Digital Prosperity
Understanding the Economic Benefits of the Information Technology Revolution

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E-Commerce Retail Sales as a Percent of Total Sales
IT is driving growth because it is a “General Purpose Technology”

1. IT is pervasive

2. IT makes it easy to invent and produce new products, processes and business models.

3. IT has undergone rapid price declines and performance improvements.
Transistor Growth in Intel Computer Processor Chips
THE PATH FROM INFORMATION TECHNOLOGY TO PROSPERITY

Higher Per-Capita Income and GDP

- Increased Tax Revenues

Faster Productivity Growth

- Lower Prices
- Higher Wages

- Economic Competitiveness
- Lower Inflation

Innovative Products and Services

- Larger and More Efficient Markets
- New Research Tools

More Jobs

- Accessible and Flexible Work Opportunities
- Increased Efficiency

Flexible Supply Chains

Less Severe Economic Downturns

Information Technology

(hardware, software, applications and telecommunications)
Quarterly Change in U.S. Real GDP, 1947-2006
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More Jobs

- Higher Quality Goods and Services
- Larger and More Efficient Markets
- Better Decision Making Tools

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Annual Labor Productivity Growth
Economic Growth from Different Productivity Rates

U.S. gross domestic product ($ trillions)

- 1.46% growth annual
- 2.91% growth annual

Graph shows the growth of U.S. gross domestic product from 2006 to 2042 with two different growth rates. The black line represents 1.46% annual growth, and the blue line represents 2.91% annual growth.
The production and use of IT in the U.S. economy since 1995 has meant that the economy is almost $2 trillion larger than it would otherwise be. This is equivalent to 2 & ½ Indian economies (in $).
Sources of Total Factor Productivity Growth

- **Non-IT**
- **IT**

1948-73: 1.0
1973-89: 0.2
1989-95: 0.2
1995-02: 1.0
IT Investment as a Share of Total Capital Investment

- 1980
- 1990
- 2000
Public Policy Principles for Driving Digital Prosperity

1. Give the Digital Economy its due.

2. Actively encourage digital innovation and transformation.

3. Use the tax code to spur IT investment.

4. Encourage universal digital literacy and digital technology adoption.

5. Do no harm.