

AI Governance as a Catalyst or Constraint of Creative Destruction in Digital Trade: Toward a Theory of Governed Digital Market Transformation

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Abstract

Artificial intelligence is revolutionizing digital markets by altering how businesses engage with customers, innovate, compete, add value, and engage in global trade. While a lot of research has been done on artificial intelligence as a source of automation, productivity growth, and innovative business models, less focus has been placed on the institutional factors that determine whether AI leads to productive creative destruction or strengthens market concentration and regulatory barriers. In order to explain how artificial intelligence governance can both facilitate and impede the transformation of digital markets, this conceptual paper develops the theory of governed creative destruction. The paper makes the case that the economic effects of artificial intelligence are based on the creative destruction tradition, research on technological innovation and competition, digital trade literature, platform economics, and new research on agentic e-commerce. The study also identifies agentic commerce as a significant new mechanism that could change the structure of digital markets by transferring consumer search, recommendation, comparison, and transaction decisions to autonomous or semi-autonomous agents. According to the resulting framework, effective artificial intelligence governance should maintain the conditions that allow for experimentation, entry, competition, innovation, and market reallocation in addition to lowering technological risks. In addition to developing theoretical ideas for further empirical research, the paper provides a conceptual framework for comprehending the transformation of digital trade as a controlled process of creative destruction.

Keywords: Agentic Commerce, Artificial Intelligence, Creative Destruction, E-Commerce

چکیده

این مقاله مفهومی پیشرو، با تمرکز بر اقتصاد دیجیتال و سازمان‌دهی صنعتی، پیوند میان هوش مصنوعی، ساختار بازار و سیاست‌گذاری را واکاوی می‌کند. پژوهش با عبور از نگاه تقلیل‌گرایانه به هوش مصنوعی صرفاً به عنوان ابزار اتوماسیون و ارتقای بهره‌وری، بر یک دوراهی نهادی بنیادین دست می‌گذارد: آیا هوش مصنوعی پیشران «تخریب خلاق مولد» خواهد بود یا به ابزاری برای «تمرکز بازار و انحصار پلتفرمی» تبدیل می‌شود؟ نوآوری نظری مقاله، تدوین چارچوب «تخریب خلاق هدایت‌شده» است که از پیوند سنت اقتصاد شومپتری، اقتصاد پلتفرم، ادبیات تجارت دیجیتال و پدیده نوظهور «تجارت عاملیت‌محور» حاصل آمده است. تجارت عاملیت‌محور با واگذاری فرآیندهای جستجو، مقایسه و تراکنش مالی به ایجنت‌های خودمختار، قواعد رقابت سنتی در بازارهای دیجیتال و بین‌الملل را دگرگون می‌سازد. از دیدگاه اقتصاد صنعتی و سیاست‌گذاری بازگانی، پیام مقاله شفاف است: حکمرانی هوش مصنوعی نباید صرفاً واکنشی، پدافندی و متمرکز بر کاهش ریسک‌های فنی باشد؛ بلکه باید سازوکارهای نهادی تسهیل ورود بنگاه‌های نوپا، آزمایش‌گری، رقابت منصفانه، کاهش موانع تعرفه‌ای-فناورانه و بازتخصیص پویای منابع را صیانت کند تا ساختار بازارهای جدید از بن‌بست انحصارگرایی در امان بماند.

1. Introduction

A new stage in the growth of digital markets has been brought about by the quick spread of artificial intelligence. While modern artificial intelligence is increasingly altering how economic decisions are made and carried out, previous waves of digital transformation mainly altered how information was stored, communicated, distributed, and accessed. Demand forecasting, product recommendations, price optimization, marketing content creation, fraud detection, customer interaction automation, logistics coordination, financial decision support, and a host of other tasks that previously required direct human involvement can all be completed by artificial intelligence systems. Artificial intelligence is no longer just an information technology that businesses use to enhance current procedures as these capabilities are integrated into digital platforms and business infrastructures. It is increasingly being used as a tool for changing business models, market structures, and competitive relationships.

This transformation is particularly significant in digital trade and e-commerce because digital markets depend heavily on information, data, algorithms, platforms, and network effects. A firm operating in a digital market can reach consumers across geographical boundaries, coordinate transactions through platform infrastructures, personalize interactions at scale, and use data to continuously refine its products and services. Artificial intelligence intensifies these characteristics by reducing the cost of prediction, classification, personalization, search, and decision-making. Consequently, the competitive advantage of firms may increasingly depend not only on conventional resources such as capital and physical assets but also on access to data, computing capacity, algorithmic capabilities, digital infrastructure, and the institutional conditions under which these resources can be used.

The theory of creative destruction makes this development's economic significance more apparent. According to Aghion and Howitt's (1992) conceptualization, economic growth is a process whereby new innovations supplant established products and technologies, resulting in profits for successful innovators and losses for established firms whose technologies become outdated. Innovation is both creative and destructive, according to their framework. While the destructive dimension represents the displacement of current economic activities, the creative dimension results from the introduction of new goods, procedures, and technologies. Philippe Aghion and Peter Howitt were specifically honored with the 2025 Sveriges Riksbank Prize in Economic Sciences for their theory of sustained growth through creative destruction. This theory emphasizes that technological advancement can lead to conflicts that need to be handled constructively in order to prevent established interests from impeding innovation.

