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Language as Economic Power: A Review of its Role in Global Business, International Relations and Public Policy

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ABSTRACT

Language as a means of communication operates as an economic resource, an organizational capability, a policy instrument, and a medium of international power. This study synthesizes 65 peer-reviewed studies published between 1990 and 2026 across multinational business, trade and labor economics, language policy, international relations and multilingual marketing. The study made use of thematic stratification in comparing how linguistic competence, distance, hierarchy and institutional regulation shape cross-border exchange. Evidence from multinational enterprises shows that common corporate languages can accelerate coordination while redistributing status, trust, participation and access to knowledge. Economic research links shared language and translation capacity to trade intensity, market entry, migrant earnings, language acquisition and development. Policy studies also reveal that official language regimes allocate public resources and political recognition, with multilingual arrangements producing uneven access to institutions. International relations scholarship identifies rhetoric, discourse and sociolinguistic representation as mechanisms through which security communities, diplomatic attractions and legitimate identities are formed. Marketing research finds that code-switching and language congruity influence persuasion, emotional intensity, and perceptions of multinational and local brands as well. Across synthesized studies, language reduces transaction costs while creating distributive effects that conventional efficiency measures often conceal. Moreover, the synthesis further advances a multilevel framework in which linguistic capital affects individual mobility, organizational governance, market integration and geopolitical authority. It identifies digital language management, virtual work, procurement design and fairness in multilingual institutions as priorities for future research and policy evaluation across diverse contemporary regional and sectoral settings worldwide.

INTRODUCTION

Language has become a productive asset within cross-border organizations because it is known to govern who can transmit knowledge, interpret strategic intent and participate in decisions. The multinational enterprise is better represented as a multilingual community than as a neutral network of subsidiaries: linguistic repertoires shape organizational boundaries, informal authority and the practical reach of headquarters control (Luo & Shenkar, 2006). Common-language mandates can simplify formal reporting while creating shadow structures in which fluent speakers become brokers and less fluent specialists lose access to influential exchanges (Marschan-Piekkari *et al.,* 1999a, 1999b). Language thus enters the production function through coordination quality, cognitive effort, trust and the speed of knowledge circulation rather than through communication costs alone (Brannen *et al.,* 2014; Welch & Welch, 2008). Recent evidence on language-based discrimination across physical and virtual workplaces shows that digitization changes the venue of linguistic inequality without removing its status effects (Back & Piekkari, 2024).

The economic implication of language also appears in trade and labor markets. It can be relatable that shared linguistic infrastructure lowers search, contracting and enforcement costs, while translation and second-language proficiency expand the set of feasible commercial relationships (Melitz, 2008; Melitz & Toubal, 2014). More so, meta-analytic evidence confirms a positive language effect in bilateral trade, although its size varies with measurement choices and the distinction between native, spoken and translated communication (Egger & Lassmann, 2012). On one hand, English language functions as a trade-facilitating lingua franca in many settings, yet other common languages create commercially valuable networks with distinct regional histories (Ku & Zussman, 2010; Xia & Zhou, 2024). Procurement research makes the distributional mechanism visible:

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documentation rules can restrict foreign entry even when the underlying products remain tradable, converting language design into a competition instrument (Deltas & Evenett, 2020). Language proficiency also affects immigrant earnings and occupational mobility, linking international exchange to the accumulation and valuation of linguistic human capital (Bleakley & Chin, 2004; Dustmann & Fabbri, 2003).

Public policy determines which linguistic capabilities receive institutional value. Official-language rules allocate access to schooling, parliamentary deliberation, public services and administrative voice, making language policy a distributive institution rather than a cultural supplement (Pool, 1991; Laitin & Ramachandran, 2016). European multilingualism illustrates the conflict between communicative efficiency and political fairness: reducing the number of working languages saves resources but shifts learning costs and democratic advantage toward selected populations (Gazzola, 2006, 2016). Linguistic globalization adds a vertical dimension because the growth of a dominant lingua franca can widen opportunity while concentrating symbolic and economic returns among speakers positioned closest to that language (van Parijs, 2000, 2004). Policy discourse also carries substantive effects. Negotiation over terms such as gender equality changes the range of meanings that survive intergovernmental bargaining and English-as-a-lingua-franca narratives influence higher-education and research priorities (de Silva, 2026; Junnier, 2024).

