

**DANIELA REINA CHAVES**

**LEA**

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

Before answering these questions, we need to understand what is this economy about, its definition. According to the Cambridge dictionary, the result of a competition where the prize goes to one competitor who wins. We could also talk about in this type of economy of an oligopoly, that is defined as a situation in which a small number of organizations or companies has control of an area of business, so that others have no share. These types of markets enable the rich to be richer to a point where there is inequality of distribution of wealth and resources.

This economy is present everywhere nowadays. We can put a clear example in football where only the richest clubs can get to sign the top players making their club the strongest and is a vicious circle where it would bring them more money to buy more top players making no place for fair competition.

To answer the first question; Yes, we are already entering to a winner-takes-all economy. To better understand this, I will show some factors that have let and influence this type of economy to later on giving some possible solutions.

### **1. Technology**

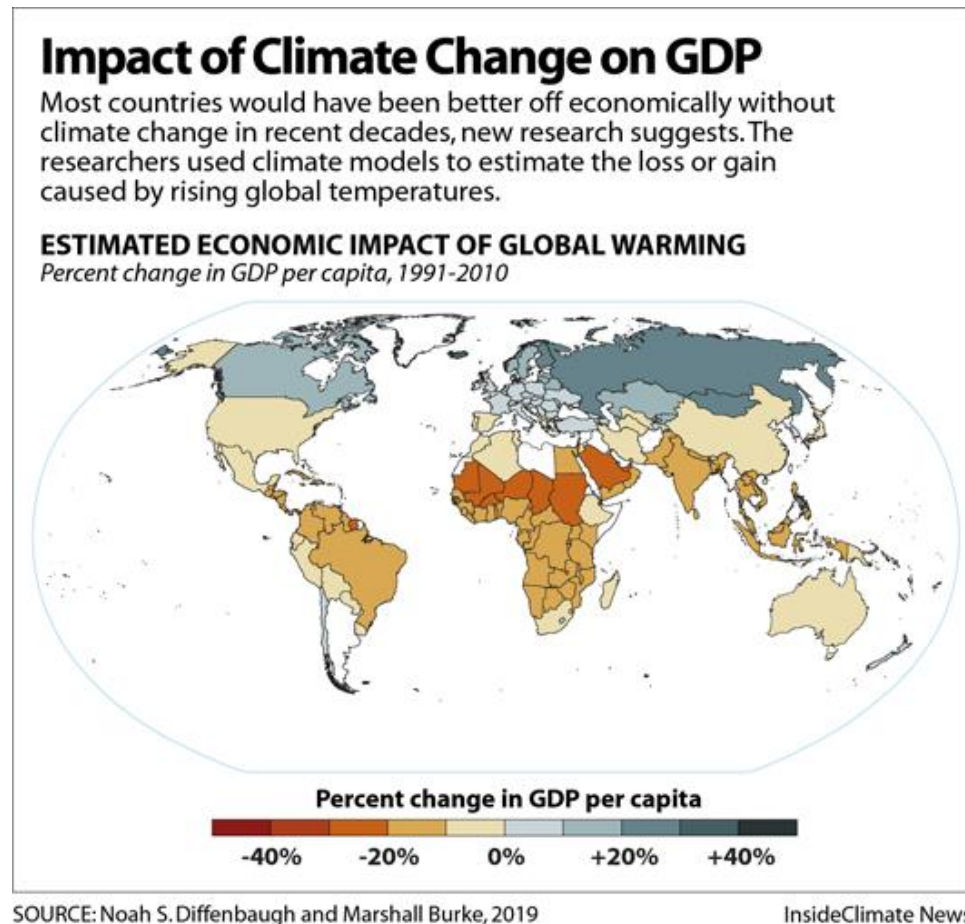
We are living in a technological era, in a digital revolution where now more than ever we are dependent on this tool. We have to admit that this Covid-19 pandemic made this revolution to advance more rapidly at a pace that in normal circumstances would have taken us more time but that eventually we would have arrived. Technology has its benefits, it interconnects us more, during this pandemic, it has allowed some of us to keep working, to keep in contact with our family and friends through video conferences, it has allowed us to keep a certain pace in life.

We cannot deny that technology has created as well new jobs, bringing new post fields. Before we were subjected to conform with a local product, whereas now thanks to it, we can get products from all over the globe. Now we have more information at our disposal, more precisely with search engines such as Google we can consult and buy a product that we would not have found it locally. It not only allows to do that, but it lets you compare the products and the opinions with feedbacks from the manufacturer and other customers. You can apply this for different products, to get a new car, to get a new album from an artist and see its ranking charts, to check a new film and its nominations....

