



## **Crafting a Stimulus Package for the Information Age**

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In the wake of the terrorist attacks, attention of economic policy makers has turned to way to prevent the shock from further damaging an already weak economy. Talks are underway to craft a stimulus package. Many items are under discussion. Treasury Secretary O'Neill has been quoted as saying nothing has been excluded from consideration. If everything is on the table, I have a few suggestions – ones which afford us a grand opportunity to lay the foundations for a sustained economic boom.

The economic slow-down began with the bursting of the tech-stock bubble and the dramatic reduction in information technology investments. With the attacks of September 11, that retrenchment mentality has spread to other sectors. As the economy slows, we are in danger of forgetting those left behind by the previous good times. This is not a call for a new set of programs, policies or subsidies – but an alert to keep the opportunities flowing.

Macroeconomic policy – either fiscal or monetary – is not the sole answer. In addition to economic polices to maintain workers' purchasing power and protect the most vulnerable, actions to spur business investment are needed. This should include ways of reviving the IT sector; the current IT innovation cycle still has a long way to run.

But, the information revolution is entering a new phase. Up until now, activity has focused on the dot-coms and their supporting telecom and computer industries. In the future, real sustainable economic growth in the future will come from expanding the information revolution to all parts of our society. Metcalfe's Law states that the value of a network increases exponentially in relation to the number of users. The same is true for markets and economic activity. By leaving some behind, we impoverish not only those individuals; we also impoverish ourselves.

In part, our task is one of technology deployment. The technology infrastructure (including POTS – plain old telephone service) must be extended to those on the wrong side of the digital divide. We must be careful to craft a policy that concentrates on the underbuilt areas of the network, not to add additional capacity to those parts that are already overbuilt.

Investment in the telecommunications infrastructure is not enough. We must also eliminate the barriers to access that are keeping millions out of the digital economy. Access to computers and broadband is only useful if people have the skills, resources and opportunities to use those technologies. As many have noted, education is key – but not the only key. Community Technology Centers, libraries and schools all provide both access to the technology and the training and other resources to help individuals participate in the information age. However, these centers often face a continuing fight for survival. We need to bolster and expand programs, such as those at the Commerce and Education Departments, which support these activities.

Most importantly, we must focus on creating model of sustainability for these activities. A grant here and there from the government and foundations is not enough. The bottom line is not just access to information technology, but the utilization of that technology by organizations and individuals to better people's lives. We must work to weave information technology into the operations of community groups in a way that will both help individuals use the technology and will make those groups more efficient and effective in their core mission.

Closing the digital technology divide, however, is not enough. The driving force behind our economy is the creation and utilization of information and knowledge – not just new technology. Ultimately, it's the Information Economy – not the Internet Economy. In the Information Economy, productive capability is no longer completely dependent on capital and equipment; information and knowledge assets are increasingly important. Social capital and intellectual capital are as important as financial capital. Success comes from harnessing the information and knowledge assets of a community and from helping local businesses use technology and develop their own information assets.

Harnessing those assets to jump start economic growth will involve both start-ups and the expansion of existing businesses. Entrepreneurship remains one of the driving forces of our economy, despite the dot-com crash. Support of entrepreneurship, especially locally-based programs to developed social capital and to incubate and mentor new entrepreneurs, are critical to maintain economic growth.

We must also increase our efforts to help existing businesses better utilize information and information technology. This new phase of the information revolution will be marked by the transformation of small- and medium-size businesses. The mission and resources of the Commerce Department's Manufacturing Extension Partnership should be expanded so that it can help all businesses enter the Information Economy.

Financing the transformation is another concern. In this downturn we need special efforts to reach out to those areas left behind. The New Markets Initiative in last year's budget deal is a case in point. These provisions provide for, among other things, expanded empowerment zones, new tax credits for investments in low-income communities and ways of spurring capital formation for these investments. This program is an example of a true bipartisan effort, which the Bush Administration and Congress would do well to emulate and build upon.

The Information Revolution is alive and well – and entering a deepening phase. In this new phase, information and information technology will transform our economy. But, the process is not automatic. It will require new policies and programs to spur the revolution forward. Without the efforts of all of us – government, the private sector and civic and social organizations – the information revolution will stop short, leaving many behind. As we take steps to revive the economy today, let us also take steps to create the economy of tomorrow. With concerted actions, we can make sure the information revolution is spread to all citizens and all sectors. And that is the surest way to continue economic growth.