



DOI: <https://doi.org/10.59503/29538009-2024.1.13-5>

## THE IMPACT OF NEW MEDIA IN THE CONTEXT OF THE TRANSFORMATION OF THE NETWORK ECONOMY

**Astghik Avetisyan**

Yerevan State University, Ph.D., Associate Professor

[astghikavetisyan@ysu.am](mailto:astghikavetisyan@ysu.am)

**Abstract:** Today, the processes of globalization in the sphere of economy are largely connected with new media and with digitization. Scholars discuss digital economy, digital capitalism, the issues of formation of the Internet economy, as a result of which the term "network economy" is emerged. The technological basis of the development of the digital economy can be considered artificial intelligence, block chain, cloud data storage systems; these innovations began to enter the economy.

**Keywords:** network economy, digital economy, global economy, globalization, communicative technologies, new media, artificial intelligence, digital footprint

**JEL code:** D83

**Research objectives:** New media has radically transformed the space of the economy, contributing to the globalization of the field. Globalization of the economy means national markets unification

and the emergence of a single global market. The term "globalization" was used for the first time used by Karl Marx to mean "intensive international trade" (Attali J., Karl Marx: world spirit. M., Young Guard, 2008). The rapid development of information technology at the end of 20th century has led to a to the emergence of a new phenomenon, the network economy.

**Research novelty:** The phrase "network economy" is derived from "www" which means World Wide Web literally and metaphorically. Broadly speaking, the network economy refers to information networks (not just the Internet), based on information resources, information technology and knowledge is economic activity. Today, the processes of globalization in the sphere of economy are largely connected with new media and with digitization. Scientists talk about digital economy, digital capitalism, about the formation of the Internet economy, and also the term "network economy" is being used. In the conditions of technology development and penetration of new media special importance is given to different spheres of human and social life information and knowledge as key resources. Yohai Benkler notes that the emergence of the Internet has resulted the elimination of physical restrictions on the distribution of data, creativity and information becoming the new key structural elements of the network economy (Benkler Y., 2006). The modern economy can be also called service-based, intangible and to some extent virtual, it is based on the use of digital telecommunication networks and is characterized by a new type of industrial production.

## **Introduction**

Digital transformations have led to the fact that society has moved to a new stage of development: it is often called the "information society" which has come to replace the industrial society where material goods were the most valuable. New information becomes a key resource in society, while material resources lose their meaning. Information society made possible the universal computerization of information and communication technologies, due to detailing and development. One of the main theorists of the information society, Alvin Toffler, in his works, justified that humanity has passed through three revolutions through channel: agrarian, industrial and informational (Toffler E., 2018). The information society was born as a result of the last wave. The highest form of information society is the knowledge society, where not just information is produced, but knowledge.

Another theorist who describes the impact of the digital revolution on society and economic transformations and the network economy, is Manuel Castells. The scientist thinks that the organization of economic subjects and processes like new technologies is a consequence of exposure. This effect occurs in three directions: increasing labor productivity through the introduction of innovation, change in work management, as well as the rise of the role of knowledge in work activities. In the framework of the network economy, information acquires special meaning, and the actions take place on social networks.

Castells notes that there have been means of production arrangement in the network before, but they have acquired qualitatively new characteristics thanks to the Internet, turning into

information networks. For centuries, the management of work, public administration were organized in a hierarchical way, that is, according to the "top-down" principle. Networks assume fundamentally new, non-hierarchical way of organization. Their obvious advantage is flexibility and adaptability (Castells M., 2004).

In the late 1990s, the craze for creating the so-called new economy was widespread. At one point, the stock prices of Internet companies were incredibly high. In the future many tech companies went bankrupt, unable to implement the new business model. This period is commonly referred to as the ".com (dotcom) boom." In the book "Internet Galaxy", Castells explains the phenomenon of the collapse of the network economy in the business sector's short-sightedness, as well as the nature of businessmen and economists with the desire not to understand the information networks.

