
DZ.4 Treatment of "Free" Digital Products in a Satellite Account

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The Two Perspectives

A guidance note presents options for recommended a satellite account showing household consumption of the free services supplied by digital platforms

The core accounts treat the free services as part of the cost of producing advertising, creating data assets, and producing other priced services

In effect, the platform itself is the consumer of the free services as input to producing priced services and data assets

The Satellite Account treats the households that directly benefit from the free services as consumers of the free services

Scope of the Satellite Account

Scope of the free products included in the satellite account is narrow

Digital content provided to households without monetary charge to gain access to households' "observable phenomena" (OP) to create data assets

Free digital platforms are, therefore, included

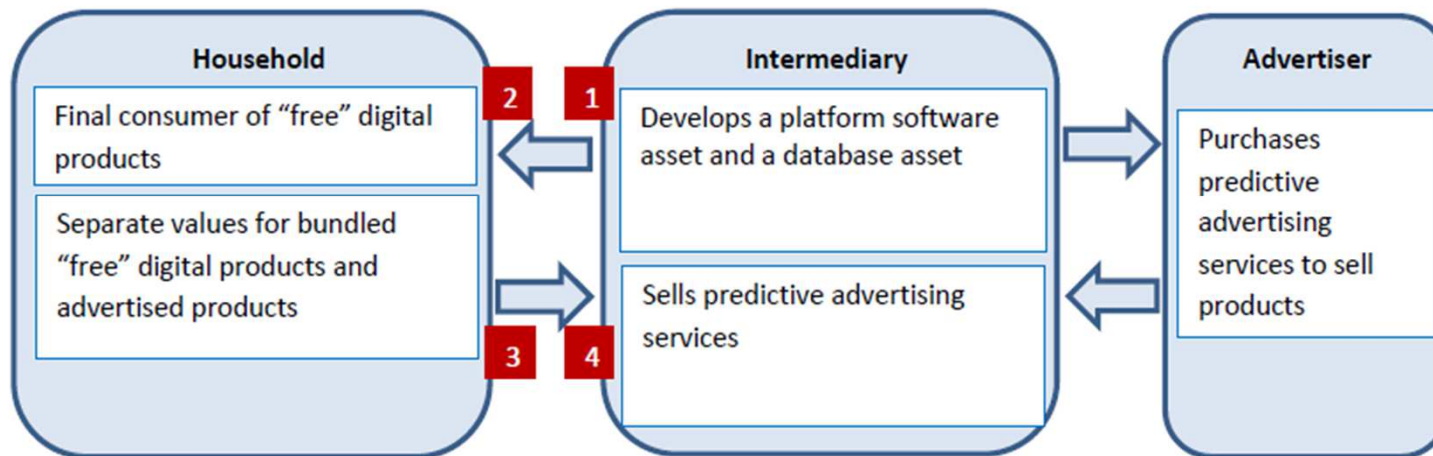
Radio and television also supply free content funded by advertising, but they are excluded because they don't collect data on their listeners/viewers

Also, digital platform users interact directly with the platform, while radio listeners and television viewers do not

Four Ways to Value the Free Services

- Value 1 is the platform's cost of producing the "free" digital services*
- Value 2 is the value the household places on the "free" digital services received
- Value 3 is the household's "willingness to accept" price for providing access to OPs
- Value 4 is the value the intermediary places on the access to OPs

Figure 1: Separate Values for "Free" Digital Products and Advertised Products



Three Options for Showing Households' Consumption of Free Services of Digital Platforms and Associated Flows

Options 2 and 3 add some flows to Option 1

Option 1: Households indirectly purchase the “free” services as part of the price of the advertised products

Free services are valued at the platform's cost of producing them

Part of the price the households pay for the advertised product is rerouted and shown as an indirect payment to the platform for the free services

No change in total household consumption expenditures, but composition changes

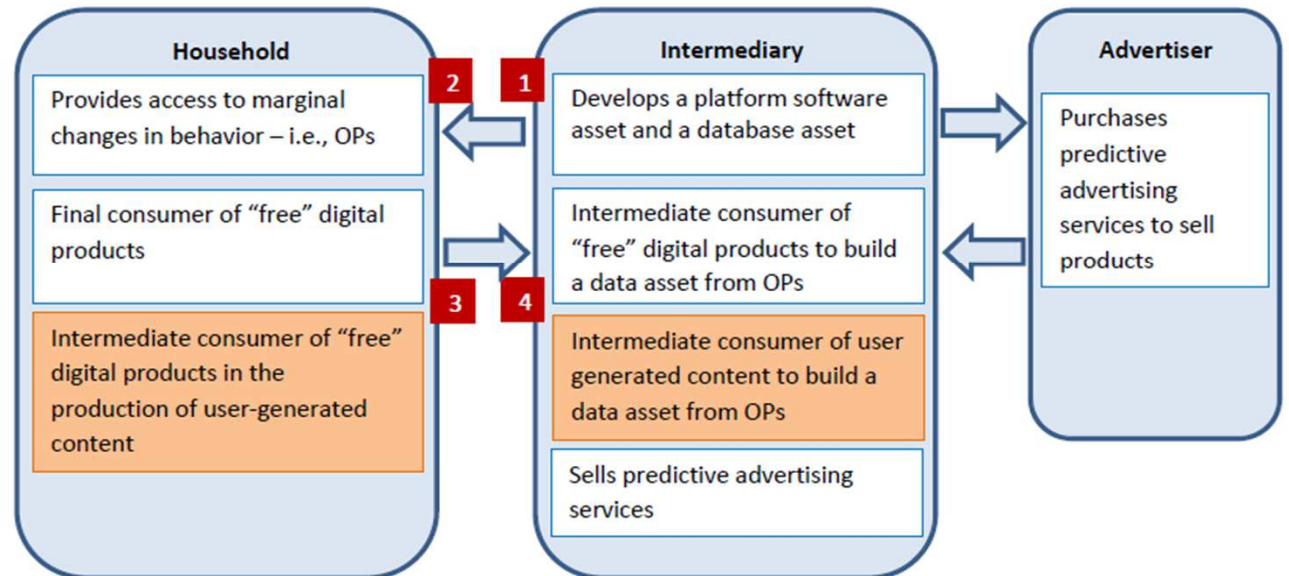
Total uses of platform's output also unchanged, but its composition changes

Option 2: Show the Platform's Cost of Producing Data Assets

Adds investment in data assets to the platform's output

Includes the cost of supplying free services to gain access to users' OP in the cost-based value of the investment in data assets

Figure 2: Linkages between "Free" Digital Products and Data as an Asset



Option 3: Also add Households' Production of User-Generated Content

Add households' production of user-generated content and platform's intermediate consumption of this content

Intermediate consumption of user-generated content is also included in the platform's cost of producing the data assets

Some Personal Concerns about the Proposal in the Guidance Note

I have some questions about the proposal laid out in the satellite account guidance note

Part of households' spending on advertised products is rerouted to imputed spending on platform services in option 1

Instead of reducing households' imputed spending on free services when platforms' cost of supplying free services is added to their investment in data assets in option 2, it would be more logical to impute a payment by the platform for access to the households' OP

Same problem in option 3 when platform's imputed spending on user-generated content is also added to the cost-based imputation of investment in data assets

Some data assets used as an input for targeted advertising depreciate very quickly, so they shouldn't be counted as fixed assets