



# Athena Alliance

Exploring the promise and pitfalls of the global information economy

## 2008 Annual Report

### Introduction

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Athena Alliance is a Washington, D.C.-based 501(c)(3) nonprofit in the vanguard of identifying, understanding, analyzing, and educating on information, intangibles, and innovation—what we call the I<sup>3</sup> or I-Cubed economy.

Intangible assets—worker skills and know-how, informal relationships that feed creativity and new ideas, high-performance work organizations, formal intellectual property, and brand names—are the new keys to competitive advantage. Information and intangibles—a combination of formal research and informal creativity—drive our innovation process. These combined elements lead to the productivity and improvement gains needed to maintain prosperity.

While the economic rules have changed, public policy has not caught up. Government leaders are struggling with ways to utilize information, foster development of intangibles, promote innovation and competitiveness, and frame policy questions in light of the changing—and increasingly global—economy. Policymakers are grappling with the urgent need to frame policy questions in light of the changing economic situation.

Athena Alliance undertakes outreach activities to help members of Congress, the administration, constituency groups, and the media better understand these issues and craft informed policies and programs. The Athena Alliance mission is threefold:

- **Reshaping the Debate**—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, and technology and trade policy. Crafting new policies in these areas requires infusing a better understanding of intangibles and the information economy into the public debate.
- **Crafting Strategies, Policies, and Tools**—Global economic shifts call for different ways of thinking about economic activity, different means of promoting and organizing economic opportunities and activities, and different economic policies and programs. 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. All Americans must be able to participate, both economically and socially, in the emerging new information economy. Athena Alliance undertakes practical policy research aimed at creating new solutions to this new set of problems.

- **Building Partnership and Sharing Knowledge**—We are not alone in seeking to understand the challenges of the global information economy and the need for new solutions to confront them. We engage in academic and scholarly research; corporate policy, research, and strategic activities; and practical on-the-ground efforts with community activists and economic development practitioners to advance the public debate about the information economy. We do this through conferences, workshops, research activities, publications and reports, and public education.

In 2008, we undertook a number of activities to advance our three-pronged mission—nationally and locally—including cosponsoring conferences, publishing research and a blog, and conducting outreach to businesses, government leaders, and many others.

## National Activities

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During 2008, Athena Alliance continued to advance understanding of the I-Cubed economy by publishing three working papers and two articles on the subject and co-hosting a major national conference on intangibles.

The three working papers, described below, covered each of the three components of the I-Cubed economy: intangibles, information, and innovation.

### *Intangible Assets Monetization: The Promise and the Reality*

By Dr. Kenan Jarboe, Athena Alliance president, and Roland Furrow.

Working Paper #3, published April 2008.

This comprehensive overview of the role of intangible assets in the financial system concludes that the U.S. economy could be more prosperous—and its enterprises strengthened and made more financially sound—by recognizing, valuing, and standardizing intangible assets. In the industrial age, physical assets were used to finance creation of additional tangible assets. Today, in the information age, intangible assets—worker skills and know-how; innovative work organizations; business methods; brands; and formal intellectual property, such as patents and copyrights—should be used to finance creation of more intangible assets, the paper argues. To develop a secure, fair, transparent, and efficient capital market for intangible assets, government and independent regulatory authorities need to play active roles. Areas that need policy and regulatory attention include patent reform, securities definitions, and banking regulations; perfection, bankruptcy laws, and accounting rules; and technology and tax policies. The report provides specific recommendations for reforms in each area.

### *Virtual Worlds and the Transformation of Business*

By Dr. Robert Cohen.

Working Paper #4, published December 2008.

This report describes the economic transformation potential of Virtual World technology, arguing that these immersive and collaborative environments on the Internet can change how businesses operate and help create the high-technology, high-wage jobs to sustain American competitiveness in the global economy for decades to come. Virtual Worlds make this possible by streamlining and shortening new product design and testing

procedures; improving training, learning, and collaboration; and enhancing consumer involvement in product design, performance, and after-sales support. The report details the current state of Virtual Worlds—and the technology needed to grow and sustain them—and outlines public policy recommendations to increase their effectiveness within the U.S. economy.

*Crafting an Obama Innovation Policy*

By Dr. Kenan Jarboe, Athena Alliance president, and Dr. Stephen Merrill.

Working Paper #5, published December 2008.

This discussion paper was sent to the transition team for then-President-elect Barack Obama. During the campaign, candidate Obama advanced a well-thought-out list of technology policy recommendations. The paper aimed to broaden the Obama administration's technology agenda into a comprehensive innovation policy focused on all drivers of growth—not just science and technology. The challenge is to make the best use of existing and new institutions of government to design and implement policies without undue overlap and confusion. The paper outlined short-term actions to signal a commitment to a broad innovation agenda and longer-range steps to significantly strengthen the nation's innovation capacity.

