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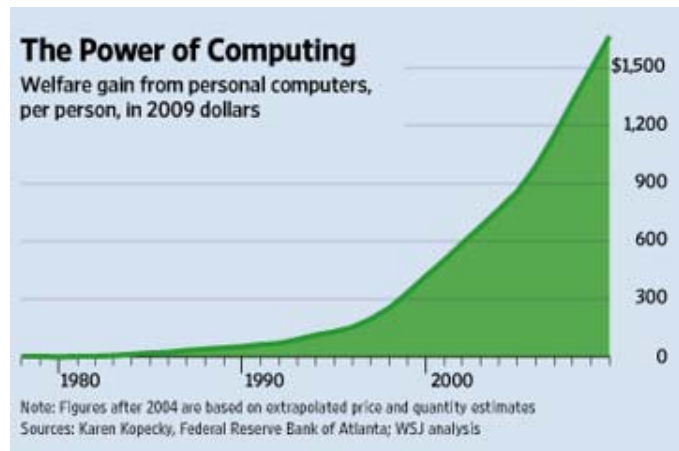
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Number of the Week: PCs Make Americans \$500 Billion Richer

\$1,700: The annual benefit the average American derives from personal computers

Despite all the wrenching change the computer age has brought, humanity is probably better off than it would have been if the PC had never been invented. Now, economists have taken a stab at figuring out exactly how much better off we are.

The economists — **Karen Kopecky** of the Federal Reserve Bank of Atlanta and **Jeremy Greenwood** of the University of Pennsylvania — traced the history of the computer market back to the introduction of the Apple II in 1977 to calculate how much value, or “utility”, American consumers derive from a given amount of computing power. They then looked at how much we actually paid for that computing power, in the form of desktop PCs, laptops, notebooks , software and so on. The difference, known as the “welfare gain”, is the benefit we get from personal computers above and beyond what we pay for them.



Back in the days of magnetic-tape memory, the annual benefit was pretty small — somewhere between zero and about \$6 for the average American, adjusted for inflation, depending on the method of calculation. But by 2009, the price of computing power had fallen more than 99.8% and personal computers had become a lot better and more widely used. As a result, the welfare gain rose to somewhere between \$1,300 and \$2,100 per person, the economists' estimates suggest. Ballpark average: \$1,700.

That's a massive benefit, adding up to about \$500 billion, or 5% of total consumer spending in 2009.

To be sure, the economists' estimates are based on some assumptions that, while common in the world of economics, are open to debate. For one, they assume that people are extremely rational, and always buy exactly the number of personal computers that maximizes their utility. To the extent that irrational impulses drive people to buy computers, or to the extent that the use of computers entails costs people don't recognize (say, attention-span deficits or Internet addiction), then the actual benefit could be significantly smaller.

That said, those who want to test the estimates can pose themselves a question: How much money would somebody have to give you to take away all your personal-computing gadgets permanently? If it's a lot more than you paid, Ms. Kopecky and Mr. Greenwood are probably not too far from right.

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