Dean&Francis
ISSN 2959-6130

Structural Transformation and Governance Innovation of the Emotional Economy in the Digital Era

Ruichen Li

The Experimental High School of Jimo District, Qingdao, China
* mr.nicholasli@outlook.com

Abstract:

With the rapid development of digitalization and artificial intelligence technologies, the emotional economy has increasingly become a major driving force behind global economic and social structural transformations. Emotional value is being amplified across various domains—such as digital platforms, online healthcare, live-streaming e-commerce, and virtual communities—reshaping production relations, consumer behavior, and patterns of social interaction. Grounded in multidisciplinary theoretical frameworks, this paper systematically reviews the historical evolution, core characteristics, and digital driving mechanisms of the emotional economy. It further analyzes its profound impacts on mental health, employment structures, social relationships, and cultural identity, and reveals its real-world manifestations through case studies of representative platforms and industries from both domestic and international contexts. The findings suggest that while the emotional economy significantly contributes to social welfare, industrial innovation, and inclusive development, it also poses a series of risks, including the alienation of emotional labor, privacy breaches, digital divides, algorithmic bias, and challenges in platform governance. The paper concludes by proposing collaborative governance strategies—such as digital literacy education, platform innovation, legal and policy advancement, and multi-stakeholder participation—to promote the healthy and sustainable development of the emotional economy and offer both theoretical insight and practical reference for the shared prosperity of digital society.

Keywords: Emotional Economy; Digital Transformation; Social Structure; Platform Governance; Mental Health; Digital Literacy.

ISSN 2959-6130

1. Introduction

Since the early 21st century, the accelerated integration of digital technologies—such as the internet, artificial intelligence, and big data—has propelled the global socio-economic landscape into a new stage characterized by digitalization and intelligence. Unlike the industrial economy, which centered on material products and functional services, contemporary society increasingly values individual subjective experience, emotional resonance, and psychological needs [1]. Against this backdrop, the emotional economy has emerged as a novel economic phenomenon that not only drives business innovation but also profoundly influences social relations, cultural expression, and governance models. The emotional economy refers to a new form of economic activity driven by emotional experience, resonant interaction, and psychological identification, which facilitates the upgrading of products and services, the restructuring of social relations, and the redistribution of value [2].

The rise of this economic form is largely enabled by the growth of digital platforms and the flourishing of content ecosystems. Representative platforms such as Douyin, Bilibili, and WeChat in China, and YouTube, Instagram, and TikTok in the United States, utilize algorithmic recommendation, social interaction, and content co-creation to enable the efficient dissemination and large-scale monetization of emotional content [3]. Emerging industries such as virtual idols, online psychological counseling, live-streaming e-commerce, and digital companionship have significantly expanded the application scenarios of emotional value and become key forces in the transformation of social structures [4].

Based on this context, the present study systematically reviews the theoretical foundations, structural transformations, and social implications of the emotional economy in the digital era. It offers an in-depth analysis of its influence on mental health, employment patterns, social relationships, and cultural identity, while also evaluating the risks and governance challenges it poses. Through multidimensional case analysis and theoretical synthesis, the study proposes innovative governance pathways to support the sustainable development of the emotional economy. The findings aim to contribute to the advancement of digital economy theory, the optimization of social governance frameworks, and the promotion of inclusive and high-quality development [5].

Methodologically, this research adopts a multi-method approach encompassing literature review, case analysis, cross-national comparison, and policy study. It draws extensively on mainstream academic literature and industry reports from both Chinese and international sources. Using representative cases such as Douyin, Bilibili, YouTube, and BetterHelp, the study systematically analyzes the evolutionary logic, structural changes, and governance trajectories of the emotional economy across diverse cultural, institutional, and technological contexts [6]. Relevant laws, regulations, industry policies, and expert interviews are also integrated to support the connection between theory and practice.

This study is structured into seven main sections: Section 1 introduces the topic, context, and research significance; Section 2 traces the theoretical foundations and historical evolution of the emotional economy; Section 3 examines the structural transformations driven by digital platforms; Section 4 focuses on the emotional economy's impact on social welfare, employment, and cultural identity; Section 5 discusses the associated risks and governance dilemmas; Section 6 presents innovative governance strategies and recommendations for sustainable development; and Section 7 concludes with key findings and future outlooks.

