

# Net Benefits

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*The Economist*

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# “You can’t put a price on that”

- Mother (Ms Mollica) and her daughter in 1992—go to library
- Mother and daughter in 2005—Wikipedia
- “You can’t put a price on that”

# Internet

- Measuring the economic impact of all the ways the internet has changed people's lives is difficult because so much of it has no price
- It is easier to quantify the losses Wikipedia has inflicted on encyclopedia publishers than the benefits it has generated for users like Ms Mollica

# GDP and consumer surplus

- This problem is an old one in economics
- GDP measures monetary transactions, not welfare
- The amount of internet activity that actually shows up in GDP—Google's ad sales, for example—significantly **understates** its contribution to welfare by excluding the consumer surplus that accrues to Google's users

# One approach

- Greenstein and McDevitt: broadband (high speed) vs internet

# Another approach

- Ask consumers (3,360 consumers in six countries) what they would pay if they had to
- On average, households would pay \$50 a month each for services they now get free

# Another approach

- After subtracting the costs associated with intrusive ads and forgone privacy, McKinsey reckoned free ad-supported internet services generated €32 billion of consumer surplus in America and €69 billion in Europe
- E-mail accounted for 16% of the total surplus across America and Europe, search 15% and social networks 11%

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# Other approaches

- Impressive figures, but also merit scepticism