Blockchain Governance and Digital Transformation: Lobbying as Instrument

Lev Shalev[a],
Saint-Petersburg State University, 7-9 Universitetskaya Embankmen, St. Petersburg, Russia
shalev.lev@mail.ru

Keywords: Blockchain, Lobbying, Digital transformation, Interest groups.

Abstract: This paper focuses on the role of lobbying in the digital transformation of industries and society, with stakeholders advocating for policies that either promote or hinder innovation and adoption of new digital technologies. Blockchain technology has gained a lot of attention in recent years as a potential tool for government applications. The use of digital communication has changed the paradigm of political advocacy, giving it a more public and transparent dimension. In the context of digital technology, lobbying can involve various stakeholders, such as blockchain companies, trade associations, and advocacy groups, advocating policies that both promote and hinder its adoption. In addition, grassroots movements and interest groups are increasingly using social media tools to organize effective digital lobbying campaigns, with the use of these tools dependent on group resources, adoption costs, issue variation, and imitation. The paper suggests that blockchain technology could be a useful tool for increasing transparency in lobbying and political accountability, but that non-technical issues such as privacy, interoperability, and legal and regulatory support must also be addressed.

1 INTRODUCTION

Although digitalization began several years ago, the COVID-19 pandemic was a great catalyst for transferring activities from offline to online. While physical gatherings have been and still are restricted, online campaigning has increased. We can expect that lobbying will intensify and will legitimately be a major focus for political leadership.

Understanding trends in lobbying and advocacy means that digital technology has also had a positive impact on public affairs. From non-profit staffs to corporate lobbyists and everyone in between, the adoption of digital tools and strategies have proved valuable in influencing policy and regulation (Barba, 2021). According to International Data Corporation, businesses worldwide will be investing nearly $1.8 trillion on digital transformation in 2022, an increase of 17.6% over 2021, which also offers a huge opportunity for advocacy groups to step up in the game (Shirer, 2022). The legal dimension of digital transformation is being formed by the interests of its actors (Dmitrik, 2019). Companies are actively promoting new assemblages of socio-technical devices, seeking to reassert their authority (Beaumier & Kalomeni, 2021).

For digital transformation (in private or public sector) to happen, a better understanding of the relationships between information technologies, organizations, and institutions is required (Luna-Reyes et al., 2014; Henderson, 2020; McNutt, 2008). Matt (2015) suggests that digital transformation strategies should be aligned with other business strategies. This suggests that businesses should consider digital transformation when making decisions about other business strategies. The current debate on digital government transformation requires including public managers (Tangi et al., 2021). This suggests that businesses should approach digital transformation systematically.

The blockchain technology ("e-governance") has the potential to replace traditional central authorities (Atzori, 2017), has a range of potential applications (Hughes et al., 2019) and is subject to a regulatory hands-off approach in the EU and the USA (Yeoh, 2017). These findings suggest that blockchain technology is being developed with little regulation or oversight. Consequently, the role of lobbying in the development of blockchain governance, in digital

[a] https://orcid.org/0000-0002-3217-2427

transformation overall, is still scarce. However, to solve this issue, further research is needed.

Therefore, research question of this paper is: what is the role of lobbying in the implementation of blockchain technology?

2 LITERATURE REVIEW

2.1 Blockchain Governance and Lobbying efforts

Blockchain technology has gained a lot of attention in recent years as a potential tool for government applications. The literature review on blockchain government is still evolving as the technology is still being developed and implemented. The papers suggest that blockchain technology could be a useful tool for increasing transparency in lobbying and political accountability, but that non-technical issues such as privacy, interoperability, and legal and regulatory support must also be addressed.

Berg et al. (2018) argue that industry associations, which are interest groups, contribute to the development of a blockchain-enabled economy by facilitating technology adoption and collaborating with political actors.

The Blockchain technology has the potential to increase transparency in lobbying and political accountability. Batubara (2019) and Chohan (2018) both discuss the potential for blockchain to improve transparency and accountability in government, while Hofman (2018) cautions that the relationship between transparency and democracy is complex and context-dependent. AlShamsi et al. (2020) discusses the use of artificial intelligence and blockchain for governance transparency, suggesting that conceptual modeling is a useful approach for evaluating research in this area.

In the context of blockchain technology, lobbying can involve various stakeholders, such as blockchain companies, trade associations, and advocacy groups, advocating for policies that support the development and implementation of blockchain technology. These policies can include tax incentives, regulatory frameworks, and funding for research and development.

