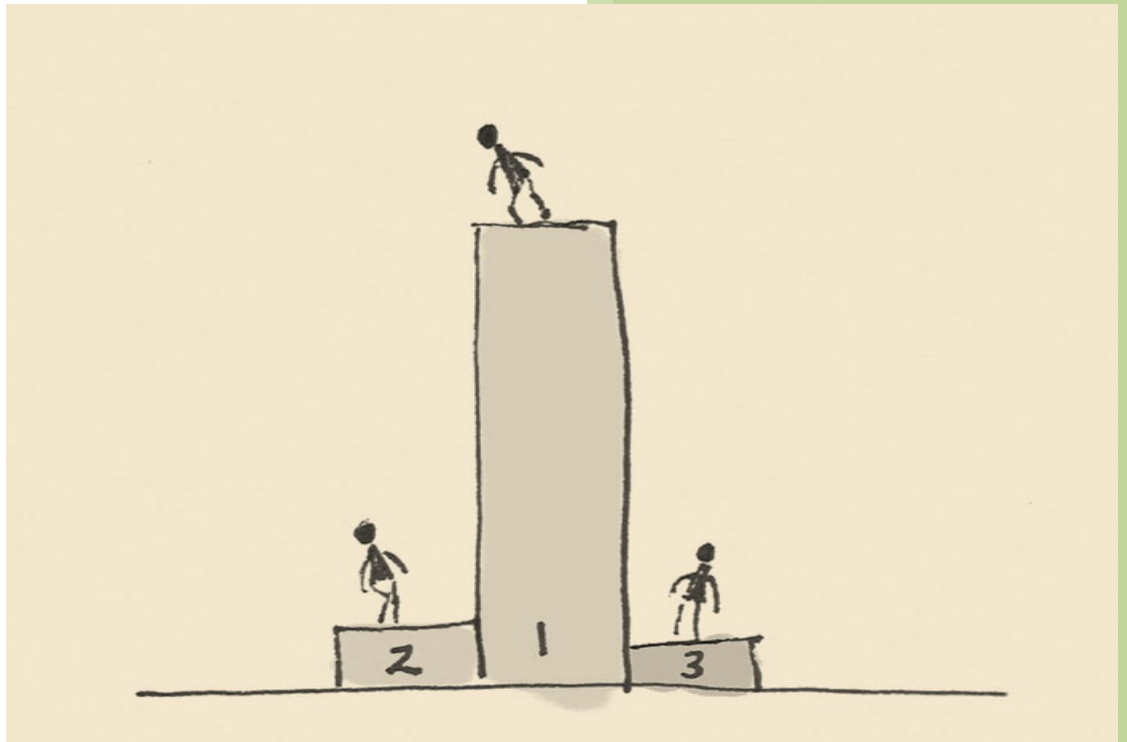


LAEC503V

PROBLEMES ECONOMIQUES CONTEMPORAINS



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

“The winner takes it all, the loser standing small”, the Swedish group ABBA mentions this idea of winner-takes-all in one of its most famous songs in 1980. We, the individuals living on planet Earth, are today faced with a winner-takes-all economy and it is on the market where we can find it. To define, a winner-takes-all market is an economic situation in which the best performers are able to capture most of the rewards while leaving competitors with very little. In other words, someone or something that is 1% better than the competition can take almost all the rewards. In the market, a good such as a product or a service, that has something extra over its competitors will win it all and get most of the revenue in its category. This new market economy has emerged a long time ago in certain sectors, such as music or cinema, and has recently arrived on the entire market because of new technologies and globalisation, particularly in the United States, one of the world's leading powers.

We can ask ourselves the following questions : Are we entering in a winner-takes all economy ? Why and what can we do about it ? To respond to this, we will first highlight why our current society is gradually entering a winner-takes-all economy and finally, we will focus on the solutions we can put in place to curb it.

First of all, we will show why we are increasingly becoming a winner-takes-all economy in all areas. Our current society is governed by an economy that has been driven by globalisation and new technologies for several years now. Over the last ten years, the American stock market has allowed this phenomenon to increase. Indeed, rich people have invested a large part of their wealth in the stock market during this period of growth and prosperity, which has allowed their incomes and wealth to rise. This brings even more wealth to those who are already rich, in spite of the others. We can compare this winner-takes-all economy to the rules of poker, where the winners have to win over the losers and take the rewards, leaving little for the losers. If you're the winner, you get the entire prize, whether it's \$1 or \$1 million. This notion of “winner takes all” leads us to consider the fact that in the market of each economic sector, there is a big invincible winner and the possibility of one or more losers. Numerous cases in different sectors prove this idea, which is becoming more and more established in our economy. In the field of business for example, in the online streaming sector, YouTube is the biggest company in the market and therefore is the winner-take-all. In the sector of auction sites, EBay is the winner-take-all. But it can also be in the political field, particularly in the United States. The presidential election procedure is based on a winner-take-all system, where the candidate with the most votes per state becomes the president of the country and stays in the White House for the next four years.