2. Theoretical Foundations and Historical Evolution

2.1 . Fundamental Connotations of the Emotional Economy

The emotional economy refers to a new economic form driven primarily by emotional experience, resonant interaction, and psychological identification. It facilitates product innovation, service enhancement, the restructuring of social relationships, and the redistribution of value [2]. In contrast to traditional economic models that focus primarily on material needs, the emotional economy emphasizes subjective consumer experiences, emotional engagement, and affective connections.

Pine and Gilmore (1999) proposed the theory of the "experience economy", arguing that "experience" represents a higher-order economic stage beyond goods and services. Illouz (2007) further stressed that in the era of digital capitalism, emotions have become embedded in systems of capital accumulation and social control. In recent years, with interdisciplinary integration across psychology, sociology, and communication studies, new concepts such as emotional capital, empathic consumption, and virtual emotion have emerged, enriching the theoretical framework of the emotional economy.

2.2 . Historical Trajectory of the Emotional Economy

The evolution of the emotional economy can be divided into three major stages. The first stage is the traditional service industry phase, represented by sectors such as aviation, hospitality, and catering, which emphasize "emotional labor", that is, the management and expression

of employees' emotions [2]. The second stage is the experience economy phase, wherein industries such as retail, cultural tourism, and entertainment enhance emotional engagement through themed experiences and interactive environments [1]. The third stage marks the digital era, wherein the emotional economy has transformed into a platform-based, socially mediated, AI- and data-driven system. Key features of this phase include emotional content production, user co-creation, virtual identities, algorithmic recommendation, community operation, and cross-platform interaction, which are becoming new growth engines for the digital economy [7].

This transformation is particularly evident in countries such as China, the United States, Japan, and South Korea, where emerging formats such as short videos, live streaming, and virtual healthcare have proliferated, continuously expanding the influence of the emotional economy [4].

3. Structural Transformation of the Emotional Economy Driven by Digital Platforms

3.1 The Empowering Role of Digital Platforms

Digital platforms provide robust technological infrastructure and innovative scenarios for the deepening and expansion of the emotional economy. Short video platforms such as Douyin, Kuaishou, and YouTube leverage intelligent recommendation systems based on deep learning models trained on images, text, videos, and user behavior data to deliver personalized content—often described as "content for each individual"—that closely aligns with users' emotional preferences and social identification circles [8]. On this basis, the explosive growth of user-generated content (UGC) and professionally generated content (PGC) accelerates the production of emotional content and the iterative renewal of popular culture.

Simultaneously, live-streaming platforms, virtual idols, and community forums (e.g., Bilibili, Huya, Twitch) are becoming essential environments for the emotional economy. Through real-time interactions, bullet-screen commentary (danmu), and virtual hosts, users receive instant emotional feedback. Such emotional participation enhances platform stickiness and strengthens the sense of belonging within communities [4].

More significantly, cutting-edge technologies such as multimodal emotion recognition, affective computing, and natural language processing are endowing platforms with the capability to capture and analyze users' emotions in real time, enabling intelligent upgrades in content recommendation and service delivery. Recent studies have shown that fusing multimodal signals—such as voice, facial expressions, and EEG—can substantially improve the emotional responsiveness and user experience of recommendation systems [9]. Moreover, technical investigations conducted in 2025 highlight that multimodal recommendation systems have become an industry trend, with mechanisms such as differential privacy increasingly employed to safeguard the security of users' emotional data [10].

These advancements indicate that personalized content delivery and commercial decision-making based on rich emotional data feedback are gradually becoming core competitive advantages for short video and live-streaming platforms in driving user growth and managing platform ecosystems.

3.2 Digital Accumulation and Circulation of Emotional Capital

Within the digital platform environment, emotional capital has become a central link connecting users, platforms, brands, and society at large. Through sustained storytelling and interactive engagement, brands and key opinion leaders (KOLs) accumulate large communities of loyal followers, thereby enhancing their social influence and market value [11].