Artificial intelligence provides a particularly important contemporary setting for examining this process. Unlike many earlier technologies that primarily replaced specific physical or routine tasks, artificial intelligence can influence activities involving prediction, communication, information processing, creativity, decision support, and increasingly

complex coordination. This creates the possibility that creative destruction will occur at several levels simultaneously. At the firm level, artificial intelligence can displace established business processes. At the industry level, it can alter the boundaries between producers, intermediaries, platforms, and service providers. At the market level, it can change how consumers discover products, compare alternatives, and make purchasing decisions. At the institutional level, it can challenge existing regulatory categories and require new approaches to competition, consumer protection, data governance, and digital trade.

However, socially beneficial creative destruction is not always the result of technological capability. Artificial intelligence's economic effects are contingent upon the institutional context of technological innovation. A regulatory framework may impose costs that disproportionately affect smaller businesses, but it may also foster confidence and predictability that encourage businesses to invest in cutting-edge technologies. Dominant platforms may not be able to suppress new competitors by controlling data, computing infrastructure, or digital interfaces thanks to competition policy, but poorly crafted regulations may also hinder lawful experimentation. While excessively restrictive or fragmented data regimes may decrease interoperability and hinder cross-border digital trade, data protection may boost consumer trust and strengthen the legitimacy of digital services. Governance therefore occupies an ambiguous position: it can function as a catalyst for creative destruction or as a constraint on it.

This paper's main theoretical issue is represented by this ambiguity. Artificial intelligence has been studied from the viewpoints of productivity, automation, labor markets, innovation, competition, ethics, and regulation in the past. The internationalization of digital services, data-driven business models, and digital platforms have all been the subject of other studies. However, these literatures are frequently created independently. While artificial intelligence governance literature primarily concentrates on risk management, accountability, transparency, safety, and ethical principles, creative destruction literature explains why technological innovation transforms markets. Cross-border data flows, market access, digital infrastructure, and regulatory fragmentation are all highlighted in research on digital trade. The growing body of research on agentic commerce explores the potential for artificial intelligence agents to change consumer behavior when making purchases online. Relationship theory is still lacking.

Thus, the idea of controlled creative destruction is developed in this essay. The main contention is that artificial intelligence-driven creative destruction should be viewed as an institutionally mediated process in which governance establishes the parameters under which innovation can enter, compete, scale, displace incumbents, and create new markets rather than as an unregulated technological process. The process by which AI-driven innovations change or replace established technologies, companies, services, and business models within institutional frameworks intended to manage technological risks while maintaining innovation, competition, consumer trust, market entry, and digital trade is known as "governed creative destruction."

The idea is purposefully more expansive than responsible artificial intelligence. In general, responsible AI places a strong emphasis on preventing harm and ensuring that AI systems adhere to moral, legal, and social norms. By examining whether governance maintains the institutional and competitive conditions necessary for innovation-driven transformation, governed creative destruction adds an economic and market-structural component. According to this viewpoint, disruption cannot be completely eradicated by a successful governance system. Instead, it is one that minimizes technological advancements that lead to systemic harm, exclusion, manipulation, or anticompetitive concentration while permitting constructive disruption.

The main contributions of the paper are four. By viewing governance as a factor that determines the course and degree of technological market transformation, it first combines creative destruction theory with artificial intelligence governance and research on digital trade. Second, it lists a number of institutional mechanisms, such as regulatory certainty, competition policy, data governance, consumer trust, regulatory interoperability, and support for experimentation, through which governance may impact creative destruction. Third, rather than focusing only on product or process innovation, it develops agentic commerce as a crucial new setting where creative destruction may function at the level of market architecture. Fourth, it puts forth a number of theoretical claims that can direct upcoming empirical studies on the connection between digital market transformation and AI governance.

This argument is developed through an integrative conceptual analysis in the rest of the paper. By tying together technological innovation, digital platforms, artificial intelligence, and creative destruction, the following section lays the theoretical groundwork. The following sections look at how governance affects e-commerce and digital trade, why agentic commerce might be a new phase of market transformation, and how these developments lend credence to the governed creative destruction theory. Future research directions are identified and theoretical, managerial, and policy implications are discussed in the paper's conclusion.

2. Theoretical Background and Literature Foundations

2.1 Creative Destruction and Innovation-Driven Growth

The idea of “creative destruction” is linked to Schumpeter's (1942) explanation of capitalism as an evolutionary process whereby new products, markets, organizational structures, and technologies constantly supplant more established ones. The key realization is that economic growth cannot be reduced to the accumulation of resources already in place. Rather, structural change is how development arises. Incumbents are challenged by new businesses, old production techniques are rendered obsolete by new technology, and new organizational structures change the dynamics of competition. Therefore, the reallocation of resources across activities is essential to economic advancement.

By creating a model of growth via creative destruction, Aghion and Howitt (1992) formalized this intuition. According to their theory, innovation boosts output while also making current technologies outdated. Because successful innovators can earn financial gains while incumbents risk losing their market share, the process creates incentives for innovation. This framework was expanded by later studies that looked at productivity growth, competition, innovation incentives, and the connection between firm-level technological change and overall economic performance (Aghion et al., 2001. Aghion et al., 2005. Aghion et al., 2015).