International relations provide concepts for explaining how language becomes power. Political rhetoric can constrain opponents by making some responses legitimate and others costly, while discourse defines the subjects, threats and identities that foreign policy can recognize (Krebs & Jackson, 2007; Milliken, 1999). Sociolinguistic representation complicates the distinction between hard and soft power because attraction is produced through narratives that authorize particular social relations (Mattern, 2005). Public diplomacy converts such representational capacity into reputational influence, yet its effects depend on credibility and audience interpretation rather than message transmission alone (Nye, 2008). Language also structures everyday security practice and the recognition of marginalized voices, including silences embedded in dominant analytical vocabularies (Fierke, 2002; Hansen, 2000; Pouliot, 2008). At the market interface, multilingual advertising activates identity and emotion, indicating that the language of exchange influences demand as well as the institutional conditions of supply (Krishna & Ahluwalia, 2008; Piller, 2001). Thus, this review study seeks to understand the role of language as an economic power in global business, international relations and public policy.

LITERATURE REVIEW

Language in Multinational Business and Organizations

Multinational firms manage language through corporate mandates, translation routines, recruitment, expatriation and informal brokerage. A common corporate language can create procedural consistency, yet headquarters-subsidiary relations remain vulnerable to information loss, delayed feedback and avoidance when participants cannot negotiate meaning with comparable fluency (Harzing & Feely, 2008; Harzing *et al.,* 2011). Multilingual organization research identifies parallel formal and informal communication networks, with bilingual employees bridging units and accumulating relational leverage (Fredriksson *et al.,* 2006; Marschan-Piekkari *et al.,* 1999b). Knowledge transfer depends on more than vocabulary: socialization, contextual interpretation and trust determine whether codified information becomes usable local knowledge (Barner-Rasmussen & Björkman, 2007; Welch & Welch, 2008). Translation-oriented strategies widen the analytical focus from selecting one corporate language to designing interfaces among professional registers, local meanings and organizational purposes (Janssens *et al.,* 2004). Workplace language management also reorganizes everyday interaction, creating inclusion in some encounters and social separation in others (Tange & Lauring, 2009).

Language proficiency produces status effects that cannot be reduced to technical competence. Employees who are less fluent in the mandated language may lose perceived expertise, while native or highly fluent speakers gain authority unrelated to job performance (Neeley, 2013; Neeley & Dumas, 2016; Śliwa & Johansson, 2014). Language-sensitive recruitment can improve knowledge inflows but can also narrow the expertise pool and reproduce linguistic homophily (Peltokorpi & Vaara, 2014; Reiche *et al.,* 2015). Multinational teams face additional cognitive load and slower mutual-model formation, which weakens trust and knowledge processing when linguistic asymmetries remain unacknowledged (Tenzer *et al.,* 2014, 2021; Volk *et al.,* 2014). Discursive practices position English differently across units, making the corporate language a negotiated organizational landscape rather than a stable rule (Steyaert *et al.,* 2011). Management-team diversity and business-lingua-franca communication can broaden problem framing, but their value depends on interactional practices that permit clarification and dissent (Henderson, 2005; Hodges & Seawright, 2023). Research on virtual discrimination and digital language management places platform design, automated translation and channel choice inside the governance of multilingual firms (Back & Piekkari, 2024; Lauring *et al.,* 2025).

Trade, Migration and Labor-Market Economics

Economic studies treat language as infrastructure for exchange. Shared languages raise bilateral trade by reducing the costs of discovering partners, evaluating quality, negotiating contracts and resolving disputes (Hutchinson, 2002; Lohmann, 2011; Melitz, 2008). Separating native language, spoken proficiency and translation reveals multiple channels: historical linguistic ties support trust, contemporary competence enables direct interaction and translation services substitute for some forms of common speech (Melitz & Toubal, 2014). The aggregate effect remains positive across empirical designs, while effect sizes vary with linguistic measures and model specification (Egger & Lassmann, 2012). Foreign-language learning responds to expected trade opportunities, producing a reciprocal relation in which commerce changes language investment and language investment expands commerce (Fidrmuc & Fidrmuc, 2016; Ginsburgh *et al.,* 2017). English contributes to international exchange as a lingua franca, but evidence from Korean-language networks shows that trade facilitation is not exclusive to English (Ku & Zussman, 2010; Xia & Zhou, 2024). Public procurement demonstrates a sharper gatekeeping effect because foreign-language documentation can alter entry and competition before price or quality is assessed (Deltas & Evenett, 2020).

