

AFEE @ ASSA 2025 Annual Meeting

January 3 – 5, 2025

Paper Session: **Digital Business: A Force for Good?**

January 03, 2025 10:15 – 12:15

Role of Government in Changing Institutional Furniture for Firms in Digital Economy – Mixed Blessings from China

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An outline of this study

- Research questions
- The need to rework institutional furniture for firms in digital economy
- Role of Chinese government in progressing its digital economy
- Predatory nature of firms and determinate role of government
- Economic and political tensions in the global context
- Conclusion and Remarks

Research questions

- What are the specific forces/instruments fashioning and changing the institutional furniture in a society?
- How does the changing industrial life pursued by self-interests and predatory activities of firms in digital economy alter the institutional furniture?
- Why does a government have to take a (lead instead of allowing firms to take the lead) to change the institutional furniture for the development of digital economy?
- What can be learnt from the role of the Chinese government in fashioning the institutional furniture for the development of its digital economy (both upside and downside)?



The need to rework institutional furniture for firms in digital economy⁻⁽¹⁾

- Global expansion of digital economy is dramatic
 - ◆ Internet → e-commerce → industrial digitalization
→ digital industrialization (blockchains, IoTs, AI, ...)
 - ◆ Value of e-commerce: USD2 trillion → USD 29 trillion
(UNCTAD 2002; 2019) (2002) (2017)
- Social concerns under the predatory nature of firms
 - ◆ Digital revolution “is the two-edged sword of **creative destruction**” → costs “millions of jobs” (James Galbraith 2014, 140-141)
 - ◆ “Digital-based firms are capable of extending their field of **exploitation** well beyond workers’ direct **labor**, and ... never cease to find **new objects of predation**.” (Baronian 2020, 215)
 - ◆ Also giving rise to **social inequality** (Đorić 2022) and **financial instability** (Noam 2019) ...

The need to rework institutional furniture for firms in digital economy - (2)

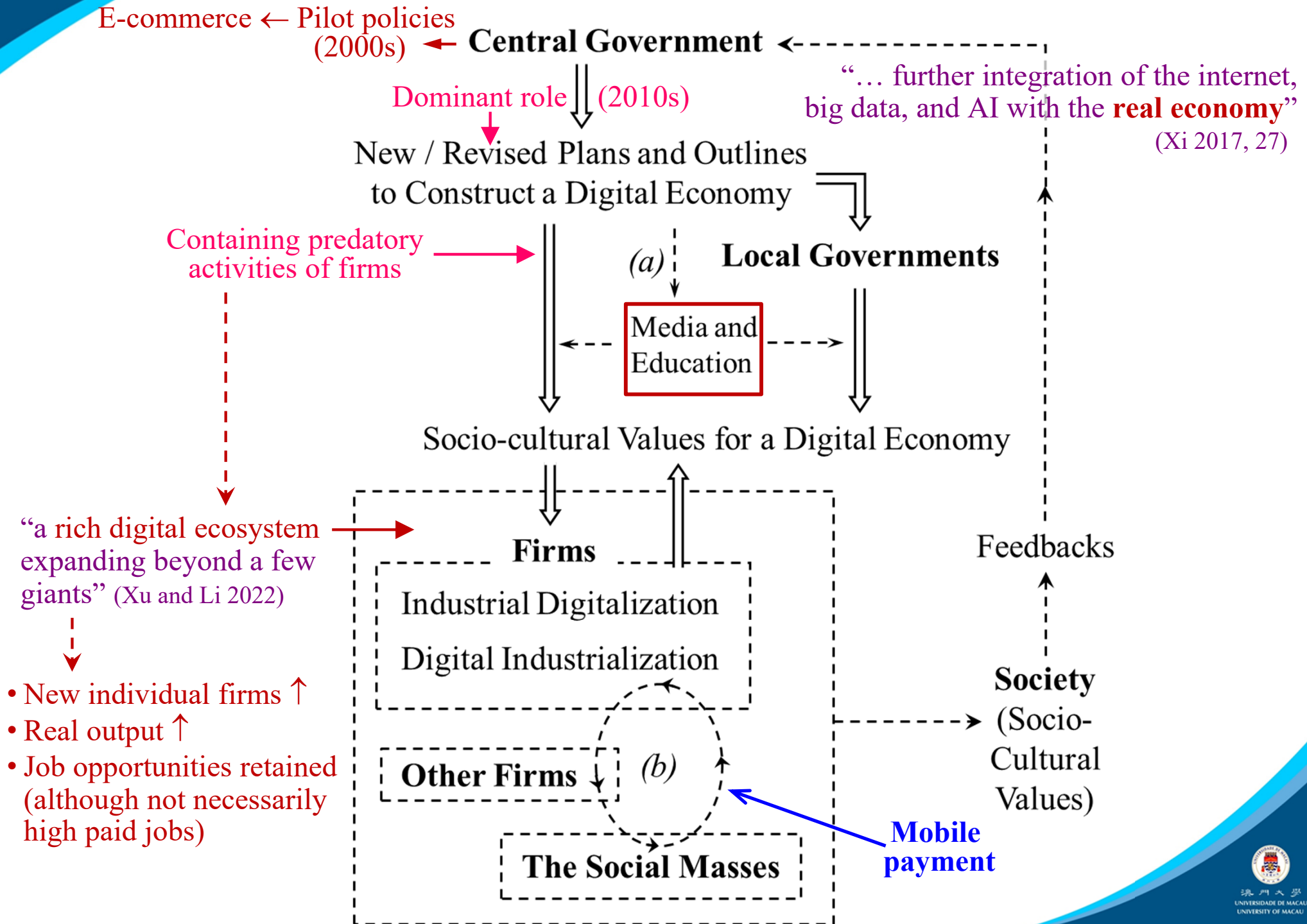
- The need to rework the institutional furniture
 - ◆ Essence of institutional furniture (Veblen 1899; 1904; 1918; 1919)
 - Largely influenced by the socio-cultural values of **industrial life** which are in turn devised & driven by the pecuniary habits of firms.
 - Its **legitimacy and changes** to the social masses are instituted through **firms' ongoing influences** on the **education system and media** of various forms. (Veblen [1904] 1932, 380-386)
 - The routines of industrial life established in a society “**are not subject to inquiry**” because they are being instituted as “**a matter of course**” (Veblen [1919] 2006, 236).
 - ◆ Allowing the endeavors of firms to dominate changes in industrial life during the digital transition process implies that a just society is likely to be further undermined.
- Effectual government intervention is imperative.
 - ☞ Taking a lead in the education system and media

