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roundtable discussion
"A Rebooting World: Sustainability, Innovation, and New Development Trajectories"

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Innovation, Economic Power of Platforms: Some Regulatory Issues in the Modern Digital Economy (Theoretical Aspect)

Introduction

- 2. Research confirms that digital innovation is a key driver in fostering positive momentum within the digital economy.
- Digitalization is more than just a technological shift in society and the economy; it is a dynamic process of economic and institutional transformation.
- Digitalization reshapes not only production processes, business models, and markets, but also the legal and institutional frameworks that steer economic dynamics. Digital platforms, artificial intelligence, the data economy, and algorithmic decision-making systems unlock new potential for innovation and entrepreneurship.
- At the same time, this leads to a concentration of data, capital, infrastructure, and decision-making power. Consequently, digital innovations have given rise to powerful new constructs of economic and social power centered on platforms—a development that has sparked legitimate concerns and created a need for new legal regulatory frameworks tailored to a digitalized economy. It is becoming increasingly clear that concerns regarding the impact of digital platforms extend well beyond purely economic issues, affecting not only markets but society as a whole. Yet, there is currently no unified regulatory system capable of addressing the full spectrum of these challenges.

Joseph A. Schumpeter's scientific theory

- 3. We use the term “innovation”, introduced by Schumpeter to depict the process of developing new products or services, new markets, processes and new organizational formats that allow the organization to best achieve its goals (Schumpeter, 1934/1911), instead of the truncated definition of innovation as “new technology” that is common in our time.
- Joseph A. Schumpeter's scientific theory is an important starting point for this analysis. Schumpeter's philosophy of economic development combines deductive, analytical economics with historical, institutional perspectives to create a unifying framework for dynamic economics. His core ideas—entrepreneurship as a driver of innovation, creative destruction, and cyclical dynamics—are now key concepts in the economics of innovation, growth, and economic dynamism.
- For Schumpeter, economic development is inextricably linked to innovation. An entrepreneur introduces new products, production methods, markets, organizational forms, or new ways of obtaining resources. This activates the driver of a dynamic process in which existing structures are replaced by new ones (Schumpeter, 1934/1911).
- Innovation displaces existing products/structures that are unable to adapt. This process of evolutionary replacement—“creative destruction”—dynamically shapes new markets.

- Schumpeter, J. A. (1934). *The theory of economic development: An inquiry into profits, capital, credit, interest, and the business cycle* (R. Opie, Trans.). Harvard University Press. (Original work published 1911)

S. Kuznets: Modern Economic Growth.

- 4. In his theoretical definition of a country's "economic growth"—understood as a long-term, expanding capacity to supply the general population with an increasingly diverse range of economic goods—Kuznets identifies three key components:
- 1. the development of technology;
- 2. the development of the necessary institutional frameworks; and
- 3. ideological shifts.
- He links the extensive and effective application of technology—and the advancement of technological progress itself—to the necessity for institutional and ideological transformations. Such transformations are essential for the optimal implementation of innovations generated by the ever-growing potential of human knowledge.
- Although Schumpeter faced criticism for a lack of empirical evidence in his theory of economic development, Kuznets significantly expanded upon Schumpeter's theoretical framework. He provided an empirical foundation for the concept of an "innovation-driven" engine of economic dynamics—specifically, what he termed "epochal innovations." By this, he refers to global shifts in the trajectory of human knowledge that, over long periods, serve as the primary drivers of sustained growth across much of the globe. Building on the concept of these epochal innovations, and through a sophisticated process of intellectual inquiry, Kuznets delineates distinct "economic epochs"—marking shifts in the trajectory of economic dynamics—and underscores the value of studying historical trends and how their underlying patterns evolve over time(S. Kuznets(1971)).
- One of the defining innovations of the modern era is artificial intelligence. Its recognized progenitor is the German-born American scholar Professor Joseph Weizenbaum, who—by creating ELIZA, the first prototype of an intelligent computer—put into practice the theories of Schumpeter and Kuznets regarding innovation. At the same time, Weizenbaum warned of the dangers inherent in automatically delegating human decision-making functions—concerning critical issues—to machines.
- Simon Kuznets - Prize Lecture. NobelPrize.org. Nobel Prize Outreach 2026. Tue. 20 Oct 2026. <https://www.nobelprize.org/prizes/economic-sciences/1971/kuznets/lecture/>