Mechanisms such as intellectual property (IP) co-creation, emotional resonance, and virtual identities promote the cross-sectoral circulation and multidimensional monetization of emotional value. The replicability and scalability of emotional content enable emotional capital to spread rapidly and generate resonance across geographical boundaries, thus fostering intercultural interaction and integration on a global scale [12].

3.3 Data-Driven Innovation in Emotional Content

The openness of platform data and the increasing refinement of algorithmic recommendations have laid a solid foundation for innovation in emotional content. Artificial intelligence technologies can automatically recognize multimodal emotional information—including speech, facial expressions, and text—which supports the construction of emotional profiling and stratified user management systems.

Personalized recommendations, customized content delivery, and diverse interactive formats have stimulated ordinary users' enthusiasm for creation and their willingness to engage in self-expression, thereby realizing a full-cycle closed loop of "content—resonance—interaction—monetization". New carriers such as virtual idols, digital humans, and intelligent assistants are continuously enriching the forms of expression and industrial chains of the emotional economy [5].

ISSN 2959-6130

4. Societal Impacts and Structural Transformation of the Emotional Economy

4.1 Innovation and Popularization of Mental Health Services

The emotional economy has facilitated the digital popularization and personalized innovation of mental health services. Online psychological counseling, AI-based mental health assistants, and meditation and emotion management apps—such as BetterHelp, YiXinli, and Calm—have greatly expanded the accessibility and diversity of psychological services [13].

Supported by big data and AI tools, platforms are increasingly capable of early identification, dynamic monitoring, and precise intervention with regard to users' emotional states. In contexts of crisis—such as pandemics and natural disasters—digital mutual-aid communities and virtual companionship services have played a vital role in alleviating social anxiety, loneliness, and stress responses [14].

Moreover, service design on these platforms has increasingly responded to the differentiated psychological needs of diverse populations. Digital platforms provide tailored mental health products for youth, working professionals, and the elderly. While adolescents focus on emotional regulation and cyberbullying prevention, professionals emphasize stress management and psychological resilience, and older adults seek emotional companionship and social connection. Platform-based innovation has enabled more precise, group-specific mental health services.

4.2 Emerging Employment and Optimization of Social Stratification

The emotional economy has significantly diversified employment structures. New occupations—such as content creators, community managers, virtual idol team members, live-streaming hosts, and digital counselors—offer flexible employment and entrepreneurial opportunities for youth, women, and marginalized groups [15].

The widespread adoption of freelancing and platform-based economic models has decentralized traditional labor relations and optimized the employment structure. The digital value chain has stimulated the coordinated development of industries such as content production, brand operations, data analytics, and professional training, thereby promoting the optimization of overall social stratification [16].

Additionally, the emotional economy has integrated with traditional sectors such as education, healthcare, cultural tourism, and philanthropy, fueling innovation and entrepreneurship. Small and medium-sized enterprises (SMEs) have leveraged platform traffic and community resources to lower entrepreneurial barriers, fostering greater flexibility and diversification within the economic structure.

4.3 Reshaping Social Networks and Cultural Identity

Digital spaces such as virtual communities, interest-based groups, and subcultural forums have become key venues for individuals to seek identity, express themselves, and engage in social participation. Marginalized groups—including LGBTQ+ individuals, persons with disabilities, and ethnic minorities—have used digital platforms to enhance visibility, gain support, and promote social inclusion and cultural diversity [12].

Transnational cultural content, disseminated rapidly through digital platforms, enables emotional resonance and cultural interaction on a global scale. This has reshaped both the structure of social networks and the formation of cultural identity [3].

4.4 Social Resilience in Crisis Response

During major public crises, the digital emotional economy has strengthened societal resilience through psychological mutual support, information dissemination, and virtual companionship. These elements have enhanced emergency responsiveness, emotional adaptability, public health outcomes, and social cohesion overall [17].

5. Risks, Challenges, and Governance Dilemmas

5.1 Alienation of Emotional Labor and Mental Health Concerns

While the emotional economy has unleashed significant socio-economic vitality and innovation, it has also exposed emerging issues such as the alienation of emotional labor and growing mental health risks. Content creators, streamers, and virtual idol teams are often subjected to prolonged emotional output, traffic pressures, and public exposure, which may lead to emotional exhaustion, personality fragmentation, anxiety, and depression [18].

