

Measuring the Internet Economy

IA's first economic white paper takes a closer look at the size of the internet economy, both in the U.S. and abroad. *Key findings include:*



THE INTERNET SECTOR IS AN ECONOMIC POWERHOUSE.

A range of studies and methodologies show that it is a major economic sector, rivaling the auto industry in size, and that its contributions to GDP are growing rapidly.



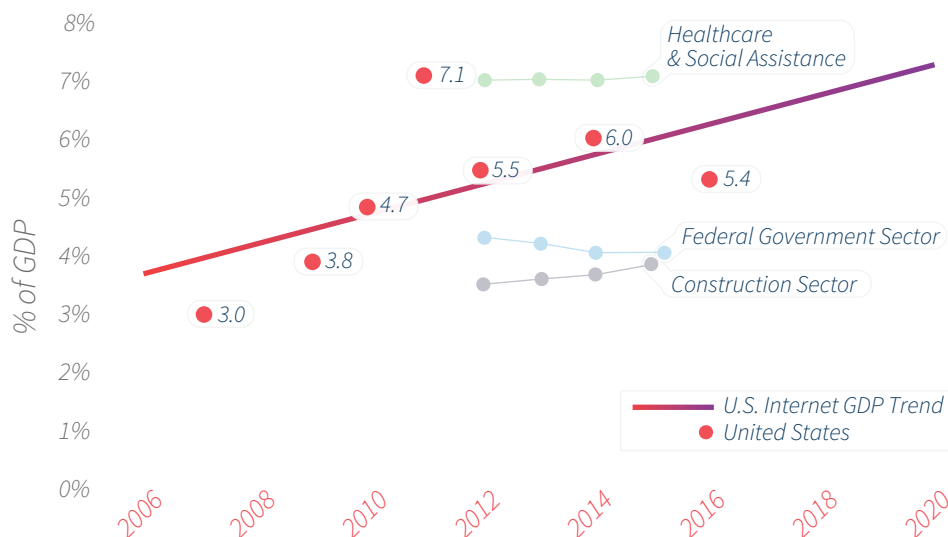
WHEN WE START TO APPLY MORE INNOVATIVE THINKING TO THE SECTOR WE CAN GAIN MORE INSIGHTS.

Some simple 'connecting of the dots' from other analysis demonstrates that mobile internet and app services likely contribute approximately 3.11 percent of U.S. GDP.



TRADITIONAL ECONOMIC CLASSIFICATION SYSTEMS ARE OUTDATED AND NEED TO BE UPDATED.

We need to start thinking of the internet as an economic sector and develop metrics that better reflect its unique characteristics.



The internet beats out powerhouse sectors like construction, the federal government, as well as many others, and it is growing at a far faster rate. It is now, indisputably, a discrete section of the American economy.

THE INTERNET REPRESENTS APPROXIMATELY 6 PERCENT OF THE TOTAL U.S. ECONOMY

Because it is difficult to classify, there is a tendency to try to simply add the ‘internet’ into the systems of sectors and industries that already exist.

→ **FAILURE TO CAPTURE TRUE ECONOMIC VALUE:**

Classification systems like the North American Industry Classification System (NAICS) have yet to fully develop a range of classification codes that is sufficient for the complete spectrum of activities carried out by internet companies. This makes it difficult to calculate the internet's true value.

→ **NOT ONE BIG THING:**

We must stop lumping together the whole of the “internet” into one amorphous thing within economics, policies, and research. From apps, to online music and video streaming, the internet represents a diverse set of companies and services.

