



The Daily Dish

Digital Dividends

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Eakinomics: Digital Dividends

When you invest in a stock, you provide (in part) the capital that permits a company to (hopefully) make money. Of course, you don't do this exclusively out of the goodness of your heart; you expect to be compensated for giving up the use of that capital for other purchases like alternative investments (wine) or living better (Twizzlers). Dividends are one way that companies provide that compensation. Dividends in exchange for valuable capital.

Now you also provide data to many online platforms, and that data is part of their profit-seeking business model. This casually suggests that you should be paid a dividend — a “digital dividend” — because, in the words of California Governor Gavin Newsom, “we recognize that your data has value, and it belongs to you.” It's an alluring pitch, but as AAF's Will Rinehart [points out](#), the equivalence falls apart in three ways: (a) advertising revenue does not equal the value of data; (b) even if data is jointly created, joint control isn't the most efficient outcome; and (c) consumers already benefit from ad-supported platforms to the tune of \$7 trillion a year.

The first objection is the easiest to see. Firms don't pay out their entire revenue in dividends; they pay out of their profits (revenues less costs) and only a fraction of that. It is misleading to assert that individuals deserve digital dividends equal to the ad revenues of platform firms. And it is pretty easy to recognize the third objection as well. Consumers benefit enormously from the services of platform firms, which is why they flock to them to begin with. So there has already been a lot of compensation. How much more (if any) should the digital dividend be?

Finally, why not have joint control of data created by interacting with the platform? Rinehart notes that “Even if data is jointly created, joint control isn't the most efficient outcome. When one party's investment in the data does not boost the total value that much, then it is better for the other person to own both assets.” As a result, “Newsom might want to change this ownership division, but it makes sense from an efficiency standpoint. Changing it would result in less efficiency.”

Digital dividend is a clever term. But digging beneath the surface reveals more difference than similarity with the familiar financial dividends.