What the GDP Gets Wrong (Why Managers Should Care)

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Abstract:
We see the influence of the information age everywhere, except in the GDP statistics. More people than ever are using Wikipedia, Facebook, Craigslist, Pandora, Hulu and Google. Thousands of new information goods and services are introduced each year. Yet, according to the official GDP statistics, the information sector (software, publishing, motion picture and sound recording, broadcasting, telecom, and information and data processing services) is about the same share of the economy as it was 25 years ago - about 4%. How is this possible? Don't we have access to more information than ever before?

The answer isn't about quantity, it's about price. The bits that comprise today's information goods are supplanting the atoms that formed yesterday's encyclopedias, movie theaters, music CDs and newspapers. Online information may be updated every minute of the day and accessible almost anywhere in the world, but its price is usually radically lower than that of its physical counterpart, if there even is a price.

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