

Economic complexity

While the general population of every nation has been suffering from both the health and economic consequences of the COVID-19 pandemic, billionaires have seen their wealth expand even further. According to analyzed data by Forbes, over the course of the pandemic in the United States, the wealth held by the nation's 745 billionaires has been estimated to have grown by 70%, or 2,1 trillion dollars, for a grand total of 5 trillion dollars in wealth, which is 2 trillions more than the wealth estimated to be held by the bottom 50% of the country. Such a wide disparity in income came to be because of a variety of reasons, but could it be inferred that the existence of a winner-takes-all economy might have been one of its driving causes ? The case of the United States can be used as an example for how the economy works in numerous other countries, which is why it will be the focus of this essay.

However, the notion of winner-takes-all economy needs first be defined before being expanded on. A winner-takes-all economy is defined by an economic system in which despite a rather insignificant difference in the quality of a product or a service, one producer will end up earning much more than their competitors. This creates an environment in which the biggest firms hold a near-monopoly over their respective market, allowing them to grow even bigger through a snowball effect that will lead them towards the complexification of their activity.

To answer whether we live in a winner-takes-all economy, it is hence necessary to first take a look at how the economy got more complex in the United States and what are its consequences, making it possible to explain how a winner-takes-all economy exacerbates wealth inequality in a society and what are some possible solutions that could help reduce that gap.

The complexification of the economy is made possible by the complexification of knowledge. Indeed, with the evolution of science over time, it has become impossible for an individual to be well-read in every subject, hence pushing them towards specialization. It is this need for specialization that drove people to create « knowledge hubs » situated in specific areas, leading to the concentration of knowledge in these hubs, like the Silicon Valley. However, as people flocked to these areas usually located in large cities, causing the desertification of rural areas, the division in knowledge between different parts of the United States widened. The creation of this « knowledge hierarchy » then aggravates social and economic inequalities. This can be witnessed when looking at the election map from the 2018 mid-term elections. Indeed, areas with these knowledge hubs tend to be located in coastal states which are not only more populated but also tend to vote for Democratic candidates whereas rural areas suffering from the lack of these hubs are usually located within the land and tend to vote for Republican candidates. According to data from the Chamber of Commerce organization, 8 of the 10 poorest states in the US are located in the South whereas half of the richest states are located on the Northeast coast.

Furthermore, the complexification of the economy allows it to grow even more, which incentivizes companies to complexify their activities as well, leading to a higher education requirement for jobs as well as the automation of certain activities. When coupled with many more economic issues like delocalization, this led to the ruin of many local economies, effectively leaving rural blue-collar workers behind in economically struggling near-ghost towns, pushing the inhabitants of said states towards supporting the Republican Party thanks to promises of « bringing job back », as witnessed through former President Trump's rhetoric. However, having failed on these promises, many of these rural states are still economically left behind and facing the same issues, all the while cultivating a culture of conservative social values which furthers racial inequalities in these states.

As demonstrated, the complexification of the economy hence leads to the creation of a winner-takes-all market, incentivizing companies to strive the top position through technological advancement and higher education, usually located in specific knowledge hubs in the coastal cities of

the country, which then leaves rural areas with an aging population of relatively less educated labor, ultimately resulting in a more important economic divide between the people. However, this doesn't seem like a process which we can stop, since the complexification of the economy seems inevitable. The question then becomes "Is there a way to lessen the inequalities created by this winner-takes-all economy", to which the answer is still being discussed by politicians, economists and social activists.

A first idea that has recently been heavily brought in the mainstream as a result of automation is Universal Basic Income, or UBI. UBI is defined as a government program through which adult citizens of the country receive a set amount of money at a set date, like every month. The goal of UBI is to help reduce wealth inequality by giving more money to poor people on top of the money they're already earning, allowing them to save up, invest or improve their standards of living. Though the concept hasn't been tested on a large scale in the United States as a whole, it has been in place in the state of Alaska since 1982 where every adult citizen receives a yearly check ranging from \$1000 to \$2000. Though many factors come into play, it is interesting to see how Alaska is one of the states with the lowest Gini coefficient, a measure of income equality used by the US Census Bureau in their American Community Survey, of 0.408. Despite a pushback from some of its opposants, however, UBI does not seem to have a strong link with higher unemployment and has even been correlated with the rise of fertility rates, according to a National Bureau of Economic Research paper. Furthermore, support for a UBI in the United States has greatly risen these last few years, notably thanks to the platform given to it by 2020 Presidential Candidate Andrew Yang. According to a survey conducted by the Pew Research Center, as of 2020, only 54% of Americans would oppose the government providing a basic income to its citizens, meanwhile 45% would favor it.

Another solution to the economic and demographic disparity between rural and urban areas would be helping the poorer regions to reinvent themselves to become more attractive. It would hence be necessary to identify the diversification in opportunities to know where to invest for a given state. Tapping into the unexploited potential of some of these states is the key to their development. This would allow each state to use its local capabilities to its fullest and find a place in the winner-takes-all market, allowing the complexification of their economy to rise at a faster pace and catch up with the coastal states.

In conclusion, it is fairly safe to declare that the United States does indeed live in a winner-takes-all society, which we can transpose to a lot of other developed countries following a similar economic model, such as most of Western Europe. While the development of this winner-takes-all society seems inevitable, making the issues it also brings about inevitable as well, there are some ways to try and circumvent said issues through mainly what are social policies but also economic development of regions that do not benefit from being part of the different knowledge hubs allowing the complexification of knowledge. Through this, nations can start laying the groundwork necessary to reduce the ever-growing wealth inequalities and, in the process, improve the life of each of its citizens.

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