Some platforms, driven by algorithmic incentives and traffic-based revenue models, promote "emotional performance" and "anxiety induction", trapping both workers and users in a vicious cycle of constantly pursuing emotional stimulation and extreme experiences. The fragmentation between virtual identity and the authentic self further exacerbates cognitive dissonance and psychological vulnerability for certain user groups [11].

As "emotional monetization" becomes the dominant narrative in content production, the space for authentic

emotional expression is increasingly constrained. Users are often encouraged to prioritize performativity over authenticity, which is detrimental to the development of a healthy content ecosystem. Over time, such distorted expression may contribute to identity confusion and erode social trust.

5.2 Privacy Security and Data Ethics Risks

The collection, analysis, and utilization of users' emotional data by platforms pose serious risks, including privacy breaches, data misuse, and surveillance expansion. While affective computing and emotional AI can enhance personalized services, they simultaneously increase the likelihood of sensitive data exposure and leakage [19].

Some platforms have been found to excessively or even illegally collect and sell users' psychological data for commercial targeting, opinion manipulation, or precision advertising. These practices not only infringe upon users' rights but also undermine the credibility of the digital economy. The opacity of algorithmic decision-making—commonly referred to as the "black box" problem—further intensifies users' distrust and anxieties about data security [20].

Algorithmic recommendation systems often reinforce existing user preferences, resulting in "information cocoons". Although the emotional economy exhibits a trend of mass participation in the digital era, pronounced digital divides persist in reality. Factors such as urban-rural disparities, age, gender, and income continue to shape unequal access to devices, digital literacy, and platform usage. Marginalized groups—such as rural populations, the elderly, and low-income individuals—tend to have lower participation and benefit levels in the emotional economy, limiting their ability to share in the dividends of digital development [21].

Under the influence of platform algorithms, many vulnerable groups and marginalized topics lack sufficient algorithmic support or visibility, leading to systemic marginalization and a shrinking of public discourse space. Algorithmic bias is also evident across dimensions such as gender, age, and geography, further impeding efforts to construct a fair and inclusive digital environment [22].

Moreover, disadvantaged groups often lack effective channels for expression and social support on digital platforms. As a result, they are frequently ignored or excluded by mainstream content and communities, exacerbating societal polarization and cultural fragmentation. These structural marginalization risks demand urgent attention from both policymakers and platform governance institutions.

5.3 Platform Governance and Policy Lag

The governance frameworks and policy mechanisms surrounding the emotional economy remain underdeveloped, with existing legal and regulatory systems lacking foresight and adaptability. Critical areas such as the protection of emotional labor rights, data privacy, platform accountability, mental health services, and virtual identity management are in urgent need of legislative innovation and regulatory oversight.

International regulatory divergence is also pronounced, with weak platform self-regulation and inadequate social oversight mechanisms. Industry standards are fragmented, and the overall effectiveness of governance remains limited [23].

The rise of transnational platforms and cross-border data flows has further complicated global governance efforts. National differences in data sovereignty, privacy protection, and algorithmic ethics have led to policy friction and conflicting interests. A coherent global consensus and cooperative governance mechanism for the emotional economy are still in the process of formation.

6. Innovative Governance Pathways and Recommendations for Sustainable Development

6.1 Digital Literacy and Emotional Education Promotion

Digital literacy and emotional education form the foundational pillars for the sustainable development of the emotional economy. Governments, schools, communities, and platforms should collaboratively promote the dissemination of digital competencies and mental health knowledge to enhance citizens' risk awareness and self-protection abilities.

Efforts should be made to strengthen emotional education and digital literacy curricula for adolescents, implement digital skills training programs for the elderly, and provide emotional support and psychological care for special-needs populations. Through whole-society collaboration, users' capacity for rational participation and healthy expression can be improved, thereby curbing the spread of negative emotions and online violence.

6.2 Platform Accountability and Industry Self-Regulation

Platform enterprises should actively assume social responsibility by improving mechanisms for protecting emotional labor rights, ensuring data security, and supporting users' mental health.