Dr. Jarboe published two additional articles during 2008. In June, "Building a Capital Market for Intangibles" was published in *Intellectual Asset Management* magazine. The article was based on the Athena Alliance paper *Intangible Asset Monetization: The Promise and the Reality* and outlined relevant policies and structures that could create robust capital markets for intangibles, thereby unleashing the economy from the strictures of the past.

Another article based on the report was published in the form of an interview in the September issue of *Rotman Magazine*, a periodical of the University of Toronto's Rotman School of Management. The article, titled "Future of Capital: Making Intangibles Tangible," was in an issue devoted to a discussion on intellectual capital and intangible assets and contained interviews with other thought leaders on these topics.

In September, Athena Alliance co-hosted a major national conference with the National Academies on "Intangible Assets: Measuring and Enhancing Their Contribution to Corporate Value and Economic Growth." This one-day conference, sponsored by the National Academies' Board on Science, Technology, and Economic Policy (STEP) in cooperation with the Committee on National Statistics and the U.S. Commerce Department's (DOC) Bureau of Economic Analysis (BEA), was convened in response to a congressional directive. The conference was a venue for discussions related to the following topics:

- The composition and function of intangibles
- How intangible investments compare to other investments and contribute to growth
- How intangibles are created and used by firms
- What the government's role should be in supporting markets and promoting intangible investments.

Keynote speeches were given by Sen. Jeff Bingaman (D-NM) and DOC's Under Secretary for Economic Affairs Cynthia Glassman. Session panelists also included the BEA director, industry leaders, and academics from the United States, Europe, and Asia. Dr. Jarboe's presentation, which

focused on policy recommendations, was made available on the websites of the National Academies and Athena Alliance. Full conference proceedings will be published by the National Academies in 2009.

Athena Alliance in 2008 also launched a new “Innovation Metrics Frameworks” project in conjunction with BEA and the Science and Technology Policy Institute. A working paper from that project was published in early 2009.

## Local Activities

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Athena Alliance continued its work with the Emerging Technology Consortium (ETC) and Washington, DC Economic Partnership (WDCEP) to identify and assess emerging knowledge-intensive industries and to gauge their role in the city’s economic development. Activity during 2008 focused on a feasibility study of D.C. technology incubators. This report, funded by the Office of the Deputy Mayor for Economic Development through WDCEP, was scheduled for release in early 2009. Dr. Jarboe served as a key advisor and a reviewer of the report.

## Outreach Activities

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“The Intangible Economy,” the Athena Alliance blog—at <http://www.intangibleeconomy.org>—continued to serve as a vital communications and outreach tool. Posts this year touched on highlights of new research reports and analyses of public policy issues affecting the intangible economy. The blog also continued its monthly analysis of U.S.–international trade in intangibles.

In May, Athena Alliance Chairman Richard Cohon participated in the IBM Almaden Institute conference titled “Innovating with Information.” The invitation-only event brought together “eminent, innovative thinkers from academia, government, industry, research labs[,] and the media for an intellectually charged, stimulating[,] and vigorous dialogue that addresses fundamental challenges at the very edge of science and technology,” according to the conference materials. Topics of discussion included how to better utilize information, the importance of intangible assets, and the issue of patent reform.

Dr. Jarboe also participated in the National Bureau of Economic Research (NBER) fall seminar titled “Measuring Economic Activity in Markets for Ideas, Innovation, and Other Intangibles.” Held at NBER’s Boston offices, the seminar included papers on innovation and intangibles and a discussion of future research topics. Dr. Jarboe is in contact with some of the presenters about possible future research projects.

Dr. Jarboe in 2008 remained a core member of the International Economics Working Group, which works on international competitiveness issues. As he has in the past, Dr. Jarboe served as a member of the Tuesday Innovation Workshop at the Woodrow Wilson Center and attended the George Mason University/George Washington University Innovation Seminar. He also continued as a member of the Alliance for Science & Technology Research in America Research Task Force. Dr. Jarboe maintained his participation with the Intangible Asset Finance Society.

Throughout 2008, Dr. Jarboe continued to meet with policymakers and congressional staff on

issues pertaining to the intangible economy, and attended numerous other meetings, conferences, presentations, and events.

## Organizational Activities

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During 2008, Athena Alliance began a major effort to develop a strategic plan in conjunction with an outside consultant. Work on the planning process will continue into 2009. Athena Alliance also held a one-day working session with outside advisers to discuss follow-up activities related to the issue of monetization of intangibles, including the possibility of undertaking a monetization case studies report in 2009.

## Athena Alliance Officers

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- Richard Cohon, President, C.N. Burman Company LLC—Chairman
- Kenan Patrick Jarboe, Ph.D.—President
- Joan L. Wills, Director of the Center for Workforce Development, Institute for Educational Leadership—Secretary/Treasurer
- Jonathan Low, Partner and Co-Founder of Predictiv, LLC—Board Member

## Contact

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