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ECONOMIC COMPLEXITY
ESSAY

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

Do I think we are entering a winner-takes-all economy? No, I don't think we are entering it, I think we are already in this type of economy. We live in an economy where large companies dominate the market, taking all the market share, leaving only the crumbs to small businesses and dictating their laws on the pricing policies of their products or services.

For example in France, we get up in the morning and when we turn on the light we use electricity sold by EDF, Engie or Direct Energie, then we use our phones to make a call or send a message via one of the 4 national operators Orange, SFR, Bouygues, Free, then when we go shopping there is a good chance that we will go to the hypermarkets Carrefour, Auchan, Super U, Intermarché or Leclerc then we will have to pay for our purchases with our bank card or checkbook issued by BNP Paribas, Crédit Mutuelle, Crédit Agricole, Société Générale or La Banque Postale. These are all companies that dominate the market and leave little room for competition or even buy out the competition companies.

Then why and how did we get there? One word answers the question: globalization. Since the Second World War, the different countries of the world have tried to develop international trade, they have not stopped modernizing to present the best products and technologies in order to rebuild and grow. Transport was widely developed, especially sea and air transport of goods. The different companies were then confronted with competitors from all over the world. The ability to sell and deliver the best products and services was therefore a top priority.

Thanks to the development of the Internet, some companies innovated and today are gigantic. These companies such as GAFA (Google, Apple, Facebook and Amazon), which seem to be undefeated and out of control today, exercise a powerful domination in the world and sometimes even put pressure on economic policies. The GAFA are the extreme examples of this winner-takes-all economy. They are monopolies that hold almost all of their market share and are moving into other sectors of activity, reaping market share from their sectors, as in the case of Amazon, which today also provides streaming services, music, home delivery of groceries, and so on.

The question that arises is : should we stop this winner-takes-all economy? Or on the contrary, should we do nothing? In my opinion, it's a dilemma that consists in choosing between the interests of the consumer or the interests of companies, I also think it is a question that has to be answered by thinking in the short term and the long term.

Competition helps to keep prices as low as possible because if, for example, 2 companies offer the same product or service, the consumer will buy from the company that offers the best price. Companies are then obliged to innovate and offer better know-how on demand to compete with other companies. On the other hand, when there is no competition and a lot of demand, a company has market power because it can raise its prices. The consumer will have no choice but to pay high prices. Thus, monopolies could be a danger for consumers if leads to higher prices.

However, sometimes a company has a monopoly but offers low prices as in the case of Amazon which is in the interest of the consumer. This time this does not translate into a problem for consumers but for companies in the sector that have to align themselves with the prices Amazon offers on books for example. Some booksellers can't afford it and go bankrupt, others can't grow because they can't innovate for lack of revenue or they don't grow fast enough because Amazon is reaping big profits and can afford to invest in new sales or production processes. Today, monopolies or oligopolies buy out their competitors, buy out start-ups taking over their research, technologies and ideas.

According to the neoclassical theory of the 19th century, the ideal would be "pure and perfect competition", which translates into a lot of supply for a lot of demand, and would consist in bringing together 5 criteria: homogeneity of products, atomicity of the market, free entry and exit of the market, transparency appears on the prices and characteristics of products or services, and perfect mobility of the factors of production. Prices would then be dictated by the law of supply and demand. But I am one of those who find this theory unrealistic in particular with regard to the

homogeneity of products. I think that in today's world, this kind of competition cannot exist since we all seek to diversify, innovate and modernize.

The dilemma then arises between the interests of the consumer and the interests of the company, because how to do when large companies offer small prices, in favor of the consumer but destroy the companies that create the wealth of the country? We know that monopolies or oligopolies dominate consumers and swallow competition. It would therefore be logical to say that we must limit the spread of monopolies and oligopolies and therefore avoid this winner-takes-all economy. But in my opinion, we must not.

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According to me, the damages of this winner-takes-all economy are short- and medium-term damages: lower wages, lower purchasing power, bankruptcy, economic slowdown which are damages that occur over a few years. But in the long run, this winner-takes-all economy can be very beneficial.

There's a saying that goes 'what doesn't kill you makes you stronger', and that's the idea I want to express. In history, we realize that economic and political developments took place during or after wars. Indeed, there was an enemy to fight, it was necessary to be stronger and faster, to adopt the best tactics of attack and defense. In the Middle Ages, it was necessary to have the strongest castles to resist attacks. History tells us that even when the army on the other side appeared stronger in numbers and artillery, it could still be defeated thanks to good military strategies. Today, in the 21st century, the 'enemy' is precisely the monopolies or oligopolies that hold markets and get richer all the time. They seem impossible to defeat, but this is not the case. Many of the large companies of the 20th century that seemed impossible to compete with no longer exist today. Nokia and Motorola, for example, had been knocked down by burgeoning companies. Let's not forget that Google has dethroned Alta Vista which previously had been dominating the search engine market. Today, NASA is using Space X rockets because Elon Musk had the audacity to create his own private space company because he considered NASA unambitious. Tomorrow, I could bet that Airbus and Boeing will also fall. The world is in constant motion, ideas never stop flowing. More, we are cultivating the knowledge economy, we are all connected to each other, we are all more informed. Innovations cannot stop. Thus, these large companies, actors of the winner-takes-all economy, are a way of boosting innovation. Faced with them, small and medium-sized and mid-size companies can ally themselves, combining their ideas and their know-how to compete with them. One would think that this could discourage many entrepreneurs from entering a market dominated by Google or Facebook for example, and therefore innovation will stop. But on the contrary, I believe that creating is in human nature and that nothing will prevent the development of innovations. Especially since the world is still to be built. Moreover, another strong point emphasized is that this kind of large business generates a lot of employment and attracts workers, which contributes to the development of cities. For example, Airbus is a motor of Toulouse, if Airbus collapses tomorrow, Toulouse is lost. Large companies also make it possible to expand the country in which they are established, notably thanks to taxes, and when it comes to domestic companies, their own country is the winner and competes with other countries. Today, with China's meteoric rise, large companies have a big role to play since they are able to compete with large Chinese groups that want to penetrate foreign markets. They can also finance projects since they have the necessary resources which avoids going through the banks.

Thus, we have entered a winner-takes-all economy in which huge companies remain in control of the markets and destroy the competition, causing short-term damage. However, in the long run, this economy will allow a boom in innovation, business strategy and therefore an economic expansion. States should not oppose but encourage et financially assist competition to develop and innovate.

(1500 words)