The current study is especially pertinent to the significance of institutions in this process. Because technological change produces winners and losers, creative destruction leads to distributional conflicts. Governments may be under political pressure to defend established industries, workers may oppose technologies that threaten their jobs, and incumbent businesses may oppose new competitors. Aghion and Howitt's 2025 Nobel Prize acknowledgment made it clear that the conflicts brought about by creative destruction must be handled positively since established businesses and interest groups could otherwise stifle innovation.

This insight provides an important starting point for understanding artificial intelligence governance. If creative destruction necessarily generates conflict, then institutions determine, at least partly, whether that conflict results in productive adaptation or technological stagnation. Governance is therefore not external to innovation. It forms part of the environment through which innovation is selected, adopted, diffused, and translated into economic transformation.

The creative destruction framework also suggests that technological progress should not be evaluated only by the performance of individual technologies. A new technology may be highly productive while producing limited aggregate innovation if market structures prevent entry or if incumbent firms use their existing advantages to appropriate the benefits. Conversely, a technology with modest standalone productivity effects may generate substantial economic transformation if it enables new firms, business models, and markets to emerge. This distinction becomes especially important for artificial intelligence because AI capabilities can be embedded across multiple layers of the digital economy.

2.2 Artificial Intelligence as a General-Purpose Transformation Mechanism

In contrast to many traditional digital technologies, artificial intelligence is capable of carrying out or enhancing a wide range of cognitive and information-intensive tasks. Automation research has demonstrated that technologies can complement some tasks and replace others, resulting in complex effects on demand, employment, productivity, and organizational design (Autor et al. (2003; 2019, 2020; Acemoglu and Restrepo). According to more recent research, artificial intelligence's economic effects cannot be solely attributed to technological substitution because it can also generate new tasks, increase product variety, enhance prediction, and boost demand (Bessen, 2019; Brynjolfsson et al. in 2021).

A key component of creative destruction is the distinction between augmentation and substitution. Artificial intelligence may mainly have operational effects if it merely automates an already-existing process. Its effects become structural if it allows businesses to rethink how value is produced, distributed, and captured. An e-commerce company might first use AI to predict inventory demand, for instance. AI may then be used to manage customer service, optimize delivery routes, automate marketing campaigns, personalize product recommendations, and manage pricing. At a later stage, the company might completely rethink the customer journey around AI-mediated shopping and discovery. A deeper level of organizational transformation is represented by each stage.

Artificial intelligence's versatility also means that as it spreads, complementary innovations may result. Cockburn and associates. (2018) contend that because advances in machine prediction can change the cost structure of tasks that previously relied on human judgment, AI may have widespread innovation effects. Complementary investments in data, software, organizational procedures, human resources, and digital infrastructure could result from such changes. Similar to this, Brynjolfsson, Rock, and Syverson (2021) stress that complementary innovations are frequently needed for general-purpose technologies before their full productivity effects become apparent.

These complementarities present risks as well as opportunities from the standpoint of creative destruction. Businesses may adopt AI more quickly and scale its benefits more successfully if they have access to capital, data, talent, computing infrastructure, and established customer networks. These benefits can also result in cumulative concentration. The same technology that fosters innovation may increase incumbent market power if dominant firms control vital inputs into AI development and implementation. Access to high-quality data and processing power, as well as connections between various generative AI value chain stages, have been identified by the OECD as potential competition issues.

2.3 Digital Platforms, Data, and Market Power

Because competition often takes place within ecosystems rather than isolated markets, digital platforms produce a unique environment for creative destruction. Platforms connect various user groups, create network effects, gather data, and set technical guidelines for involvement. While subsequent platform research has shown how data, scale, and ecosystem control can reinforce competitive advantages, Shapiro and Varian (1998) highlighted the economic significance of information goods and network effects.

Because they can serve as a competitive advantage, a source of consumer insight, a mechanism of market control, and an input for innovation, data are especially significant. Goldfarb and Tucker (2019) demonstrate how digital technologies can alter information and marketing economics by lowering measurement and targeting costs. Data governance also establishes who has the authority to gather, process, transfer, combine, and profit from information. In addition to posing issues with privacy, governance, inequality, and cross-

border regulation, data flows have become essential to economic growth and digital trade, according to the World Bank (2021) and UNCTAD (2021).

Because AI systems are able to convert vast amounts of data into predictions, recommendations, classifications, and decisions, artificial intelligence raises the strategic significance of data. As a result, data control can affect a company's ability to create new products as well as the caliber of its current offerings. This establishes a possible feedback loop: businesses with big user bases produce more data, better data may enhance AI performance, better AI may draw in more users, and more users produce more data. Incumbent advantages may be strengthened by such dynamics in the absence of competitive safeguards.

Data concentration is not intrinsically anticompetitive, despite this. Certain scale economies could lead to real efficiency gains. Therefore, the theoretical challenge is to differentiate between exclusionary and productive concentration. Incentives for businesses to invest in data and AI must be maintained by AI governance and competition policy, but control over vital digital resources cannot be used as a tool to stifle innovation and entry.