Platform Power

- 5.Platform power can be characterized through three key dimensions of its control functions: (1) market power; (2) power over individuals; and (3) power over society. For a long time, markets served as the primary framework through which economists and legal scholars defined power—often viewed through the lens of antitrust law. The term "dominance," as a legal category within antitrust legislation, was traditionally framed in relation to a specific product market. With the emergence of digital platforms—characterized by economies of scale and network effects—these entities have attained levels of power that appear almost boundless.
- One gets the impression that history is taking us back to the 1900s, a time when regulators found themselves powerless to counter the threats posed by monopolies to democracy, largely due to a legal vacuum that emerged alongside the rise of these new types of corporate entities.
- The ability of platforms to develop interoperable technical and economic standards, control the mechanisms by which their ecosystems function, and leverage network effects and global reach has become a critical factor in the accumulation of power.
- The specific nature of this power gives rise to legitimate public concern: platforms have the capacity to exert their influence in ways that severely disrupt not only economic competition but also the social and democratic foundations of society.
- Modern digital platform ecosystems (monopolies) challenge our conventional understanding of corporate concentration. They have become virtually elusive to antitrust authorities, whose legal frameworks are designed to address threats to competitive markets. In some instances, the legislative acts themselves—originally designed to provide regulation during the era of industrialization—are inherently problematic; they evolved within the narrow confines of antitrust issues, failing to account for the pressing challenges posed by the rapidly advancing process of digitalization.

Rule by data

- 6. Positive economic dynamics arise not only from the more efficient use of existing resources, but also from entrepreneurs creating new combinations of knowledge, technologies, and factors of production. This perspective implies that a legal order must satisfy two distinct, fundamental requirements. On one hand, it should protect established economic expectations and legitimate investments. On the other, it must not create unjustified barriers to the entry of new market participants or the development of alternative technologies. A legal system focused solely on entrenching existing property rights may lead to the preservation of entrenched economic power. Conversely, a legal system that fails to provide robust protection for investments and contractual obligations may diminish incentives for innovation. Thus, the productive function of law lies in establishing an institutional balance between stability and change. Furthermore, it should be noted that data has emerged as a new economic resource—and, arguably, a new factor of production. Data differs from traditional factors of production; its economic value often emerges only through processes such as aggregation, scaling, and algorithmic analysis. Vast datasets enable the generation of forecasts, the identification of behavioral patterns, and the influencing of decision-making. The concentration of data—along with the capacity to process it—creates a means of governing economic relations that cannot be fully explained through classical market mechanisms. Consequently, the control of data can evolve into an independent source of power (Pistor, 2020).
- Pistor, K. (2020). Rule by data: The end of markets? Law and Contemporary Problems, 83(2), 101-124.

To the rule of law

- 7. To create a functional political and legal order—one that acts as a driver for positive economic dynamics and grants citizens genuine freedom from the arbitrary power of a ruler or oppression by fellow citizens, even in the age of digitalization—three essential components are required:
- (a) a strong state,
- (b) the rule of law, and
- (c) accountability.
- While it may appear simple at first glance, the concept of building an effective economy within a state characterized by a robust legal order—one that provides public goods (such as laws, public order, the protection of property, and defense against external threats)—forms the very bedrock of modern statehood in the digital era. This foundational, unifying element is the primacy of the rule of law.
- This concept demonstrates the strength of the state apparatus, rooted in its accountability to the people, the existence of clear and impersonal legal provisions, and a career advancement system based on objective, merit-based criteria.
- Every time you appoint a close relative or a friend to a position, you are not merely reallocating a job; you are reallocating the state itself. Yet, in the context of digitalization, the rule of law takes on new meaning and acquires a distinct digital dimension. We introduce the term "digital rule of law." (Fukuyama)
- A strong legal system does not automatically lead to growth. Rather, it creates the conditions under which individuals and enterprises can seize economic opportunities.
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Conclusion

- 1.The digital economy fundamentally alters the relationships between innovation, entrepreneurship, the market, platforms, and regulatory legal frameworks. It fosters new potential for economic dynamism while simultaneously creating risks—exacerbated by the emergence of new forms of economic and technological power concentrated within private digital platforms.
- 2.For contemporary research, Schumpeter remains not only a classic historical figure but also a source of fertile ideas, serving as a foundation for new, holistic, and interdisciplinary analytical methods suited to the digital landscape.
- 3.Digital transformation is an ongoing, permanent process of social, economic, and legal change. However, it must be noted that digital innovations can do more than just dismantle old structures; they can also give rise to new power structures. Data, platforms, network effects, and digital infrastructures have the capacity to intensify economic concentration and suppress legitimate competition.
- 4.Digital transformation reshapes the interplay between law and economic production. Alongside innovation, knowledge, data, algorithms, and technological infrastructures have become key resources for creating economic value. At the same time, legal norms determine who is permitted to use these resources, which innovations may emerge, and how economic benefits are distributed.
- 5.The future of the digital economy depends not only on the efficiency of new technologies but also on the legal and institutional drivers that shape the application and ongoing development of these innovative technologies. The rule of law is one of the most essential prerequisites for fostering sustainable and productive innovation.