

Review Article

# High-Quality Development in the Trend of Digital Economy Innovation

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**Abstract** - With the rapid development of digital innovation, human beings have entered the era of the digital economy. China's digital enterprises have made great progress in development and innovation, which eloquently proves the primary productive force role of applying scientific and technological achievements. The economic value of the digital economy platform and its extended social value should be fully affirmed. At the same time, we should also face the problems in the development of the digital economy and recognize the necessity of rectification by Chinese digital platform companies in recent years. Meanwhile, we should keep up with the times to make a depth discussion and clarification on the monopoly problems of the digital platforms and should not simply follow the anti-monopoly thinking mode and split approach of traditional industries. In China, we must unswervingly support platform leaders to continue innovating and developing after correction and rectification and focus on enabling private enterprises to continue to unleash their potential and vitality on the road to healthy development.

**Keywords** - Digital economy, Innovation, High-quality development, Monopoly.

## 1. Introduction

Since the reform and opening up, the development of China has been characterized by an extraordinary catch-up that keeps up with the times in big strides, which has significantly narrowed the distance between China and the world's developed economies. In the tide of the innovation and development of the digital economy brought about by the information revolution, China has learned from the experience of Silicon Valley in the United States and followed its pace, and several leading platform companies with world influence have emerged. However, since the listing of Ant Financial Services Company was urgently suspended in November 2020, the development trend in China in this regard has undergone significant changes. The rectification and correction of platform companies once became the main tone, and the voices criticizing platform monopoly overshadowed the sound of a comprehensive and objective evaluation of the platform's gains and losses.

The author wrote this paper to try to understand the pros and cons of China's digital economy platform rationally and fairly, to outline the background of the era of innovation and development and the theoretical understanding that can be made, and to objectively evaluate the economic value and social value of the digital economy platform. On this basis, the rectification of the platform companies is comprehensively considered, the monopoly problems that are different from the previous corporate cases are deeply analyzed, and then the basic understanding of adhering to the innovation and development of the digital economy in the new era of high-quality development, as well as the idea of

realizing the winning of various enterprises by means of the mixed-ownership reform are put forward.

## 2. Digital Innovation and Development: Basic Understandings that can be Outlined in the General Trend

After the industrial revolution and globalization, the development of human society is characterized by the rapid development of information technology and has entered the era of the digital economy. People are most familiar with related concepts, such as big data, cloud computing, blockchain, mobile Internet, Internet of Everything, machine learning, artificial intelligence, human-computer interconnection, etc.

For the concept of digitization, in the 1990s, as a researcher, the author already noticed the saying at that time, digital survival - a book with the title of this expression was popular at that time. Now, digital survival and development characteristics are reflected in our surroundings every day and every hour. There are many descriptions of this development from a technical perspective, such as Moore's Law. From a historical comparison point of view, over the past 100 years, the top ten companies in the US stock market have undergone extremely significant changes. The company with the largest value is Apple, followed by Google, Amazon, and other high-tech information companies. In the tenth place are the big companies in the real economy that people are familiar with, JPMorgan Chase in the financial sector, etc. There is indeed a new pattern in the changing situation.



The development of China's digital enterprises has made great progress. Big data, cloud computing, distributed accounting, e-commerce, artificial intelligence, etc. Emerging technologies and financial services are being combined with the real economy. In the operation of the real economy, the empowerment of various industries can be seen.

The reality has eloquently proved a basic concept that Mr. Deng Xiaoping emphasized highly at that time: Science and technology are the primary productive forces. His understanding and the understanding of the revolutionary power of science and technology based on the Marxist historical materialism and the valuable ideological contributions of the western scholars, such as the concept of creative destruction emphasized in Schumpeter's innovation theory, and the concept of disruptive innovation currently recognized by the business circle, are mutually confirmed and inherited.

The explanation in the new supply-side economics, in which the author is devoted to theoretical innovation, says that the development and transformation of the productive forces and the production relations that they fundamentally determine occur on the supply side. Due to the innovation of the supply side, different stages of the economy and society are divided, which have become the most critical factors in this step-by-step rise. In the development process, the level of science and technology from low to high is a very important improvement in productivity. The traditional understanding of the three elements of productivity — labor force, labor objects, and labor tools, if connected with science and technology, is not an addition of the three elements but multiplication and amplification. So science and technology are the first.

