

## Essay

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



Everyone knows the guy in the photo right? Well I think that by himself he represents what could be a winner-takes-all economy and its dangers. This winner-takes-all economy very much increased through the 20th century, concomitant to globalization extending as well. The phenomenon refers to an economic system in which the businesses that dominate the market are bound to dominate it over time leading to their competitors not even counting in the equation. This system can be seen as one of the failures of modern capitalism as it increases inequalities (for the companies as well as for the people in general) and creates an oligopoly, a market structure in which a small number of powerful firms control the market. I believe that we have already entered a winner-takes-all economy and to do so I will use the Amazon case as well as other examples of “winners”.

*“The winner takes it all The loser’s standing small”*

Let’s use the famous ABBA song for our analysis as I believe the lyrics are a perfect summary for the ideas I will be focusing on.

Our economy is now dominated by a handful of huge companies that operate in numerous countries around the world: our dear friends, the multinational. They have the power to impose their interests on other economic actors (other companies), on the consumers but also on public authorities. These firms shape our daily lives: we go grocery shopping at Monoprix or Carrefour, then we pay with our BNP or Crédit Agricole card. Back home, we stare at all the food bought but, well, we have worked all day so why not order some food on UberEats with our iPhone ? And icing on the cake for a successful evening, a good Netflix series! Obviously we can turn to a simpler way of life, to local products but this solution can only work if a substantial number of people decide to change their consumption (which we are very far from). Not only does it take time but also money to switch habits: it can be complicated to slow down in a society where we are always encouraged to do more and not

everyone has the finance required to buy organic and local food for example. It is in this sense that large companies have been able to monopolize (or oligopolize should I say ?) our lives, offering us supposedly simpler and faster but also cheaper solutions. However these supposedly cheaper offers generally prove to be counterproductive for the consumer since they push us to consume more and more goods that we don't need but which attract us with sales, promotional codes or attractive subscription formulas. Why would I bother buying a made in France phone case that will cost me 30 euros when I can get a batch of 10 cases on Amazon for three euros ? Obviously we will choose the second solution if our purchasing power is low. The problem also relies on the fact that we were born in the consumer society, as young people that's all we know and it is hard to "extract" from this pattern. We would have to reprogram our consumption mode by buying less but of better quality: by "investing our purchases" in some way. Coming back to our dear Amazon, the website that once only sold books is now one of the largest stores in the world. Are you looking for something specific? Well Amazon has it all, you don't have to spend hours searching through the Internet, comparing the prices: the best offers are on Amazon ! Young companies have a hard time making a place for themselves and those already established end up in the shadow of the giant.

*"The judges will decide The likes of me abide" "Spectators of the show Always staying low"*

So who are the judges? Well all of us actually. The first probably coming to your mind must be the consumer. Of course it's one of our responsibilities to favor local companies over large multinationals: it's not a simple process as explained in the previous paragraph. We meet price, time and influence constraints and depending on our location, we do not access consumption the same way (for people who live in the Creuse region, it seems easier to order Christmas gifts on Amazon). On the other hand, the Internet era is magical in that it also allows us to access online stores that are more respectful of people and of the environment.

It would be a mistake to say that everything relies on the consumer: our governments also have a main role in the winner-takes-all-economy. It is up to them to subsidize local businesses and more generally start-ups, innovative companies. For example, the EU sets up important funding programs for specific projects but also funds called "European Structural and Investment Funds". These concrete business support measures are therefore essential to counterbalance the oligopolies. Government also have the power to promote small businesses through the media. It's up to them to give the latter visibility and avoid that:



I'd rather see this one on the streets:



Now I also wanted to focus on the inequalities increasing in our modern economy. Search “Who is the richest person in the world?” if you don’t already know and then you arrive at a fortune of \$183 billion. Yet, we all know people are starving all over the world, others are living on the streets or have no money to pay for their health care. Precariousness has many faces, but above all it is everywhere, even where we can’t imagine it is. So yes we can say that the winner-takes-all-economy is dangerous as it puts a lot of money in the pockets of a handful of people. The gap between rich and poor continues to widen:



This wealth gap must be reduced through the implementation of policies to fight inequality. The first step is to make sure that large corporations and all those with substantial fortunes pay their fair share of taxes. An article published in 2019 titled "How does Amazon avoid paying taxes?" and reveals that the same year the group reported 1.3 billion euros in sales and ended up paying just 10 million euros in taxes. Similarly, although wages within the company have increased, the company is well known for its poor internal climate: numerous investigations revealed that burnouts, depression and suicide attempts were frequent in the various establishments of the Internet giant. This is still another proof of the increasing inequalities in our society and of the flaws in the winner-takes-all economy. Behind a small number of large and dominant companies are many small hands that produce, store and supply the products then sold by these same companies. The lives of these individuals are governed by ever-increasing productivity, poor working conditions and some of the lowest wage levels. A necessary element for the improvement of working conditions is the presence of trade unions in the company: they must allow pressure to be put on the leaders to make the voice of the workers heard.

Another problem induced by this form of economy is that it hinders social mobility: as a few people access the top of the social scale, the majority find it difficult to move up in the social hierarchy. Whereas in the 1970s it was quite easy to reach a managerial position even with working-class parents, today there are individuals who are overqualified for the position they occupy. The few companies that dominate the market have many employee positions to be filled, whether it is in the production chain or at the administrative level, but these positions don't lead to a high degree of social mobility. Then, the middle class (even if this term no longer has any real meaning nowadays) finds itself "confined" to levels of wages and of purchasing power that do not really progress as their working life develops. Here again we

find the vicious circle pattern of an increase in wealth for a handful of the population and an increase in inequalities for the others.

At the end, the best solution would be to break the oligopoly loop: the “many buyers for few sellers” scheme should be replaced with “many buyers for many sellers”. Some may say that the market is already made of many sellers but the slight difference relies on the fact that a small portion of these sellers monopolize the market and have the most influence on it.

These companies have so much power that they escape any competition as their potential competitors are too small to put any pressure on them. That is why the solution relies on turning the winner-takes-all economy into a competitive economy. Through my research, I came across two solutions depicted as particularly efficient. The first one was the price control, that is to say “government-mandated minimum or maximum prices that can be charged for specified goods” but this solution can only be applied to companies which carry products you have to pay for (so bye bye social media and search engines). Another solution would be the introduction of antitrust laws by the government: these laws are designed to make sure fair competition exists in an open-market economy. They enable competition within sectors particularly concentrated (typically the mobile phone operator sector) and integrate more options for the consumer. In the US we have the Sherman Antitrust Act and the ones that complete it, the Clayton Antitrust Act. The European Union, for example, has a competition law. Beyond the implementation of laws, sanctions are also necessary for competition.

Then it is necessary to fight this economy of the "winner-takes-all" in order to create more jobs, with better working conditions but also to encourage innovation so that it doesn't remain the monopoly of a small number of corporations.