

# **It's Better Than You Think: Recent IT Trends**

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# The Progressive Policy Institute

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- **Founded in 1989 by the Democratic Leadership Council**
- **501 (c) (3)**
- **Mission is to define and promote a “Third Way” progressive politics for the Information Age**
- **An alternative to the liberal impulse to defend the bureaucratic status quo and the conservative bid to dismantle government**

**The digital economy continues to be the key driver of productivity growth, and holds the key to economic growth over in the next two decades.**

### **Average Annual Productivity Growth 1995-1999**

|                                |              |
|--------------------------------|--------------|
| <b>IT-Intensive Industries</b> | <b>3.16%</b> |
| <b>Other Industries</b>        | <b>2.30%</b> |

Source: Kevin Stiroh, Federal Reserve Bank of NY

# The Revolution

- “We are living in a third industrial revolution.”
- “The Internet is the greatest thing since Guttenberg’s printing press.”
- “Commerce in the next decade will change more than it’s changed in the last hundred years.”  
(Jack Welch, chairman GE, 1995)

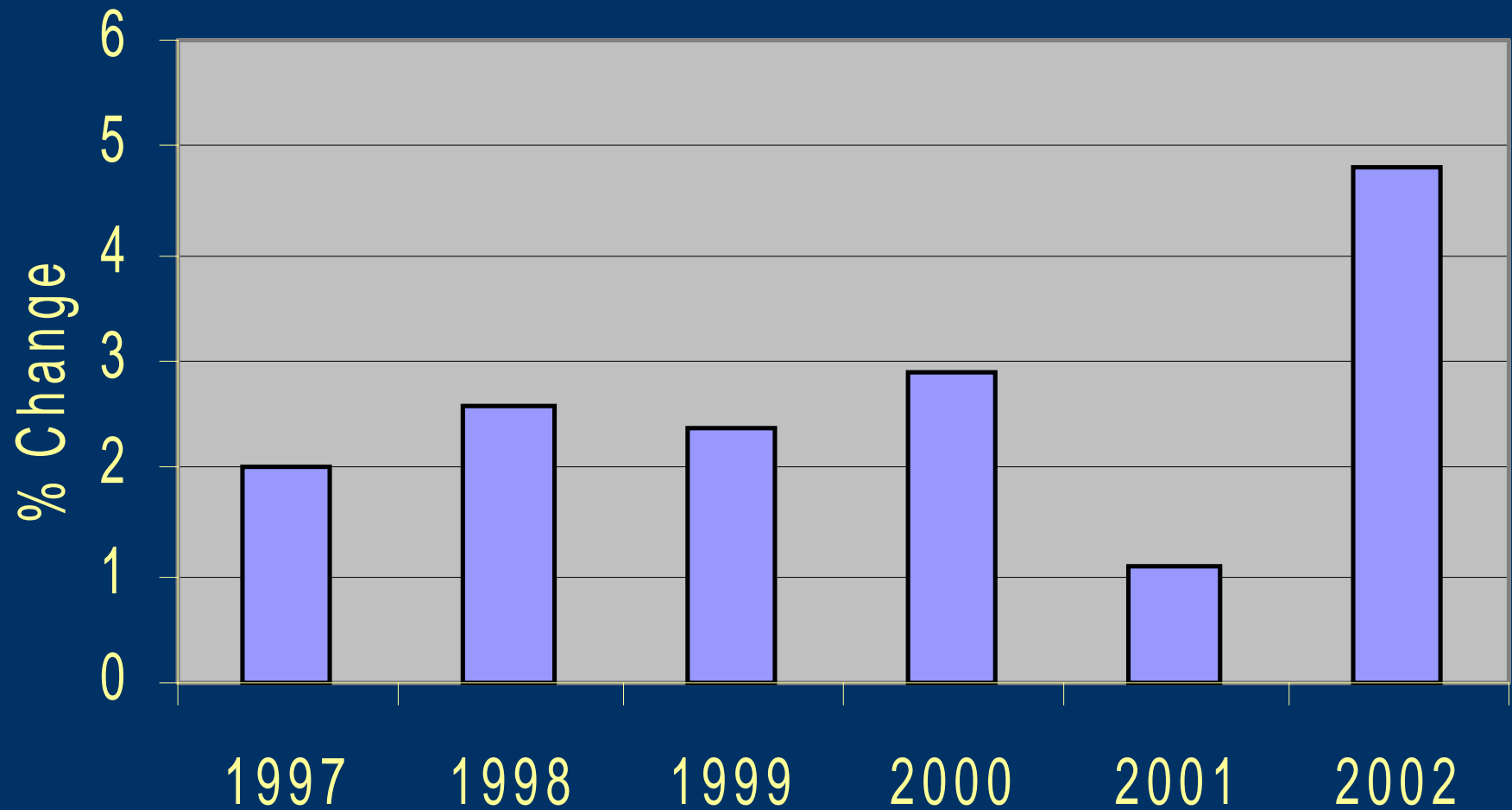
# The Counter-Revolution

- “The greatest benefits of computers lie a decade or more in the past, not in the future.” (Economist Robert Gordon)
- “There is no new economy. Notions of the new economy were mere idealism that is now getting a lesson in reality.” (John Dvorak, Forbes’ magazine)

