

Introduction

1. The Digital Economy, The New Shape of the Economy and Society

(1) ICT Creates New Economic and Social Structures

A frequent topic of late is the phenomenon of young people shunning car purchases. This is symptomatic of a larger trend in thought and behavior patterns among people who are not hung up on owning things. Rather, they feel it is sufficient to rent and use things only when needed. The sharing economy describes both the intermediary services that facilitate the sharing things and services and the economic structures that have arisen as a result of these services. Similarly, in the realm of how people work, working arrangements have drawn attention in which people do not belong to a company or organization but instead work in a freelance capacity via the Internet on one-off projects or short-term assignments. The gig economy collectively describes this type of working arrangement and the economic structures that have been constructed as a result of these working arrangements.

More than just economic activities are changing. It is now possible to elicit emotional responses from large numbers of people transcending real world human relationships and the geographical bounds of daily life by posting your own videos or music, pictures, stories, or messages that you make on various sharing sites or social media channels.

More than a few people sense that the emerging new economic and social structures, and even new ways of living, are somehow tightly connected to the advancement and proliferation of the Internet and other forms of information and communication technology (ICT). The new shape of the economy and society brought about by ICT's advances and growth has come to be known as the

“digital economy”.

We decided to focus on the evolutionary process of the digital economy and its future prospects as the special theme for the White Paper on Information and Communications in Japan 2019, the first year of the Reiwa Era.

(2) The Digital Economy Evolves in Step with ICT

The digital economy, as a concept, emerged in the United States in the 1990s, a time when Internet use was steadily growing. The initial concept was quite narrow, meaning the activities of industries that provided Internet-centered ICT. However, as services provided over the Internet became more prominent in the overall economy, evidenced by the growth of e-commerce, the digital economy concept expanded to encompass these services as well.

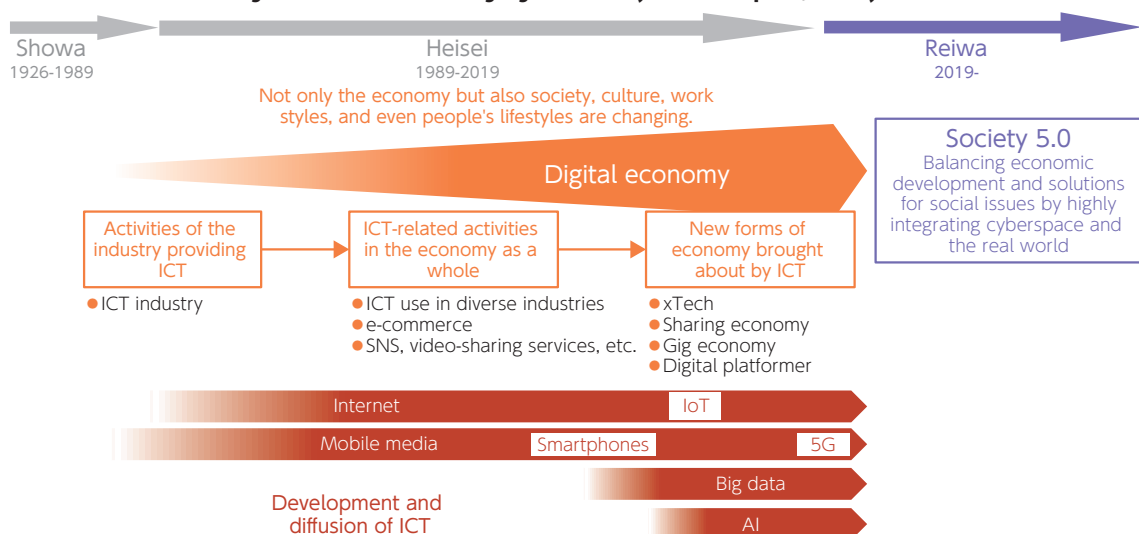
As ICT advances and expands, ICT is going beyond the online world and bringing huge transformations to real world structures. Consequently, the meaning of the digital economy has widened to include the new shape of the economy engendered by ICT, as well as the activities surrounding ICT in the overall economy.

In this way, the evolution of ICT drives the evolution of the digital economy.¹

(3) Society 5.0, the Endpoint of the Digital Economy's Evolution

Just after the Internet arrived, people who first encountered the online world probably felt that a world separate from reality existed in their computer monitors. In that world, all kinds of communications were taking place that only people staring into their screens

Figure 0-1-1 The evolving digital economy and its endpoint, Society 5.0



¹ See Rumana Bukht and Richard Heeks (2017), “Defining, Conceptualising and Measuring the Digital Economy,” for more details about how the digital economy concept has transformed.

knew about and massive amounts of digital data were being exchanged in a way that even those people were not cognizant of.

Today's Reiwa Era is the first where cyber spaces and the real world are becoming highly unified. The Japanese government has proposed Society 5.0 as a vision of the future society the country is aiming for. Society 5.0 is so named as the society that follows the hunter-gatherer society (Society 1.0), agrarian society (Society 2.0), industrial society (Society 3.0), and information society (Society 4.0). Society 5.0 refers to a human-centered so-

ciety that achieves both economic development and solutions to social challenges by means of systems that fuse cyber spaces with the real world in a highly integrated manner.

Society 5.0 exists at the endpoint of the digital economy's evolution. The realization of Society 5.0, and the manifestation of its value, is expected to have two primary benefits: usher in an abundant society in which the challenges Japan is facing are resolved and contribute to achieving the UN's Sustainable Development Goals (SDGs).