



Athena Alliance

Exploring the promise and pitfalls of the global information economy

December 15, 2005

The Honorable John Ensign
The Honorable Joseph Lieberman
United States Senate
Washington, DC 20510

Dear Senators Ensign and Lieberman:

We are writing to express our support for the National Innovation Act of 2005. Athena Alliance is research institute focused on understanding the emerging Information, Innovation and Intangibles (I-Cubed) Economy. Information, knowledge and other intangibles increasingly 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, and 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 the productivity gains and economic advances needed to maintain prosperity. But while the economic rules have changed, we believe that public policy has not caught up.

The United States faces a critical challenge in coping with this new I-Cubed Economy. Athena Alliance believes that the National Innovation Act of 2005 is a step forward in addressing this challenge. We are especially pleased that the legislation contains the requirement for a study of the valuation of intangible assets. As we pointed out in our recent white paper, *Reporting Intangibles*, America is flying blind when it comes to understanding and accounting for intangible assets. While we all understand the growing importance of intangibles in our economy, the U.S. accounting and business reporting system is completely inadequate to the task. Our national innovation system suffers as a result.

We would also draw particular attention to the creation of a Cabinet-level Council on Innovation. Because innovation policy spans so many federal departments and agencies, such a coordination mechanism is essential. This Council can also serve as an important analytical and policymaking body, similar to that which was envisioned in Senator Lieberman's previous legislation to create a Commission on the Future of the U.S.

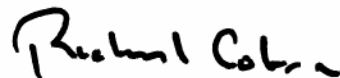
Economy. It is absolutely critical that the Council take a broad view of innovation and knowledge diffusion to include policies to foster non-technological ingenuity and creativity as well as science-based research and development—and in all sectors of the U.S. economy, particularly those in which rates of productivity and innovation have lagged, and in U.S. companies of all sizes, particularly small and medium-size companies.

The Council must also address the critical need to transform the education and training process into a true system of life-long learning and to upgrade the skills of the U.S. workforce. In this age of innovation, American workers will need a variety of skills, including in mathematics and science, critical thinking, communications, language and intercultural awareness, creativity, and interpersonal relations. They will also need to continually renew and refresh their skills, in addition to learning new ones. We must move away from a system of static education to one of dynamic learning if we are to compete effectively in the new economic environment.

Finally, the Council must develop a national strategy for economic development and job creation and retention. In the information age, it is possible to develop competitive companies and jobs that are rooted in local skills and local knowledge assets. These locally rooted innovation and information companies can thrive and prosper in an environment of global competition—and will lessen the displacement resulting from globalization. But they need our support and facilitation in order to develop. The development of a strategy to foster such companies and jobs should be one of the Council's highest priorities.

In closing, we would like to thank you for all your efforts to address our nation's innovation challenges. We welcome the introduction of this legislation and hope that it will be speedily enacted into law.

Sincerely,



Richard Cohon
Chairman



Kenan Patrick Jarboe
President