One example of lobbying in the blockchain industry is the Blockchain Association, a trade association, based in Washington, D.C., represents blockchain companies and advocates for policies that promote innovation and the adoption of blockchain technology. The association has been involved in lobbying efforts related to blockchain, including advocating for regulatory clarity and providing input on proposed legislation related to digital assets.

Lobbying can also have a negative impact on the development and implementation of blockchain technology. Some stakeholders, such as incumbent industries or organizations that stand to lose from the disruption caused by blockchain, may engage in lobbying efforts to block or delay the adoption of blockchain technology.

Overall, the role of lobbying in the development and implementation of blockchain technology can be significant, with stakeholders advocating for policies that either promote or hinder its adoption. As with any policy issue, it is important for policymakers to carefully consider the perspectives of all stakeholders when making decisions related to blockchain technology.

One of the primary roles of lobbying in digital transformation is to advocate for policies that promote innovation, investment, and adoption of new digital technologies. This can include advocating for tax incentives, funding for research and development, and regulatory frameworks that encourage innovation and competition. For example, lobbying efforts may focus on promoting the deployment of high-speed broadband infrastructure in underserved areas to enable digital transformation in those regions.

Lobbying can also play a role in shaping the regulatory environment for digital transformation. Stakeholders, such as technology companies, trade associations, and consumer advocacy groups, may lobby for regulations that promote innovation and protect consumers' interests. However, lobbying efforts can also be used to delay or block regulations that could negatively impact their interests.

Another role of lobbying in digital transformation is to influence public opinion and shape the narrative around digital technologies. This can involve developing and promoting messaging that highlights the benefits of digital transformation and counters negative perceptions or concerns. For example, lobbying efforts may aim to promote the benefits of artificial intelligence (AI) and give counter-arguments about job displacement and privacy.

However, lobbying efforts can also have a negative impact on digital transformation. For example, incumbent industries or organizations may engage in lobbying efforts to block or delay the adoption of new digital technologies that threaten their interests.

Overall, the literature review suggests that blockchain technology has the potential to transform government services by enabling decentralized decision-making, improving transparency, and enhancing efficiency. However, the implementation of blockchain solutions in government requires careful planning, evaluation, and collaboration between government agencies and stakeholders.

2.2 Lobbying Going Digital

The use of digital communication by traditional lobbying actors such as associations sparked a decade-long academic debate. Even then, some researchers made the forecast that greater use of open channels, like social media, would be necessary in the future if one wanted to enter politics (Bender, 2010). For a long time, 'obscure', 'discreet', 'non-public' were words often used to describe political advocacy at its core. Digitalization is changing this paradigm, giving a more public and transparent dimension that is here to stay.

Chalmers and Shotton (2016) provide critical information about the social media tools used by a wide range of organizations other than non-profits. The study presents two central findings: 1) decision-makers at EU level were rarely lobbied through social media; 2) interest groups mostly use social media as an attempt to imitate and compete with other actors. The reason for using social media is purely financial, namely the low cost of social media technologies. Grass-root movements use social media and autobiographic stories to organize effective digital lobbying campaigns (Figenschou & Thorbjørnsrud, 2020). Overall, the use of social media tools is dependent on:

1) group resources;
2) adoption costs;
3) issue variation;
4) imitation.

Online grassroots advocacy is on the rise, while traditional forms of government relations, although still vital today, may decline in the near future. However, nowadays online and offline activities are highly interconnected for interest groups, for example in field of workers' rights (Johansson & Scaramuzzino, 2019).

Analytics is gaining momentum as a fundamental component to the execution of a successful advocacy campaign. Many public affairs agencies are offering services using data to predict how likely a legislator is to vote in a certain way or even determine the number of supporters an organization has in a specific district. Online software provides an alternative, to the traditional methods of examining arguments and messages, that allows their effectiveness to be tested and complements the use of focus groups and other traditional methods. The growing capabilities in the field of technology will also lead to a growing need for novel data interpretation and use approaches.

A. Wright and P. De Filippi (2015) discuss the potential for blockchain technology to decentralize the way we store data and manage information, potentially leading to a reduced role for third-party and shape the creation and deployment of decentralized organizations. This suggests that the role of intermediaries in lobbying, like lobbying firms, may diminish.

Overall, the papers suggest that blockchain technology could be a useful tool for increasing transparency in lobbying and political accountability, but that non-technical issues such as privacy, interoperability, and legal and regulatory support must also be addressed.

