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## Are we entering in a “winner-takes-all” economy?

According to the Cambridge dictionary, a winner can be defined as *“a person or a company that is successful in a particular situation, such as a competition, a market, or an election”*. Every day, in every situation there are winners: during a sports competition, such as Rafael Nadal who won the men’s singles tournament at Roland Garros in 2020, or the United States of America which are still the first economic power in the world with a GDP of \$21.44 trillion, or even more recently with the victory of President Biden in the US elections.

At our level, we face "winners" by passing tests to enter prestigious schools for example, or by playing games. To put it simply, as soon as a person obtains more than we do, whether it is a score, a mark in an exam, or even a salary. In the animal kingdom, this notion is even more cruel as it can lead to the death of the weakest, and therefore of the "loser", through the "law of the strongest".

If there are winners, there are losers, and these notions have always existed and will exist forever. These differences between individuals, nations, and companies, to mention only a few, widen the gap of inequalities that surround each of us.

Let's focus on economics. In our modern economic world, competition is becoming more and more present and challenging. In this competitive environment, every player wants to become the best of the best, instead of among the best. The goal of nations or companies is to become the world’s leader, to be the most powerful, and this is why we can easily say that we are living in a "winner-takes-all" society. The technological and scientific advances of the modern world are becoming the weapons that the various actors in the economic world use to surpass the others by becoming the best. Take the example of the conquest of space between the United States and the Soviet Union between 1957 and 1975. The world's superpowers of the time engaged in a peaceful struggle that began with the Soviet launch of the first artificial satellite, Sputnik 1, on 4 October 1957. This global breakthrough had the effect of calling into question the technological supremacy of the United States. That is why the nation has invested massively to catch up and win this struggle to remain a "winner-takes-all" in this field.

This kind of event has the consequence of fostering inequalities between the world's biggest powers, and nations that struggle to have the resources and finances to compete, so :

Who are the winner-take-all in the global economy of the 21st century? Why are they there today? And what can we do to face the consequence of such a situation?

In order to better understand who today's "winner-take-all" agents are, let's take an interest in the United States, which have been the world-leading economic power since the beginning of the 20th century, and precisely on the largest American companies in the information technology industry called GAFA, which is one of the most important industry of our century.

Then, in the business field, for companies, how do rivals (who also are losers in a winner-takes-all society) deal with their competition and what can we do to reduce the inequality gap which has been created in the last decade.

Economic challenges of the 21st century depend on three variables: demographic changes through migration issues, social and political rejection (with the movement of yellow-jackets in France for example); the phenomena of globalization which is *"the increase of trade around the world, especially by large companies producing and trading goods in many different countries"* (Cambridge Dictionary) and the technological revolution, particularly thanks to the technologies of communication, the digitalization and the increasing of E-Commerce.

Let's focus on the rise of digital transformation through the fields of the search industry, communication and social media industry, or even the e-commerce industry. The names of a few companies come to mind: Google, Facebook or Amazon.

The GAFA (Google, Amazon, Facebook and Apple), also called Big Tech, or Tech Giants are American companies, they dominate not only the American Market but also the whole world's technology industry. This is one of the most inspiring examples of the winner-takes-all market that can be defined as *"an economic system where competition allows the best performers to rise to the top at the expense of the losers."* (Investopedia, Winner-takes-all Market, by Adam Hayes). These winner-take-all exist today for several reasons: the need to have the widest possible communication network to keep in touch with family and friends (through Facebook for example) is one reason, then there is the professional needs, with LinkedIn for example (which is the leader in the field). How to explain the importance of E-commerce ? Let's focus on Amazon, whose revenues reached \$96.15 billion in 2019 according to Digitalcommerce 360.

Robert Franck, in a video entitled The Winner-Take-All Economy, from the channel Stanford Center on Poverty and Inequality, said that : *"People have always wanted to buy the best they could, and it used to be that the best was the best you can find locally [...]* Now we're in contact at the click of a finger with everyone in the world, and so why buy the

*best locally when you can buy the best in the world?*". The word "best" in the second sentence does not only mean the "best quality" of a good or a service. It has a broader meaning, and the word is used differently depending on the person. It can refer to the lowest price, the average and delivery time of a product, the packaging of a product, etc. To give an example, some people, when purchasing a book, will prefer to buy a cheaper book with a paper cover, while others will prefer to put more money into a book with a hard cover. All of this is now possible from home and without wasting time going to a shop where we are not sure to find what we are looking for, at the best price, or according to our desires.

With winner-take-all, everything we need, whether in our research, to make purchases or to communicate, is concentrated in very few players (websites, apps, etc.) but there are not only good sides to it.

*"The prevalence of winner-takes-all markets widens wealth disparities because a select few are able to capture increasing amounts of income that would otherwise be more widely distributed throughout the population."* (Investopedia, Winner-takes-all Market, by Adam Hayes). The major problem with a winner-takes-all economy is that it creates oligopolies (and very rarely monopolies) where a small number of the most powerful companies control a specific market. There is no place for competitors. They don't have the same influence or the resources to stand up to (the) superpowers. When a start-up enters a market with a new concept, the winner-takes-all company will then offer to acquire this start-up to develop new skills and/or use its innovations for its own benefit. This way, it can also avoid the development of new competitors and thus maintain its supremacy, like Facebook which took over Snapchat in 2011 and Instagram in 2012, in order to remain number one in the social networking market. When this strategy does not work, then, leading companies offer a new competing service by leveraging the influence and network they already have. This is what happened when Netflix became the leader of the video on demand industry, and that Amazon had to invest more energy, time, and money into Prime Video to make it competitive.

To reduce inequalities, nations have been trying to tax such companies. In France, a draft legislation was submitted by the government to tax the GAFA to reduce their advantage towards local companies in 2019. At our scale, we can try to avoid to buy from the biggest companies, and support small and local businesses instead. In the last few years we have seen the development of a responsible consumption culture. Consumers use their influence to encourage their relatives to buy locally. The oligopoly of big

companies is not only a matter that involves the State, it also involves consumers themselves. Small businesses also support each other, more than ever before, to fight together international giants and to develop the local economy.

To conclude, we are rounded by a winner-takes-all economy. This phenomenon has emerged in recent years, particularly with the emergence of new technologies and the new needs of the 21st century. The oligopolies which control most of the industrial sectors are deepening the inequalities among rivals, severely curtailing the possibilities for competitiveness. At different scales, economic actors can try to take action to minimise the increase in global inequality, but in a world of winners and losers, is it really possible to slow down this process which has been kept for two decades?

(1507 words)

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