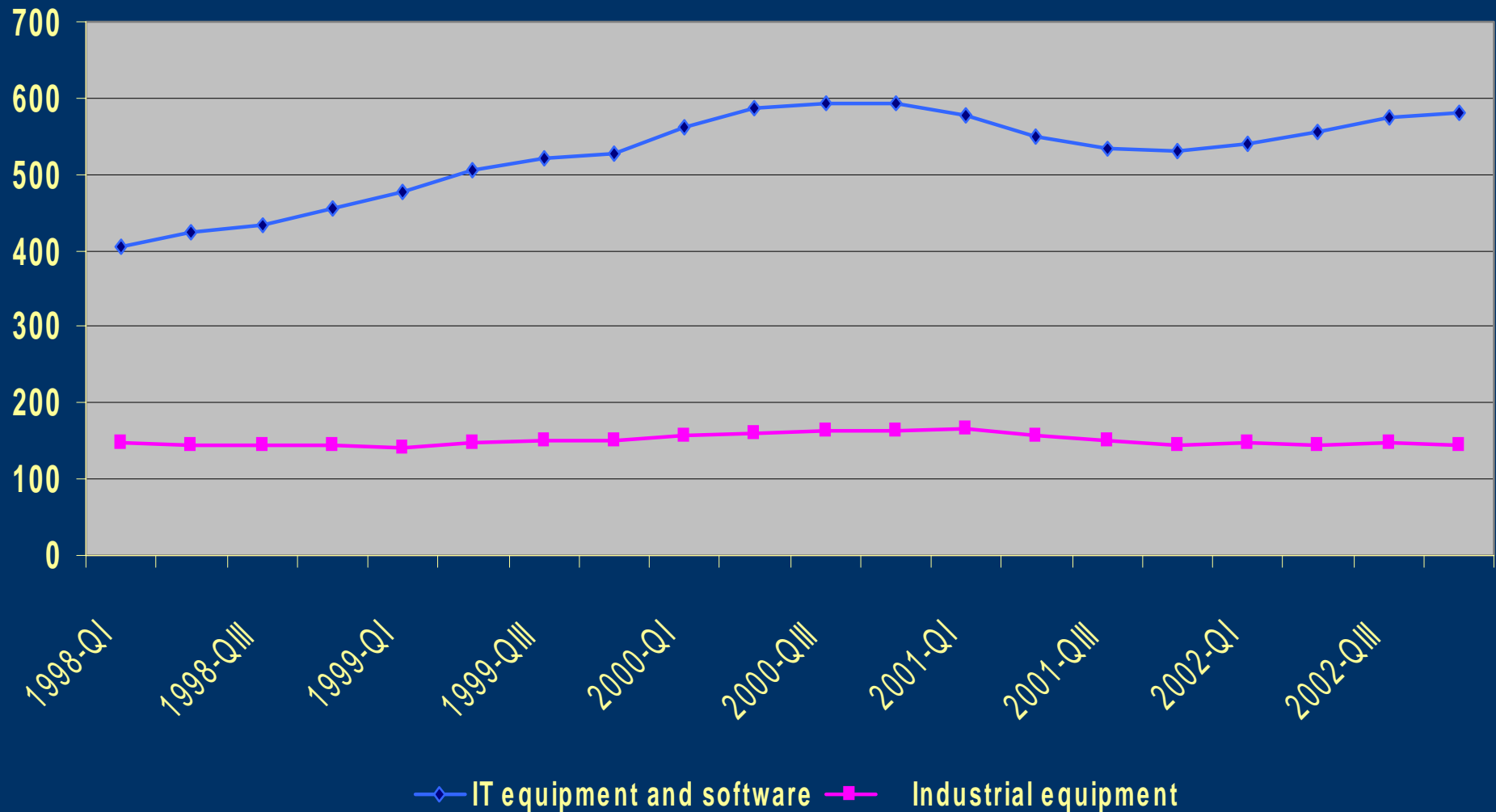
# The Reality

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# Productivity



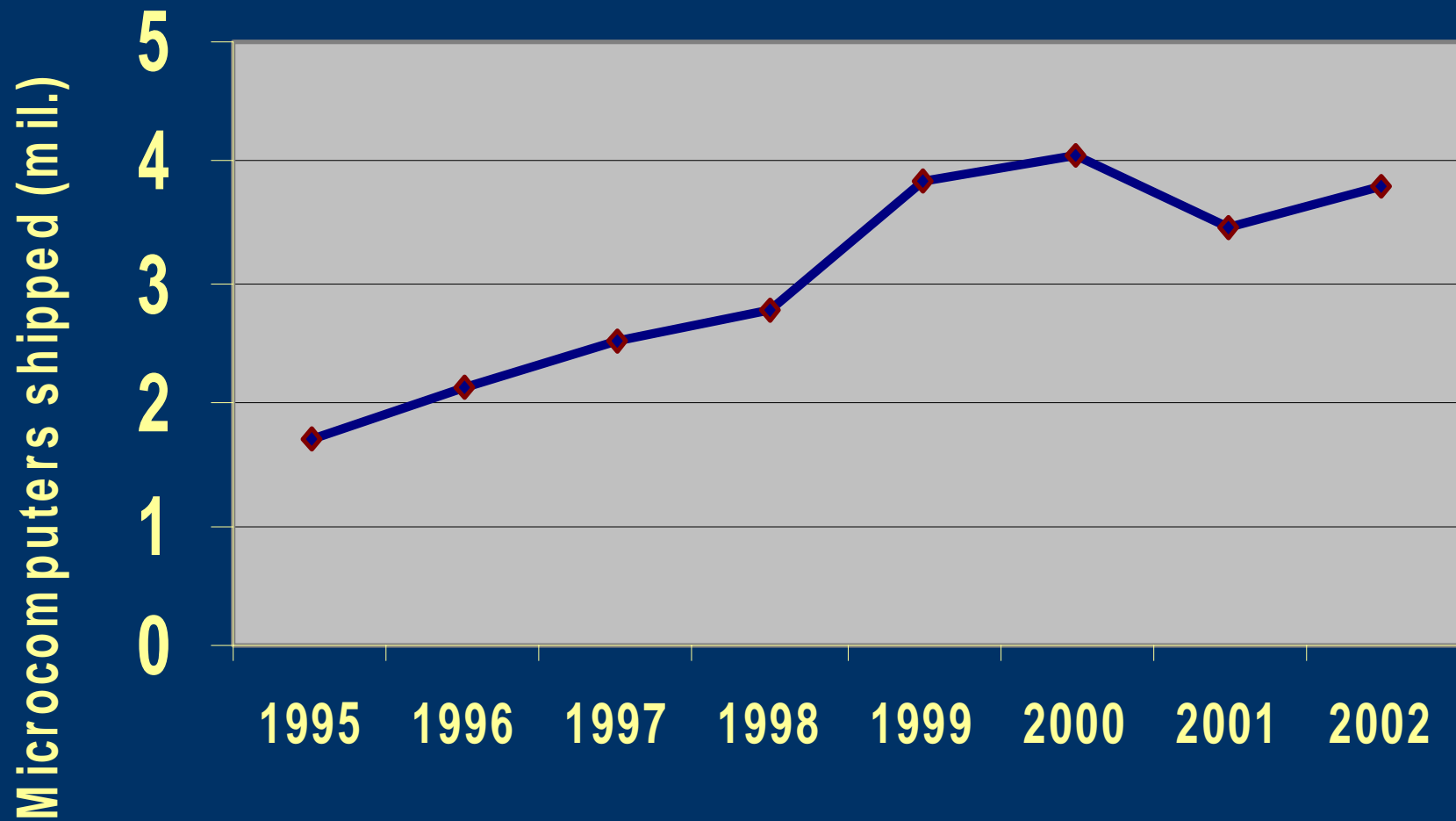
# Investment in IT Equipment and Software