There is another approach to the new economic structure in science. Some researchers use the concepts of "information economy" and "digital economy", claiming the latter to be the first and more advanced version. As native economists think, the digital economy grew out of the information system and took shape thanks to the fourth industrial revolution. Among them can be distinguished new principles of innovation, artificial intelligence, cloud technologies, the use of big data as a technological basis for economic processes. Finally, the non-linear growth of the innovation is typical for the fourth industrial revolution.

### **Analysis**

One of the main characteristics of the network economy is its global nature. Today's economic objects are closely related to each

other, even if they are thousands of kilometers apart. One of the manifestations of globalization is the emergence of global economic organizations. International Monetary Fund can be counted among such foundation, the World Bank, as well as the World Trade Organization. Those institutions deal with economic development forecasting, different funding initiatives as well as developing various rules and agreements in the field of finance.

The elimination of national borders in the field of economy leads to the formation of the global goods and services market. The role of media is increasing because of business and the financial sector's need for accurate information about international markets in general and up-to-date information are constantly growing.

Another manifestation of the globalization of the economy is the formation of global brands. Those represented in almost all countries of the world: Coca Cola, McDonalds, Starbucks, Google, Samsung and many others (image 1). These brands belong to different economy fields, but what they have in common is that they are spread all over the world and are recognizable on almost every continent on earth. The mass media played a major role in the formation of global brands, publicizing the information about them and contributing building brand loyalty.

Another feature of the modern global economy is that the IT industry has become a global market leader for one of the sections of goods and services. Technologies contribute to the development of the global economy, become its inseparable part.



**Figure 1. According to Forbes magazine, the top 10 most valuable brands in the world in 2020.**

For many years, they have been counting which brands are the most expensive in the world. Previously, such companies as Coca Cola and Pepsi were in the first places, but recently Apple, Google, Amazon and Microsoft are on the top. According to recent estimates, these companies are not only giants in the IT field, but also, in general, are the largest companies in the world.

Globalization has led to a major shift in markets, products and services' unification, which has caused concern among scientists and the public, because the security of national markets has been compromised.

The changes have contributed to the development of the globalization process, which has led to international brand and product customization. Globalization can manifest itself in different fields, including media business, where such international publications, such as Cosmopolitan, Forbes, GQ, acquire features –

typical to the values of the country where their version of the patent (license) is issued.

The digital revolution has also led to changes in commerce. Today one can offer services, sell and buy products on the Internet. Online shopping has become a rather serious part of the modern economy, the volumes of which are growing year by year. We can confidently state that this is also a consequence of the development of new media.

|    |               |         |             |             |
|----|---------------|---------|-------------|-------------|
| 1  | Amazon        | \$299.3 | U.S.        | Retail      |
| 2  | Apple         | \$297.5 | U.S.        | Tech        |
| 3  | Google        | \$281.4 | U.S.        | Media       |
| 4  | Microsoft     | \$191.6 | U.S.        | Tech        |
| 5  | Walmart       | \$113.8 | U.S.        | Retail      |
| 6  | Samsung Group | \$99.7  | South Korea | Tech        |
| 7  | ICBC          | \$69.5  | China       | Banking     |
| 8  | Verizon       | \$67.4  | U.S.        | Telecoms    |
| 9  | Tesla         | \$66.2  | U.S.        | Automobiles |
| 10 | TikTok/Douyin | \$65.7  | China       | Media       |

***Figure 2. The top ten famous brands of 2023***

By e-commerce we mean financial and online execution of commercial transactions. Before online shopping opportunities were limited because the internet banking was not so advanced, in addition, the infrastructure of trading platforms was not well developed, i.e., online platforms that enable different companies to realize their goods and services were not well functioned.

The technological basis of the development of the digital economy can be considered artificial intelligence, blockchain, cloud data storage systems; these innovations began to enter the economy. For example, artificial intelligence is applied not only for the creation of drones and virtual advisors, but also for the board of directors to help with the work. A similar precedent has been registered with Deer Knowledge Venture in an investment fund where the VITA algorithm has calculated the risks of this or that investment when making decisions.

