# “Do we live in a winner-takes-all economy?”

Nowadays, globalisation is changing and reshaping our economy. Indeed, with the interdependence brought about our increasingly interconnected world, not only our economy tends to favour some actors but also it tends toward jeopardising smaller economic actors. Inequality becomes then a major issue. Thus, defining a “winner-takes-all economy” is essential, this later is the ability of the best performers to capture a sizable share of the incomes leaving the remaining competitors with extremely little. Basically, it means “gaining at the expense of others” and reaching a state in which being dislodged by the rivals is difficult. This notion applies not only to people, nor products but also to services. To that extent, asking ourselves if we live in a winner-takes-all economy becomes far-reaching. In order to deeply analyse and answer to this key question, the luxury industry will be used to illustrate each argument.

This essay will be divided into two parts. The first one deals with the economy being dominated by a few economic actors. Then, I will emphasise the limits of this concept and thus introduce some solutions to this issue.

As we all know, the gap between the rich and poor is widening year after year and not in a specific area but all around the world. Indeed, according to a study conducted by the Organisation for Economic Co-operation and Development (OECD) (entitled Income inequality by Brian Keeley), “*Inequality is bad and getting worse. In the 1980s, the richest 10% of the population in OECD countries earned 7 times more than the poorest 10%. They now earn nearly ten times more*.” Indeed, it seems like the wealthy are getting richer and keep landing in the slots that everyone is competing for. The inequality shown by the benefits there is between different actors in the luxury industry, who are basically doing the same job but still get different financial results will prove my point. In this industry for instance, a brand gets its customers first by showing its skills, or its knowledge on what it deals with, or the characteristics it has acquired and that can help it get the largest part of the market in its area. This can be related to the human capital model theory applied on a company. Moreover, there are more to this that are contributing to the increasing inequality that is shaping our economy, such as the will people have to pay more to have the best performers, employees and so the best quality, for instance, the usual customers of a high quality brand do not really pay attention to the price of the things they buy, if the latter does its job the way it should, meaning it lasts longer than the competitors’ products thanks to a better quality : the luxury industry is dominated by a few, but one more than others. Nowadays for example, Louis Vuitton is worth $75.7 billion and is the leader of the luxury industry in 2021 followed by Chanel but with a difference of almost $28 billion, according BrandZ, Statista. This implies a costly effect on the other companies that are not getting a chance to compete against those powerful and imposing ones, as they neither have the skills nor the fame to be as much as important even though they are tapping in the same market: Burberry only represents $3.9 billion and so a narrow market share within the industry (*BrandZ, Statista),* thus the gap between both is quite noticeable. It is crucial to bear in mind that our economy works the same way, while the rich get richer, and expand dramatically, the rest are subjected to the reduction of their market share.

However, the interconnected era we live in does not make the skill-based theory reliable because further on, it will not be only the ability of the company to give good quality product that matters but mostly its brand image – the more success and positive reputation it has, the more customers it will get and the bigger its market share will be. There are thousands of well-rated luxury brands out there but only a few of them get to almost monopolise the market, and it is generally always the same brands that we see the most on social media, and thus that are getting the contracts, meaning that they also get the final sales, along with the money. Moreover, with the rise of the Internet, and globalisation, the economy is experiencing a shift to a more digitised era, and thus the power of social media should not be underestimated. Indeed, if people used to search the “best” products locally, now thanks to the interdependence generated by the globalisation, they want the best in the world. On top of that, the largest companies in this industry know how to use social media, and the Internet at their advantage – targeting their main customers, and knowing what these latter are waiting for from them becomes easier therefore building up the company on a much larger scale. For instance, its sales grew by 46% compared to 2020 (from LVMH.fr).

It seems quite obvious that we live in a winner-takes-all economy as a few numbers of people are considered in a dominant position and are capturing most of the market share. But is not there anything that can be done to change that?

A winner-takes-all economy is usually characterised by a monopoly or an oligopoly and avoiding those kinds of markets structure is not easy, but not impossible. The more efficient way is to find new outlets through diversification for example. Indeed, by widening the range of product a company has, represents an advantage as it will have its specificities. Also, expanding and setting up branches where the activity seems to be able to prosper and where the environment seems to be convenient for the development of the activity can help the companies who are lagging behind the most. Furthermore, if we take the luxury industry as an example, it faces major issues which are fast-fashion and counterfeiting that are thriving due to globalisation. Indeed, according to the Harvard Business Review (2019) “*the total trade in fakes is estimated at around $4.5 trillion, and fake luxury merchandise accounts for 60% to 70% of that amount”.* By proposing similar products at a lower price, the counterfeiters are trying to take advantage of the people interested in luxury products in itself, but even with such endeavours, they fail at removing the real company from the dominant position that it has. All sorts of industries can face counterfeiting. As the focus is on the luxury industry here for demonstration purposes, this also applies to the economy in general, indeed, even the few who are landing on the advantageous slots are facing unfairness that can prevent them from creating a complete monopoly.

Advocating for degrowth can also help to protect all the assets each individual possesses not only from overconsumption but also from overproduction and would preserve the economy by softening the industrialisation. Despite the fact that this concept is above all based on material justice, it can be seen as an opportunity to improve quality of life through cultural shift as it favours the increase in salary and the creation of meaningful work for each economic actor. Curbing the development of the wealthiest people and thus the most productive ones in order to dislodge them from their position is essential to favour equality. Besides, one should bear in mind that the more productive a company is, the more it is likely to participate in widening the gap between different actors along with deteriorating our planet. Nonetheless, the issue is that if people have the opportunity to buy more, they will certainly do it, and as the majority of the economy is depending on some specific actors that control its functioning, these latter are those who will benefit from the situation. Indeed, according to the U.S Census Bureau for example, the productivity of an economy, usually illustrated by the Gross Domestic Product (GDP), depends on the top 5% of earners, so its growth is not representative of the enhancement of the overall economy but only emphasises the increasing productivity and wealth of those who are already leading it.

Although it makes people more comfortable to think that we live in a world in which equality prevails, the fact remains that only a few individuals are walking away with the lion’s share of the total reward in the economy. As we saw throughout the argumentation, the economy is led by the wealthiest part of the society and even though these later can face some impediments on the road to monopoly they are still the winners of our current economic system. Degrowth can be considered as a way to solve this issue, but finding other alternatives to fight against the increasing inequality is vital. Besides, should we hold the top 1% accountable for their success or blame those who are maybe not trying hard enough to get ahead?