After human society broke away from the general animal kingdom, three revolutions are particularly worthy of our attention. The first is the agricultural revolution. After human society got rid of the primitive state of relatively low productivity, there were surplus products and relatively stable and predictable output to meet human needs. This level is still quite low but has risen to a new level. In the industrial revolution, it has reached a big level. In the development after the industrial revolution, the productive forces created by Marx have exceeded the total amount in the entire human history. After the information revolution, it has once again reached a big step. This is the development process of stepping up that can only be quantitatively described by a steep curve.

Specific and more detailed analysis and investigation are the characteristics of each era. From the relationship between people and things, we can see how each step corresponds to the era's concept outlined above, marked by tools. Everyone has emphasized today's typical information

age is the mobile Internet, intelligence, and sharing economy. The relationship between people and people shows that the production relationship and social form are fundamentally determined by productivity and are constantly developing with the innovation of productivity towards the sharing economy. This kind of development from low-level to high-level reflects the progress of human civilization.

### **3. The Economic Value and Social Value of the Digital Economy Platform**

The digitization represented by the digital platform that should be paid attention to in this development process corresponds to China's development to a stage of high-quality development, which is to meet better the needs of the people for a better life and to improve the quality and efficiency of the supply system with more significant progress, and to deal with the main social contradictions. In the middle of the development of the digital economy, everyone has felt that the digital platform that has a major impact on real life, as a representative, can generate a series of economic values worthy of recognition.

First of all, through complete information matching and optimizing the construction of the credit system, the search cost and transaction cost in economic life can be greatly reduced. In some cases, the cost seems to be zero, and the zero cost that people say can be promoted in many things. The transaction costs are moving towards lower and lower levels, reflecting the improvement in efficiency. Related to this is the benign and timely interaction between the supply and demand sides, which can increase the density and depth of services, lower the entry threshold for some industries, make the inflow of production factors more active, and promote the diffusion of knowledge and scientific and technological achievements, and expand effective supply. There are very positive effects in this regard. The potential market players, who could not participate in supply, can also join the supply side under the support of information conditions, expand market boundaries, connect with massive markets, effectively support innovation, and help innovation results be commercialized more smoothly. Based on data support, it can form a larger-scale agglomeration effect, provide channels for traffic monetization, realize the platform's operation, where a small number of users pay, and most users are free, and develop and share the economy. These are all its characteristics.

After summarizing this economic value, we should further see that it extends to the level of social value, which is worthy of affirmation. It can be summarized as follows. First, the infrastructure built by the digital platform supports the development of inclusive benefits in multiple fields. For example, leaps and bounds have developed economics and trade with inclusive features. There are also Taobao households in some remote rural areas, and they have also

developed into Taobao villages and even Taobao towns. During several years of development across the country, tens of thousands of Taobao villages and thousands of Taobao towns have formed, many of which are rural areas considered quite far from the central area. The villages have entered an unprecedented process of extraordinary development.

Second, digital technology has provided inclusive finance, performing well in China. We need to affirm that small online loans are supported by technology, which has significantly expanded the boundaries of commercial finance. Small online loans have supported small and micro enterprises' grassroots innovation and entrepreneurship activities.

The third is that digital platforms, as infrastructure, support inclusive technology. For example, Alibaba Cloud is now open to society. Many entrepreneurs, innovators, and social entities can easily use Alibaba Cloud by paying for services, reducing technology costs by more than 70%, and improving overall innovation efficiency by 30%.

Fourth, the inclusive effect of digital platforms on the industries, society, and people's livelihood in China should be affirmed. Industry leaders have driven the common development of the industry, and a few leading companies have driven a large number of small, medium, and micro enterprises to form industrial clusters. The dual drive of the industry and the platform reflects innovation and corresponds to the work of targeted poverty alleviation. The work of social policy support with social significance is also supported by the positive effects brought by the digital platform.

Fifth, improve the quality of employment, enhance the inclusiveness and flexibility of entrepreneurship and employment, and contribute significantly to the promotion of truly inclusive social equity. Stable economic and social development is closely related to employment. Now, China must achieve the employment target stated at the two sessions every year. More than 11 million jobs have been created in the past two years. The reason why the employment indicators can be completed better under the complex and severe situations (for example, we have now obtained information, the task of employment this year is now close to completing the target of 11 million, and there is no suspense to achieve the target) is that in the face of challenges, we seize opportunities, and develop digital platforms to support and serve the functions of the majority of small, medium and micro enterprises, which are intrinsically linked. These small and micro enterprises and individual industrial and commercial households are the vast majority of private enterprises. The above market entities provide more than 90% of China's new employment.