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Source: Bureau of Economic Analysis

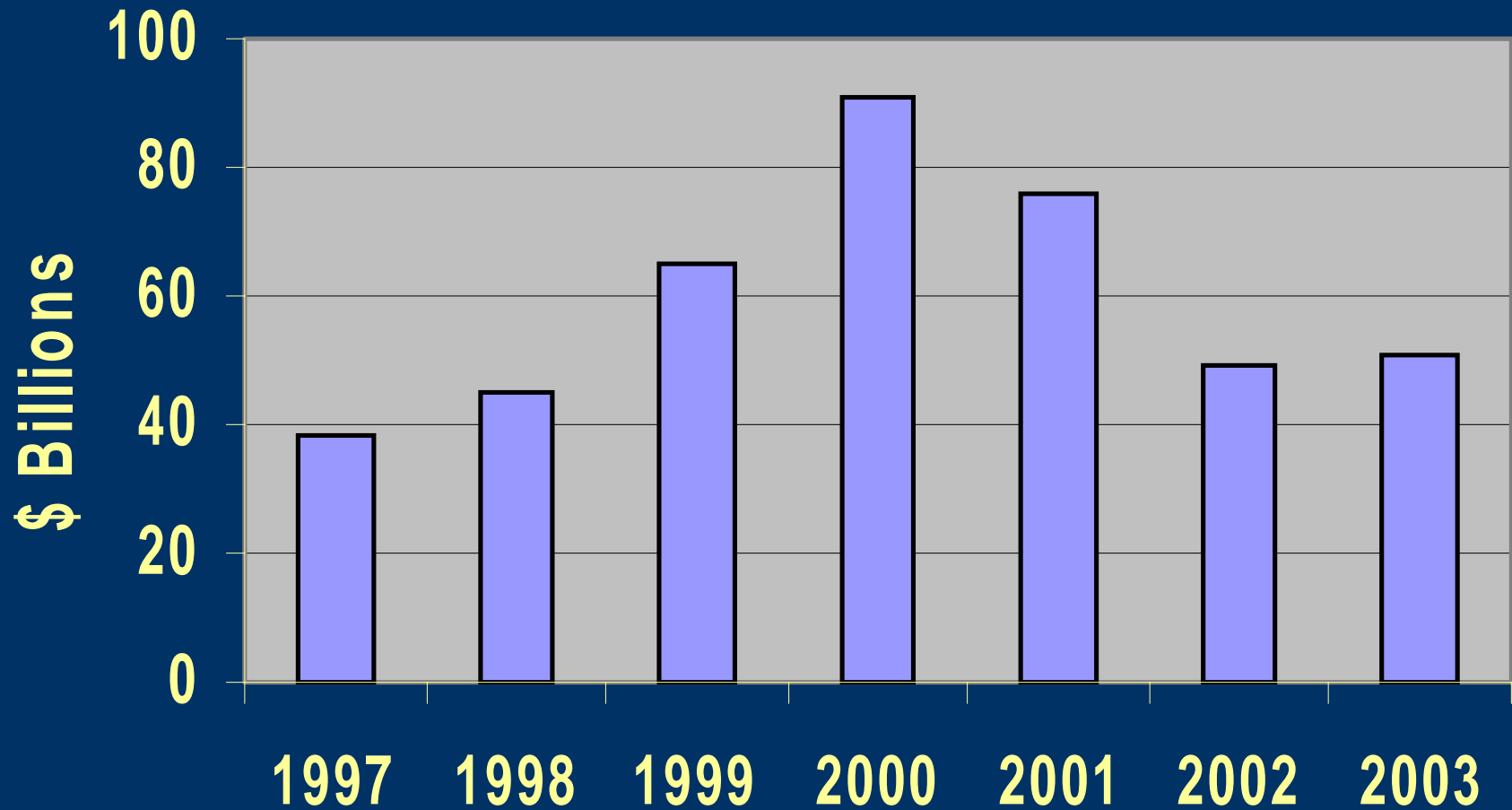