Role of Chinese government in progressing its digital economy - (1)

- Particular role assumed by the Chinese government to unfold development of its digital economy
 - ◆ Pilot policies to stimulate the establishment and expansion of e-commerce in the 2000s
 - ◆ Ongoing efforts to influence the enactments and conventions of the existing institutions, and establishing new institutional frameworks to alter the socio-cultural value
 - E.g., Instituting new social culture to widely adopt mobile payment and digital exchange
 - ◆ Based on real evidences, taking critical actions to contain the expanding predatory activities of firms



Role of Chinese government in progressing its digital economy - (2)



Predatory nature of firms and determinate role of government

- Predatory habit of firms driven by their **self-interests** can be contained to a certain extent, but hardly be outrooted.
 - ◆ Volume of digital economy (in 2010s) ↑
 - ☞ Urban-rural income inequality ↑
 - ... more detrimental to the low-income ethnic minority and low-skill/-educated groups (E.g., Ma & Zhang 2023; Peng & Dan 2023)
 - ◆ Similar phenomenon but different force as compared to other countries
 - Firms → pecuniary interest
 - ↑ (employment ⇒ social stability)
 - Government ↗
 - } Income inequality ↑
- Role of the Chinese government is “instrumental” (?)
 - ◆ The context of China v. the global context

Economic and political tensions in the global context - (1)

- Controversial role of the Chinese government in the existing global context
 - ◆ Value of market capitalization of Chinese digital platforms in the 2010s has made China the second largest player following the USA in the global digital economy.
 - ◆ Close relationship between the Chinese government and the Chinese multi-national tech giants inevitably causes anxiety to other existing world powers (governments).
 - Data collection/accumulation → advancing “digital China”
 - Anxious that the Chinese tech giants may ... (CAICT 2023, in Chinese)
 - bypass existing international standards like those of the “international standards developing organisations (SDOs)”;
 - abuse the usage of data collected from other countries.



Economic and political tensions in the global context - (2)

- Active role of the Chinese government in establishing and creating its **own rules for Chinese firms** to unfold **digital development in the less-developed and emerging economies** under its BRI project has inevitably posed explicit challenges/threats to the existing vested interests of the world, hence their negative reactions.
- Concerns that the predatory activities of the Chinese tech giants can be more aggressive than those of Western-based firms in the liberal markets, have indeed curbed the global expansion of these Chinese firms.



Conclusion and Remarks

- Role of the Chinese government is indeed in line with **Veblen's argument** ([1904] 1932, 393)
 - ✎ “a strenuous national policy” is needed to rectify the predatory activities of firms (... in digital economy)
- Social, cultural & political contexts
 - ✎✎ Specific role/actions taken by a government
 - ✎ Tensions (Chinese government v. other world powers)
- Difficulty to reach a compromise between governments
 - ✎ Difficulty to change the specific institutional furniture for firms in digital economy in the global context

Communication is always the key to achieve progressive ends, but the desire for power and economic benefits always lead to a deadlock!

Thank You!

Any questions/criticisms are welcome.

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