Sixth, the efficiency, and quality of government decision-making and services have also been promoted and catalyzed by the development of digital platforms. The government itself also needs to pay attention to the development experience in the field of the digital economy, keep up with the digital age, and continue to develop the so-called Golden Projects, which corresponds to the financial and taxation, the auditing department, the customs, and the public security, the agriculture, the water conservancy, and so on. More than 20 Golden Projects will be better networked and upgraded. The future development trend of the digital platform corresponds to the cooperation and response system and has been opened to society in some areas. After a certain qualification certification, social enterprises and other main units can share the information support provided by this information system.

#### **4. Problems in the Development of Digital Economy and the Rectification of Chinese Digital Platform Companies**

At the same time, we cannot ignore the correction and rectification in the development of the digital economy. In the high-quality development stage, there are bound to be problems in the process of innovation. Nothing can be perfect, and we cannot require everything to be perfect, but we must face the problems that arise in the development process.

Simply put, the problems that can be pointed out include the following. The platform companies are engaged in financial business beyond the scope. There are irregularities in the payment business. There is alternative unfair competition through monopoly positions. We have noticed that the rectification is being implemented. The alternative is an inappropriate mechanism that has been identified by Chinese authorities as a monopoly factor and has been fined and must be rectified.

The author also thinks some things may not be directly considered a monopoly, but they have adverse effects. For example, we know that the effective supply level of different market entities will be ranked online in terms of service level. Consumers' contact with information starts from the first place on the Internet. Who can be in the front? A few years ago, spending money to buy sorting and promoting one's position appeared. This is a wrong mechanism that misleads consumers, but is this a monopoly? It is not necessarily a monopoly phenomenon but an unhealthy and abnormal phenomenon that needs to be corrected.

The high-quality development in our country must pay attention to the deviations in this regard and make corrections and rectifications. As for the possible threats to the security of personal privacy information, etc., this is indeed a problem that requires global efforts to solve. In this

regard, China also has entanglements that have to be mentioned: for example, Chinese people are used to entering high-speed railway stations and airports to swipe their faces, and they cannot enter without swiping their faces. However, it is often quite difficult to pass this level abroad, and they think this involves citizens' privacy and many more. China has its handling of Chinese characteristics, but how to communicate with the international community, seek common ground, and adapt to the development of the information age together in the future, there are more complex characteristics. We should also pay attention to the issue of protecting personal privacy to the maximum extent and respecting the security of citizens' information, which needs to be further discussed.

Challenging issues in the financial and traditional banking industries cannot be ignored, and there are many things to be discussed to be handled properly. The monopoly problem has been further clarified, and in the new era of development, it is necessary to understand its nature and boundary problems further. In the past, it was very easy to identify a monopoly. For example, when the author was a visiting scholar in the United States in the 1980s, when he got on the phone in the city of Pittsburgh, he learned that the current telephone company was originally AT&T, which the US government forcibly split according to anti-monopoly laws, and became a local telephone company after the split. The purpose was to reduce monopoly factors and provide better services in a competitive situation.

And now, for a similar monopoly on e-commerce, how to identify? Americans think there is a change, so it's not simply imitating AT&T's approach to break up the big platform companies. China also has such a problem. How to understand the monopoly problem in the new era? In the information age, where traffic is king, companies that have become the top companies have gone through the painful stage of burning money and finally soared into the sky. There are even more companies failing to rush out. Among thousands of Internet + entrepreneurs, only 10 or 20 companies in the country have become the top ones. Intuitively, market share corresponds to monopoly factors. Still, in the rapid development of the new economy, a new rational analysis and understanding should be made for this new feature that traffic is king. It is estimated that in a long development process, it is difficult for us to imagine that we can use the split method for the e-commerce platform to force down the traffic and market share, and we must find a better way.

In the past, Americans did not take the forced separation of the controlled monopoly of Amazon and Microsoft. Later, after a certain development in our country, the moral concept is now called preventing the disorderly expansion of capital and anti-monopoly. Capital is a neutral concept. We have state-owned capital and private capital. It is a factor of

production, not a derogatory term. The key point is that expansion should not be disorderly. If expansion forms an improper monopoly, it is considered disorderly. Further discussions will be made to draw specific and reasonable boundaries and optimize policies. The general direction is to specify the boundaries and standards of order and disorder on the road to legalization and continue firmly supporting digital platforms' innovation and development.

While the central and relevant management departments are correcting and rectifying the leading digital platform companies, they have made it very clear that they will unswervingly support our companies, including private companies, to continue their innovation and development. After there were some extreme opinions in the market, which affected market expectations and caused panic among some entrepreneurs, Vice Premier Liu He spoke at an international conference in 2021, and on behalf of the central decision-making level, he clearly emphasized that no shaking the support for the development of private enterprises has not been changed now and will never change in the future. This is the voice of authority.