# Computer Purchases



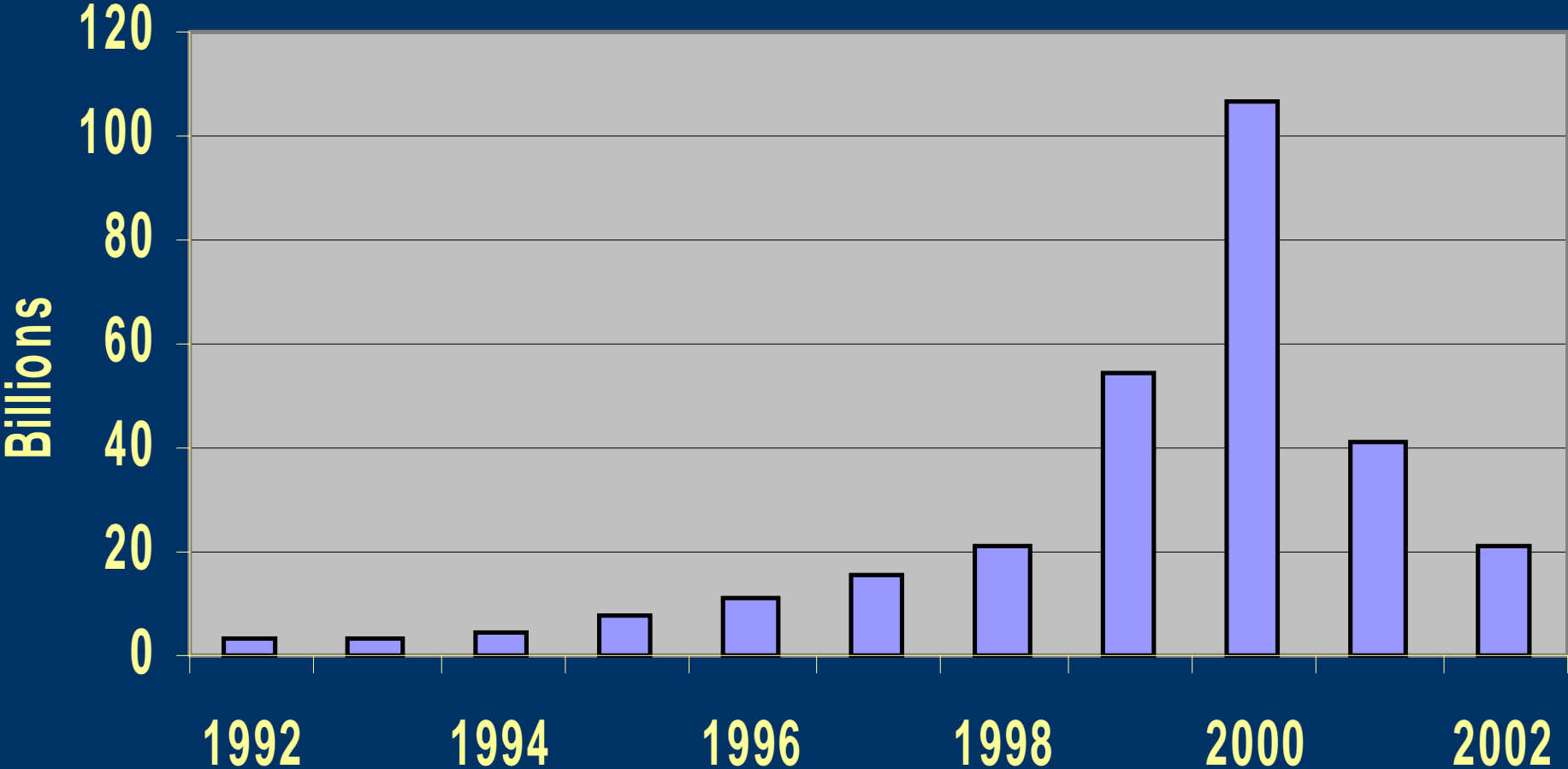
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Source: Bureau of Economic Analysis

