

DN Debate Dagens Nyheter . **"The digital paradigm shift requires new economic policy"**

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Distribution policy is likely to prioritize the wrong things . More equitable access to virtual reality may become more important than the distribution of income in the physical reality , write the authors . Photo: Gorm Kallestad / TT

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Sweden's economic policy loses touch with reality. A major shift is made to digital consumption and production. It remains invisible in the statistics of growth, living standards and equality. Therefore, the tax-allocation policy to turn increasingly snapped . Monetary policy can give rise to new financial crises. Now, the government and the National Bank (Riksbanken) to explain how they take account of economic policy increasingly blind spot and how they plan to catch up with the digital reality.

Five and a half hours per day and person spent digitally according to a US study . In Sweden, digital consumption average of three and a half hours per day among young people , and more than two hours for the entire population , according to Nordicoms media barometer . In five years, almost all equipped with smartphones. The average check to the 221 times a day.

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Shifts in technology often create illusions of economic development.

For example, when the washing machines were spread in the 1950s, much of the time-savings used by women sought paid work. It was the 1950s and 1960s growth boom that was reflected in economic data, even though it only partially replacing domestic production which does not appear in the statistics.

While the digitization first wave, until the millennium raised growth figures, possibly excessively. An improvement in the phones' hardware was credit almost unreasonable GDP increases.

In today's second digitalization wave the reverse takes place. Now software improved quickly, but underestimated in the statistics.

One example is the app Waze showing queues (traffic jam) on the road based on information shared among travelers. Neither the kind of collaborative production nor benefits for consumers in terms of reduced risk of delays captured in the traditional GDP measure.

No new services like Spotify, Netflix, or ResiStockholm app counted as improvements in consumption or GDP when they were introduced.

Subsequent improvements and increased use captured only partially. Nor is measured digitally mediated hire people overcapacity in car, boat, and houses within it called for the sharing economy.

A smartphone today cost as much as 15 years ago. But it replaces Stereo, Clock radio, GPS, CD players, camera, film camera, and more. Buying these products did cost in 2000, about 7,000 Swedish crown. Only this substitution represents an increase in disposable income per capita by 0.2 percent per year which is not measured in GDP. In the official statistics, it becomes rather a negative GDP impact.

Moreover, many digital tools help the "time optimization". During the previous tedious bus journey is now managed banking as previously queued to the bank branch. It's fast and also leaves time to order food to dinner, and watch a short film. Suppose two hours a day with digital applications has doubled the perceived benefits of these hours.

This is equivalent to two extra hours a day to come, say since 1990, which would represent a growth of 0.6 percent per year. Of the estimated counts more than 0.2 per cent growth per annum in the national accounts in the form of paid value of broadband and related payment services.

These services are often paid a flat fee, why increased consumption at the margin does not count. The digital blind spot is thus already substantial, but can be even much more to come. More of work and leisure can take place in virtual worlds where people both working but also consume without measured or taxed, which today is normal in computer games.

A Swedish For example, from his house in Jamtland help to develop a diagnostic support for an online health platform. In return, she gets access to the full range of services that are created on the platform.

As a thought experiment, the pitch that half of our lives within 30 years moving to virtual worlds. It could mean that GDP and income figures by Statistics Sweden measures are not growing at all, even if the actual growth is on the same two per cent a year earlier.

By chance, it was registered growth in GDP per capita in Sweden close to zero, as the average over the past 8 years. Governments that control according to the old map will increasingly bogged down in the terrain.

Statistics Sweden and the Swedish Tax Agency will thus harder to get a handle on incomes in virtual worlds. In principle, all the writing, thinking, design and creative work can move to virtual worlds.

Even in cases where liability can be determined theoretically, it will not be easy in practice as a virtual service platform operated by Hong Kong, registered in Malta, using technology from Helsinki and has participants and customers from all over the world. It can also complicate income equalization. Completely unnoticed is, however, a parallel sharp but unregistered equalization.

For just fifty years ago were only the more well-ordered to go to a concert or the theater, or buy books, or travel around and meet friends.

Today move all this into virtual worlds where it is often free or inexpensive.

A poor who still can afford a smartphone consume there in almost the same terms as the rich. Even small farmers in Uganda or Pakistan can suddenly access to the knowledge about the same buffet as the millionaire any time.

This equalization will not be visible in the statistics. The coming decades will offer an illusion of increasingly uneven income in the physical world, but more and more evenly distributed virtual consumption. The digital revolution is not reflected in the statistics may big mistakes in the social debate and in politics.

Distribution policy is likely to prioritize the wrong things . More equitable access to virtual reality may become more important than the distribution of income in the physical reality . For fiscal policy taxation challenging.

The more consumption and production move to untaxed virtual activities, the greater the burden likely to be on the dwindling traditional tax bases.

The weighing on growth in the traditional economy. Riksbanken misled to perceive the economic activity was weaker than it is, and conducts an expansionary monetary policy, resulting in new credit bubbles and financial crises.

Then will not do Riksbanken solving reasoning that digitization may be a temporary phenomenon . Sweden's ambitions to be a digital future country requires therefore that economic policy be updated :

1

Government and the Riksbanken (Central Bank) have already explain how to manage the risk of wrong decisions as a result of the digital blind spot.

2

Statistical authorities should be given clear directives to develop measurement methods for digital consumption and production.

3

The initial surveys made by Digitizing Commission should quickly be followed by more concrete steps to update the economic policies of the digital paradigm shift .

Governments that control according to the old map will increasingly bogged down in the terrain.

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