

ICFC Conference on the Digital Economy

Some Economics of Personal Activity and Implications for the Digital Economy

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Note: This presentation reflects only the views of the author. This presentation does not necessarily reflect the views of the Federal Communications Commission, its Commissioners, or staff members other than the author.

Different Perspectives on the Digital Economy

1) The digital economy is about re-arranging bits rather than re-arranging atoms.

Creating attractive digital content is key economic challenge.
The Internet is a delivery platform for digital content.
Send messages to sell goods.

2) The digital economy is about creating new patterns of personal activity.

How persons spend time shapes the digital economy.
Attention to media doesn't depend strongly on content or technology.
Create new activities to create new economic value.

Thesis

You can understand more about the digital economy if you consider it from the second perspective as well as from the first.

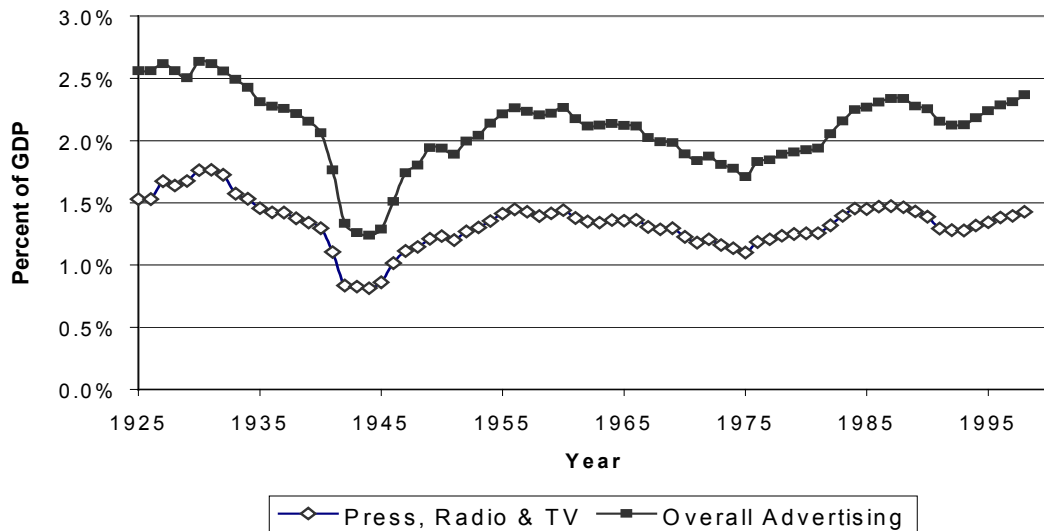
Habitual Ways of Spending Time

Table 1 US Trends in Media Use Based on Time Studies (hours per week as primary activity)			
Time Use	Year		
	c. 1925	1965	1995
Reading	6	4	3
Newspapers	2.5	2.5	0.8
Television	0	10	16
Other Media	1	1	1
Total Discret. Time	26	35	41
media time	7	15	20
non-media time	19	20	21

Sources: See paper “Communications Policy, Media Development, and Convergence,” available on <http://www.galbithink.org> and <http://www.ssrn.com>

Advertising's Share of the Economy: Constant Long-Term

Chart 1: U.S. Advertising Spending as Share of Output



Location/Type	Year			
	1925	1938	1952	1998
UK				
Press	1.2%	1.0%	0.7%	0.9%
Radio & television	0.0%	0.0%	0.0%	0.5%
Other	0.5%	0.5%	0.3%	0.3%
Total	1.7%	1.5%	1.0%	1.7%
US				
Press	1.5%	1.2%	1.0%	0.7%
Radio & television	0.0%	0.2%	0.3%	0.7%
Other	1.0%	0.9%	0.7%	0.9%
Total	2.6%	2.2%	2.0%	2.4%

Sources: See paper "Communications Policy, Media Development, and Convergence," available on <http://www.galbithink.org> and <http://www.ssrn.com>

Real Advertising Spending Per Media Hour: Constant Long-Term

Table 3			
US Real Advertising Spending/Media Hour			
(print, radio, & TV)			
	Year		
	1925	1965	1995
Media Hours/Person-Year	208	728	962
Persons Ages 15-64 (ths.)	73,342	115,752	171,676
Ad Spending/Year (mil.)	\$1,433	\$9,761	\$97,622
Purchase Power of \$ (1998=1)	9.50	5.28	1.09
Real Ad Spending/ Media Hour (1998 \$/mil. hrs)	\$0.89	\$0.61	\$0.65

Sources: See paper “Communications Policy, Media Development, and Convergence,” available on <http://www.galbithink.org> and <http://www.ssrn.com>

Forecasting Patterns of Personal Activity

- 1) Phatic communication: “Get Phat!”
discussion forums, messaging services
purposeful in fundamental sense: mutual recognition
and acknowledgement of persons

- 2) “Propensity to truck and barter” (A. Smith)
participation in on-line auctions as enjoyable
activity, like shopping; acquiring things not because
they are needed but as expression of personal
significance in shaping external world

- 3) Context is queen.
Going to a movie as a “social” activity?
Gives persons common experience:
“we were there together.”

- 4) Payment based on habits and norms, not value.
Much more difficult to disaggregate services into
recognized value/price components: no physical
boundaries, integral quality of personal relationships.
Need recognition of legitimate pricing practices.
“data tone” business model not equal to “dial tone”.