How Should We Measure the Digital Economy?

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Suppose we make you an offer

- In 2018, Americans spent an average of 6.3 hours a day on digital media—not just Google and Wikipedia but social networks, online courses, maps, messaging, videoconferencing, music, smartphone apps, and more
- Digital media consumes a large and growing share of our waking lives, but these goods and services go largely uncounted in official measures of economic activity such as GDP and productivity.
- **The reason the value of digital offerings is underrepresented is that GDP is based on what people *pay* for goods and services.

What GDP Doesn’t Measure

- GDP is often used as a scale for how the economy is doing
- **GDP captures only the monetary value of all *final goods produced* in the economy.
- GDP can be a misleading scale for economic well-being.
- But if you were to look only at GDP numbers, you’d think that the digital revolution never happened

Getting the Numbers Right

- GDP-B is an alternative metric that supplements the traditional GDP framework by quantifying contributions to consumer well-being from free goods.
- With a bit of additional data gathering, changes in GDP-B could be estimated regularly and released alongside quarterly or annual GDP updates.

CONCLUSION

- The answers to the question concerning “How to Measure Digital Economy” depend on understanding the true benefits derived from the digital economy
- It could help generate more-accurate estimates of the benefits associated with changes in nonmarket and public goods such as air quality, health care, and infrastructure
- Personal opinions