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Are we entering in a winner-takes-all economy? Why and what can we do about it?

Since the end of the Second World war, our economic systems have known drastic changes. The world economy organisation has been completely disrupted. Firstly, the world was divided into two massive blocs: The Soviet Union and The United States of America. The forty-four-years period of geopolitical tensions built the second half of the 20th century. During this time, economic development was shaped by the two opposite doctrines that lead the world, according to its location. In the Eastern Bloc, the communism was broadcasted. This political and social ideology advocated the common property and the state ownership including in the business field¹. On the contrary hand, in the Western Bloc the Free market commercial system, named capitalism², thrived. It stood up for “private ownership of the means of production, distribution and exchange” according to the Collins English Dictionary. This economic theory became the world leading system after the dissolution of the Soviet Bloc in 1991. Under this type of organisation, the United States were in a position of supremacy politically and economically until the globalisation of markets. The capitalism and its high-competitive structure have been strengthened since the first decade of the 21st century, and it is at the base of our current business organisation.

Is the winner-takes-all model compatible with the evolutions of our societies?

This high-competitive frame is already reviling itself in our system which limits are more and more in opposition with the evolution of our societies and our social needs.

What is a winner-takes-all economy?

In capitalism, the survival of fittest is the norm. This means that the dominant of a market, and its market shares, is the one that is the more competitive among all the competitors. The strongest the firm is the more important its profits will be. This is the logic behind the model of the winner-takes-all economy. The aim of every actor in this system is to get the more power possible in order to be the winner of all. It is the one which is getting and keeping the majority of the market share, which is to say the one which is attracting the majority of consumers.

Companies can rely on a multitude of business strategies to integrate a specific market and to set up their authority in it. Some of their possibilities to be competitive are to play with the prices of their products or their quality. If firms propose low-price goods and services, they must attract a lot of consumers. In order to do that, they can reduce their production costs. If they managed to be more inexpensive than their rivals, then they become competitive. This logic is limited as the price is not always the key to attract consumers. Another possibility for companies is to distinguish their product from others' ones. In this case they need to stand out from the crowd. In order to do that, they can present innovative products. This highlights the importance of innovation in the competitiveness of the business world. Indeed, innovation is the key to evolution. Being the first one to produce an up-and-coming good, represents a substantial advantage. This grants a monopoly during a little time, which is the best position for a company.

To conclude, according to the winner-takes-all economy, the more a corporation has market share, the more it produces earnings and has power over the market. In order to gain those market share, it can use different strategies to be competitive on front of its opponents. This is the mechanism of this economic model. It is the perfect illustration of the ideas of capitalism and free market which is our current major system.

¹ WordReference Random House Learner's Dictionary of American English © 2020

² Collins English Dictionary. Copyright © HarperCollins Publishers

How our system is in the winner-takes-all economy logic?

The dominates companies of the high-tech industry are the best illustration of this model. They are typically called “Big Tech” or “Tech Giants”³. They are firms as Google, Amazon or Facebook. They are “the biggest companies in the world”³. Why this companies provide an evidence of the leadership of the winner-takes-all economy? Because they are the aim of it. They were start-ups are minor companies that had taken advantages of the market and boomed as super companies. They form oligopolies. Likewise, they are the main competitors of their market, also known as the winners. They are the ones that are taking all the profit of it. Thanks to their competitive strategies they are being still the leaders, and winners, of their business sector.

This type of company has developed with the globalisation. It is the process that opened markets to worldwide and led to the interconnection of the business world of developed countries. Thanks to this opening to world markets, firms gained access to many new consumers and potential purchasers. Moreover, this extended their possibility of being competitive. The companies, that we are referring to, used this new window, emphasised by the apparition of the Internet, to prosper economically at a large scale. Nowadays, Amazon, Apple or Microsoft are worldwide known, and they have influence over all the globe.

As we described in the precedent section, the system favourites the more competitive firms. As they reached to take control over the market, they managed to gain the majority of the profit of the sector. This bilateral model, one winner and one loser, has many limits.

What are the limits of this economy model?

It is significant to say the winner-takes-all economy constitutes without doubt a source of innovation. As a matter of fact, as we mentioned it earlier, the imperative necessity of being competitive carried the firms on the direct path of innovation. This means they are investing in research and development and this can be a capital thing, especially in sectors as the medical one. Indeed, the pharmaceutical groups are constantly looking for new treatments which can potentially save countless millions of lives. The problem remains the fact that those research are oriented in the market-logic. The goal is not to discover new treatments, but to find potentials purchasers. Nevertheless, this innovation-creator characteristic is really interesting.

Regarding the negative points of the winner-takes-all system, is the fact that it is only bilateral. The possibilities for the firm are precisely to be the winner or be a part of the losers. This severe competition is killing several promising companies. Is excessively hard to compete against the present ones.

Besides, this survival of fittest is increasing tremendously wealth disparities. The rich are gating richer unlike the poor who are not levelling up their earned incomes. This specific situation is cause by the fact that in this competitive system, as we said, it is extraordinarily complicated to develop a new product as a young company and bring it at the level of the principal leaders. The leaders stay at their position, they are getting more market shares and increasing their revenues. Because they have more capital, it is easier for them to invest and to compete aggressively against the small sellers. This vicious circle goes on and on at the point where small companies go out of business, and their owner lost their

³ John Herrman, New York Times, 2029 “We’re Stuck With the Tech Giants. But They’re Stuck With Each Other”

jobs while big companies are getting richer. This characteristic of the winner-takes-all economy will undeniably represent a crucial issue for our societies.

What are the future problems that will be facing the winner-takes-all economy in our evolving societies?

Foremost, the bilateral consequence can be sustainable for our modern societies. Why? Because of the fact that it inevitably generates wealth disparities, it also reduces the purchase power of a prominent part of the consumers. Indeed, if people are earnings minor incomes, they are unable to consume in the similar proportions. This can dangerously lead to an economic crisis which will affect the dominant companies too. In anticipation of this situation some states are intervening. They tried implementing a form of regulation, as well as guarantee the application of competitive laws which leading firm tried to counter to intentionally avoid competition. We can hold the EU-Amazon situation as an example. The European Union Commission press charges against the e-commerce company. It accused the online seller of anti-competitive practices regarding the independent sellers' valuable data that it home on its website.

In a larger scale this economic model will be confronted with the changes of our societies, particularly the new values that are emerging. The environmental issue is one of them. It is increasingly important in the political agenda of our states as it is for our survival as species. It is undebatable to say that big companies and our production organisation has in impact on global warming. If the capitalistic model wants to stay sustainable, it must change and be climate friendly. We can also enumerate, the ageing of the population which affects the salaried staff and by consequences the leaders of the winner-takes-all system and the economic development of new areas as the developing countries that represent new competitors.

We saw that the winner-takes-all economy is based on a highly competitive structure that has certain limits. It is clearly the system that is building our economic organisations. Nevertheless, it will be facing issues as our societies are evolving. A lots of alternatives of this system are proposed as the social and solidary economy.