

Essay

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

It is clear humanity has gone a long way since it was truly afraid of fangs. Yet, these natural weapons have not disappeared, they have changed their shape and their spelling, we now call them FAANG and they represent this instinct of “winner takes all”. This acronym refers to five of the most prominent companies of the United States. They are Facebook, Amazon, Apple, Netflix, and Google. These companies are the “winners” of our economic system. Each of them has been successful on their markets and has established themselves as their main actors. In other words, they are the ones who “takes it all” on these markets. The FAANG alongside a few other firms are competing on multiple markets. Amazon, Netflix, Apple, and Google for example are involved in the VOD (video on demand) market but for all of them apart from Netflix, this is not their only source of income. However, the FAANG are still competing even if they are not operating in the same areas. “We earn consumer screen time, both mobile and television, away from a very broad set of competitors, we compete with (and lose to) Fortnite more than HBO...” said a top-executive at Netflix. These companies represent the “winner takes all” economy but this phenomenon also applies to another domain intricately connected to the economy: geography. Cities all around the world are sucking people out of their hometowns. This is centralization, the concentration of people and therefore knowledge, skills, and resources in a few places.

Now, are we entering a winner takes all economy? My answer is no, we are not entering a winner takes all economy because we have entered this economy decades ago. Thus, it is appropriate to wonder how our economic system has become what it is today and why. Then, we will discuss the position we are in today and what does that tell us about our future.

First things first, the complexity of our economic system and the shape of the world was drawn by the recent history. After the two world wars, there was a will to prevent history from repeating itself. This specific will led to the creation of many treaties and international organizations such as the United Nations in 1945, the General Agreement on Tariffs and Trades (GATT) in 1947, the treaty of Maastricht in 1992 and many more. The idea was to tie nations to one another to create dependence, therefore a country would have no interest in battling with its neighbors. Then, the cold war opposed the United States to the Soviet Union from 1947 to 1991. Capitalism was opposed to communism. The outcome of this war heavily influenced the world we know today. It is well known the Soviet Union collapsed. Thus, the United States won the ideological war. This allowed the capitalist economic system to spread around the world with a few exceptions. Capitalism takes various forms such as the laissez-faire system or the free-market capitalism. These systems are all based on the private ownership of the means of production and their operation for profit. This ideology combined with the globalization caused by past treaties built the world we are living in nowadays.

Today, the economic system and the overall political ideology which lies behind have made the world interconnected, globalized. It allowed companies to become bigger than states and the biggest cities

to suck in populations of other regions. That means the concentration of goods, wealth, skills, and resources in a few places or in a few hands for one purpose: rapidity.

The gathering of all those resources and people in the same places is the reason why the world evolves faster than ever before, and new technologies also have their responsibilities in that regard. Capitalism embrace productivity and speed thereby people should have more time, yet we know the average people sleeps less than in 1950, and we are also less happy. All of this is due to the acceleration of the economy as well as the business cycles. An economic cycle is a period during which several phases of economic activity such as expansions or recessions follow one another. We have faced multiple crises in history, but they tend to multiply. The Financial crisis of 2007, the European sovereign debt crisis in 2009 which is still going on, and now the COVID-19 recession all of them are the result of an economy growing at an exponential rate. However, this phenomenon is not inherent to macroeconomics, remember the FAANG we discussed earlier? All of them apart from Netflix were in the top 10 of the list of publicly traded companies having the greatest market capitalization. Yet if we look at 2008, none of them were in the top 10.

Rank	First quarter		Second quarter		Third quarter		Fourth quarter	
1		Apple Inc. ▼851,317		Apple Inc. ▲909,840 ^[14]		Apple Inc. ▲1,091,000 ^[14]		Microsoft ▼780,520 ^[13]
2		Alphabet Inc. ▼715,404		Amazon.com ▲824,790 ^[15]		Amazon.com ▲976,650 ^[15]		Apple Inc. ▼748,680 ^[14]
3		Microsoft ▲702,760 ^[13]		Alphabet Inc. ▲774,840 ^[16]		Microsoft ▲877,400 ^[13]		Amazon.com ▼735,900 ^[15]
4		Amazon.com ▲700,672 ^[15]		Microsoft ▲757,640 ^[13]		Alphabet Inc. ▲839,740 ^[25]		Alphabet Inc. ▼728,360 ^[25]
5		Tencent ▲507,990 ^[19]		Facebook ▲562,480 ^[18]		Berkshire Hathaway ▲523,520 ^[20]		Berkshire Hathaway ▼499,590 ^[20]
6		Berkshire Hathaway ▲492,019 ^[20]		Tencent ▼478,580 ^[19]		Facebook ▼473,850 ^[18]		Facebook ▼375,890 ^[18]
7		Alibaba Group ▲470,930 ^[17]		Alibaba Group ▲476,040 ^[17]		Alibaba Group ▼423,600 ^[17]		Tencent ▼375,110 ^[19]
8		Facebook ▼464,189 ^[18]		Berkshire Hathaway ▼463,980 ^[20]		Tencent ▼388,080 ^[19]		Alibaba Group ▼355,130 ^[17]
9		JPMorgan Chase ▲377,410 ^[24]		JPMorgan Chase ▼354,780 ^[24]		JPMorgan Chase ▲379,440 ^[24]		Johnson & Johnson ▼346,110 ^[22]
10		Johnson & Johnson ▼343,780 ^[22]		ExxonMobil ▲350,270 ^[26]		Johnson & Johnson ▲370,650 ^[22]		JPMorgan Chase ▼324,660 ^[24]

Top 10 companies with the largest market capitalization in 2018.