Labor-market research locates linguistic capital at the intersection of migration, education and earnings. Destination-language proficiency predicts employment quality and wages, although exposure, age at arrival, education and self-selection complicate causal interpretation (Dustmann & Fabbri, 2003; Hayfron, 2001; Rivera-Batiz, 1990). Childhood-arrival designs strengthen causal inference by using age-sensitive language acquisition to estimate returns to fluency (Bleakley & Chin, 2004). Linguistic distance affects the cost and speed of acquiring a destination language, with consequences for regional location, occupational matching and long-run integration (Beenstock *et al.,* 2001; Isphording & Otten, 2013, 2014). At the macro level, greater distance from economically central languages can restrict knowledge diffusion and cross-border coordination, while multilingual capability can soften those constraints (Nakagawa & Sugasawa, 2022). Mandarin proficiency in China has measurable labor-market value, extending the human-capital account beyond immigrant adaptation in Anglophone settings (Xu & Liu, 2023). These findings position language education, translation access and credential recognition as economic institutions that influence who can convert skill into income.

Language Policy and Political Economy

Language policy distributes capabilities through decisions about official status, schooling, administrative communication and translation. A single official language may lower recurrent state costs, yet it can exclude citizens whose linguistic capital was formed outside the dominant system (Pool, 1991). Cross-national evidence links language-policy design to human development by showing how access to instruction and public institutions affects welfare across linguistic groups (Laitin & Ramachandran, 2016). Education policy also shapes identity: exposure to a regional language can alter political attachment and the demand for culturally aligned institutions (Clots-Figueras & Masella, 2013). Economic models of language learning clarify the coordination problem. Individuals invest in languages with larger than expected communication networks, while those private choices can reinforce unequal linguistic equilibria (Ginsburgh *et al.,* 2007). Linguistic globalization expands into a shared communicative floor but assigns unequal learning burdens and symbolic returns across populations (van Parijs, 2000).

The European Union concentrates on these tensions because multilingual legitimacy coexists with pressure for administrative speed. Policy evaluation shows that a limited working-language regime can reduce operating costs while transferring participation costs to citizens and representatives outside the selected languages (Gazzola, 2006). Fairness analysis reveals that formal availability of translation does not guarantee equal access when information, consultation and response channels vary across languages (Gazzola, 2016). Europe's linguistic challenge is thus both redistributive and constitutional: language choices affect mobility, solidarity and the perceived neutrality of supranational institutions (van Parijs, 2004). Recent higher-education policy increasingly frames English as a lingua franca, influencing research internationalization and the institutional valuation of other languages (Junnier, 2024). Council bargaining shows that multilingual policymaking also changes substantive meaning; negotiated wording can narrow or expand the interpretation of gender equality across member states (de Silva, 2026). Policy assessment requires distributional indicators alongside aggregate measures of communicative efficiency.

International Relations, Discourse and Public Diplomacy

International relations scholarship treats language as constitutive of political reality rather than a transparent vehicle for prior interests. Discourse defines categories of actor, threat, responsibility and legitimate action, making linguistic analysis central to the explanation of foreign policy (Milliken, 1999). Rhetorical coercion operates when public arguments trap opponents within commitments they cannot reject without reputational cost (Krebs & Jackson, 2007). Practice theory adds that diplomatic competence is embodied in situated language use, background knowledge and recognizable performances of membership (Pouliot, 2008). The boundary between persuasion and coercion becomes unstable when representational force constructs the identities and desires through which attraction works (Mattern, 2005). Public diplomacy gains influence from this process, but soft power remains contingent on audience reception, credibility and competing narratives (Nye, 2008).

Language also governs recognition and silence. Conceptual vocabularies connect communities across political divides, yet different logics can make apparently shared terms carry incompatible meanings (Fierke, 2002). Security discourse can exclude gendered experiences when dominant frameworks lack categories for forms of insecurity that do not fit established speech acts (Hansen, 2000). These arguments intersect with multilingual policy:

institutional language choices determine whose claims can enter diplomatic and supranational deliberation and which formulations become authoritative (Gazzola, 2016; van Parijs, 2004). English-as-a-lingua-franca policy narratives influence the epistemic geography of European research, while language bargaining in the Council reveals meaning negotiation inside formal diplomacy (Junnier, 2024; de Silva, 2026). The economic stakes remain visible because recognized vocabularies structure sanctions, standards, procurement, investment narratives and the reputational conditions of market access (Deltas & Evenett, 2020; Melitz, 2008).