3. AI Governance as an Institutional Determinant of Digital Market Transformation

The field of artificial intelligence governance has grown to include organizational, legal, ethical, technical, and regulatory mechanisms for managing AI systems. Principles like accountability, transparency, safety, human oversight, privacy, justice, and respect for human rights are becoming more and more important in international frameworks. For instance, the OECD AI Principles emphasize human rights, democratic values, transparency, robustness, security, and accountability while encouraging creative and reliable AI. In order to take into account advancements such as generative and general-purpose AI, the principles were revised in 2024 after being adopted in 2019.

However, governance should be examined from the standpoint of creative destruction not just in terms of lowering risk but also in terms of how it affects market dynamics. The anticipated costs and advantages of innovation are influenced by a governance framework. It has an impact on businesses' understanding of the requirements they must meet, their ability to test new products, consumer confidence in AI-enabled services, competitors' access to vital inputs, and the cross-border operation of digital services.

Thus, one of the key mechanisms connecting governance and innovation is regulatory certainty. When businesses are able to predict regulatory expectations, they are more inclined to invest. Because businesses might not know if an AI application will eventually be banned, subject to expensive compliance requirements, or restricted in specific jurisdictions, uncertainty can cause investment delays. Thus, long-term investment and experimentation can be promoted by regulatory clarity. This does not imply that more innovation results from less regulation. Instead, the predictability and proportionality of governance are the pertinent variables.

A second mechanism concerns consumer trust. Digital markets depend on consumers being willing to share information, use digital payment systems, rely on recommendations, and interact with automated services. If consumers perceive AI systems as manipulative, unsafe, opaque, or discriminatory, adoption may decline. Governance can therefore support innovation indirectly by establishing standards that increase confidence. Privacy protection, explainability where appropriate, mechanisms for contesting automated decisions, and accountability for harmful outcomes can contribute to market legitimacy.

Competition is the third mechanism. When dominant firms are prevented from using AI capabilities to exclude competitors, AI governance may become a catalyst for creative destruction. Issues like discriminatory access to platform interfaces, preferential treatment of a platform's own services, limitations on data portability, exclusive control over computing resources, and algorithmic coordination that stifles competition can all be addressed by competition-oriented governance. The OECD's analysis of competition, data, and AI shows why these concerns are becoming more and more important as AI value chains grow.

However, if compliance costs are disproportionately high for smaller businesses, governance may limit creative destruction. Legal departments, technical compliance teams, cybersecurity resources, and financial capacity are common features of large firms that allow them to absorb regulatory requirements. Startups and smaller businesses might have to pay more in comparison. Therefore, if a regulation has a high fixed cost of compliance, it may have asymmetric competitive effects. A central paradox results from this. By limiting powerful companies, governance can safeguard competition while also decreasing it if compliance requirements keep smaller businesses from entering the market. Therefore, the impact of governance on creative destruction is not always positive or negative, but rather contingent.

Proposition 1: The relationship between artificial intelligence governance and creative destruction is contingent on the balance between risk reduction, regulatory predictability, compliance costs, and competitive openness.

This proposition distinguishes the present framework from approaches that treat governance as inherently supportive or restrictive. Governance should instead be conceptualized as an institutional technology whose economic effect depends on how its rules interact with market structure.

4. Digital Trade and E-Commerce Transformation

One of the most significant settings where AI-driven creative destruction can take place is digital trade. Digital technologies allow businesses to reach customers without having a physical presence in every market, facilitate cross-border communication, lower information and transaction costs, and enable remote service delivery. By enabling small and medium-sized businesses to reach global clients via digital channels, the expansion

of e-commerce has consequently altered the geography of trade. These effects can be amplified by artificial intelligence. Predictive analytics can enhance inventory management and logistics, translation systems can lessen language barriers, recommendation systems can assist businesses in understanding foreign consumer preferences, and automated customer service can lower the cost of international operations. Fintech services and digital payments can also benefit from AI-driven risk assessment and fraud detection. AI can optimize routing and ware in smart logistics.

The significance of these applications extends beyond operational efficiency. They can change the minimum efficient scale required to participate in international markets. A small firm that previously lacked the resources to conduct multilingual marketing, maintain international customer support, or optimize cross-border inventory may increasingly use AI-enabled services to perform these functions at relatively low marginal cost. In this sense, AI can reduce some barriers to digital trade and expand market access.

However, the distribution of these benefits is not automatic. Differences in digital infrastructure, skills, access to finance, data availability, and regulatory capacity can produce unequal outcomes. Firms and countries with advanced digital ecosystems may adopt AI more rapidly, while firms in less developed environments may face barriers to computing infrastructure, talent, and reliable connectivity. The result may be a form of digital creative destruction in which some firms gain access to new markets while others are displaced without possessing the capabilities required for adaptation.

Another level of complexity is added by regulatory fragmentation. While regulatory requirements are still geographically dispersed, digital services often transcend national boundaries. For businesses operating globally, different regulations pertaining to data protection, AI risk classification, consumer rights, cybersecurity, digital taxation, and platform responsibilities can raise transaction costs. As a result, regulatory interoperability may play a significant role in the competitiveness of digital trade.

From this perspective, governance should not be understood exclusively as national regulation. The cross-border nature of digital commerce requires coordination among jurisdictions. International principles, interoperable standards, mutual recognition mechanisms, and compatible approaches to data governance can reduce unnecessary regulatory barriers while preserving legitimate policy objectives.