# Telecom Network Investment



# Venture Capital

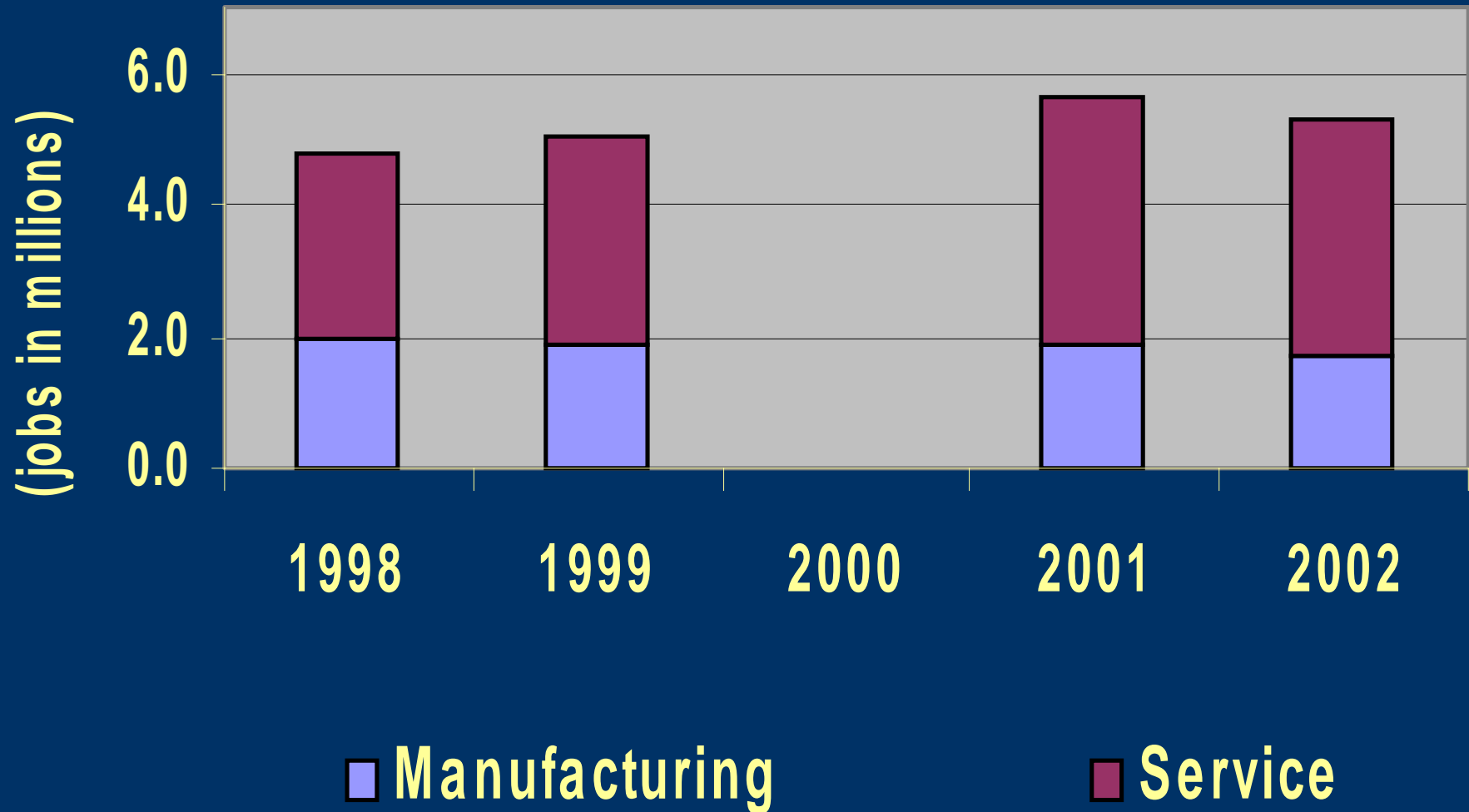


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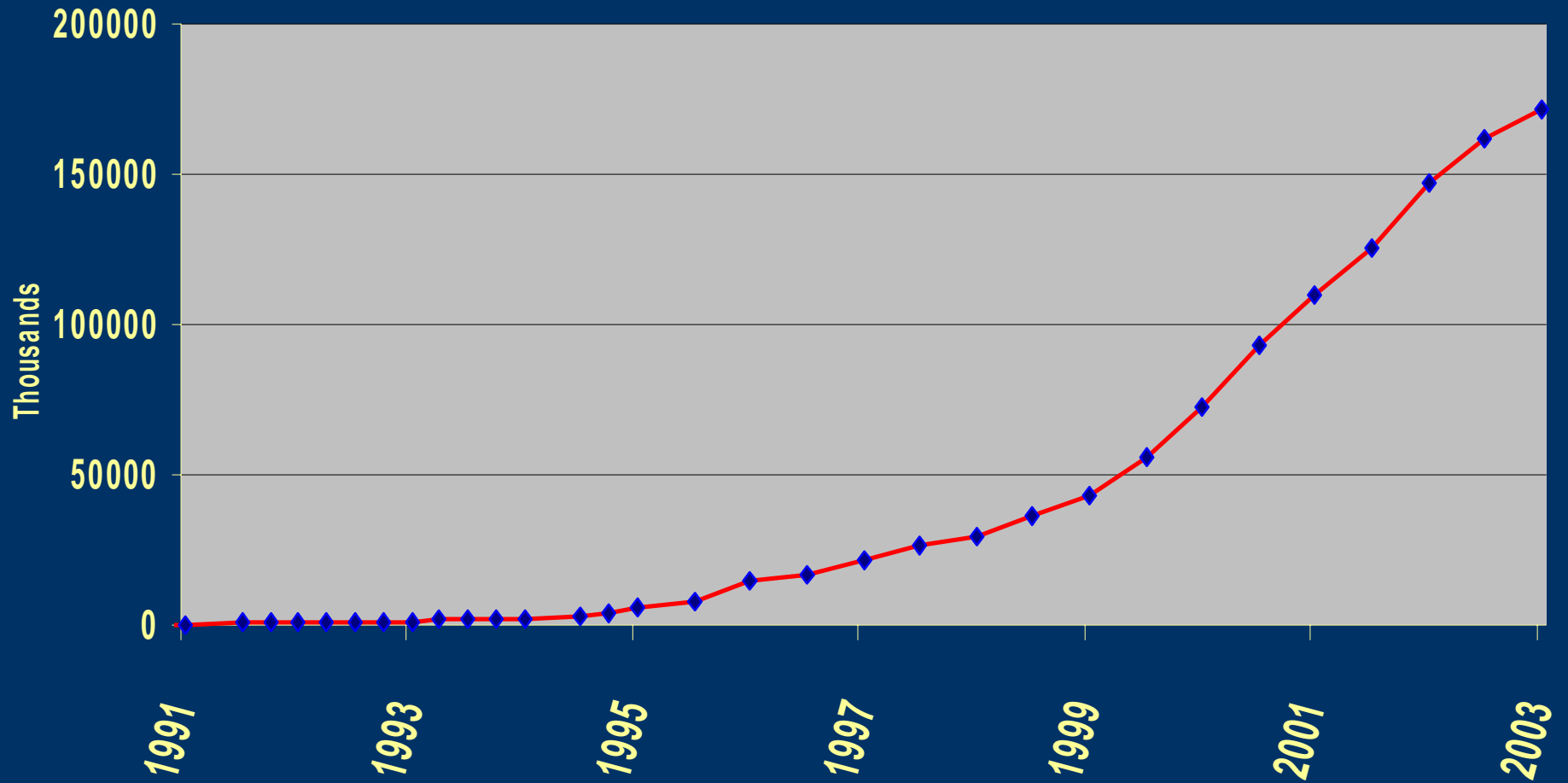
Source: Nat'l Venture Capital Ass'n