Multilingual Marketing and Consumer Behavior

Multilingual marketing demonstrates that language choice changes how commercial messages are processed. Code-switching can attract attention and signal cultural membership, but its persuasive value depends on switching direction, message context and the consumer's linguistic expectations (Luna & Peracchio, 2005). Language-congruent digital messages improve persuasion when the linguistic code fits the activated cultural frame (Luna *et al.,* 2003). Foreign and local firms face asymmetric outcomes because consumers interpret a language choice as evidence about brand origin, authenticity and intended audience (Krishna & Ahluwalia, 2008). Advertising language also changes emotional intensity; messages processed in a first language may produce stronger affective responses than equivalent second-language messages (Puntoni *et al.,* 2009). Multilingual advertisements construct identities by combining symbolic associations with market segmentation, making linguistic form part of the product's social meaning (Piller, 2001).

These consumer effects connect to organizational and policy conditions upstream. A brand's external language strategy depends on the multilingual capabilities, translation routines and status relations inside the firm (Janssens *et al.,* 2004; Steyaert *et al.,* 2011). Business-lingua-franca practices used by technical employees can influence whether product knowledge reaches marketers without conceptual loss (Hodges & Seawright, 2023). Language-based discrimination may also narrow whose cultural knowledge informs campaigns, especially when virtual communication amplifies accent and fluency judgments (Back & Piekkari, 2024; Śliwa & Johansson, 2014). International market performance thus depends on alignment among corporate language governance, consumer identity and local linguistic institutions. The same language can lower coordination costs within a multinational while weakening perceived authenticity in a local market, creating a strategic trade-off between standardization and resonance (Harzing *et al.,* 2011; Krishna & Ahluwalia, 2008).

MATERIALS AND METHODS

This study used a structured integrative review to examine how language produces economic and political effects across international business, economics, public policy, international relations and marketing. The corpus comprised 65 peer-reviewed journal articles published between 1990 - 2026. Studies were retained when they provided direct conceptual or empirical evidence on language as a resource, constraint, institution, or source of power; records without a resolvable DOI or direct relevance were excluded. Because the studies used heterogeneous units, designs and outcomes, statistical aggregation was not appropriate. Each article was coded for the linguistic resource examined, causal or interpretive mechanism, level of operation, reported outcome and distributive implication. Cross-study comparison identified five recurring mechanisms: transaction-cost reduction, gatekeeping, status allocation, identity construction and institutional standardization. The resulting synthesis compares patterns across five domains rather than treating unlike effect measures as directly equivalent.

RESULTS AND DISCUSSION

Corpus Profile and Cross-Domain Patterning

The 65-study corpus was concentrated in multinational business and organizations (24 studies) and trade, migration and labor economics (19 studies). Together, these domains accounted for 43 studies (66.2%), indicating that the strongest empirical base concerns workplace coordination, knowledge transfer, trade frictions and labor-market returns. Language policy and political economy contributed 10 studies, international relations and public diplomacy seven and multilingual marketing five. The smaller bodies of evidence in diplomacy and consumer behavior limit broad causal generalization, but they extend the analysis by showing how language shapes legitimacy, identity and persuasion as well as measurable exchange costs.

Table 1: Thematic Distribution of the 65 Articles in the Review

Domain	n	Share (%)	Main analytical coverage
Multinational business and organizations	24	36.9	Corporate-language policy, teams, knowledge transfer, virtual work and language-based status
Trade, migration and labor economics	19	29.2	Trade costs, linguistic distance, migration, earnings, procurement and proficiency
Language policy and political economy	10	15.4	Official-language regimes, institutional access, multilingual fairness, education and negotiation

International relations and public diplomacy	7	10.8	Discourse, rhetorical power, identity construction, diplomatic practice and soft power
Multilingual marketing and consumer behavior	5	7.7	Code-switching, congruity, emotional response, brand identity and persuasion
Total	65	100.0	

