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“Marketing as Information in the App Economy: Theory and Challenges for Creative Destruction and Technological Progress”

Note: this is an exploratory paper so do not cite and comments and suggestions are encouraged

Creative Destruction is the name Joseph Schumpeter gave to a significant change in technology which dislodges old technology into new technology and which leads to increasing economic growth and higher standards of living. This paper proposes that the current New Economy, or the App, Gig, Free-Lance, Sharing, Information or Cognitive economy, has this potential for radical economic transformation. Perfect competition equilibrium, with its focus on maximizing economic welfare, assumes perfect information and zero transaction costs. Smartphones and mobile apps with user-oriented feedback marketing introduce radical reductions in information costs and thus lead to more perfect competition. However creative destruction can make the status quo obsolete. We observe that vested interests are resisting this radical change. Several examples are given. Because the new economy is decentralized, it is difficult to tax and to unionize. Therefore we see that city and state government pass laws making it more difficult for room- and ride-sharing apps to do business. And central banks and national treasuries dislike competition in currency so we find that digital monies are also facing restraints against competition. We also find that the new economy is radically changing labor markets, where entrepreneurial talent is becoming an increasingly important factor of production relative to land, labor and capital.

