

The Effects of New Media in Aiding the Globalization of the Knowledge Economy

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Globalization has its proponents and its critics. Argue for or against a globalized knowledge economy, using examples from, and making reference to, new media content and Internet technologies.

### **Introduction**

In a society where media and technology is now embedded into one's everyday life, it is near impossible to say that it does not have an effect on their habits and lifestyle. New media, specifically, has transformed the way humans operate in their personal and work life as well as changing the general standard and operations for business practices. The rise of new media and related Internet technologies have aided the expansion and intensity of globalization worldwide. Globalization is defined as "the spread of products, technology, information, and jobs across national borders" and it creates an interdependence between nations due to free trade (Kopp, 2019). It is a product of the knowledge economy as human capital has created the links - new media products, the invention of the Internet, and the related technology - in order for globalization to develop into what it has become. There has been much controversy regarding the drawbacks that globalization has brought including the elimination of jobs, widening the gap between the wealthy and poor, and the exploitation of different countries' tax systems. On the flipside, a globalized knowledge economy has created mounds of opportunities and opened doors for many young entrepreneurs and small firms wishing to grow into a business conglomerate. Additionally, social media platforms, a subset of Internet technology, have aided millions in connecting them with new people who share the same commonalities which otherwise could not have happened without the existence of a central platform. Connecting families together via

telephone was life-changing to many as mail is significantly more time-consuming and now, more expensive. A globalized knowledge economy is idealistic but comes with many troubles and issues. However, these troubles are worth the growth that globalization has brought upon numerous countries' economies especially being in a strong, knowledge-based society.

### **The Knowledge Economy and Its History**

There have been a few economic restructures within the last century which included the Industrial Revolution to the mass production economy. The latest restructuring of the economy is known as the “knowledge economy” which is defined as “one that encourages its organizations and people to acquire, create, disseminate and use knowledge more effectively for greater economic and social development” (Kofman, 2007). In other words, it largely focuses on technological innovations and the need for the development of new products or processes in order to stay competitive. The Industrial Revolution characterized a distinct point in the European and American economic timeline - it allowed for a negative correlation between productivity and production costs, as productivity increase while the latter decreased (Jensen, 1993). The invention of different technology, at the time, assisted in the economy moving toward the mass production economy, as it allowed a significant production in goods and services for a fraction of the cost.

The term, “knowledge economy”, was coined by Fritz Machlup in his book, *The Production and Distribution of Knowledge in the United States* when he defined it as “any human effectively designed to create, alter, or confirm in a human mind a meaningful apperception, awareness, cognizance, or consciousness” (Kofman, 2007). There are different

types of knowledge required by society that are categorized into four categories: practical, intellectual, pastime, and unwanted (Kofman, 2007). Practical knowledge is the information gathered for professional purposes, for example for business or politics. Intellectual knowledge focuses on general culture or the information collected from your environment. Pastime knowledge is knowledge gained from actively seeking out and fulfilling a hobby or the need for emotional stimulation. Lastly, unwanted knowledge is knowledge that is unintentionally attained and does not serve a purpose. Regardless of the type of knowledge acquired, all information received and deciphered builds a stronger human capital source pool which in turn helps the country's economy. In order for a country to stay competitive globally, it must prioritize research and development because investment in knowledge is important for sustainable and long-term economic growth (Tran, 2002). For developing countries, intangible expenditures such as education, technology, and human development evolve exponentially quicker than tangible developments such as infrastructure. Another key point to note is unlike other resources, knowledge and information is easier to share compared to its physical opponents. With the ease in communication channels and technology, the transfer of any type of information is almost instantaneous.

### **The Benefits to Globalizing the Knowledge Economy**

The knowledge economy has drastically changed the world through affecting the international economies as business methods and communications channels are constantly evolving due to new technology and platforms being released everyday. The growth that occurs does not solely refer to material wealth such as capital or natural resources but includes the

intellectual work of people (Tran, 2002). The Internet, originally an invention served for the purpose for ARPANET and funded by the U.S. Department of Defense, has advanced to an ever-changing platform used by over two billion users (Internet World Stats, 2018). The Internet now connects 186 countries and information found, sent, and received is not obligated to stay within the borders of the country and may freely be shared.

In a business context, accepting the growing presence of information and its effects can lead to an extremely successful business approach. New media such as telephones and computers have assisted in the marketing aspects to many firms. A marketing orientation is described as focusing on the needs of its customers and in turn, will result in larger margins for profit. The use and presence of information technology allows for firms to seize control of the market intelligence while facilitating growth and strategy development within their organization (Blotnicky, 2009). Telephones have been a major player in the communications department as what used to take weeks or months to receive, now only takes a matter of seconds. Companies can collect data through telephone surveys which are more accurate and less time-consuming than sending out mail surveys. The data gathered from these surveys help the research and development department as well as the marketing department as to where they should focus their efforts in designing a new product or service and who to market this to.

From a marketing perspective, the globalized knowledge economy has changed the industry in terms of the benefits it has brought. Social media platforms have been a game changer to both marketing and public relations departments as it connects the public to the company while being able to be updated in an instant. Marketing professionals are able to cater to different audiences through select platforms, reducing their costs and using their budgets more

effectively. New media has brought audiences together from opposite ends of the world to unite each other with their common interests. The Kardashian-Jenner family has made their fortune from technology that has stemmed from new media. Social media platforms were created to be used as a central forum for people to connect with their friends and family on. The Kardashian-Jenner family has utilized this to enlarge their following, enabling them to create a prominent brand within popular culture. Kylie Jenner, an Internet mogul, recently had her cosmetic company, Kylie Cosmetics, evaluated to be worth approximately \$900 million USD by Forbes (Robehmed, 2019). As the sole owner of the company, she has been able to utilize her loyal Instagram following with over 128 million followers to help her reach this goal. The Kardashian-Jenner family would have not reached their fame and fortune without the use of Internet technologies as the basis for all their success is due to social media platforms. The use of new media and the innovation that has stemmed from it goes to show how influential it can be and the power it holds.