# High Tech Jobs



# Internet Hosts

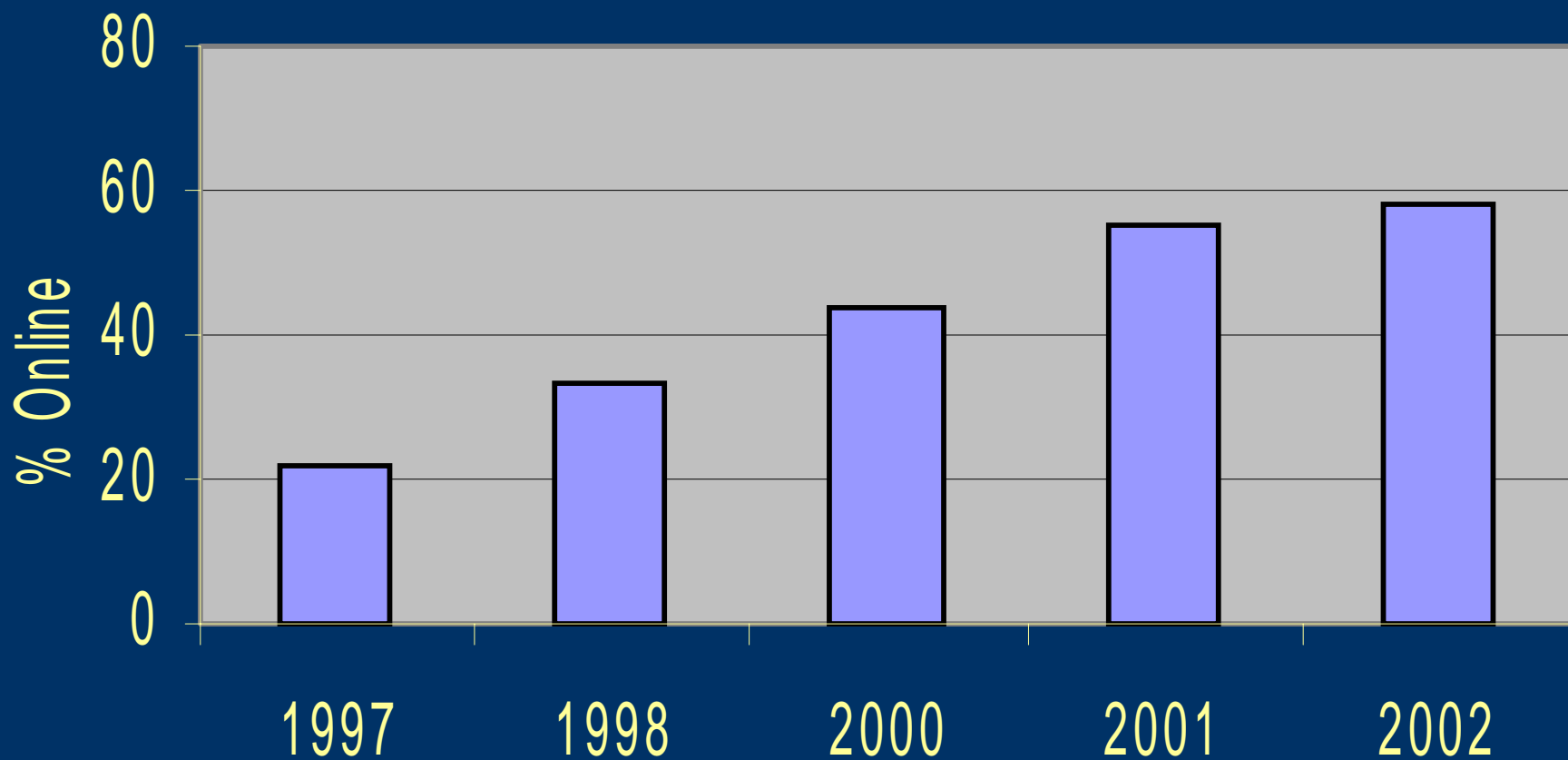


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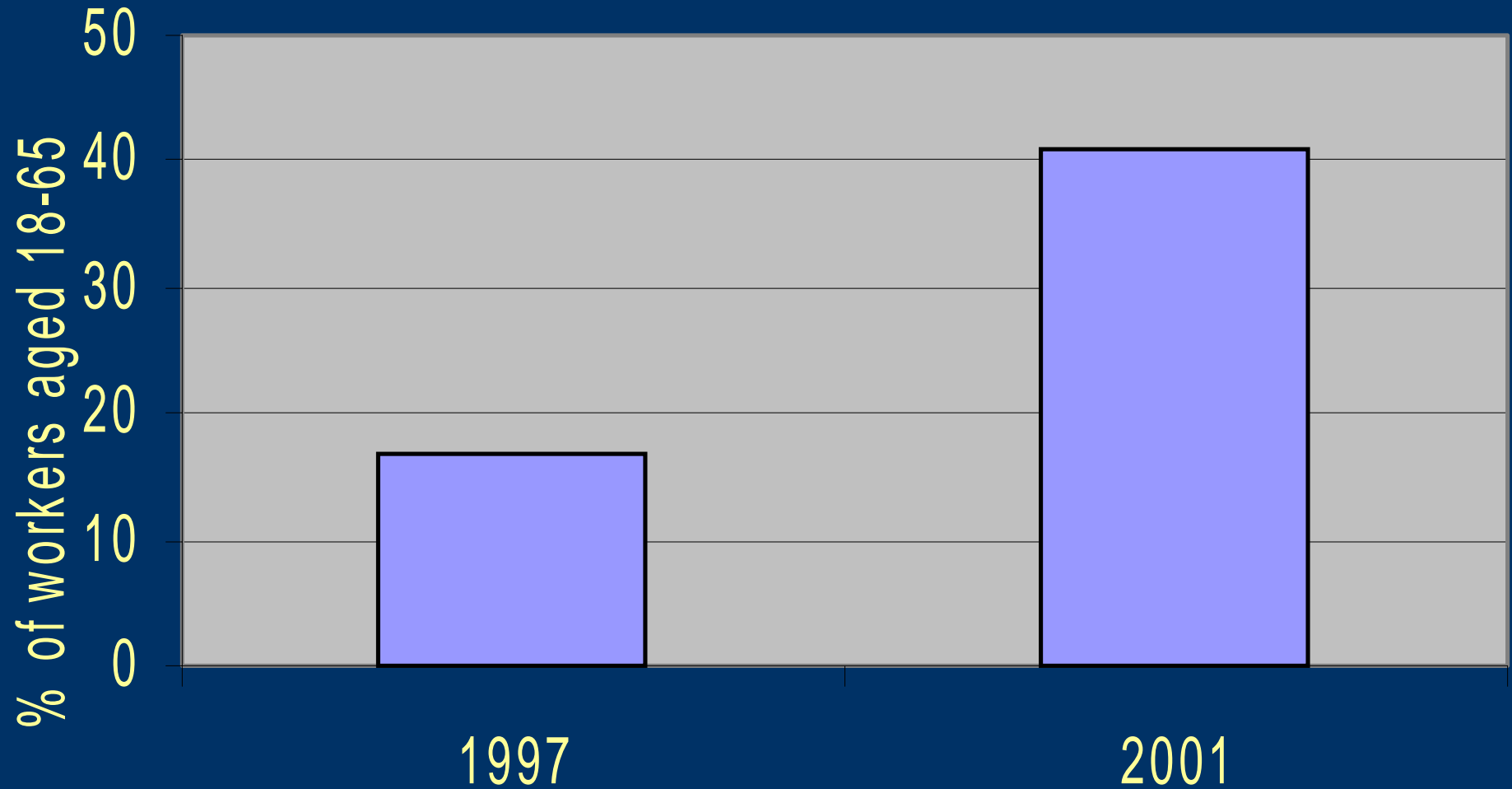
Source: Internet Software Consortium



