenty coins on the circuit. If the player gets 10 coins he wins an acceleration bonus. So the advantage of starting first is huge because he takes the coins first and gets the bonus to stay first. With these parts the player can therefore improve his kart faster than his opponents and thus gain an advantage in the next races. then you opt for the monopoly of the coin collection by being first.



















In this same principle it reaches the market first and takes all the market share in the sector. Thanks to this and to this accumulated gains, investments in research and development allow to strengthen its position in the market or to conquer new ones. Consumers will then reinforce this position because they will want to consume something they know to be of high quality, so they will instinctively trust the market leader because, logically, he is not the leader for nothing. By this logic, the firms reach a market share approaching monopoly. For example Google has reached 92% of the world market share.



This market share can be explained by the fame of google around the world, nowadays we say more often "I'm going to search on google" at the "I'm going to search on the internet" link. Google like other GAFAMs have managed to enter the collective consciousness it has become natural for consumers to use their services without thinking. This type of process is a real factor in why the

market and the economy becomes a "winner-takes-all". But in this case the smaller companies have absolutely no chance of making a place for themselves on the market. In a first case the search engines can't compete it's a fact. In the second case Google does not stop at the search engine alone, the firm offers several online services such as weather, price comparison, sports results, etc. Google will therefore highlight its own services on the search page and put specialised sites on the same service in the background. This is terrible for websites or companies that depend on internet users.

Amazon is also being singled out as it accounts for half of the e-commerce market share in France in 2018. This leaves only 50% for all online competitors. But Amazon is not only giving a coup de grâce to online shops, but also to local shops. The younger generation is beginning to be more inclined to order online, mainly on Amazon, than to shop in traditional shops. Moreover, with the global pandemic of 2020, the competition between Amazon and convenience stores has become more intense. The GAFAS thus did as in a Mario Kart game they managed to get all the pieces of the innovation, digital and technology sector without giving their opponents a chance to compete with them. With such advantages these companies are untouchable and are destined to remain market leaders because they control the international market.

	Main Business	Main Source of Revenue	Level of dominance vs. sector
	Search engine	Advertising	 Google controls the search sector
	Online Retail	Direct Sales	 Amazon is 6x smaller than Wal-Mart, but it has a 22% share of US online sales
	Social Network	Advertising	 With 1.4bn users, Facebook has crushed the competition
	Consumer Electronics	Direct Sales	 Apple has 15% of the smartphone business but gets 92% of its profits
	Video Streaming	Monthly Fee	 Netflix could be bigger than US broadcast TV in 2016
	Lodging	Fee on Rental and hosting	 Airbnb's revenue represents 0.2% of the global hotel industry business
	Electric Cars	Direct Sales	 Dominates the advanced electric car sector
	Urban Transportation	Fee on Rides	 Still small at the global scale, but might take the lead in majors cities

Here is an example of the dominance of the GAFAM market.

On the other hand, can we confirm that it was the GAFAM that got us into a winner-takes-all economy? Because this principle already existed in the media sector, sport or mass distribution. Before the arrival of Amazon, supermarket chains such as Walmart in the United States or Leclerc in France had already put a strain on grocery shops and local shops. This dramatically changed the way people buy their products. The music and sports industries have been familiar with the winner takes all principle for a long time. Because only the most popular or talented artists or sportsmen and women can be paid far more than others.



Here we can notice that the scheme remains the same for the GAFAM. A tiny minority of the top sportsmen and women earn more than the majority of their colleague. In short, what can be said is that the winner takes all or superstar system has already existed since globalisation and large-scale mediatisation. But since the beginning of modern technology this system has accelerated. Like sportsmen or musicians, companies have more income than GDP than some developed countries like Sweden.

The most common solution used by the US and European governments is the establishment of antitrust laws. An anti trust law is a law designed to limit or reduce economic concentration. Indeed, governments want to tax the GAFAMs more in order to dissuade them from overextending their market share. As mentioned above, these firms do not hesitate to use their power to monopolise markets. Google puts its own services first and also uses users' personal data to

encourage them to consume. Google uses targeted advertising based on user data. Recently Amazon has been accused by the European Commission of unfair competition. But Amazon defends itself and believes that it defends small businesses more by helping them to sell their product through their website. The GAFAM know how to defend themselves thanks to their numerous lawyers and their plan, so it is difficult to tax them so easily. The idea of taxing GAFAMs to prevent them from becoming too powerful is a logical idea but too long and complicated to establish.

Another solution would simply be to accept the fact that we live in a winner-takes-all economy. For wanting to overtax these firms could jeopardise research and development. Indeed, if firms pay astronomical taxes, they will be less favourable to invest in start-ups and innovations. Nowadays these firms invest in universities to train researchers, engineers or marketing departments to improve their business and provide jobs. The case of Silicon Valley is a perfect example of the importance of these investments. But for some these investments are discriminatory and let the firms choose on which sector or which university to invest. So some students are left behind to benefit others. They believe that the state better distributes investments in order to leave no one behind.

We can also say that we are not in a "winner-takes-all" economy that we are in a Pareto efficient economy. A free economy where every party to a transaction wins. Win-win economy. As long as there is a trade exchange between several actors, we will not be in a situation of winner-takes-all economy. Indeed, even a company holds 90% of the market share, it is still possible to trade. As long as Jeff Bezos or Bill Gates don't own all the coins in the world, there is still market law available to everyone. To give an example in France, Jerome Niel has succeeded in integrating the telecommunications market through a pricing strategy never seen before in the sector. Then he was the first to create the concept of the internet box to have access to the telephone, TV channels and the internet, and this in 2002, which is very avant-garde for the time. Thanks to his entrepreneurial talent and his knowledge of IT, he was able to create an innovation that enabled him to compete with the 3 major companies of the time such as SFR, Orange and Bouygue Télécom.

This put an end to the illegal agreement of the prices of these companies and this has led to a considerable reduction in the prices of telecommunications in France. In short, there can be several solutions, such as being very defeatist and wanting to prevent the firm from becoming too powerful. Or accepting the fact that it is powerful and that you have to live with it.

In conclusion, we cannot really say that we are entering a "winner-takes-all" economy. It is true that GAFAM has a large market share in the digital and technology sector, which borders on monopoly. So we have the choice to let the companies do it to let the innovations happen or to tax them to protect the capitalist idea of a free market for everyone. But as long as GAFAS or others do not hold 100% of the world's financial capital, we cannot say that we live in a winner-takes-all economy.