Proposition 2: Regulatory interoperability strengthens AI-driven creative destruction in digital trade by reducing cross-border compliance friction and enabling innovative firms to scale across jurisdictions.

The idea does not suggest that regulatory diversity should be eliminated by harmonization. Different standards that reflect social preferences and legal traditions may be legitimately adopted by different jurisdictions. Theoretically, companies' capacity to scale innovation globally may be hampered by excessive incompatibility.

For creative businesses, a digital market with interoperable regulations can offer a more expansive and efficient market. Data governance is also crucial. Data processing and movement are becoming more and more important to cross-border digital commerce. Businesses use transaction data to identify fraud, forecast demand, customize services, and improve logistics. Data movement restrictions may occasionally be justified for reasons related to security, privacy, or public policy. However, fragmented data regimes can also make it more challenging for businesses to create cross-border AI applications and lower the effectiveness of digital services. Thus, it is not the proper goal of governance.

Proposition 3: Responsible data governance supports creative destruction when it protects legitimate privacy and security interests while preserving sufficient data access, portability, and interoperability for innovation and competition.

The significance of consumer behavior is further demonstrated by e-commerce. Customers who shop online traditionally must search, compare products, assess information, and decide what to buy. These tasks are increasingly automated by artificial intelligence. While generative systems can summarize reviews, compare products, and offer tailored buying advice, recommendation systems already have an impact on consumer choice. The consumer may transition from being an active searcher to a decision-delegator as these systems become more independent.

This shift modifies the competitive landscape while also opening up new business opportunities. Visibility may be determined by the preferences and algorithms of the AI intermediary rather than by conventional search-engine ranking, advertising, brand recognition, or physical location if customers stop visiting multiple websites and instead rely on the intermediary to choose products. Thus, “How does a firm become selected by the consumer’s AI agent?” becomes the competitive question instead of “How does a firm attract consumers?”.

5. Agentic Commerce and the Transformation of Market Architecture

One of the most important new trends in AI-enabled e-commerce is agentic commerce. The consumer continues to be the main decision-maker in traditional e-commerce, conducting product searches, comparing options, reading reviews, and completing transactions. An AI agent may carry out some or all of these tasks on behalf of the customer in agentic commerce. A natural-language request can be interpreted by the agent, who can also find pertinent products, compare features and prices, evaluate reviews, offer suggestions, and possibly finish the transaction.

Because it advances artificial intelligence from the level of interface personalization to the level of market coordination, this shift is significant. The AI system can act as an intermediary through which a consumer experiences a market, rather than just assisting

them in navigating it. Demand creation, product discovery, seller visibility, advertising, pricing, and platform competition can all be impacted by such a change.

AI agents may behave differently from human shoppers, according to preliminary research. Allouah et al. (2025) investigate AI agents in simulated e-commerce settings and report on the possibility of demand concentration around a small number of products, heterogeneous model behavior, position effects, and varying sensitivity to price, ratings, and reviews. Additionally, their results imply that market share may be impacted by seller-side optimization aimed at AI preferences. Although these results are preliminary, they point to a significant theoretical possibility: the competitive mechanism by which products gain market attention may change as AI-mediated demand emerges.

Businesses make significant investments in social media, brand development, advertising, website design, search engine optimization, and customer relations in human-centered commerce. If AI agents base their purchasing decisions mostly on structured product information, price, ratings, compatibility, dependability, and inferred consumer preferences, then some of these activities may become less significant in agentic commerce. Instead, companies can optimize machine-readable attributes, reputation signals, data feeds, APIs, and product descriptions for AI consumption. This could lower some entry barriers. If an AI agent determines that the product is a better fit, a small company with a better product may be able to reach customers without making significant investments in brand awareness. By enhancing the capacity of creative entrants to compete with well-established brands, such a mechanism could reinforce creative destruction.

On the other hand, the opposite result is just as likely. A few AI middlemen may become strong gatekeepers if they control the majority of product discovery. Which companies receive demand may be determined by their ranking systems, recommendation models, commercial incentives, or access regulations. As a result, market dominance may shift from traditional merchants and search engines to AI middlemen. A new kind of platform dependence is produced by this possibility. Sellers in conventional digital marketplaces optimize for both platform algorithms and human consumers. Sellers may need to optimize for AI agents that function within platform ecosystems in agentic markets. As a result, the competitive landscape may become recursive: businesses tailor their products to AI systems, AI systems make decisions for customers, customers affect seller behavior, and sellers try to influence AI recommendations. There are important governance ramifications for this recursive structure. if AI agents consistently give preference.

Proposition 4: The transition from human-mediated e-commerce to agentic commerce increases the importance of AI governance because AI systems increasingly participate in consumer choice, product discovery, and transaction execution.

Making agents accurate is only one aspect of the governance challenge. If the agent is consistently biased toward specific sellers, platforms, or commercial incentives, accuracy

is insufficient. Therefore, governance needs to take the AI intermediary's market role into account. Agentic commerce's growth raises additional concerns regarding consumer autonomy. Customers may benefit from efficiency and convenience if they assign decisions to AI agents, but they may also lose awareness of the factors influencing their purchases. This puts autonomy and personalization at risk of conflict.

