



Athena Alliance

Exploring the promise and pitfalls of the global information economy

Annual Report – 2005

Athena Alliance, a 501(c)(3) non-profit corporation located in Washington, DC, is in the vanguard of identifying, understanding, analyzing and educating on the information, intangibles and innovation (I³ or I-Cubed) economy. Information, knowledge and other intangibles now drive economic prosperity and wealth creation. Economic rules have changed; public policy has not caught up. Policy makers are grappling with the urgent need to frame policy questions in light of the changing economic situation. Athena Alliance helps close that gap through activities to reshape the debate and craft new solutions.

Summary

In 2005, Athena Alliance released a new study on corporate intangible assets: *Reporting Intangibles*. We also inaugurated a new weblog (“blog”) on the *The Intangible Economy* and continued our policy forums series on the topic, forming a new collaboration with the Congressional Economic Leadership Institute (CELI) to compliment our work with the Woodrow Wilson Center. Throughout the year, Athena Alliance was involved with a number of public policy coalitions involved in innovation and economic competitiveness, including the development and introduction of the *National Innovation Act of 2005*.

Activities

Reporting Intangibles: A Hard Look at Improving Business Information in the U.S.

One highlight of Athena Alliance’s activities in 2005 was the publication of the working paper, *Reporting Intangibles: A Hard Look at Improving Business Information in the U.S.* The report looks at how American businesses, investors, regulators and policymakers are flying blind. The United States is now in an intangible economy, but financial reporting and accounting systems can’t deal with intangibles. Our business reporting system is, in many ways, not even adequate for the Industrial Age, let alone the Information Age. As a consequence, business, investment and economic policy decisions are being made “in the dark” (to quote the title of a recent study).

The paper is a follow on to the 2004 project with Mantos Associates (U.K.) on a European Commission (Enterprise Directorate General)-sponsored project to conduct a feasibility study on creation of a European enterprise data repository on intangible assets. That final report was published by the European Commission in January 2005.

Policy Forums: The Intangible Economy

Athena Alliance conducted two policy forums in 2004, with two separate organizations. The first was a Congressional briefing luncheon co-sponsored with the Congressional Economic Leadership Institute (CELI) on patent reform: *Is the US Patent System Endangering American Innovation?* Held in June at Rayburn House Office Building, the program featured Adam B. Jaffe, Professor of Economics, Brandeis University and co-author of *Innovation and Its Discontents: How Our Broken Patent System Is Endangering Innovation and Progress, And What To Do About It*; Susan DeSanti, Director of Policy and Planning, Federal Trade Commission and the lead author of the FTC report, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*, David J. Kappos, Vice President, Assistant General Counsel, Intellectual Property, IBM. The program was moderated by Congressman Jim Cooper (D-TN). It is hoped that this will be the first in a series of collaborative events with CELI.

The second was part of our on-going relationship with the Program on Science, Technology, America and the Global Economy of the Woodrow Wilson Center for International Scholars on The Intangible Economy. The forum featured Richard Florida discussing his new book, *The Flight of the Creative Class*, which looks at the growing global competition for talent. According to Florida, the United States, which has long been the preferred destination for the world's top entrepreneurial, innovative, scientific, artistic and cultural talent, is for the first time losing this key historical advantage. This policy forum explored these provocative ideas as well as discussed ways to counter these trends. Rob Atkinson of the Progressive Policy Institute provided comments.

During 2005, Athena Alliance also began discussions with the Wilson Center and the Urban Institute about a conference on the globalization of innovation. The conference would specifically look at the growing global dispersion of innovative-capacity, especially in emerging markets such as India and China. Subsequently, the STEP Board (Science, Technology and Economic Policy) of the National Academies joined the efforts and seed-funding for the conference was obtained from the Sloan Foundation.

Publications

During 2005, Athena Alliance published the following papers:

Reporting Intangibles: A Hard Look at Improving Business Information in the U.S. by Kenan Patrick Jarboe, published April 28, 2005 (as described above).

“U.K. Leads; U.S. Lags,” by Kenan Patrick Jarboe, published in *Manufacturing & Technology News*, July 8, 2005. This paper describes how the UK’s competitiveness policy is ahead of the US.

Summaries of the two events: *Is the US Patent System Endangering American Innovation?* and *The Flight of the Creative Class*.

All of these papers are available on the Athena Alliance website at www.athenaalliance.org.

Weblog: The Intangible Economy

During 2005, Athena Alliance inaugurated a new communications and outreach activity by establishing a web log (“blog”) on The Intangible Economy. The blog’s web address (URL) is www.intangibleeconomy.org. Readership (and reference from other blogs) has grown slowly but steadily through the year.