Mechanisms Linking Language to Economic and Political Power

Comparative coding identified five mechanisms through which language produces economic and political power: transaction-cost reduction, gatekeeping, status allocation, identity construction and institutional standardization. These mechanisms often operate simultaneously; a common-language policy may improve coordination while redistributing participation and authority within the same institution (Marschan-Piekkari *et al.,* 1999b; Neeley, 2013). First, language reduces transaction costs by facilitating partner identification, negotiation, contracting, dispute resolution and knowledge transfer. Shared linguistic capacity is positively associated with bilateral trade, while translation and spoken proficiency provide distinct channels for overcoming communication barriers (Melitz, 2008; Melitz & Toubal, 2014). Within multinational firms, language competence also affects whether knowledge can be interpreted and transferred across organizational units (Welch & Welch, 2008). Linguistic capability therefore creates economic value by lowering the cost and uncertainty of cross-border coordination.

Second, language operates as a gatekeeping mechanism. Corporate-language requirements regulate access to meetings, professional networks and knowledge flows, allowing fluent employees to become communication brokers while marginalizing less fluent colleagues (Marschan-Piekkari *et al.,* 1999b). Language-sensitive recruitment similarly affects who enters organizational knowledge networks and whose expertise becomes available to the firm (Peltokorpi & Vaara, 2014). In public procurement, mandatory documentation languages can restrict foreign participation before suppliers are evaluated on price or quality (Deltas & Evenett, 2020). Language rules thus shape economic competition by determining who can participate in the first place.

Third, linguistic proficiency allocates status and material opportunity. Employees' fluency can influence perceptions of competence and authority independently of their technical performance (Neeley, 2013; Śliwa & Johansson, 2014). Corporate-language mandates may consequently produce unearned status gains for fluent speakers and status loss for less fluent employees (Neeley & Dumas, 2016). Comparable effects appear in labor markets, where destination-language or Mandarin proficiency is associated with higher earnings and improved occupational outcomes (Bleakley & Chin, 2004; Xu & Liu, 2023). Linguistic capital therefore becomes economic power when institutions convert proficiency into recognition, income and decision-making authority.

Fourth, language constructs identities and legitimizes interpretations. Political rhetoric can constrain opponents by defining which positions are publicly defensible, while representational practices shape perceptions of legitimate actors, threats and political responses (Krebs & Jackson, 2007; Mattern, 2005). In consumer markets, language choice and code-switching influence brand authenticity, cultural identification, emotional intensity and persuasion (Krishna & Ahluwalia, 2008; Luna & Peracchio, 2005; Piller, 2001; Puntoni *et al.,* 2009). Language therefore exercises power by shaping how political and commercial actors are interpreted, not merely by transmitting information about them.

Fifth, institutional standardization distributes the costs and benefits of communication. Official- and working-language regimes can reduce administrative complexity but transfer learning, translation and participation costs to speakers outside the selected languages (Gazzola, 2006; Pool, 1991). Formal multilingualism does not necessarily ensure equal access when information and institutional procedures remain unevenly available across languages (Gazzola, 2016). Language selection can also affect policy meaning because negotiated terms may acquire different interpretations during multilingual bargaining (de Silva, 2026). Institutional language choices consequently determine whose linguistic resources receive recognition and whose voice can effectively enter administrative and political processes (van Parijs, 2004). Thus, these findings show that language creates power through both coordination and distribution. The same language regime may reduce communication costs while

Table 2: Cross-domain mechanisms linking language to economic and political power

Mechanism	Primary arena	Main evidence	Policy or management relevance	Sources
Transaction-cost reduction	Trade & coordination	Shared language & translation reduce search, contracting & transfer frictions.	Evaluate language services as productive infrastructure.	Melitz (2008); Melitz & Toubal (2014); Welch & Welch (2008); Xia & Zhou (2024)