The more decisions are delegated, the more crucial it is that consumers comprehend the limits of delegation and maintain channels for contestation and intervention. Thus, agentic commerce can be viewed as a potential innovation in market architecture from the standpoint of creative destruction. Previous digital changes altered the way buyers and sellers communicated. Agentic commerce.

6. Toward a Theory of Governed Creative Destruction

The previous analysis suggests that the interaction between technology, markets, and institutions should be the basis for AI-driven creative destruction. Governance shapes the environment in which these processes occur, firms translate capabilities into products and business models, consumers respond to new offerings, and technology creates new capabilities. The resulting transformation is not regulated or technologically predetermined.

Five interconnected ideas form the basis of the theory of governed creative destruction developed here. First, market disruption is possible with technological innovation, but its economic outcome is not determined. Furthermore, the presence of institutions has an impact on the ability of innovative companies to enter, experiment, scale, and compete. Third, governance can create new barriers to innovation while simultaneously reducing harmful externalities. Furthermore, the significance of data, platforms, and interoperability is enhanced by digital markets. Fifth, governance is becoming more and more concerned with the architecture of markets as AI becomes directly involved in consumer decision-making, not just firms and technologies.

Innovation openness is the first dimension. In order to create creative destruction, it is essential to have chances to challenge established arrangements by introducing fresh concepts. Even when regulatory systems effectively minimize individual risks, they can still lead to a decrease in innovation due to the excessive cost of experimentation. By allowing regulators to observe emerging risks, regulatory sandboxes, proportionate requirements, phased compliance, and clear guidance can support experimentation.

Competitive neutrality is the second dimension. While AI-driven markets have the potential to generate substantial economies of scale, it is crucial for new entrants to have a compelling chance to challenge incumbents in order to achieve competitive advantage. Therefore, in order to maintain competitive neutrality, consumer attention, digital interfaces, data access, and distribution channels must be given priority. The governance of these resources should prevent dominant firms from transforming control into exclusionary barriers.

Trusted participation is the third dimension. Trust is essential for digital markets. Consumers need to possess a belief in the security, fairness, and reliability of digital services, while firms need to possess a belief in the stability and enforceability of rules. Therefore, regulatory interoperability is the fourth dimension, and governance can increase the size and quality of digital markets when it strengthens trust.

The advantages of AI innovation are primarily attributed to the ability of companies to expand across jurisdictions due to the cross-border nature of digital trade. The fifth dimension of adaptive governance is the ability of interoperable standards to minimize unnecessary friction while enabling governments to uphold legitimate policy objectives. Static regulation becomes challenging due to the rapid evolution of AI technologies. Therefore, as business models, market structures, and technological capabilities change, governance frameworks must be capable of updating rules. Because AI agents' behavior can change as models are updated, deployed in new contexts, or integrated with external tools, adaptive governance is especially important for agentic commerce.

These dimensions suggest that the number of risks addressed or laws passed should not be the sole criteria used to assess the quality of governance. Whether governance fosters an atmosphere where socially beneficial innovation can flourish while detrimental forms of concentration, manipulation, exclusion, and systemic risk are restrained is a more significant criterion. Therefore, governed creative destruction is defined by the theory as: The institutionally mediated process through which AI-driven innovations create, transform, and displace technologies, firms, services, and business models under governance arrangements that manage technological risks while preserving innovation, competition, consumer trust, market entry, and digital trade.

There is one significant difference between this definition and traditional creative destruction. The economic mechanism that innovation uses to displace incumbents is the main focus of classical creative destruction. The institution is specifically incorporated into governed creative destruction.

Proposition 5: Regulatory certainty positively influences AI-driven creative destruction when it reduces uncertainty without imposing disproportionate fixed compliance costs on innovative entrants.

This proposition highlights the distinction between regulation and regulatory uncertainty. A clear regulatory framework can be more innovation-friendly than a weak but unpredictable framework. Firms need to understand the rules of the market in which they invest. Predictability reduces the option value of waiting and can encourage firms to commit resources to experimentation and commercialization.

Proposition 6: The positive effect of AI governance on creative destruction decreases when compliance costs disproportionately burden startups and small and medium-sized enterprises relative to incumbent firms.

The proposition follows from the fixed-cost structure of digital innovation. Many regulatory requirements involve investments in legal expertise, documentation, cybersecurity, testing, monitoring, and organizational processes. Large firms can spread these costs across large revenues and product portfolios. Smaller firms cannot. Governance that ignores this asymmetry may unintentionally protect incumbents.

Proposition 7: Competition-oriented AI governance strengthens creative destruction when it prevents incumbent firms from using control over data, digital infrastructure, platform interfaces, or AI-mediated distribution to restrict market entry.

This proposition connects AI governance with the classical conflict between innovation and incumbent protection. If incumbents can use their market position to prevent technological challengers from reaching customers, the creative destruction mechanism weakens. The problem is not that incumbents are successful but that success becomes a mechanism for preventing future competition.

Proposition 8: Consumer trust mediates the relationship between responsible AI governance and adoption of AI-enabled digital commerce.