Outreach Activities

National policy activities during 2005 centered mainly around the development of legislative packages on innovation. Athena Alliance was very much a part of the various discussions. Athena Alliance was an active participant in the IBM-led Innovation Coalition, which worked with the offices of Senators Ensign and Lieberman on legislation implementing the recommendations of the National Innovation Initiative (the *National Innovation Act of 2005*). Dr. Jarboe was specifically consulted on portions of that legislation, including provisions related to the accounting of intangibles. When the legislation was introduced in December, Athena Alliance took the rare step of issued a formal statement in support of the legislation.

In parallel to the Innovation Coalition activities, Athena Alliance was also active in the Alliance for Science & Technology Research in America (ASTRA). Dr. Jarboe attended ASTRA technology policy meetings and served as a member of the ASTRA Research Task Force.

In addition, Dr. Jarboe served as a core member of the International Economics working group of Third Way. The purpose of the working group is to develop a white paper on international competitiveness in 2006.

Dr. Jarboe also participated in a patent reform working group, originally spearheaded by the Computer & Communications Industry Association (CCIA). This group is involved in discussion and consultation to policy makers on various patent issues, including the development of a statement of Principles for Patent Reform.

In December, Athena Alliance turned its attention to an opportunity for outreach on the local level. Dr. Jarboe testified before the DC City Council on legislation to create an Emerging Technology Opportunities Task Force. Subsequently, Athena Alliance has become more involved in the consulting to the City Council on the legislation, with the goal of focusing the activities of the task force on innovation-led economic development (rather than the narrower focus of high-technology).

As part of our outreach activities, Dr. Jarboe also attended numerous other meetings, conferences, presentations and events.

Research

During 2005, Athena Alliance continued its work on a review paper on use of intangibles in financing decisions and monetization of intangible assets. The paper is specifically focused on how intangible assets can be used to finance all manner of company activities (including innovation and the creation of future intangible assets). The scope is limited to a literature review

supplemented by interviews with experts and financial market participants. Purpose of the review is both to provide a synopsis of the issue for policymakers and to serve as a guide for possible future inquiry. Unfortunately, the work on the paper has progressed slower than expected. We now expect to publish it in 2006.

Work on a possible Innovation Extension Program white paper has been put on hold, as the author is no longer available to work on the project at this time.

Internal Activities

In keeping with Athena Alliance's non-profit status, the organization has been very circumspect in the role it has played with respect to the various outreach partners listed above. Specifically with respect to ASTRA, the Innovation Coalition and the patent reform coalition, Athena Alliance has provided comments and input to the groups' decision making. We have consistently and consciously refrained from advocacy of specific pieces of legislation which the coalition may be promoting. The one exception has been the Board-approved statement in support of the National Innovation Initiative.

Appendix A

About Athena Alliance

Athena Alliance is a non-profit organization dedicated to public education and research on the emerging global information economy. It seeks to bring together organizations and individuals to help meet the challenges posed by the emerging information economy.

The information, intangibles and innovation (I³ or I-Cubed) economy is now a reality. Information, knowledge and other intangibles now power economic prosperity and wealth creation. Intangible assets – worker skills and know-how, informal relationships that feed creativity and new ideas, high-performance work organizations, formal intellectual property, brand names – are the new keys to competitive advantage. Intangibles and information drive our innovation process, a combination of formal research and informal creativity. These elements combine to produce productivity and improvement gains needed to maintain prosperity.

Reshaping the Debate

The economic rules have changed; public policy has not caught up. Governments are struggling with ways to utilize information, foster development of intangibles, and promote innovation and competitiveness in this new economy. Policy makers are grappling with the urgent need to frame policy questions in light of the changing economic situation.

Issues of developing and utilizing information, managing intangibles and fostering innovation underlie discussions on a variety of subjects, such as intellectual property rights, education and training policy, economic development, technology policy and trade policy. Crafting new policies in these areas requires infusing a better understanding of intangibles and the information economy into the public debate.

Athena Alliance undertakes outreach activities to help members of Congress, the Administration, constituency groups and the media better understand the issues and craft policies and programs.

Crafting Strategies, Policies and Tools

This economic shift calls for different ways of thinking about economic activity, different means of promoting and organizing economic opportunities and activities, and different economic policies and programs. But, understanding is not enough. We must also enlarge the repertoire of strategies, mechanisms, tools and capabilities that individuals, firms and communities can use to shape their own positive economic futures, with special attention to those in danger of being left behind. A key issue is the ability of all Americans to participate, both economically and socially, in the emerging new information economy. In this regard, Athena Alliance undertakes practical policy research aimed at creating new solutions to this new set of problems.

Building Partnership and Sharing Knowledge

Numerous groups and individuals are actively seeking to understand the challenges of the global information economy and develop new tools to confront those challenges. These include: academic and scholarly research; corporate policy, research and strategic activities; and practical on-the-ground efforts by community activists and economic development practitioners. Athena Alliance seeks to bring these activities together, into the public debate, through conferences, workshops, research activities, publications and reports and public education activities.

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