Data processing is actively used in public relations and marketing for predicting user behavior. The "digital footprint" left by this or that person in the online environment is analyzed to determine the latter's consumer habits and further products and services to predict its performance in the market. In this case specialists use processed data and with artificial intelligence algorithms they analyze them with application. Such modern technologies certainly have opponents, whose main argument is that the principle of privacy is violated, and the user, sometimes, without realizing it, becomes a constant object of analysis.

It should be noted that according to some scholars, new media have changed the nature of capitalism, when work has become an act of creativity and self-expression, rather than an activity, when the worker performs some tasks from above. New to the digital economy one of the phenomena can be called "digital nomads". These are a new class of people who travel all over the world and don't have place of permanent residence. They work remotely and manage business through networks. Previously, this kind of lifestyle and this kind of work was technically impossible for different



reasons. Now, technological innovations allow the construction of work completely online.

Few people realize how much potential they have the field of information technology companies, operating through transformations of society preparing them for the new reality. The field of information technologies is convenient, is an ever-evolving and changing field. Organizations follow developments, innovations and try to face the challenges. The world economy found itself in a crisis situation when the coronavirus pandemic began, which in the field of information technology caused great damage not only globally, but also for organizations operating in the Armenian market.

Despite some setbacks, companies continue to record financial success, in particular, it is predicted that the financial turnover of the global IT sector will reach three trillion dollars.

The Armenian market is also rich with potential success with companies that contribute not only to the development of the sector, but also are cash receipts provides to the state budget in the form of tax, customs and other payments. By 2022, by law, companies with fewer than 30 employees were exempt from corporate tax obligation. This law does not significantly affect many, because of the large part of IT companies has a larger number of employees and provides a significant amount of cash receipts to the state budget. The high Compound Annual Growth Rate in previous years was 27 or more percent annually, and in 2017 it was the money of the IT sector that made the 7% of Armenia's GDP. Local organizations by logging in world market, are registering success, and foreign organizations open branches in Armenia.

"Service Tight" company, founded in 2012, operates in the American market. whose head office is located in the USA. The company also has a branch in Yerevan. "Service Tight" was founded by two young Armenians, Vahe and Ara, who met in December 2004 and 8 years later founded a company that was to have big achievements. "Service Tight" offers intelligent dispatching work, comprehensive reporting, marketing campaign control and building management systems, also help enterprises and representatives of the business sector to have an integrated CRM system. They recently signed an agreement to buy "Aspire Software" which will provide an opportunity to enter the landscaping market. This is the second case of acquiring a company in the year. Cost of "Service Tight" company is estimated at 9.5 billion US dollars.

The Armenian PR Awards recognized the famous "PICSART" company as brand of the year 2020, which through its popular application, provides an opportunity to develop pictures and videos. "PICSART" has around 130 million users worldwide and is considered the 4th photo and video editing software after programs Instagram, Snapchat and YouTube.

In recent years, the role of the network economy has increased in Armenia because as a result of the Russo-Ukrainian war, many IT businesses from Russia moved to Armenia. The number of startups in the digital environment is also increasing year by year, using new communication formats thanks to digital tools.

The negative features of the globalization of the economy are also related to the growth of monopolies, the problems of competition for national markets, as well as the unification of

products. Scientists are concerned about the development of global monopolies. The case is serious for IT giants that have monopolized the online space. Such companies as, for example: Google and Facebook have unlimited possibilities because their reach provides the main resource of the digital economy: information. Because of that many opponents of globalization speak of phenomena such as digital colonialism or new imperialism.

### **Conclusion**

In summary, we can emphasize that compared to the traditional economy, the network economy has a number of features. They are:

- ✓ Continuity of the economy: the internet is working around the clock, thanks to which the network economy is time-free of limitations.
- ✓ Direct connection of production and sales: thanks to new media, vertical and horizontal connections of the Internet with information networks have made it possible to transfer information faster.
- ✓ Competition and cooperation: information network not only intensifies competition and close cooperation, but also accelerates their transformation, by creating new forms of competitive cooperation.
- ✓ Innovative economy: innovation in the network economy is continuous in nature. Competitive advantages are based on generating innovations and interesting ideas.