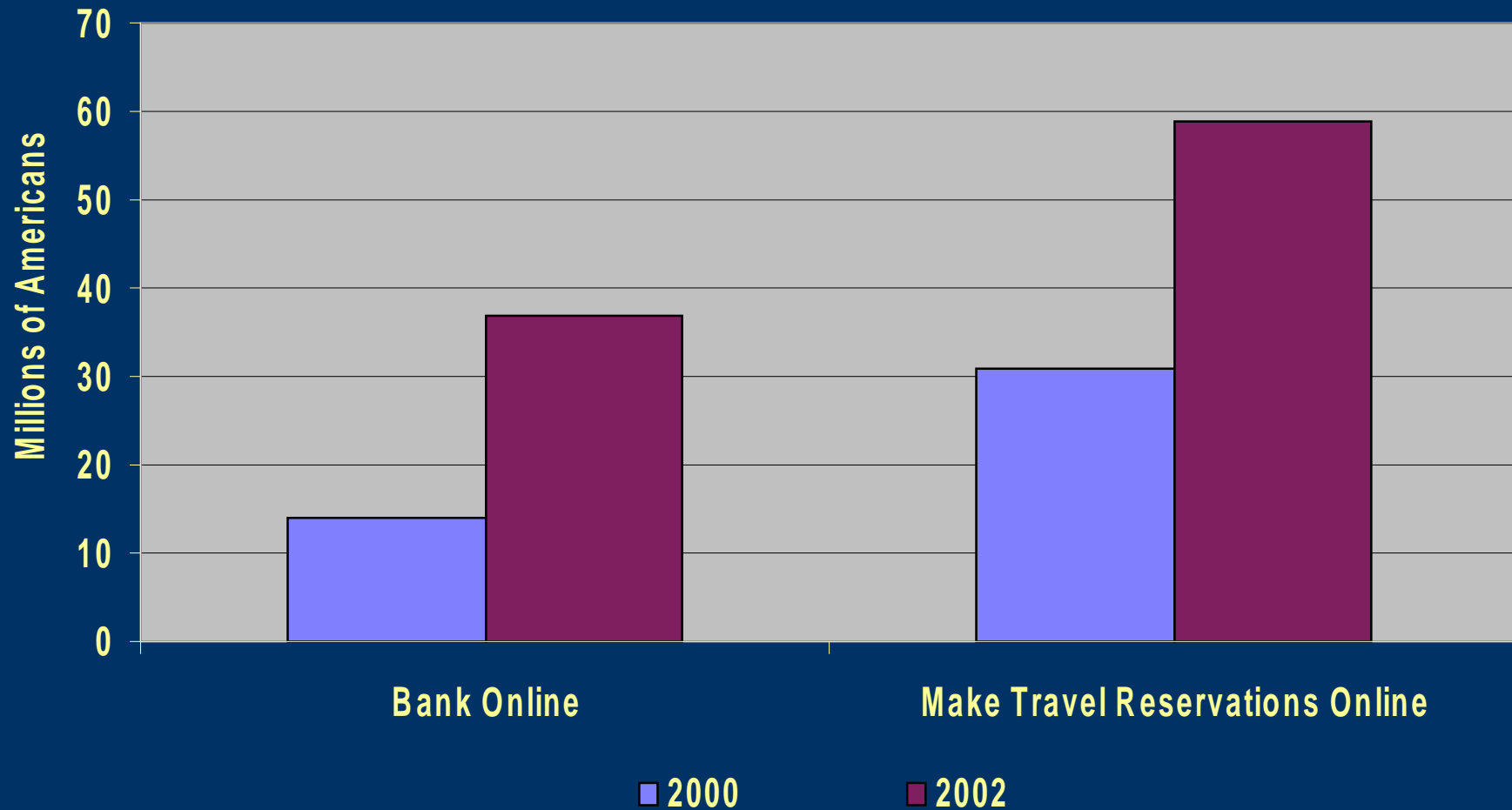
# Online Population



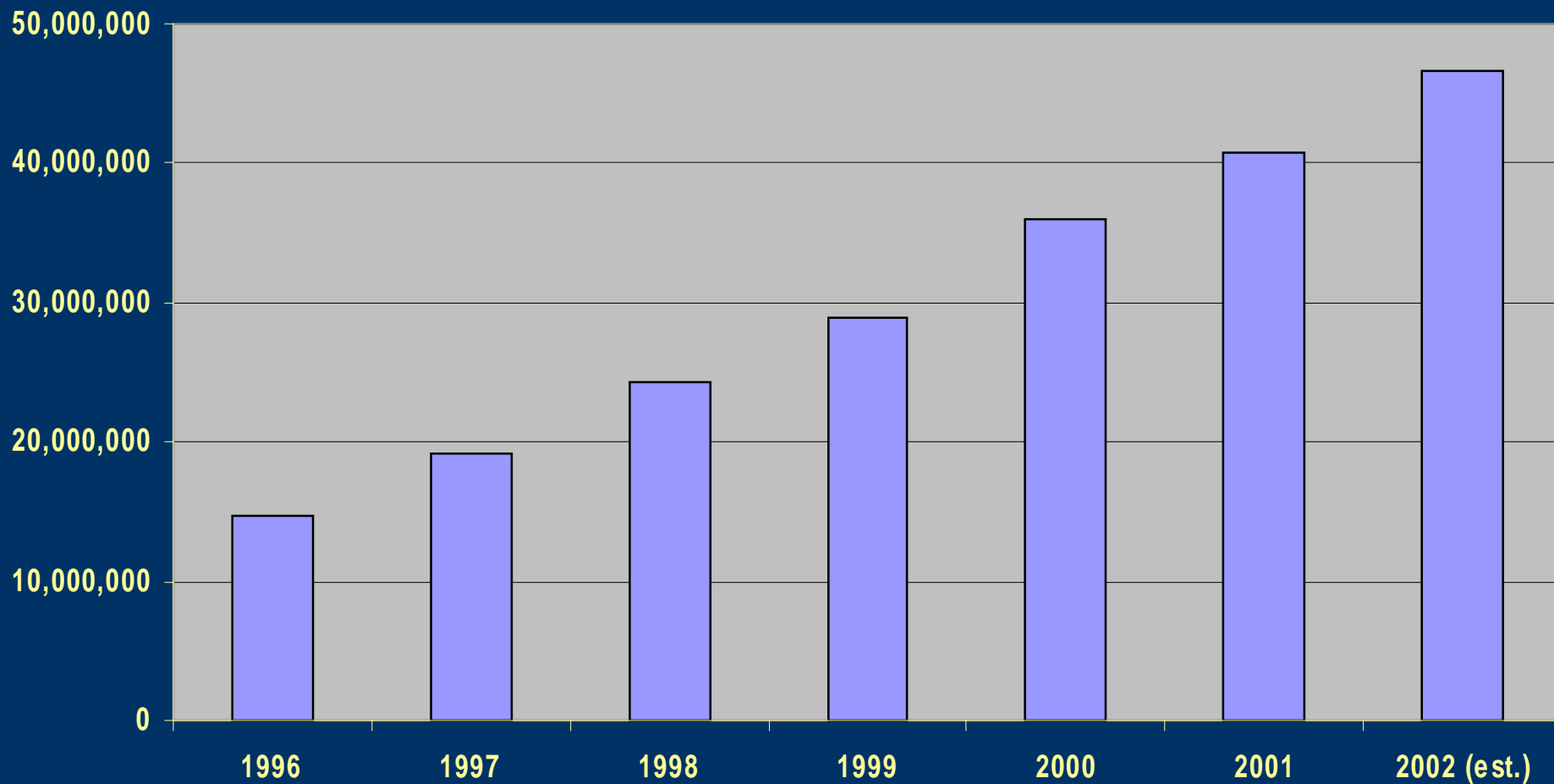
# Workers Using the Internet



# Online Services



# Federal Tax