



What's The Point of Google's New Daily GPI Inflation Calculation?

JOHN CARNEY, CNBC, NETNET, NET NET, GOOGLE, GPI INFLATION, INFLATION, GOOGLE
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I've been trying to get my head around this all morning. **Google** has just announced — well, I'm not sure exactly what they have announced.

It isn't a new product or service, per se, as much as a capacity to calculate underlying data. Early reports are thin, but this short article in the **Financial Times explains** that Google has begun using its "vast database of web shopping data" to construct a new price index.

First reaction: This is a damned fascinating idea: The ability to programmatically calculate price data in real-time using live transactions rather than retroactive reporting. It was never possible before, and the idea is both novel and interesting.

Second reaction: As a consumer of economic data, the idea of diversified sourcing is highly appealing. And even beyond that: The notion of a broadly accessible, private sector data source for information that has traditionally been provided by a government agency sounds very desirable. Such data could provide an invaluable "sanity check". To say nothing of the appeal to the inner libertarian: Anyone who's spent time browsing The Cato Institute website is bound to be attracted to data collection that is both independent of government and highly decentralized.

Third and subsequent reaction: While it's a fascinating idea, what exactly is the point?

To be fair, Google doesn't seem to know the answer to that question either. They have yet to say whether the data they are calculating will be published. And the initial reports make it sound as if they are taking their new idea with a measure of good humor. Google's Chief economist, Hal Varian, described the circumstances surrounding the online shopping event that precipitated his idea this way: "A tragedy struck our house a few months ago because my favourite pepper grinder broke."

(Google's well known 20% time policy has long been a boon to innovative thinking. The idea is that Google engineers can spend roughly one day a week working on whatever projects interests them most. Taking some of the smartest engineers in the world and giving them free rein over a big chunk of their work time has produced some great innovation: A trip to **Google Labs** reveals many fascinating Beta products. Some of those ideas are not yet ready for primetime, but will later be updated and rolled out by Google; others will simply die on the vine in Beta.)

As a serious competitor to CPI, GPI has some obvious short comings. In part, the logic that undergirds the importance of CPI data is tautological: CPI data is important because important decisions are made based on it. (Think, for example, of Federal Reserve policy.)

In the final analysis, I can't help but wonder if GPI is in some ways analogous to the {LINK} **Trojan Room coffee pot**. It was a revolutionary idea that portended great things to come — but, in itself, useless.

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