

Winner-takes-all economy

In a winner-takes-all economy best performers rise to the top acquiring an excessive proportion of rewards therefore leaving hardly anything shares to the rest of the performers. Best performer's income is going to be much higher than his competitors.

Consequently, in this economy, there is a clear gap between competitors, what makes ones very rich and others very poor.

Such a significant line between the distribution of income can concentrate wealth on a few, not only in specific markets, but also in entire countries.

To start with, I would like to illustrate some examples of similar current *Winner-takes-all* markets or economies around the world, either in economic powers, in emergent economies or in economically developing countries.

The United States is the richest, most powerful, and most influential country on earth.

However, a large and growing part of the US economy is owned by a few companies with little competition.

The rise of technology, Internet, and globalization make today's world run around them. The well-known Google in the field of online search, dominates 94% of online search volume and market. Google overall handles 60% of the market share in English-speaking countries.

Other american firms such as Apple, Airbnb, Facebook, Twitter, Microsoft and many other new large companies are leaders in their market as well.

In the United States, on the whole, three companies control about 80% of mobile telecommunications. Three own 95% of credit cards. Four companies own 70% of airline flights within the United States.

Chaebols is the business model based on large conglomerates with a presence in different economic sectors, which has been developed in South Korea. These business groups are composed of many subsidiary firms under the same name controlled by a single family.

The development and growth of the *Chaebols* can be attributed to many historical and political factors in Korea. The South Korean government used the wealthiest families owning businesses as vehicles for economic growth by allocating funds and resources to them . By the 1980s, the *Chaebols* had developed enough to have its own voice and to be able to oppose the government if they wanted to.

At the present time, *Chaebols* still dominates South Korea's economy. Among the largest chaebols are Samsung, LG, Hyundai and SK group, a world-renowned Korean diversified firms. They produce about two-thirds of South Korea's exports and attract most of the country's foreign capital inflows. In addition, the relationship between the Korean government and the *Chaebols* has concentrated political power in the hands of leading families, which has provided an unfair environment for small and medium-sized enterprises to compete.

This led South Korea's economy to monopolies and the concentration of capital in the hands of a few economic giants.

Bayer is a German chemical-pharmaceutical company founded in Barmen, Germany in 1863.

Bayer's business areas include human and veterinary medicines; consumer health products; pesticides, seeds and biotech products and is one of the largest pharmaceutical companies in the world. In 2016, Bayer acquired Monsanto, an American multinational seed and fertilizer company, for 59 billion euros leading to the formation of an agrochemical giant.

However, there are also other mergers in the agricultural world sector of herbicides and pesticides. The American chemical multinationals Dow Chemical and DuPont merged.

In February 2016, ChemChina agreed to a \$43 billion bid for Swiss seeds and pesticides group Syngenta.

In summary, in the end it turns out that we are facing a market in which there are now 4 out of six large operators. In which, apart from other approximately 1,000 small companies, these four are taking over 80% of the market. This would be par excellence the concept of oligopoly in the market of the agricultural sector of herbicides and pesticides.

Peru is also highly oligopolized, with corporations having more than 95% of the market. Let's look at some examples with numbers.

Backus and Johnston control 99% of the beer sector with brands such as Cristal, Pilsen Callao, Cusqueña, Corona, Budweiser and Stella Artois.

Grupo Gloria controls 75% of the dairy products in the country with brands such as Gloria, Ideal, Pura Vida, among others.

El Comercio group controls 72% of the print media in the country with newspapers such as El Comercio, Trome, Perú 21, Publimetro, Depor, among others.

As a last example, I would rather speak of winner-takes-all political systems in Africa.

Most African countries work through this system. The one who comes to the government remains with the political power and also controls the wealth of the country leading to an absolute power economy. Likewise, elections are never truly free. The opposition has no serious choices and is always intimidated and torn apart.