Moreover, the winner-takes-all economy is gradually becoming more and more present in our society and this is emphasised by the fact that the rich are getting ever richer, making it difficult for some to survive. As a matter of fact, the middle class is finding it increasingly difficult to find its way in this society where only the luckiest and most talented manage to make a difference with a tiny gap. To succeed in this winner-takes-all economy, you have to be part of the 1% most talented and lucky to be able to dominate the sector in which you excel in order to get rich and prosper in the economy. For example, the author J.K Rowling who wrote Harry

Potter, one of the world's best-known book sagas, is part of that 1%, that minority of the world's population who have excelled in their field and have become richer. The story of the boy who survived is one of the most sold and translated stories in the world, because a very large part of the world's society bought the books. So there is a huge consumption of books for a single story and therefore a single author. JK Rowling has become rich thanks to her books, she is a winner-takes-all, but this shows the economic inequality because today, a single good makes the creator rich in almost every field of the economy.

We are gradually moving into a general winner-takes-all economy and many individuals or companies are very affected by this situation. Globalisation, technological change and new institutional practices are the causes of this winner-takes-all economy rise. This causes inequality in society, and we need to find solutions to curb and mitigate the impact that this winner-takes-all economy is having on our society.

Then, in order to deal with the influence of this economy, which interferes in all sectors, it is necessary to find ways to slow down its destructive effect in the long term. If we don't find ways to slow this down, inequality will be even greater in the long term and those who don't make it to 1% will be increasingly impacted and the richest will continue to get richer at the expense of those who don't make it. The first option to overcome this would be to allow the losers to be just as important in the markets and just as necessary as the winners. Indeed, giving priority to the small ones who find it difficult to follow the winners who overshadow them in the markets would be a solution because it would increase inequality and the gap between them. For instance, multimedia shops should place more emphasis on goods created by lesser-known companies or companies that are not at the forefront of a market who do not win everything, rather than always promoting large companies that win all and all the time. It would therefore be necessary to review the advertising approaches of shops and other commercials to highlight small brands that have difficulty making them known to the general public and competing with their competitors.

The second solution, very utopian, would be to establish collaboration within markets so that all small companies benefit from the influence of the big companies. Creating solidarity between small and large companies would slow down the winner-takes-all economy and thus help the losers to gradually become winners, even if they are not leaders in the market they are in. For example, a large company that wins everything and is the leader in its market would take under its wing a small company that has the same values and produces the same goods as it does, in order to join forces. In this way, the large company would invest in the smaller one so that it can grow in the market and become important. To be clear, the winner would not buy out the loser in order to get rich, but to invest and help the loser to grow by bringing everything it needs to produce and reach the top. Then, when the time comes, when the loser becomes a winner in the market, the first winner will stop helping this company that has grown and will be able to help a smaller company again. It would be a question of creating solidarity between companies of different sizes but in the same market to establish a virtuous circle in which everyone would be a winner.

The third cure and final for slowing down this winner-takes-all economy would be to bring together all the small businesses in the same market with the same production techniques, the same goods produced and the

same interests and to form a single large company. Merging the losers would be interesting for them because they would share the same profits, the same places of production and administration, and it would allow them to grow faster and to become winners in the long term. Moreover, unifying the losing small businesses in this economy would reduce competition in the market. Indeed, putting them together would make it possible to sort and rearrange the market so that there are fewer losers and more winners to create equality, but above all to have less competition. It would also lead to a change in certain consumption patterns, as consumers may have less choice in terms of companies, but will have as much diversity of goods as before this merger. They will have access to all possible goods from different companies, but will only be able to find them on the same website, for instance. Merging the losers will certainly lead to defeating the winners.

Possible solutions to curb this winner-takes-all economy where the most talented win despite the losers are indispensable for the future of our society. This time when only the biggest and richest manage to create prosperity is resolved. It is necessary for our society to be united and supportive, and putting in place one of these solutions would be possible to halt the economic crisis.

To conclude, we can notice that our society has been, for several years now, a winner-takes-all economy. Many winners and many losers are present in the markets of the different fields that we know in our society and continue to compete. The richest continue to get richer thanks to this tiny difference that they have and take advantage from it to the detriment of the losers who are not among this 1%. This economy affects many individuals and businesses, and we need to deal with it and put in place solutions to address it and create long-term prosperity for all. As the music group ABBA mentions it perfectly and sums up the general idea of this essay, "A big thing or a small, the winner takes it all".

Words : 1.639

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