

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

Before embarking on any kind of explanation that would give an answer to this question, it is advisable to first define the terms composing it. In this case, it is, in my opinion, essential to know what we are referring to or rather what we mean by "winner-takes-all economy". After defining this term, I would have, in a way, "the necessary bases" to try to give an organized, coherent and complete answer to this question. Although this latter is far from being simple because it is very debatable, I would avoid answering with a "yes" "no" or "yes" "but" type of structure and would therefore take a position in this essay, although my opinion remains only my opinion.

### ♦ What a « winner-takes-all economy » means ?

As I said before, any good analysis requires certain basics. Here, it is therefore necessary to put words to the following expression: winner-takes-all economy. There is no "definition" in the strict sense and even less a unanimous definition of this term, that is why I will give you one according to how I see things.

What I mean by "winner-takes-all economy" is nothing other than a world, a society in which only the one who wins gets it all. When I talk about the winner, I mean the most successful, the best performer and more generally the one who have physical strength, wealth, intelligence, prestige or even social rank. In other words, the winner is going to be able to capture a very large share of the available rewards thus leaving nothing to others. In some ways, a society "governed" by the one who wins.

I rather agree with the simplistic idea that there is « the law of the strongest » meaning a situation where the strongest is the one who eats and the weakest is the one who gets eaten. Yes, this is the basis of the animal kingdom, but this statement is also true when talking about the economy and more precisely about the market, because indeed, the law of the strongest also prevails in markets. It is the biggest companies that will dominate and take control over the market in it's entirety, leaving no room for companies that are a little less recognized or appreciated for example and that will eventually disappear from it.

So basically, whoever is the best performer has the means to impose himself, win all the rewards and leave nothing to others. As I will show you, this is exactly what is happening in the economy and more generally in the world nowadays.

### ♦ Towards a « winner-takes-all economy » ?

As you may have understood from what I have just said, I am pretty much convinced that we are entering in a winner-takes-all economy. However, I believe that this phenomenon is not new but has been around for quite some time. It can be seen at very different levels of the economy, whether between individuals, between companies or products in the market, that the winner is the one who takes all the profits, all the slices of the pie if we can put it that way, leaving only the crumbs to his competitors and sometimes even nothing at all. This is the way the world works and has always worked, although today there is more and more heterogeneity and distortion between winners and losers. What makes me say that ?

In fact, I think we've always lived in a winner-takes-all economy, but that this phenomenon is all the more important today, largely because of globalization and all that it generates. Digitization, telecommunication, network effects or simply the fact that we can now access any kind of good or service in one click all over the world has and continues to amplify this phenomenon. Today, people are no longer looking to find the best product locally but rather the best product in the world, which creates in the different markets a "top product" with a major competitive advantage and therefore eliminates any product that would be below it. The problem being that often the product arriving just after the first one is not, in absolute terms, less good. In other words, the best provider will capture the whole market and the next best provider, even if it is almost as good, will no matter.

This observation works just as well when talking about an individual. I will give you two simple examples. First, that of a runner. Let's imagine that this person wins the race and is therefore awarded the gold medal and all that it entails: media coverage, recognition, a great reward and so on. The runner who will arrive just after, in other words, in second position, will logically receive the silver medal but will benefit from less media coverage, he will be less recognized and will therefore receive a reward much less substantial than his opponent. However, little opposes these two runners, they have an equivalent level and have almost done the same race. Only, the first one crossed the finish line one or two thousandths of a second before. This tiny difference in performance actually translates into enormous differences in reward (salary and earnings) between these two runners.

Another example I would like to give you concerns the music industry this time. To be honest, this is an example from Robert H. Frank, professor of Management and Economics at Cornell University, that I found rather interesting for our topic. Let's imagine a great soprano, the most talented of all. The soprano who is « just below », i.e. the one who is slightly less talented, will not have the opportunity to perform on stage as the number one does and will, for instance, give lessons to third-graders. Just like in the previous example, this tiny difference in talent, which most people actually can't even detect, actually results in a big difference in pay since one will earn a seven-figure income and the other a four-figure one.

These two examples therefore shows clearly the trend today. In a winner-takes-all economy, a bunch of people, products or companies compete for a limited number of slots at the top, and this is the one who lands in those slots that walks away with the total reward and leaves almost nothing to the others right underneath. This problem is all the more important since today it seems that everyone has accepted it or at least, nothing seems to stop this phenomenon.

### ♦ What can we do about it?

Changing this trend seems to be a difficult exercise, but I still think that several options could pay off in the long run. For example, I think that in order to compete with the winner-takes-all digital companies such as Amazon, Google or Facebook, smaller companies must adapt to change and constantly reinvent themselves. As I said at the start of my reasoning, I am convinced that there is the law of the strongest, whether for species, individuals or even for companies in a market. However, adaptation to change seems to be a solution to overcome this law. Indeed, as Charles Darwin said so well, "The species that survive are not the the strongest species, nor the most intelligent, but those which adapt best to change".

In addition, I think that the State also has its role to play. As we have seen, this "winner-takes-all economy" has been partly the result of globalization and the fact that any person in this world can access any type of good or service at a click of a finger. Although this is not necessarily possible, the State should encourage the local businesses and discourage online shopping in order to limit the offer and thus prevent certain large online companies from having a monopoly and enrich themselves to the detriment of those right below or even the small employees who work for and who do not get any reward even though they contribute to their success.

Finally, to fight against the economic resources misallocation generates by the « winner-takes-all economy », causing huge inequalities in the distribution of income in the sense that the people at the very

top make far from more than the people just below, the government has to regulate, change politics, especially concerning taxes. In this way, we will be able to live in an economy, a world in which the winners take less.

### ♦ Conclusion

As every good analysis requires a conclusion, here I am. In my opinion, a « winner-takes-all economy » can be described as a society, a world in which the winner (meaning the best performer, the most successful) is the one who wins all cake slices at the expense of those below. This trend can be observed very easily today because of globalization and represents a major challenge since it generates huge inequalities, especially in terms of income. For that reason, the State has its role to play in correcting that resources misallocation by taxing for instance. And besides, I think that everyone has a role to play in the sense that consuming locally could curb this phenomenon.

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