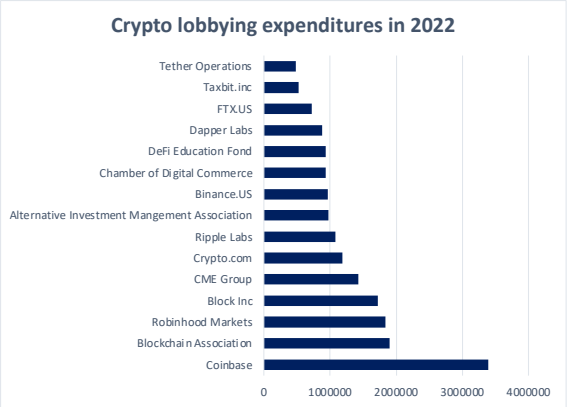

Table 1: Crypto lobbying expenditures in 2022.

3 CONTEMPORARY CONTEXT

The Table 1 shows the top 15 interest groups in terms of lobbying expenditure in 2022. Coinbase, a cryptocurrency exchange, had the highest lobbying expenditure at $3,390,000, followed by the Blockchain Association, a trade association for the blockchain industry, at $1,900,000. Other notable interest groups on the list include Robinhood Markets, Block Inc, CME Group, Crypto.com, Ripple Labs, Binance.US and the Chamber of Digital Commerce.

The high lobbying expenditures of these interest groups reflect the growing influence and importance of the blockchain and cryptocurrency industry. With increased regulation and government scrutiny, these interest groups are seeking to shape policy decisions that affect their interests.

Lobbying can be a contentious issue, with some arguing that it gives large corporations and interest groups an unfair advantage in the political process. Nonetheless, lobbying remains a legal and often effective way for organizations to advocate for their interests and have their voices heard by policymakers.

The number of lobbyists employed by interest groups such as the Blockchain Association, Coinbase, and the Chamber of Digital Commerce is an

important indicator of their level of advocacy and influence.

The Table 2 shows that the number of lobbyists employed by these organizations has increased over time. In 2021 and 2022, Coinbase employed the highest number of lobbyists, with 28 and 32 respectively. This is likely due to their large size and influence in the cryptocurrency industry, as well as the increased scrutiny and regulation of the industry by government agencies.

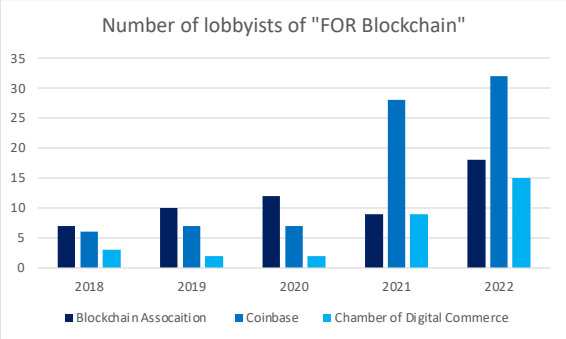

Table 2: Number of lobbysts of "FOR Blockchain".

The Blockchain Association and the Chamber of Digital Commerce have also increased the number of lobbyists they employ over time, with the Blockchain Association employing 18 lobbyists in 2022 and the Chamber of Digital Commerce employing 15 lobbyists in the same year.

4 CONCLUSIONS

The barriers and preconditions for a successful digital government transformation are complex and often not technology related (Liva et al., 2020). The controlling powers that were formerly vested in highly institutionalized organizations are no longer automatically part of the governing ecosystem in blockchain systems (Meijer & Ubacht, 2018).

In summary, lobbying can play a significant role in the digital transformation of industries and society, with stakeholders advocating for policies that either promote or hinder innovation and adoption of digital technologies. As with any policy issue, it is essential to carefully consider the perspectives of all stakeholders when making decisions related to digital transformation.

The use of digital communication has changed the paradigm of political advocacy, giving it a more public and transparent dimension. Grassroots movements and interest groups are increasingly using social media tools to organize effective digital lobbying campaigns, with the use of these tools dependent on group resources, adoption costs, issue variation, and imitation. Traditional forms of government relations may decline in the future as online and offline activities become highly interconnected. Analytics is becoming an essential component for the execution of a successful advocacy campaign, with online software providing an alternative to traditional methods of examining arguments and messages. The potential for blockchain technology to decentralize the way we store data and manage information could lead to a reduced role for intermediaries in lobbying, such as lobbying firms. Different parties may have different preferences and interests in the implementation of blockchain governance, which could potentially be influenced by lobbying efforts. It is clear that digitalization is transforming the world of lobbying, and those who can adapt to these changes will be better positioned to influence policy outcomes in the future.

An important concern for the future is whether the policy inclinations of the government, which is a legitimate participant in the ecosystem, would aid or obstruct the discoveries and learnings of other stakeholders who have a real interest in the progress of blockchain technology from the bottom-up.

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