Gatekeeping	Organizations & markets	Language rules regulate entry to teams, procurement & influential communication networks.	Audit documentation, recruitment & promotion for linguistic exclusion.	Marschan-Piekkari *et al.* (1999b); Peltokorpi & Vaara (2014); Deltas & Evenett (2020)
Status allocation	Work & institutions	Fluency affects perceived expertise, authority, earnings & participation.	Separate role competence from accent or lingua-franca fluency.	Neeley (2013); Bleakley & Chin (2004); Back & Piekkari (2024); Xu & Liu (2023)
Identity construction	Diplomacy & marketing	Rhetoric & code choice define credible actors, audiences, threats & brands.	Test audience interpretation rather than message exposure alone.	Krebs & Jackson (2007); Mattern (2005); Piller (2001); Krishna & Ahluwalia (2008)
Institutional standardization	Public policy	Official & working languages distribute learning costs, voice & access to remedies.	Pair efficiency indicators with distributional measures.	Pool (1991); Gazzola (2016); van Parijs (2004); de Silva (2026)

restricting entry, reallocating status, privileging particular interpretations and shifting institutional burdens to less powerful speakers. Table 2 summarizes these cross-domain mechanisms and their principal economic and political consequences.

Efficiency, Distribution and Institutional Design

Across individual, organizational, market and institutional levels, the evidence reveals a persistent separation between coordination gains and distributive effects. At the individual level, linguistic proficiency functions as human capital that influences earnings, professional status and mobility. Within organizations, it structures access to knowledge, participation in decisions and informal authority. In markets, shared language and translation capacity lower information, negotiation and contracting costs. At the institutional level, official and working-language policies determine access to public services and political participation (Bleakley & Chin, 2004; Gazzola, 2016; Laitin & Ramachandran, 2016; Melitz & Toubal, 2014; Neeley, 2013). A corporate language mandate may therefore improve reporting while excluding less fluent specialists, just as a restricted public-language regime may lower administrative expenditure while transferring learning and participation costs to minority-language communities (Marschan-Piekkari *et al.,* 1999a; Neeley & Dumas, 2016; Pool, 1991; van Parijs, 2000).

The effects of language are mediated by trust, cognition, identity, translation, perceived competence and institutional recognition rather than by linguistic difference alone. Research on multinational team's links asymmetry to weaker trust and constrained knowledge processing, while consumer studies show that code-switching affects cultural identification, emotion and interpretation (Piller, 2001; Puntoni *et al.,* 2009; Tenzer *et al.,* 2014, 2021). Trade research emphasizes information acquisition and contract formation, whereas international-relations research demonstrates how rhetoric and discourse define legitimate actors and acceptable policy responses (Egger & Lassmann, 2012; Krebs & Jackson, 2007; Mattern, 2005).

Digital and Geographic Frontiers

Recent studies extend these debates into virtual workplaces, automated communication, public procurement and multilingual policy institutions. Digital environments can reproduce language-based discrimination through accent judgments, response patterns and unequal participation, while automated translation may change the influence of bilingual employees and informal brokers. Procurement documentation can create entry barriers before price or quality is assessed (Back & Piekkari, 2024; Deltas & Evenett, 2020; Lauring *et al.,* 2025). Evidence on Korean-language trade, Mandarin proficiency and cross-national linguistic distance also broadens the literature beyond an English-centered account of linguistic capital (Nakagawa & Sugasawa, 2022; Xia & Zhou, 2024; Xu & Liu, 2023). Future evaluation should therefore examine translation error, bargaining influence, participation, data control and access to remedies, as well as the aggregate speed or cost of communication.

CONCLUSION

The findings of this review have shown that language could become economic power when it governs access to information, work, markets, institutions and legitimate political voice. This is because, across the five research domains, power operates through transaction-cost reduction, gatekeeping, status allocation, identity construction and institutional standardization. The central finding of the research is therefore conditional: a language regime that improves aggregate coordination can simultaneously intensify inequality by shifting learning costs, participation burdens and recognition toward less powerful speakers. Language policy and language management should further be consequently evaluated on two separate dimensions i.e on efficiency and distribution rather than assuming that easier communication produces fairer outcomes. For business leaders, this means treating corporate-language mandates, recruitment, translation and digital-platform design as governance choices rather than neutral operating procedures. For public institutions, it means measuring participation, error exposure, service access and remedial capacity alongside administrative cost. Furthermore, the research is limited by methodological heterogeneity and uneven evidence across the selected five domains, which also restrict direct comparison of effect sizes. Future research should test how machine translation and virtual work redistribute brokerage, authority and risk; compare language regimes across regions and sectors; and develop indicators that capture both the productivity gains and the distributive consequences of multilingual institutional design.

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