

INFS 111: INFORMATION IN SOCIETY

Session 9– ECONOMICS OF INFORMATION

Lecturer: S. Nii Bekoe Tackie, School of Information and Communication
Studies, Department of Information Studies
Contact Information: snbtackie@ug.edu.gh



UNIVERSITY OF GHANA

College of Education

School of Continuing and Distance Education

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Session Overview

- Information is one regarded as a commodity that can be sold and bought. Information therefore now has economic value. Indeed, information and economics have some common relations - for example the role of information in economic decision making; another relationship is how information activities contributes to the economy: in our parts of the world people are hardly willing to pay for information. People will not even buy newspapers to read about what is happening in their society. This session will, therefore, examine information as an economic good.

Session Objectives

By the end of this session, the student should be able to:

1. Define the following terms:

- Public good
- Experience good
- Private good
- Externality
- Merit good

2. Identify in a given situation whether information and information records would be defined as a public good, private good or merit good.

3. Identify the ways in which value for information is determined.

4. Describe the factors considered in pricing of information and information goods.

Session Outline

The key topics to be covered in the session are as follows:

- Topic 1: Information and economics
- Topic Two: Information as an economic actor
- Topic Three: Information as an economic good
- Topic Four: Cost, pricing and value of information
- Topic Five: Role of government in the economics of information

Reading List

- Debons, Anthony. (2008). *"Information Science 101"*. Plymouth, UK: The Scarecrow Press Inc.
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- Deloitte Touche Tohmatsu. *"Technology, Media & Telecommunications."* 2006. TMT trends: Predictions, 2006, A Focus on the Technology Sector. London: Deloitte & Touche. Available: [www.deloitte.com/dtt/cda/doc/content/us_tmt_techpredictions2006_020206\(1\).pdf](http://www.deloitte.com/dtt/cda/doc/content/us_tmt_techpredictions2006_020206(1).pdf) (accessed December 2006).
- Derr, Richard L. (1985). "The Concept of Information in Ordinary discourse." *Information Processing & Management*. 21: 489-99.
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- Enakrire, R. T. and Onyenania, O. G. (2007) "Factors Affecting the Development of Information Infrastructure in Africa". *Library Hi Tech News*. Vol. 24 Iss: 2, pp.15 – 20. Available at www.emeraldinsight.com

Topic One:

INFORMATION AND ECONOMICS

Information and Economics

Information and Economics are connected in several levels:

- Information in economic decision making
 - needed to make decisions that affect the economy buy and sell decisions in the stock market.
- Contribution of information activities to the economy
 - % of GNP attributable to information production and use

Information and Economics Cont'd

- Indicator of an information society
 - % of workforce engaged in information work
- Information itself as an economic factor
 - as an economic good that can be bought and sold in the market place

Topic Two:

INFORMATION AS AN ECONOMIC ACTOR

Related Definitions Connected to Information as an Economic Good

- private good
 - good used by one person
 - acquired to increase personal satisfaction, e.g.. an item of clothing
- public good (social good, collective good)
 - used by many at the same time
 - does not deplete by use
 - use by an individual does not lessen the amount available to others
 - it may or may not be difficult to exclude others or non-players from the benefit of the good e.g. national defense (Samuelson, 1954: 387)

Related Definitions Connected to Information as an Economic Good

- merit good
 - a private good that society believes is important enough to supply publicly
 - society interferes with market mechanisms and supplies with private funds e.g. education

Topic Three:

INFORMATION AS AN ECONOMIC GOOD

Information as an economic good

- not depleted by use
- Simultaneous users
- difficult to exclude individuals from benefits
- use does not diminish value rather may enhance it
- use of it benefits the whole society

Information as an economic good

Cont'd

- can be viewed as public good
 - possible to exclude individuals from access
 - possible to provide information according to the preferences of individual consumers-bought and sold in the market place
- can be viewed as private good
 - societal provision of information to a certain level
 - established through political process
- can be viewed as merit good

Topic Four:

COST, PRICING AND VALUE OF INFORMATION

Cost of Information

- As a private good users of information should pay full cost
 - total cost of production
 - access to the information
- In practice most users pay only for access to the information. others pay for container of information and not the information itself

Pricing of Information

- Difficult to price information goods and services;
 - production cost
 - overhead cost
 - profit margins

Value of Information

- To access the real value of information, one has to experience it
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Ways to Define the Value of Information

- Exchange value
 - amount one is willing to pay for the information in the marketplace
- Apparent value
 - investment in energy and time and opportunity cost that the consumer is willing to make
- Value in use
 - using the actual value of the information in the situation in which it is used by the individual

Topic Five:

ROLE OF GOVERNMENT IN THE ECONOMICS OF INFORMATION

Potential Roles of Government

- Two major potential roles of government;
 - fostering development of information
 - equalization of access to information

Development of Information

- Creation, generation, production , dissemination of information
- Infrastructure development
- Grants or other support
- Regulation

Equalization of Information

- Formal education
- Public libraries
- Deposit libraries
- World Wide Web
- Direct payment to individuals

References

- Samuelson, P.A. (1954). *The pure theory of public expenditure: Review of economics and statistics*. Norwood Cliffs, N.J. Ablex, 36:387-389.
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