

### **Do we live in a winner takes all economy?**

A winner takes all economy is where a minority of people succeed in grabbing most of the available rewards at the expense of a larger part of the population. As Robert H. Frank, a professor of economics at Cornell University, said in an interview: *“Lots of people compete for a limited number of slots at the top, and the ones who land in those slots walk away with the lion’s share of the total reward”*. Our modern society is divided between the millions of people living in poverty and the emergence of more billionaire. This is a place where only a small handful of people get a disproportionate amount of attention and are able to become winner overnight. Whereas the losers are buried so deep in the society that it seems unattainable for them to reach the *“slots at the top”*.

Fuelled by the rise of digital technologies and globalisation, unknown people, brand or innovators can come out of nowhere and become worldwide phenomenon. The wide exposure provided by the digital networks made it that if you win, you win considerably and rapidly. This new era definitely changed our way of consuming. Nowadays, most people consume faster, in abundance and tend to only look for the best.

Digital technologies have been offering many opportunities for start-ups to create new concepts and to test new ideas. The ride hailing service have been revolutionized in the last decades and the market is essentially constituted of oligopolies. Two of them being Uber and Lyft, both of them used the networks effect and globalisation to thrive. They are currently taking most of the profits generated by the ride hailing market and continue to expand their influence. These two service providers succeeded in dominating the local market anywhere they have opened, for the small businesses it was practically impossible to compete.

Uber offers a wide range of services, such as food delivery, electric bicycle rental (...). Concerning its ride hailing service, they receive a commission of 25% from each booking, in return of the platform and network that they provide to the taxi drivers. If we look at the market in the United States (*figure 1 & 2, annex*), Uber holds 68% of market share in ride hailing service and 26% in

food delivery. However, according to the report published this year by Statista, the company's share has been declining since 2012. Uber began to share the market with other competitors, such as Lyft, a new American platform who only operates in the United States and Canada. Lyft succeeded in becoming the second largest ride hailing company in America as it holds 31% of the market.

Concerning, the global market shares of ride hailing service is mainly dominated by Uber and the Chinese service platform Didi Chuxing. Statista's report showed that Uber hold 37% and Didi Chuxing 31% of the global market shares. According to "Bloomberg Second Measure", in 2021, it is estimated that Uber has 101 million monthly active customers in the world. The American service platform is indeed well implanted worldwide as it is operated in 900 metropolitan regions. Whereas the other companies only hold a third of the market share (*figure 3, annex*). Hence, these two platform succeeded in being the winners by grapping the most potential rewards of this service market at the expense of the millions of independent taxi drivers who existed before.

As the author of the "*Winner Take All: The elite charade of changing the world*" book, Anand Giridharadas, stated in his interview, "*Uber invented an idealistic concept where every driver is a micro-entrepreneur, they took a notion of freedom and used it to undermine freedom*". Uber created a "*systemic structural problem*", which explains how they succeeded in rapidly conquering the market share. The systemic effect created by Uber began basically with the service they offer. That is, an efficient and highly attractive service platform with lower prices and a faster service. Thus, more and more people use this service and a single taxi driver can't possibly compete, as he would eventually lose its source of income. In order to survive, the former independent taxi drivers, have no other option than to use this platform. Consequently, the more they have drivers, the more they become omnipresent and offer a better service. This is how they manage to gobble the whole market, basically they made themselves indispensable for the ride hailing market to function.

This is one of the many example that depicts the winner takes all economy in which we live today. As the widespread of new technologies propelled numerous people in that limited slot at the top. Those powerful companies led by that minority of people, detain such great influential

power that they are the one leading our society today. Of course, they have a positive impact as they add values and contribute to the progress of our society. Yet, intentionally or not, their added value can also turn upside down our society, impacting the life of the majority of the population.