- ✓ Highly efficient economy: the network economy is booming the economic activity. Product improvement is accelerated, the start-up period decreases, competitiveness increases.

New media has completely transformed the formats and models of economic development, contributed to the dissemination of information and the formation of network thinking.

### References:

1. **Attali J., Karl Marx:** world spirit. M., Young Guard, 2008, p. 192. (in Russian)
2. **Benkler Y.** The Wealth of the Networks: How Social Production Transforms markets and freedom. New Heaven: Yale University, p. 6. 2006.
3. **Toffler E.,** The Third Wave, Toffler Tretiya volna. pdf virmk.ru, 2018 (in Russian)
4. **Castells M.,** Galaxy Internet, Ekaterinburg: U., Factoria, 2004. p. 15. (in Russian)
5. **Safronchuk M.V.** Digital advance of the revolution (the fourth industrial revolution and digital transformation) // Management Economics: problems, solutions. 2017. N 11. T. 5, p. 53. (in Russian)
6. **Ed. Stolbova, M. I., Brendelelev, E. A.,** (2015), Fundamentals of the digital economy, Textbook. Manual, p. 32. (in Russian)
7. [http://lib.tau-edu.kz/wp-content/uploads/2021/12/Osnovi-cifrovoi-ekonomiki\\_Stolbov-M.I.-Brendelelev-E.A.e.pdf](http://lib.tau-edu.kz/wp-content/uploads/2021/12/Osnovi-cifrovoi-ekonomiki_Stolbov-M.I.-Brendelelev-E.A.e.pdf)
8. <https://insurebusiness.am>, Top 20 largest IT companies in Armenia.
9. [www.armpr.org/prawards](http://www.armpr.org/prawards)

# ՆՈՐ ԶԼՄ-ՆԵՐԻ ԴԵՐԱԿԱԱՐՈՒՄԸ ՑԱՆՑԱՅԻՆ ՏՆՏԵՍՈՒԹՅԱՆ ՓՈԽԱԿԵՐՊՄԱՆ ՀԱՄԱՏԵՔՍՈՒՄ

## Աստղիկ Ավետիսյան

Երևանի պետական համալսարան, բանասիրական  
գիտությունների թեկնածու, դոցենտ

**Բանալի բառեր** - ցանցային տնտեսություն, թվային տնտեսություն, համաշխարհային տնտեսություն, գլոբալիզացիա, հաղորդակցական տեխնոլոգիաներ, նոր մեդիա, արհեստական բանականություն, թվային հետազոտ

Այսօր տնտեսության ոլորտում գլոբալիզացիայի գործընթացները մեծապես կապված են նոր մեդիայի և թվայնացման հետ: Գիտնականները քննարկում են թվային տնտեսության, թվային կապիտալիզմի, համացանցային տնտեսության ձևավորման հիմնահարցերը, որի արդյունքում ձևավորվել է «ցանցային տնտեսություն» եզրույթը: Թվային տնտեսության զարգացման տեխնոլոգիական հիմքը կարելի է համարել արհեստական բանականությունը, բլոկչեյնը, տվյալների պահպանման ամպային համակարգերը. այս նորամուծություններն սկսեցին հիմնավոր մտնել տնտեսության մեջ:

Հոդվածում ժամանակակից տնտեսությունը դիտարկվում է ծառայությունների դիտանկյունից, ոչ նյութական և որոշ չափով վիրտուալ, հիմնված է թվային հեռահաղորդակցության ցանցերի օգտագործման վրա, որը բնութագրվում է արդյունաբերական արտադրության նոր տեսակով:

*Submitted: 06.01.2024; Revised: 22.01.2024; Accepted: 26.01.2024*