It is understandable that the new age of information technology has eliminated the need for more employees in certain jobs and industries as they are slowly being replaced with artificial intelligence bots or programs eliminating the need for a middle man such as companies switching over to online billing, cutting out the need for mailmen. However, an industry that has boomed over the past two decades is the interactive online gaming industry which did not exist 50 years ago. The use of cellphones have allowed application developers such as Glu to utilize a celebrity and their platforms to create a supposedly “free” game but with many in-app purchases. These celebrity games keep fans engaged and interested while making both the company and celebrity millions, all purely based on a loyal following (Chess & Maddox, 2018). Another major

interactive game that has amplified within the past few years is Fortnite, an online video game that was released in 2017. Since its release, it has not only developed a tremendous following but it has captured all age ranges within its audience (Mudhar, 2018). Along with this, many companies have created Fortnite related merchandise and sub-products such as tutorial books, tutorial or demonstrated games through YouTube, and clothing. Innovative Internet technology has supported business entrepreneurs and companies in their business strategies and market plans while keeping the current and next generation of younger audiences entertained and engaged.

### **Critics Against the Globalization of the Knowledge Economy**

From a firm's perspective, the elimination of jobs is benefit because of the cost savings associated with less employees in terms of wages and benefits packages. However, many have argued against globalization for this very reason. Studies have shown that globalization, with the assistance of new media, has been associated to eliminating jobs rather than creating new ones. Information technology was expected to cause some serious changes within the structure of economic, social, cultural, and political systems (Melody, 1999). In theory, new media and the innovative technology such as various computer systems should decrease the time and energy needed to transfer information from Point A to Point B -- it should improve the productivity margins for a firm and the economy as a whole. However, there has been very little evidence that the information technology revolution has improved the macroeconomy (Melody, 1999). Although there has been major economic growth in the United States and the United Kingdom, economic growth rates over the past 25 years have been considerably below estimates. As already noted, the information technology has eliminated thousands of jobs as it tends to replace

unskilled work to skills work (Melody, 1999). Despite the fact that telephones, computers, and computer programs are transformative inventions, it has not brought on the same benefits as railroads or automobiles have. These inventions had led to more jobs in creating these whereas, new media and technology have diminished the need for the same amount of manual labour. Lastly, globalization has been argued against given that “it makes the rich richer, and the poor poorer”. The gap between the rich and the poor is gradually expanding which is driven by the constant change in the employment structure and compounded by an unfair dispersion of the benefits and opportunities across all income classes (Melody, 1999). This is definitely prominent in the U.S. as most of the innovative technological developments are taking place (5). It is difficult to combat this issue as these opportunities already favour the privileged through income and education. With new media aiding these issues, the bridge between the rich and the poor has been harder to overcome. This is all on a macro level for the economy -- the micro level proved to have significantly different statistics.

Like previous changes to communication channels, the expansion of the Internet definitely has affected the nature of governance structures around the world. By nature, these technologies are immune to regulations and are quick to contribute to the destruction of any governing structure. The Internet was originally designed as a “distributed network” with no central gateway for all information to pass through to facilitate communication for the government. As a communication center, the packet-switching architecture breaks up large amounts of information that sends it along to a number of routes to be reassembled at its final destination (Deibert, 2002). Based solely on its design, it is clear that controlling this technology

would be extremely difficult given that information is broken up and sent through various ports. Because there is no singular gateway, one would have to come up with a system to block every portal information is being received through (Deibert, 2002). As seen with Edward Snowden's case, government secrets were released to the public with his leaks. Some of the secrets included: NSA collecting phone records from millions of Verizon customers, accessing and collecting data into Google and FaceBook with a program called Prism, and sifting through vast amounts of common American citizens' email and text communications (Szoldra, 2016). There are many more examples but the pattern shows that humans have integrated new media communications as a part of everyday life that they fail to realize information from all aspects of their life is "online" and "accessible" whether permission is granted or not. It is clear that it does not work in the government's favour because many of the American government's secrets and files were leaked, exposing certain plans or the trust of their citizens. Information technology, in this sense, can create an environment of distrust as the increase in awareness has left people uneasy with large companies and organizations holding onto their personal information and tracking their habits.

## **Conclusion**

Sustainable, long term growth in the knowledge economy will require great investments in human capital for the macroeconomy while enhancing microeconomic performance of specific sectors. New media is a crucial part of this process as reversing back to before the knowledge economy will be more damaging than rewarding. Although it has posed some challenges, it has also brought forth many opportunities along with it. It is clear that the challenges that have occurred are not easy to resolve -- the elimination of jobs, the risk that all

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information is always accessible, and the widening of the gap between the wealthy and poor. Nevertheless, new media has become firmly entrenched in our environment and to argue against a globalized knowledge economy would reverse and diminish all the inventions and innovations that have occurred over the past century. Not only has new media brought connections that were unimaginable before but has contributed to better relations amongst countries and fostered trade deals in order for people to enjoy foreign outputs.

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