Rank	First quarter ^[64]		Second quarter ^[65]		Third quarter ^[66]		Fourth quarter ^[67]	
1		Exxon Mobil ▼452,505		Exxon Mobil ▲465,652		Exxon Mobil ▲403,366		Exxon Mobil ▲406,067
2		PetroChina ▼423,996		PetroChina ▲341,140.3		PetroChina ▼325,097.5		PetroChina ▼259,836
3		General Electric ▼369,569		ICBC ▲257,004.4		ICBC ▼237,951.5		Wal-Mart ▼219,898
4		Gazprom ▼299,764		Microsoft ▲211,546.2		Microsoft ▲229,630.7		China Mobile ▲201,291
5		China Mobile ▼298,093		China Mobile ▲200,832.4		HSBC ▲198,561.1		Procter & Gamble ▼184,576
6		ICBC ▼277,236		Wal-Mart ▼188,752.0		China Mobile ▼195,680.4		ICBC ▼173,930
7		Microsoft ▼264,132		China Construction Bank ▲182,186.7		Wal-Mart ▲189,331.6		Microsoft ▼172,929
8		AT&T ▼231,168		Petrobras ▲165,056.9		Petrobras ▲189,027.7		AT&T ▲167,950
9	 	Royal Dutch Shell ▼220,110		Johnson & Johnson ▲156,515.9		China Construction Bank ▲186,816.7		Johnson & Johnson ▼166,002
10		Procter & Gamble ▼215,640	 	Royal Dutch Shell ▲156,386.7	 	Royal Dutch Shell ▲175,986.1		General Electric ▼161,278

Top 10 companies with the largest market capitalization in 2008.

This shows how fast our economic system is changing, companies are born and die faster than ever before. In the past, companies such as General Electric would remain at the top for decades. The winner takes all but does not necessarily last long. This race for productivity is not sustainable, people loses their jobs more often than before and the environment also bears the brunt, but one phenomenon is more worrisome because it may well prevent us, humanity to react.

Indeed, the thirst of productivity, globalization and speed combine with a laissez-faire policy led to polarization. By seeking rapidity and therefore productivity at all costs we are leaving people behind. Inhabitants of cities such as New York, Shanghai, or Berlin are the “winners” alongside the FAANG stocks whereas the people from the countryside are the “losers.” Now, because the economy evolves faster and faster, it is extremely hard for those people to catch up and because of globalization, power is slipping away from states. Thus, the institutions which are meant to help those people are not as efficient as they need to be. This phenomenon is called polarization, it is the division of two sharply contrasting groups. And if we were to take a glimpse at different spheres than economy, we can see that new technologies and especially social networks also amplify this polarization. Social networks such as Facebook or Twitter are designed to bring together users who share the same thoughts, hobbies, or political opinions. From a theoretical perspective it may look beneficial for users, but this process prevents people from stepping out from their comfort zone. In other words, people are less and less confronted with ideas opposed to theirs. Confrontation is dying for the sake of efficiency and this is not exclusive to social networks, the whole society faces polarization. Tensions are increasing in the world, the yellow vests movement in France in October 2018, and more recently the American election in 2020 highlighted the division our society suffers from.

And with that, we finally get to today. It is too late not to experience the consequences of our actions especially when it comes to the environment, but the Covid-19 offers us an alternative. People kept

asking when will we finally go back to our old lives, the ones we had before the pandemic? A solution may well be to not go back to these lives. This international crisis has shown the fragility of our current system. Because we are connected to one another the pandemic has been able to spread faster than any other in the past. However, Covid-19 also highlighted the power of international cooperation. In January 2020, analysts thought we would not have a vaccine until the fall of 2021, but this happened to be wrong. We are in December 2020 and there are already some vaccines. This has been possible only because countries all over the world shared data about the virus. What we learnt in the past year is that countries are no longer powerful enough to protect their people on their own. Therefore, the future resides in unity which implies responsibilities. This is in a way, the continuity of what democracies started in the past centuries, the awakening of populations for them to truly obtain power. It is not an idea or a fantasy, it has already started in many different places. For example, the inhabitants of Copenhagen in Denmark hold shares in wind park. Also, institutions need to overcome the nationalism wave we are seeing today especially in Europe to build better relationships between countries and create an international rule of law. This is a chance for the European continent to come back on the main stage, by tightening the bonds between its countries to create a unity which could lay the foundation for a new world.

We are indeed in a winner takes all economy, but there is a possibility to change the economic system to one that would place the people at its core. The question is, will we make these changes before it is too late?