For the past decades, Uber had overturned and reshaped the ride hailing market. The company faced numerous controversies, one of them denounced how a huge number of taxi drivers working with Uber's platform actually make less than the minimum wage. Those drivers are independent contractors and are not under the employment law. According to a report published recently by the Illinois Economic Policy Institute, in 2020 the minimum wage in the United States was \$14 an hour but the drivers only earned \$13.6. Uber also created a labour system which relies on over-hiring drivers to prevent waiting times. However, the drivers end up spending their time waiting for customers, unpaid. The drivers are the one making most of the effort but even so, Uber is the one reaping the rewards of their efforts. The inputs clearly don't match with the outputs.

Moreover, according to an article published by NBC, Uber was also criticised for disregarding local regulations. In 2014, Uber instructed its drivers to ignore California local regulations and if they happened to be arrested, they would pay for any complaint. This undeniably highlight the winner takes all economy downside. In such an economy, the winners have a massive power to dictate outcomes and through leverage tend to bypass rules set to ensure equality in our society.

Anand Giridharadas also referred to plutocracy, which consist of an elite class whose power comes from their wealth. According to him, one of the solution would be to "*make the plutocrats less powerful*", by enforcing more regulations and taxes. Although, government intervention in the economy always raised tumultuous debates and it is difficult to draw the lines between the benefits of a free market and government intervention. Capitalism is double-edged, it has brought benefits as it allowed private company to freely innovate and contribute to the digital revolution. On the other hand, it has also deepened the economic level disparities and enriched the very few at the top.

Robert H. Frank also pointed out the "self-perpetuating" traits of the winner take all economy, where reactions affect themselves positively or negatively, also known as the feedback loop. Concretely, the majority of people tend to watch blockbusters just because they are blockbusters, likewise for the bestselling book and this applies to the whole society. If people read books, listen

to music that are at the just 1% less excellent than the famous one, the feedback loop would break. Thus, the minority of people who are the winners would eventually have to share the rewards.

The winner takes all economy is deeply engraved in our society, we can illustrate it not only in the economic and political environment, but also in our daily life. It is how our society basically function. Its mechanism is constituted of the feedback loop, the systemic effect, which engender the “rich get richer” phenomenon, also known as the Matthew effect. But what propelled it was the rise of the digital technologies. It amplified simple variations and created larger markets that are quickly accessible. This winner takes all economy propelled our society to what it is today, it created competition that pooled innovations, start-ups and genius entrepreneurs.

However, it has also reshaped our markets since the mid-90’s, the profit margins have drastically widened (*figure 4, annex*). Therefore, the disparities between giant companies and the small businesses have constantly increased, which contribute to only empower few people. It created a systemic problem that seems impossible to break from. Economists, such as Robert H. Frank and Philip J. Cook, studying this phenomenon have come with the answer that it should be kept under control by regulatory action. Such as taxation to correct the irregularities in income distribution caused by the system.

That is the paradox of today’s economic system, its inflexible but also enables our markets to constantly evolve. It creates a competitive environment allowing enrichment but unequally distribute the rewards to clear-cut winners. Hence, the economy has to be more regulated and people’s awareness should be raised in order to change our way of consuming, as it is not normal to continue to face such level of poverty in our modern society.

(1524 words)

