Chapter XV

Internet Economy of the Online Game Business in South Korea: The Case of NCsoft’s *Lineage*

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Abstract

This chapter attempts to lay the groundwork for in-depth discussions on the economic, social and cultural dimensions of the online game business as one of the most successful forms of the contemporary digital contents industry using the Internet. As a form of the digital economy, the online game has evolved both “through” and “within” the space of the Internet. I suggest that the broadband Internet infrastructure and the construction of the game users’ community in cyberspace constitute two necessary conditions for the economic success of the online game business. Conceptualizing such a socio-cultural economy of the Internet business as the economy of a “third space,” I argue that the online game business contains emerging forms of new economic space not only in-between the real space and the virtual space, but also between the production and the consumption of those games produced.
Introduction

The Internet is one of the most significant technological innovations that capitalism has achieved, having a wide range of influences across different scales and scopes of economic realms. Instead of focusing on the accumulation of conventional inputs such as labor and capital, many contemporary macroeconomists along with economic historians have recently emphasized the significance of technological innovation in overall economic growth (Romer, 1990; Grossman and Helpman, 1991; Aghion and Howitt, 1992; Helpman, 1998). Some of these studies use a specific term called “general-purpose technology” (GPT) to describe a drastic “enabling technology” involving “innovational complementarities” (IC) that increases the productivity in a downstream sector (Bresnahan and Trajtenberg, 1995; Helpman, 1998; Malecki, 2002). Distinct from incremental and secondary technological innovations, GPTs such as printing, writing, electricity, factory systems and automobiles are considered revivals of an historical technological tradition instead of a total “discontinuous newness.” Malecki (2002), for example, argues that the Internet generally reiterates past technological traditions, especially since the invention of the telegraph, in terms of its strong initial ties with financial institutions, and invisible commodities like financial tallies, a systematically networked economy, and private-owned telecommunications networks.

In this vein, economic geographic studies on the Internet since the early 1990s have contributed considerably to the understanding of recent telecommunications technologies within the context of specific geo-economic scales and the conventional physical flows of capital, labor and goods. Pioneering works in urban and economic geography devoted themselves to the significance of emerging telecommunications and their impacts on the economic, social and spatial dimensions in postindustrial economies (Moss, 1987; Langdale, 1989; Hepworth, 1990; Brunn and Leinbach, 1991). Recent geographic studies are also interested in the multifarious interactions between the spaces of networking flows and real urban places (Graham, 1994; Mitchell, 1995; Graham, 1997; Adams, 1998; Graham and Marvin, 1996; Graham and Marvin, 2001), the utopian and dystopian visions of cyberspace as a public space and related cultural dimensions (Rheingold, 1993; Shields, 1996; Adams, 1997; Kitchin, 1998; Crang M., Crang P. and May, 1999; Crang, 2000; Dodge and Kitchin, 2000), and the geopolitics of global Internet diffusion, connection, and “digital divide” (Brann and Cottle, 1997; Warf and Grimes, 1997; O’Lear, 1997; Warf, 2001). More recent geo-economic studies focus on diverse constraints and possibilities of the Internet-based e-commerce and its geographic dimensions (Leinbach and Brunn, 2001; Zook, 2000, 2002). Instead of arguing for the end of geography by technological space-time convergence to create a “space of flows” (Castells, 1996), many of the above studies have implied that e-commerce is not bringing about the destruction of economic regions and places, but is providing the impetus to reorganize and differentiate the economic space in which business operates.

Theorizing the Internet as a GPT is a useful framework to elucidate its “complementary” role in commerce and telecommunication sectors, and its “general-purpose” diffusion in social and cultural spheres. At the same time, however, the framework has an overall danger in downplaying the significant “discontinuity” of the emerging Internet economy, an economy that not only appropriates the Internet for complementary telecommunica-
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