Industry associations may formulate unified standards and codes of conduct to guide content ecosystem management, user privacy protection, and data compliance governance. The establishment of independent third-party oversight

ISSN 2959-6130

and robust social supervision mechanisms—alongside accessible user complaint and feedback channels—can enhance governance transparency and public trust in platforms.

6.3 Legal and Policy Improvements with Multi-Stakeholder Governance

Legislative efforts related to the emotional economy should be accelerated to clarify rights and responsibilities in areas such as emotional labor, data security, mental health services, and virtual identity. Cross-departmental, cross-industry, and cross-sector governance models should be developed to enable collaborative governance among governments, platforms, civil society, and industry stakeholders.

Civil organizations and domain experts should be encouraged to participate in platform governance and social supervision, promoting philanthropic initiatives, psychological assistance programs, and digital public service innovation to build an inclusive, healthy, and equitable digital emotional economy ecosystem.

6.4 International Cooperation and a New Global Governance Landscape

Countries should proactively participate in international negotiations on data governance, platform regulation, and algorithmic ethics. Drawing from international experiences—such as the European Union's General Data Protection Regulation (GDPR)—collaborative communication with international organizations and leading platforms should be strengthened to promote standardization in areas such as data flows, algorithmic transparency, and privacy protection.

It is also vital to reinforce exchanges and cooperation among Chinese and international platforms, industry associations, and research institutions to jointly address the governance challenges posed by the emotional economy amid accelerating global digitalization, and to contribute to the shared prosperity of the global digital society.

6.5 Technological Innovation with Ethical Guidance

The development of cutting-edge technologies—such as artificial intelligence, affective computing, and blockchain—should be vigorously pursued to enhance the intelligence and security of services within the emotional economy.

At the same time, the construction of robust technological ethics frameworks is essential. Ethical review mechanisms for emotional AI should be established, and the use of virtual identities and emotional data must be regulated to uphold principles of human-centered design, rights protection, and inclusive innovation. Promoting technological advancement in parallel with ethical governance is key to preventing emerging social risks stemming from technology misuse.

6.6 Localized Practice Innovation and Theoretical Exploration

Chinese digital platforms should be encouraged to pursue diverse innovations in emotional economy development, platform governance, and the construction of inclusive digital environments. Interdisciplinary research in universities and academic institutions should be supported, particularly in the areas of emotional value quantification and big data analytics, to provide scientific foundations for policymaking and industry innovation.

Efforts should be made to promote comparative case studies, synthesize international governance experiences, and disseminate the "Chinese model" of digital governance. Such initiatives will help enhance China's academic influence globally and strengthen its soft power in the field of digital governance [24].

7. Conclusion

In the digital era, the emotional economy is profoundly reshaping global social structures, industrial configurations, and cultural ecosystems. With its substantial potential for innovation, social contribution, and inclusive development, the emotional economy has significantly enhanced societal well-being, expanded the provision of mental health services, increased labor market flexibility, and fostered greater social inclusivity. However, emerging challenges—such as emotional labor alienation, privacy insecurity, algorithmic bias, digital divides, and insufficient platform governance—demand urgent and sustained attention.

Only through comprehensive efforts—encompassing the promotion of digital literacy, the fulfillment of platform responsibilities, legal and policy innovation, and international collaborative governance—can the emotional economy become a sustained driving force for high-quality development and shared prosperity in the digital society.

It is worth noting that although this study offers systematic recommendations based on theoretical synthesis and case analysis, certain limitations remain. Future research could further pursue empirical studies within local contexts, cross-national comparisons of platform governance, quantitative measurement of emotional value, and evaluations of algorithmic ethical impacts. In particular, the deep integration of artificial intelligence and the emotional economy, the social implications of virtual emotions and the metaverse, and governance innovations across different sociocultural contexts all warrant in-depth exploration.

These areas promise to provide lasting momentum and academic support for the theoretical development of the emotional economy and the governance of the digital society.

References

[1] B.J. Pine, J.H. Gilmore, The Experience Economy: Work Is Theater & Every Business a Stage, Harvard Business School Press, Boston, 1999.