The friends in the business circle should not simply listen to some alarmist claims in society, such as the underlying logic has changed, the era of great change is about to come, and so on. We should be more confident in considering the authoritative information now emphasized by the central government in the process of implementing the basic line of taking the economic construction as the center, which supports our enterprises, including private enterprises, including our digital platform enterprises, to continue to seek healthy development in the general direction of innovation and development.

## **5. The issue of monopoly on digital platforms needs further exploration and clarification.**

Some specific and detailed analyses of problems should be clarified by seeking truth from facts. For example, some specific problems need to be corrected even if they are not called monopolies. They cannot be directly identified as monopolies because they are not good. Anything that is unhealthy and incorrect, such as spending money to buy sorting, relying on big data to conduct price discrimination, etc., should be firmly opposed. Of course, more efforts should be made to be more effective in removing malpractices. At the same time, in terms of promoting profits, it can also be more effective. These are two aspects of the same problem.

Some digital platforms have a relatively large market share, and their competitors say that they have a monopoly. This cannot be generally assumed. In the market competition in our new era, there may be more consideration for a relatively limited number of leading companies. Intuitively,

for such a new economic entity with oligopoly characteristics, maximizing the advantages and eliminating disadvantages is to admit that traffic is king and brings intuitive oligopoly characteristics. We should actively guide and encourage them to drive many small and medium-sized enterprises (including upstream and downstream) and use innovative methods such as supply chain finance to develop together. These leading companies have relatively strong financing capabilities, and a large number of small, medium, and micro enterprises that form industrial clusters with them are weak in terms of financing, according to the experience. Many financial lights cannot shine on them. Suppose the supply chain is used for financing through core enterprises and successful enterprises in the supply chain. It can give credit to many upstream and downstream small and medium-sized enterprises (especially small and micro enterprises) to be supported together. We must do a good job of common development in these areas so that the entire development trend will lead the whole people to share the fruits of reform and opening up, promote common prosperity, and actively work with all parties in the world to build a community with a shared future for humankind.

The basic opinion of the author is that anti-monopoly is not a change in the state's policy of supporting and encouraging platform innovation and development. After correcting the problems that have been judged, the first driving force of innovation and development should be better played. Some entities should not use anti-monopoly as a weapon of vicious competition. Judging from the fact that others have a higher market share than me, it is said that they have formed an improper monopoly. There should still be the power of survival of the fittest. Everyone agrees that innovation is the first driving force in innovation and development, and they are scrambling to join the market competition. Antitrust cannot refer to all bad business problems and risk problems that need to be prevented and corrected.

Suppose we are talking about the high-quality development stage now. In that case, the development of the digital economy represented by these digital platforms is to penetrate, influence, and radiate all walks of life through their extraordinary innovation and development. It will

affect all walks of life to improve the quality. The conditions of digitization allow us to track all kinds of information on all industrial chains and supply chains in a more timely and detailed manner. We can also better analyze relevant quality issues, do a good job in quality management and control, and combat counterfeiting and shoddy products. Such practical issues need to be discussed continuously and jointly by all parties.

## 6. Conclusion

To connect the innovative development of the digital economy with the new era of high-quality development, the simplest conclusion of the author can be expressed as follows.

- Unswervingly continue to keep up with the times with great strides and forge ahead with the innovation of the digital economy. This is of great significance to all walks of life. It is not the industry or enterprise that directly engages in the Internet +. It is imperative to keep up with the development of digitalization in the practical life and various direct and indirect Internet + (including the traditional catering industry, even in small restaurants, you can order, settle, and pay by scanning the code on the table, which is the Internet +).
- Unswervingly continue to support private enterprises and leading enterprises in the digital economy to continue innovating and developing.
- The development of private enterprises needs to deepen the reform of mixed ownership and state-owned enterprises. Marx had clearly defined the concept of capital socialization, that is, through the representative shareholding system of the modern enterprise system, all kinds of enterprises can enter the tide of capital socialization. The specific path is mixed-ownership reform. In this way, through the institutional innovation of enterprises, we can better seek win-win and inclusive development so that China's modernization can be attached to the wings of the digital economy, and better mobilize the potential resources and realize upgrading and development while meeting the people's good needs by all walks of life, and connect with China's modernized national rejuvenation and the construction of a community with a shared future for mankind.

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