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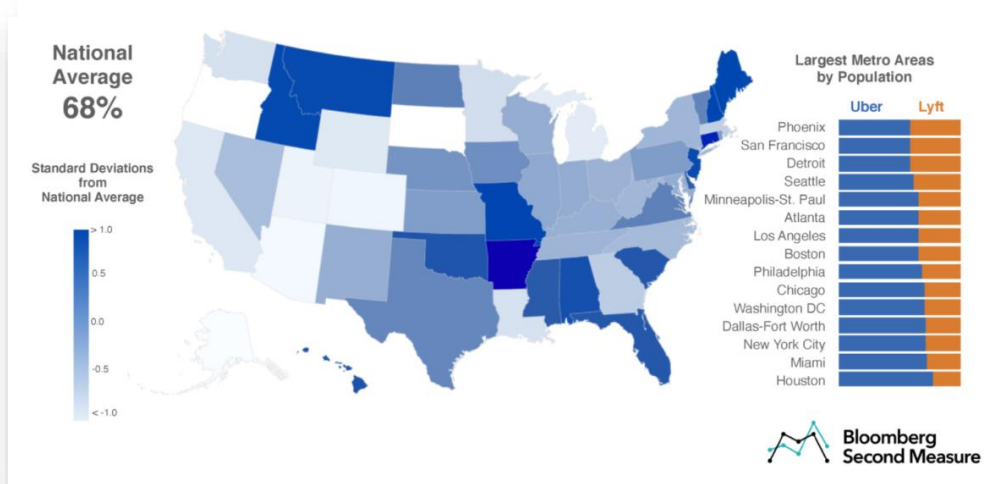
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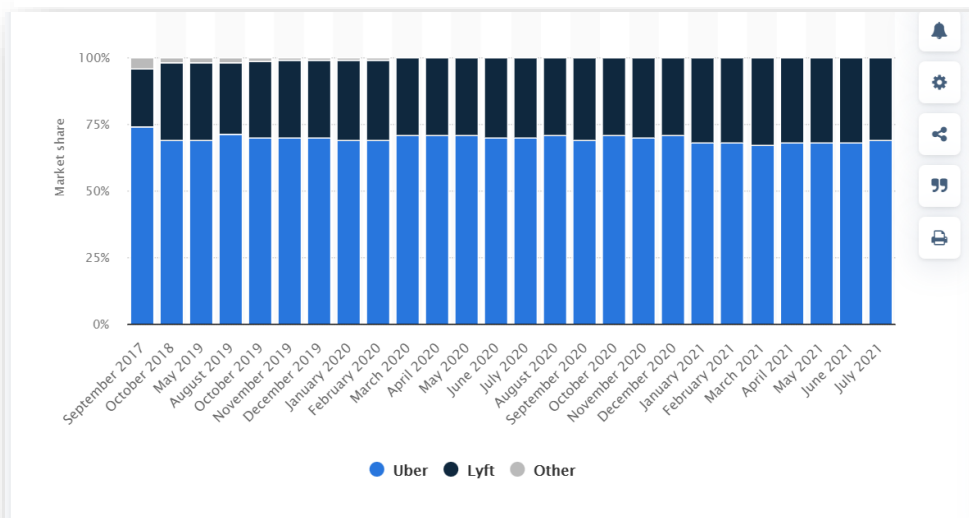
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## Annex

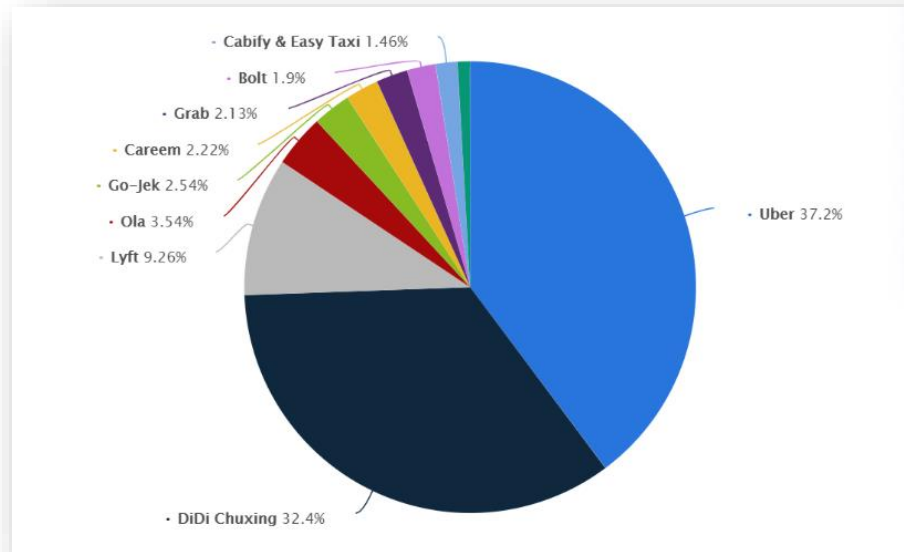
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