This is about the benefits from the technology. Now if we look at it more as a cause of an economic winner-takes-all we can see that it has contributed as well to a wage inequality, it has generated job polarization as high-skill workers are on the rise of demand versus the low-skill workers. If we take the US as an example, one of the countries with more wage

inequalities, we can see that according to the United Nations University's (UNU) figures, "CEO wages rose from a ratio of 20:1 in 1965 to 352:1 in 2007, compared to the average worker compensation", being more skilled than others, usually means having more education, being more specialized and here it is where we start seeing the inequality wage.

## 2. Climate change



Climate change has made world temperature to rise. Nonetheless, this increase has not affected all countries the same way. It is important to point out that the countries that have been affected the most are poorer countries (in a world-wide scale) that were already in warm weathers, and now with this new increase they have heat waves which makes for them harder to work, it damages their crops, the soil dries and becomes infertile, people get tired easier, they work less and are less efficient.

## 3. Urbanization

The problem with urbanization is that is tented to put aside rural areas. The better paid jobs are on the cities, remuneration in rural areas is lower on average. People with better wages, living in a specific area, are beneficial as they invest in that area which makes it evolve. There is more investment from the government, giving cities more opportunities to reach basic and higher

education, better health system, better jobs, adequate housing, better connection (transport) among others.

#### 4. Migration.

<http://metrocosm.com/global-immigration-map/>

We see a problem with inequality when there is a migration from a low-income country through a high-income country. If the migrant is a low-skilled person they will most likely receive a lower wage, they might even work illegally making it no to be respected their minimal wage, forcing them to live under standard living conditions in the host country.

If we see all this point above, we can start to visualize some possible solutions that are interconnected with each other.

First and foremost, there should be a development of rural areas, we need to interconnect countries with its regions. Connection and specialization could be an option to revive rural area economies. Having incentives from the government to live and work in these areas such as the International Fund for Agricultural Development (IFAD) so the region itself can grow and get proper investment in education, housing, health and transport.

With the gap that the technological innovation brought we can once more reenforce education, making it accessible for everyone and not just a few. Education should be a right and not a privilege. As I mentioned previously, we can see the disproportional rise of wages of higher-skill workers compared a minimal raise in middle to lower-skill workers. A proposition would be to rise the wages of these lasts to start talking about a more balanced society.

In migration is not all bad, previously I just gave an example of migration of low-skill workers. The profit would be higher if the person migrating has an additional skill that could be later on repay with a higher remuneration so once again, we are talking about education.

As for climate change, it is something that we all have to work on. Governments can pass bylaws to reduce the contribution to pollution, but this would mean that people working in sector that contaminate the most that are located in poorer countries will lose their jobs. Not only they should pass laws to stop economies that pollute and therefore help the environment, but they should propose new jobs. With a greener economy, there is space for creation of new jobs.

Government can also help the economy by controlling the prices. If the government regulates the prices of the product it would protect smaller vendors from the big companies that benefit from economy of scale, that can lower the prices to a point where the rival cannot compete against. However, this would not apply to companies such as Google or Facebook as they don't charge for the service.

Now talking about big tech companies and their monopoly with the database, there are several things we could play with. One would be making these companies not use this information for only their benefit, sharing this information with smaller companies or the one I believe would be the fairest despite being difficult to conduct is to stop tech companies from locking in their users. The best example I can give is what happened years ago with telecommunication companies. Before you were obligated to stay with that company in order to keep your phone number. As measures changed, we were able to move to other companies with our numbers which made in this market a more competitive one and it reduced cost for the consumers. As Todd McKinnon, the CEO of identity management company Okta proposes a creation of a “digital identity wallet” that would give the people the freedom and control over their personal data and making of this market a more competitive one.

Another discussion we could have would be about taxation and how the richest of the rich get away with it by giving donations which would lead them to get less taxes as being a “charitable philanthrope” has now become an interest business for some. We should be stronger on this stand and be fairer on taxation.

To conclude, we need to stand for a fairer world in opportunities. We cannot be in the two extremes, one being on the side of communism and on the other extreme in an economy where the winner takes it all. We need to create more competitive markets. I mention previously some of the solutions that we could apply, but I would say to start from the basis we should tackle the problem with education, we need to make it available for everyone so we all have the tools to be able to compete in this world.

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