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**ECONOMIC COMPLEXITY**

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

Throughout history, from humanity's first attempts at organizing itself as a society to the lasting civilisation that sprouted over millennia all up until today; a few patterns may arise from a quick observation which I will sum up with a well known saying: history is written by the victors. This mostly feels true when aligned with the rise and fall of humanity's most remarkable empires. The influence established by conquerors is everlasting and taints the culture of the conquered long after the decline of the former. This phenomenon arguably manifest itself in an inconsistent manner as its impact withers with time and blends with frictions involving multiple actors including the to be subjugated. Furthermore, strife all alone has taken various shapes and faces infused or not with violence (although some religious emissaries at the time could be put on the same scale as cultural genocide). All in all, the influence of victors is still felt in contemporary societies and is a main aspect of how societies structures themselves. Let alone the shift of rulers over centuries, what I am trying to say is that we are the descendants of many forms of organisations that have acted as building blocks for our civilisation as a whole. What remains from "victors" is probably more consequential as the counterparts have been diminished. The legacy of our ancestors has been kept through our long-standing institutions, our language and even our way of thinking. First things I can think of that relates to those, are for example, the heritage brought by thinkers and artists who prospered in say the European renaissance era, masterpieces often religiously flavored by the well in place Christian dogma of the time. Also, the fact that we have Scandinavian words in French, parting gifts from our viking neighbors from medieval times and of course Latin which has been even more influential in the making of the language we speak today. This global patrimony mostly seem to stem from major eras of prosperity, which again is organized by the "ruling parties" in place. For the sake of getting this matter off our hands I'll break them down to emperors, monarchs, tyrants, ruling classes (aristocrats, merchants, feudal lords...) and whatsoever. The endeavors which established this authority enabled a division of power illustrated especially by an accumulation of wealth from down to top. "All roads leads to Rome", or the tax farming orchestrated by the Ottoman ("Ilitzam") and Mongol empires ("Yelu Chucai") across their conquered lands. This goes a long way from humanity's first stutters of communities, probably tribes organizing themselves as a mean to survive against ruthless Mother Nature. And it is because of nature, our nature, that we lived around concepts of survival of the fittest and some of the most gruesome competition for so long.

It is now a game changer to live in today's era, some even call it the Anthropocene as we contemplate the aftermath of our industrialisation. The accumulation of wealth since early empires have set on a pedestal some countries and other were falling behind when this all out race for modernisation started. The result is a heavily inegalitarian development of regions up until today with the often mentioned global north-south divide or more so first, second and third world countries which demonstrates this head start for some. I wish I could just stop here and finally answer the question; "are we entering a winner-takes-all economy?" by saying the first "winners" have morphed into an organism meddling and absorbing all of its surroundings to finally ripple through time and unfold itself under our barren eyes. This means nothing ever really changed but instead has only been the result of evolution, of the continuous division of power and wealth that brought the socio-politico and economical environment we live in. With that said, the contemporary world revolves around a global market based on consumerism in which each country cooperates to min/max their potential for optimal growth. In "The building blocks of economic complexity" by Cesar A. Hidalgo and Ricardo Hausmann<sup>1</sup> we learn that growth is linked to economic complexity again linked to accumulation of capabilities. Let's not forget that head start we mentionned. Accumulation on a devastating scale from our colonialist roamings for example (British West Indies).

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<sup>1</sup>Hidalgo, C. A., & Hausmann, R. (2009) [The building blocks of economic complexity](#), Proceedings of the national academy of sciences, 106(26), 10570-10575.

Available assets give paths into the specialization of a country's activities to generate value by differentiating itself on the global market. Wisely advised policy making and favorable stimulation of entrepreneurship are key to achieve fruitful specialization.<sup>2</sup> We learned that cities became centers of intense activity where resources are funneled to develop economic complexity and that relatedness comes in to play as complexity rises. Regions become spearheads for promising sectors while cities facilitate the process. Up and coming businesses, state of the art tech-industries and top universities all congregate around major cities. It is safe to say that the bulk of economic activity happens in cities and the dynamics that reigns in them are all favorable to economic growth. This concentration of activity organises itself at the expense of other less active regions and underlines where most of our resources are found. If cities wind up the rate at which people connect between themselves they arguably also act as nodes that facilitate connections between regions and countries. I would presume that this has been true ever since towns and cities started to grow all over the world. However, technological prowess of past decades revealed both the precariousness of our system and the opportunities it has to offer.