[2] A.R. Hochschild, The Managed Heart: Commercialization of Human Feeling, University of California Press, Berkeley, CA, 1983.

[3] W.Y. Wang, R. Lobato, Chinese video streaming services in the context of global platform studies, Chinese Journal of Communication 12 (2019) 356-371. DOI:10.1080/17544750.2019.1584119.

[4] D.Y. Jin, Digital Platforms, Imperialism and Political Culture, Routledge, New York, 2015. DOI:10.4324/9781315717128.

[5] A. McStay, Emotional AI: The Rise of Empathic Media, SAGE Publications, London, 2018.

[6] L. Reinecke, M. Oliver, eds., The Routledge Handbook of Media Use and Well-Being, Routledge, New York, 2016. DOI:10.4324/9781315714752.

[7] Statista, Digital Media & Entertainment Report, Statista, 2023. Information on: https://www.statista.com/outlook/dmo/digital-media (accessed on 2025-08-07).

[8] N. Srnicek, Platform Capitalism, Polity Press, Cambridge, 2016.

[9] K.M. Nguyen, N.T.K. Nguyen, P.B. Cao, L.T. Vo, T.T.T. Kieu, Understanding AI-based content recommendation experience perceptions on short-video platforms and enhancing customer engagement: the mediation of empathy and self-congruence, International Journal of Human–Computer Interaction (2024). DOI:10.1080/10447318.2024.2440633.

[10] Y. Wang, W. Song, W. Tao, A. Liotta, D. Yang, X. Li, S. Gao, Y. Sun, W. Ge, W. Zhang, W. Zhang, A systematic review on affective computing: emotion models, databases, and recent advances, Information Fusion 83-84 (2022) 19-52. DOI:10.1016/j.inffus.2022.03.009.

[11] C. Feng, Y. Zhang, C. Zhang, Generate the browsing process for short-video recommendation, arXiv:2504.08771, 2025.

[12] H. Yang, L. Fu, Q. Lu, Y. Fan, T. Zhang, R. Wang, Research on the design of a short-video recommendation system based on multimodal information and differential privacy, arXiv:2504.08751, 2025.

[13] L.-Q. Yang, R. Cropanzano, C.S. Daus, V. Martínez-Tur, eds., The Cambridge Handbook of Workplace Affect, Cambridge University Press, Cambridge, 2020.

[14] N. Koutsouleris, T.U. Hauser, V. Skvortsova, M. De Choudhury, From promise to practice: towards the realisation of AI-informed mental health care, The Lancet Digital Health 4 (2022) e829-e840. DOI:10.1016/S2589-7500(22)00153-4.

[15] World Health Organization, World Mental Health Report: Transforming Mental Health for All, WHO, Geneva, 2022. Information on: https://www.who.int/publications/i/item/9789240049338.

[16] N.K. Baym, Playing to the Crowd: Musicians, Audiences, and the Intimate Work of Connection, NYU Press, New York, 2018.

[17] S. Turkle, Alone Together: Why We Expect More from Technology and Less from Each Other, Basic Books, New York, 2011.

[18] E. Illouz, Cold Intimacies: The Making of Emotional Capitalism, Polity Press, Cambridge, 2007.

[19] UNESCO, Readiness Assessment Methodology for the Implementation of the UNESCO Recommendation on the Ethics of Artificial Intelligence, UNESCO, Paris, 2023. Information on: https://unesdoc.unesco.org/ark:/48223/pf0000385149 (accessed on 2025-08-08).

[20] M. Andrejevic, Automated Media, Routledge, London/New York, 2020.

[21] GSMA, The Mobile Economy 2022, GSMA, London, 2022. Information on: https://www.gsma.com/mobileeconomy.

[22] OECD, OECD Digital Economy Outlook 2024, OECD Publishing, Paris, 2024. Information on: https://www.oecd.org/publications/oecd-digital-economy-outlook-2024-dfe9c7cd-en.htm.

[23] S. Zuboff, The Age of Surveillance Capitalism, PublicAffairs, New York, 2019.

[24] World Economic Forum. Edison Alliance: 1 billion Lives Challenge. Geneva: WEF, 2021.