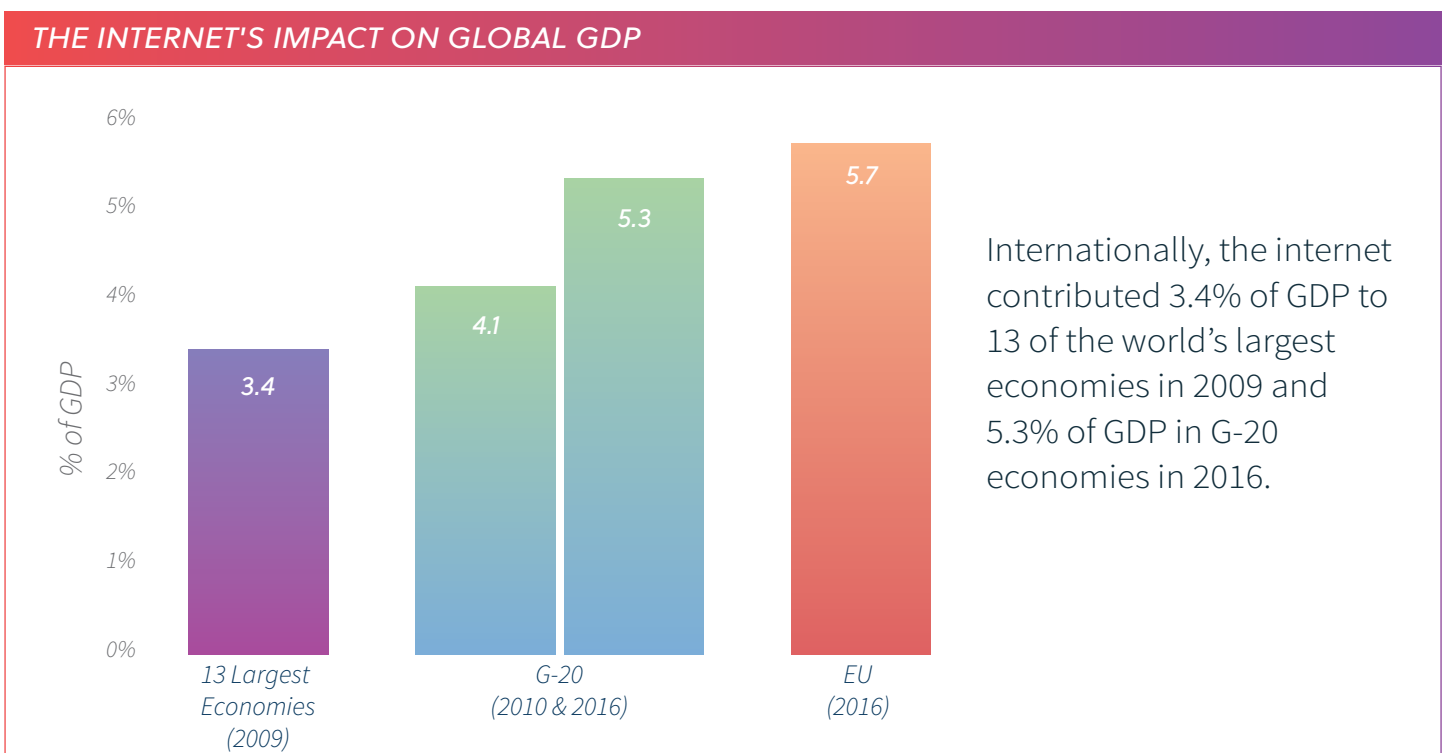
→ **THE INTERNET CREATES VALUE IN OTHER SECTORS:**

Even if a more robust set of codes existed, current classification systems cannot accommodate the fact that the internet sector is also a new tool for operational improvement that can be applied universally across all other sectors. Internet-enabled technology also improves productivity in sectors like agriculture and automobiles.

→ **UNDERVALUED & UNDERAPPRECIATED:**

The benefits of the internet to our economy are undervalued and the positive impacts of the internet in society are underappreciated because we can't measure them properly.

THE OECD (IN 2013) ESTIMATES INTERNET-RELATED ACTIVITIES COMPRISED BETWEEN 3.2% (CONSERVATIVELY) AND 13.2% OF U.S. BUSINESS SECTOR VALUE ADDED IN 2011



REFERENCES AND OTHER INFORMATION

The information presented here is from “Refreshing Our Understanding of the Internet Economy” by Christopher Hooton, Ph.D., and published by the Internet Association (www.internetassociation.org). Research and references can be found in that source document.