Trust is particularly important where consumers delegate decisions to AI. Consumers may tolerate limited uncertainty in conventional search because they retain direct control over purchasing decisions. Delegation increases the perceived consequences of errors or manipulation. Governance that establishes accountability and transparency can therefore support adoption.

Proposition 9: Regulatory fragmentation weakens AI-driven creative destruction in cross-border digital trade by increasing compliance costs and reducing the scalability of innovative digital services.

This proposition extends the analysis beyond domestic competition. A firm may develop an innovative AI-enabled service but remain unable to scale internationally if each market requires substantially different compliance structures. Fragmentation therefore acts as a friction on the diffusion of innovation.

Proposition 10: AI-driven creative destruction becomes more structurally disruptive when artificial intelligence moves from process automation toward business-model and market-architecture transformation.

This proposition distinguishes incremental adoption from transformative adoption. Automating customer service may reduce costs, while redesigning commerce around autonomous purchasing agents can change the structure of demand itself. The latter represents deeper creative destruction because it changes the roles of consumers, platforms, intermediaries, and sellers.

Proposition 11: The emergence of agentic commerce increases the potential for market-power redistribution from traditional platforms and sellers toward AI intermediaries that control consumer decision interfaces.

This proposition identifies an important possible shift in digital market power. If the primary interface between consumers and sellers becomes an AI agent, control over that interface may become economically more valuable than conventional storefront or search visibility.

Proposition 12: Inclusive AI-driven creative destruction depends on complementary institutional capabilities, including digital infrastructure, human capital, access to finance, data capabilities, and regulatory capacity.

The proposition recognizes that technological disruption can create unequal outcomes. Firms cannot benefit from AI simply because the technology exists. They require complementary resources. Consequently, governance should be evaluated partly according to whether it expands the capacity of diverse firms and regions to participate in technological transformation.

7. Theoretical Contributions and Discussion

The literature benefits from the theory of governed creative destruction in a number of ways. It first applies the theory of creative destruction to digital and AI-mediated markets. The emphasis of classical creative destruction is on replacing current technologies with novel ones. By stating that governance affects the circumstances in which replacement takes place, the current framework incorporates institutional mediation. Because technologies function within infrastructures that are frequently regulated, platform-mediated, and heavily dependent on data, this is especially pertinent in digital markets.

Second, by offering a market-dynamics viewpoint, the framework advances research on AI governance. Fairness, accountability, safety, transparency, and privacy are among the concepts that are frequently discussed in AI governance literature. These ideas are crucial, but how they interact with innovation and competition will determine how they affect the economy. Unintentionally, a regulation can safeguard consumers.

Third, by highlighting regulatory interoperability as a mechanism for innovation, the framework advances research on digital trade. The ability of businesses to conduct business internationally is critical to digital trade. The effective market accessible to innovative companies may be significantly smaller than the technological market appears to be if regulatory systems are highly fragmented. Therefore, by increasing the number of markets in which digital innovation can be implemented, interoperability can raise its economic value.

Fourth, the theory offers a conceptual link between emerging agentic commerce and platform economics. Conventional platform research concentrates on the middlemen that

link buyers and sellers. An AI system that can act on behalf of customers and possibly negotiate or transact is a new kind of intermediary introduced by agentic commerce. Because the intermediary can actively interpret preferences and make decisions instead of just providing a mark, this alters the nature of intermediation.

Machine-mediated attention is another new competitive item brought about by the rise of agentic commerce. Businesses compete for people's attention in traditional digital commerce. Businesses may compete more fiercely for algorithmic selection in agentic commerce. This could alter platform relationships, pricing, reputation management, product design, and marketing tactics. Businesses may optimize for both the AI systems that represent consumers and for consumers themselves.

The potential for a new type of digital market concentration is increased by this development. Sellers might become reliant on their selection processes if a small number of AI agents take over as decision interfaces. As a result, platform concentration may give way to intermediary concentration in the competitive dynamics. However, if AI agents make it simpler for customers to recognize better products regardless of brand size, agentic commerce may lessen some types of concentration.

The outcome will depend on governance. Transparent recommendation criteria, consumer control, auditing, portability, interoperability, and competition policy may prevent AI intermediaries from becoming opaque gatekeepers. Conversely, exclusive arrangements, preferential ranking, hidden commercial incentives, and restrictions on interoperability could transform AI agents into new mechanisms of market foreclosure.

This tension illustrates why governed creative destruction is a useful theoretical construct. Creative destruction is not inherently beneficial or harmful. It describes a process of transformation. The welfare consequences depend on what is destroyed, what is created, who can participate, and how the transition is governed.

The theory also provides a more nuanced interpretation of regulatory intervention. Rather than asking whether governments should regulate artificial intelligence, researchers and policymakers should ask what forms of governance preserve the conditions for productive market transformation. This shifts the policy question from "regulation versus innovation" to "what type of governance makes innovation more competitive, trustworthy, and inclusive?"

8. Managerial and Policy Implications

For managers, the theory implies that AI strategy should not be separated from governance strategy. Firms increasingly need to treat regulation, data governance, cybersecurity, consumer trust, and competition conditions as components of their innovation environment. An organization that develops technically sophisticated AI capabilities but fails to anticipate regulatory or trust-related constraints may be unable to commercialize those capabilities effectively.