Questions of durability are on the storefront when consuming finite resources at full throttle. In our case, technology became a tool that eased human activity to the point it is irreplaceable. The scale at which we use technology became global and the rate at which it becomes available to everyone has never been as fast. From the first IBM mainframe computers to the latest smartphones and the 1990s internet revolution<sup>3</sup>. These are the fruits of the economic complexity achieved up until contemporary times and they became vital to our activity. This should start painting the picture as to how jacked up such a primordial industry can get. The GAFAM's (Google, Apple, Facebook, Amazon, Microsoft) are a clear representation of that fact, which are none other than today's world market leaders. These major players seemed to have won it all. Some literature on the subject clearly states how that was bound to happen with the action of network effects or platform economics that "occurs when the value of a product or service goes up with the number of people using it"<sup>4</sup>. With digitalisation at and through our doorstep, we can straightforwardly spot the tech's industry's finest as we get on with our routine.

Nonetheless, the up-to-the-minute context of our time reflects a reality that we barely manage to grasp in its entirety. Left aside the grotesque amount of information available at all times from the internet, it hasn't been too hard to realise how out of touch political leaders from the world's leading economies can be. The handling of the COVID-19 crisis will be reflected on as we get through the crippling effect it has had to our economy. As it came off as a major loss for small businesses, it also had its toll on the aviation industry of Toulouse for example. In the US, it is "8 million Americans falling into poverty since May" and "nearly 900 000 people filling new claims for jobless benefits" as of mid-october 2020<sup>5</sup>. Meanwhile, GAFAM's stock exchange kept a steady growth throughout the year keeping Wall Street's head well above the water while Europe stays in the red<sup>6</sup>. That fact only comes with my realisation that most of these tech giants congregate around the Silicon Valley and behave as United States's assets.

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2 Hausmann, R., Hwang, J., & Rodrik, D. (2007) [What you export matters](#), Journal of economic growth, 12(1), 1-25.

3 <https://www.london.edu/think/nine-reasons-why-tech-markets-are-winner-take-all>

4 <https://www.newyorker.com/tech/annals-of-technology/in-silicon-valley-now-its-almost-always-winner-takes-all>

5 <https://www.bbc.com/news/business-54559008>

6 <https://www.capital.fr/entreprises-marches/la-chine-et-les-gafa-grands-gagnants-de-la-crise-du-covid-19-1387451>  
<https://www.reuters.com/article/global-markets-idUSL1N2HI0UM>

The reality is that the covid crisis has been favorable for the major runners of our economy and left everyone else in the mud. This doesn't feel surprising, hasn't the subprime crisis led to a similar outcome ? All in all, I guess we are in a winner takes all economy although the winner's club seems even more exclusive than ever. This year Tesla saw its worth surpassing those of General Motors and Ford combined.<sup>7</sup>

These giants could pass off as literal empires fighting with the tools our system provides. The realm of finance, law and marketing are the playgrounds I can think of where all out battles happen between countries and other companies interests against these giants. Maybe the restless ventures aimed to expand their worth and hold onto multiple aspects of what makes the world of today and of tomorrow could illustrate that. Also, France has been thinking of enforcing a tax against our digital overlords which doesn't seem to pass without a fight from them and the US<sup>8</sup>.

The scale at which technology is used can't save us from the monopoly they hold onto but could bring focus to some of the alarming issues we face. The durability of our society is often brought up to the table and some forward thinking establishments made possible by their investment is a somewhat reassuring factor. When our own governments don't or can't provide the means for scientific talent to thrive, they usually step up. See Tesla, Google Ventures or even the Bill & Melinda Gates foundation and their prizes for inventors (most remarkable that comes to mind was the issue in providing self-sufficient toilets in some areas of the world that were plagued by infant mortality because of the simple fact that hygienic conditions weren't met without toilets). The ultimate goal would be for everyone to enjoy the leisure of our modern world, and this means converting billions to the middle class. With the pressing matters of climate change, poverty, warmongering fascists (yep) but more recently the fragility of our society in the face of this pandemic, we realise that there are a lot of gaps to fill. There is an absolute necessity for progress, and maybe it is time to separate ourselves in some way, from the dogma of capitalistic accumulation in favor of more responsible and transparent growth. It is a vision that must constantly be brought up to these oligarchs with whom we might stand a chance in bringing more efficiency to our system.

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<sup>7</sup> <https://www.wired.com/story/tesla-worth-more-than-ford-gm-combined/>

<sup>8</sup> <https://www.france24.com/fr/france/20201125-france-la-taxe-gafa-sera-pr%C3%A9lev%C3%A9e-en-2020-malgr%C3%A9-les-menaces-am%C3%A9ricaines>

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