In these countries, the need for critical reflection on this phenomenon has been truly considered, because the zero-sum practices have a negative impact on national development goals and have the ability to cause conflict and insecurity on the African continent.

At this point, we can see that Winner-takes-all economies exist all over the world.

The common characteristic that we can acknowledge is that in all the countries mentioned above it exists a large gap between the winners and the others, which leads to an unequal distribution of wealth.

However, we could say that even this phenomenon can be seen repeatedly on a large scale, not only in single countries or markets, but globally. Where, for example, the world wealth is vastly greater concentrated in countries like the United States rather than in the African or South American continent, in which it also exists a Winner-takes-all economy.

So my answer would be yes. We are entering in a winner-takes-all economy. To know why this type of economy is so popular worldwide we must be able to understand why some countries are much richer than others and why the distribution of wealth only makes the rich richer and the poor even poorer.

Specifically, not only can there be poor countries, but for example, areas of the same country.

Today cities and their metropolis are becoming powerful economic centers that attract talent and generate a lot of collective knowledge and therefore wealth.

Knowledge is a type of sector of the economy that tries to generate wealth and value using information transforming it into knowledge.

The variety of this knowledge, the complexity can now be measured thanks to a Visual Atlas, an interactive application, where all the data is connected and allows you, through maps, images, visualizations, travel around the world. For this, lots of data on exports, imports of products of each country, zone or municipality have been previously entered into the system. For example, we can see what French companies buy, what they sell, where they produce what they sell, where they collect it, to which country they sell it, to which company, where is that company located, what companies are around that company... By making sense of the data available and knowing

how to interpret it is a very great advantage since you can know a lot of things and it helps to make decisions easily.

Furthermore, it seems that there is a very direct relationship between the complexity of knowledge and the per capita income of a country, so the degree of complexity gives you a measure of the wealth of your country. And this collective knowledge is extremely diverse in rich societies. This is why the ability to work in a group, stimulating positive competition, the fact of sharing knowledge, is synonymous with progress.

This is why cities have become knowledge engines, hyper-connected centers of knowledge that act as a network of synergies and connections. They are like ecosystems. The knowledge concentrated in a "reduced" space facilitates business cooperation, but also cooperation with other sectors such as the educational, cultural or research sector, which results in the transmission of knowledge and technology begins to flow.

Consequently, these types of ecosystems are no longer as pyramidal as traditional companies, they are complex but at the same time more modern, more dynamic and more horizontal. And if entrepreneurship projects are added to them and financing is provided, everything will grow and boost the economy.

Facebook and Amazon, for example, were born through financing venture capital. These are companies that invest a bunch of millions in ideas or new companies, and it is simply enough that 1 out of 10 companies succeed so that its money can be amortized recovering it multiplied exponentially, so these types of companies become great centers of power and wealth with the ability to move the world.

In this way, we can understand better how wealth is concentrated in areas, and above all in the hands of a few.

However, for the economy to flow, competitiveness is important, and that means that competitiveness is scarce.

Competitiveness lubricates the economy, because the economy is like a synergy of machines who work better freely.

Consequently, if the market is not capable, with its own mechanisms, of guaranteeing an equitable distribution of some essential goods and services for the development of citizenship, the complementarity between the State and the market must be necessary.

Because the fundamental task of the State in economic affairs is to define a legal framework that establishes fair and transparent rules between free market actors, to avoid monopolies, oligopolies or unfair competition.

We live in a world connected to the network, constantly changing and advancing, so it is absolutely normal and understandable to take advantage of the momentum that connectivity provides to facilitate the transmission of this knowledge. So it is becoming increasingly normal that only the most powerful companies know how to use this knowledge for their interest.

However, looking to the future, if this type of economy were to develop more and more, it could be very harmful to society, leading it to maximum inequality, poverty, imbalance, popular discontent ...

It is also true that in a capitalist world the winner is the one who knows how to fight better, however in extreme cases such as this could turn out to be, even minimal regulation should be essential.