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L3 Langues Etrangères Appliquées

Parcours Affaires Economiques Internationales

## LAEC503V – Economic Complexity

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The winner-takes-all economy, according to the definition of the Cambridge Dictionary, stands in competition field. The winner earns the entire price. It is the system with a monopoly situation (oligopoly in other cases). There is one supplier who owns the full market and in the case of oligopolies, not a single supplier but there are a small number of them. It leads to concentration of wealth. In general, the concept of a winner-takes-all can be translatable in various scales. In large scale, it is in a specific market, when enterprise o firm bring all of the benefits and all the market shares, or in the world scale with economic potencies (countries). In small-scale, it can be when a director of a company, or executives take a big part of the firm benefits, compared with other employees as labourer. The uberization of our society is getting more important, firms legally exploit workers without respecting the labour code because they do not employ them. This phenomenon is accentuated with new platforms, thanks to new technologies.

To take up this idea in a more pictorial and metaphorical idea, the example of poker can be given. According to poker rules, the winner takes the pot, or wins the jackpot.

This system has economic and social consequences. Economically, it seems logical that it is a problem if only one person win all, and the others have to share the rest. It asks the problem of the lack of liquidity circulation, and the wealth transfer. But the most important problem is the inking and the emphasis of social classes. Equality is ideological but never real. It is a social problem, because it asks about the access to wealth.

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

To answer this problem, it is interesting to see how this system is anchored in our economy, as well as the reasons which lead to this effect. Then, solutions are in our power to overcome this economic and social effect.

The key question of this subject supposes an entry in a winner-takes-all economy. But, this system is already our since decades. Many authors have tried to show this phenomenon, for example Sherwin Rosen and his book 'The economics of superstars', in 1981. This shows that the winner-takes-all effect exists since a long time. We saw these ultimate years the apogee of the Big Five (Google, Amazon, Facebook, Apple and Microsoft), or also called GAFAM. These telecommunications firms have monopoly on their proper market, pressing all the other similar companies

The wealth inequalities have always exist, but are more meaningful over the time. The work and research made by Thomas Picketty, in his book 'Le Capital au XXIe siècle' draw the history of inequalities. In one hands, The Industrial Revolution permitted the reduction of wealth gap between countries, with the growth of emerging country. But the middle class had not seen an increase of their wages, and the poor are even more numerous.

Today, it is possible to say that the rich get richer and they are more poor. The accentuation of this phenomenon holds attention. For example, Jeff Bezos, the richest man on earth, is the chief director of the famous and well-known online sales platform

Amazon. He is the first man who win more than 200 billion dollars. According to the Oxfam, in 2019, 2.153 world's billionaires were shared more than 4.6 billion people own. On one side, people who try to survive, on the other people who live in excess. It is not a perception, but it is reality.

There are different reasons of the existence of this monopoly economic system. For example the problem of taxation. Lot of big global firms benefits from an absence of taxes. These ultimate years, we saw lot of critics about this fact, to cite the example of the Big Five or other multinational firms, which pay little or no tax compared to what they earn and report. This tax exemption is due to the lack of consistency in tax policies. Companies choose the place where they will pay the least. This taxes system lead to an excessive enrichment. If these global firms do not pay taxes, the concurrent firm cannot compete because their resources are limited to develop and acquire more market share. Other reasons make market access and the possibility of becoming a competitor difficult, with barriers to entry. They are numerous and constitute a major obstacle to market access for new entrants, who are at a disadvantage compared to companies already established.

Another problem in the world which has promote the winner-takes-all economy is the liberalisation of market and new technologies. With the liberalisation of market all over the world, people can buy something from any part of the world. The connexion between countries have permitted transport of goods very quickly and brands were becoming more famous in the world. They have become monopolies because they were be available all over the world.

One of the big problem of our society is the lack of transfer of knowledge. More and more, the knowledge is accumulating in special areas, as cities. Cities provide a rapidity in exchanges and are the heart of the transfer of knowledge, because students stay in. They learnt at universities, and then they stay in to find a job, because it is easier. The problem of that phenomenon is that knowledge of technological advances is not transferred at peripheries. In a more large scale, knowledge stay only in certain countries, because of the education system. This fact prevents others countries to become a possible competitor. In fact, the isolation of knowledge creates the impossibility for other country, o other companies, to join a market o to be potential competitors. The second problem is that it exists country in capacity to create and produce a very complex good. This is the know-how to produce, and it is exactly the same phenomenon of the knowledge. To evolve in the same time in technological advances, it is very difficult because it is a moving world. Knowledge and know-how are isolated in specific cities and specific countries, and it favour the winner-take-all system and the oligopoly market, because some are super potencies and the others cannot compete with.

To overcome this economic phenomenon which generates wealth inequalities between people but also between territories, measures can be taken to avoid these monopolies and this concentration of wealth. Raising the low wages of workers in

factories or companies is necessary to reduce pay inequality. A decrease in those of the executives can help in particular to reduce the gaps which are much too important and unjustifiable. The idea is that in the company, the profit does not go largely executives and GDP, or shareholders. Recalculating wages on a fairer basis would allow wealth to be shared.

More than rebalance wages, taxation system has to be changed. The taxation of companies is based on the fact that they have premises, a head office or a production unit in the country. The case of global companies is special, because even if millions of people use products or services provided by these companies, they may not have their head office, or production units in all the countries, which means that they do not have to pay taxes in every countries. These regulations are fallible because they allow big companies like the Big Five to get even richer, without paying a lot of taxes. This strongly contributes to the winner-takes-all system. To review the way global taxation works can be a solution, as can the introduction of a large-scale wealth tax in order to promote the redistribution of wealth.

Another possible solution is to avoid having countries based their economic system on a single sector. Taking the example of energy, far too many countries in the world rely on oil, or nuclear power. The changes must be made, on the one hand for the planet and to avoid global warming, but also because it is an unstable economy. Switching to green and renewable energy can be a solution to the extent that we can add them. Thus, the energy market opens up, and prevents oil billionaires from getting richer. This example can be used in many different fields.

In reality, these measures are radical, and involve a system change in the global economic landscape, for more effective equality and the redistribution of wealth.

The winner-takes all system has been around for decades, monopolistic and oligopolistic situations prevent market sharing. Many effects are the cause, such as the isolation of knowledge and know-how, low taxation of large companies. All of this leads to an unequal distribution of wealth, an exponential increase in poverty and growing difficulties for many countries. This situation tends to worsen over time, with new migration flows due to climate recession.

To prevent wealth from concentrating in the hands of certain people, certain regions of the world or certain countries, the global economic system has to change.

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