Digital firms should also recognize that AI adoption can generate second-order competitive effects. An AI system introduced to reduce costs may change customer expectations, alter competitor behavior, and create new market standards. Firms should therefore evaluate AI investments not only according to immediate productivity gains but also according to their potential to reshape industry structure.

In e-commerce, firms should prepare for the possibility that consumers increasingly interact with AI agents rather than directly with websites and applications. This may require investment in machine-readable product information, structured data, reliable APIs, transparent pricing, accurate inventory information, and product attributes that can be evaluated algorithmically. Marketing strategies may also need to evolve from optimizing only for human attention toward ensuring that products are discoverable and appropriately represented in AI-mediated environments.

For policymakers, the theory suggests that AI regulation should incorporate competition and innovation objectives alongside safety and consumer protection. Regulatory frameworks should avoid unnecessarily high fixed costs for startups while maintaining strong requirements for high-risk applications. Regulatory sandboxes and staged compliance mechanisms may be particularly useful where technologies are rapidly evolving.

Competition authorities should also monitor the relationship between AI systems and platform power. Relevant questions include whether dominant platforms control essential data or computing resources, whether AI systems discriminate against competing services, whether platform-owned AI systems receive preferential access or ranking, and whether recommendation systems create systematic barriers to entry.

Consumer protection authorities will increasingly need to consider AI-mediated purchasing. If consumers delegate decisions to AI agents, they should have meaningful control over preferences, budgets, commercial permissions, and transaction limits. They should also be able to understand when commercial relationships influence recommendations and have mechanisms to contest harmful or erroneous decisions.

Digital trade policy should prioritize interoperability. International cooperation can reduce regulatory friction without requiring every jurisdiction to adopt identical rules. Compatible approaches to data governance, AI standards, digital identity, cybersecurity, and consumer protection can facilitate cross-border commerce while preserving legitimate regulatory autonomy.

Developing economies require particular attention. If AI-driven creative destruction depends on complementary infrastructure, skills, finance, and data capabilities, countries lacking these resources may experience displacement without obtaining equivalent benefits. International digital trade policy should therefore include capacity-building mechanisms that allow smaller firms and less digitally advanced economies to participate in AI-enabled markets.

9. Conclusion

A new stage of the digital market transformation is being ushered in by artificial intelligence, where technological innovation is increasingly influencing not only production processes but also business models, consumer behavior, market intermediation, and the architecture of digital trade. Because it explains why innovation simultaneously creates new economic opportunities and destroys established technologies and competitive positions, the theory of creative destruction offers a potent foundation for comprehending this transformation. However, since governance has a significant impact on the course of technological change, this framework needs to be expanded for the digital and AI context.

To close that gap, this paper developed the idea of governed creative destruction. Within institutional settings that aim to manage technological risks while maintaining innovation, competition, consumer trust, market entry, and digital trade, AI-driven innovations transform and displace current technologies, businesses, services, and business models. This process is known as “governed creative destruction.”. The main contention is that the effectiveness of governance should not be the only criterion used to assess it. It should also be assessed based on whether it maintains the economic mechanisms that allow productive innovation to challenge established arrangements.

The analysis demonstrates that AI governance can function as both catalyst and constraint. Regulatory certainty, consumer trust, competition safeguards, responsible data mobility, regulatory interoperability, and support for experimentation can strengthen creative destruction by reducing uncertainty and widening opportunities for entry and innovation. In contrast, fragmented regulation, disproportionate compliance costs, restrictive data regimes, and weak competition safeguards can suppress innovation or reinforce incumbent advantages.

The emergence of agentic commerce makes this issue increasingly urgent. When AI systems begin to search, compare, recommend, and transact on behalf of consumers, they can become new intermediaries in digital markets. This may reduce search costs and create opportunities for innovative firms, but it may also shift market power toward AI systems and platforms that control consumer decision interfaces. Early empirical work already suggests that AI agents can display systematic and model-dependent shopping behaviors, including position effects, varying sensitivities to product attributes, and potential concentration of demand.

The more general implication is that businesses shouldn't view the next phase of digital transformation as a straightforward competition to implement AI. It is a process of reorganizing the market and institutions. Artificial intelligence is already causing disruption, so the main question is not whether it will. The more crucial question is whether institutions can manage that disruption to maintain open innovation, meaningful competition, consumer protection, and widespread access to the benefits of digital trade.

The ideas presented in this paper should be empirically tested in various nations, sectors of the economy, and regulatory frameworks in subsequent studies. Comparative research

could investigate whether higher rates of AI startup entry and innovation are linked to regulatory certainty. Studies at the firm level could look into whether compliance burdens have different effects on small and large businesses. The question of whether regulatory interoperability boosts the global scaling of AI-enabled services could be investigated in research on digital trade. Lastly, studies on agentic commerce ought to look into how market concentration, consumer welfare, advertising, product discovery, and seller strategies are impacted by AI-mediated purchasing.

Therefore, the main theoretical claim of this paper is simple: AI-driven creative destruction is neither institutionally neutral nor technologically predetermined. The governance framework in which technological innovation enters and changes digital markets determines its distribution, intensity, and direction. As a result, effective AI governance should be created to regulate not just artificial intelligence but also the circumstances that allow AI to create inclusive, competitive, productive, and trustworthy market transformation.

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