e-Filing

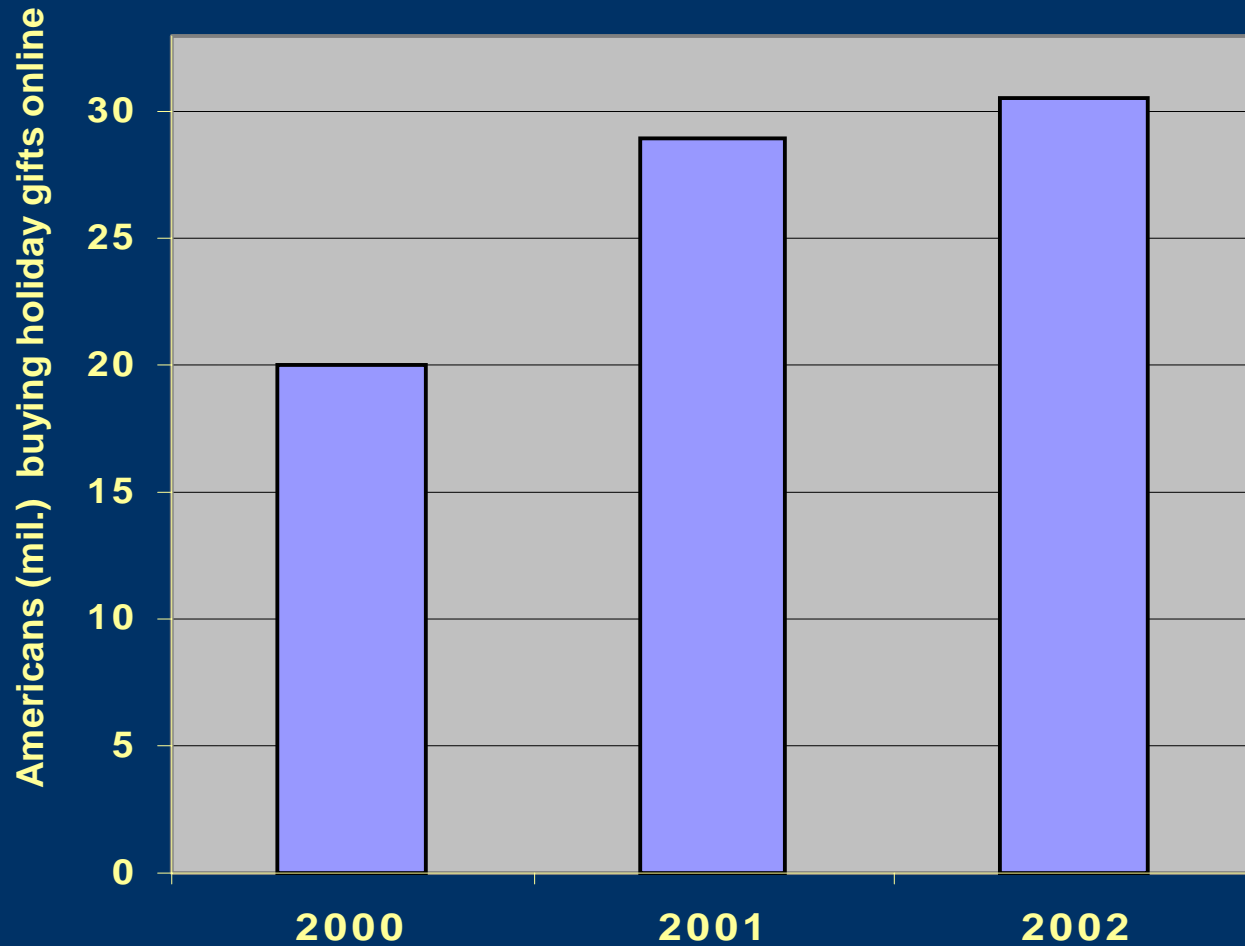


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Source: Internal Revenue Service



# Holiday Online Shopping



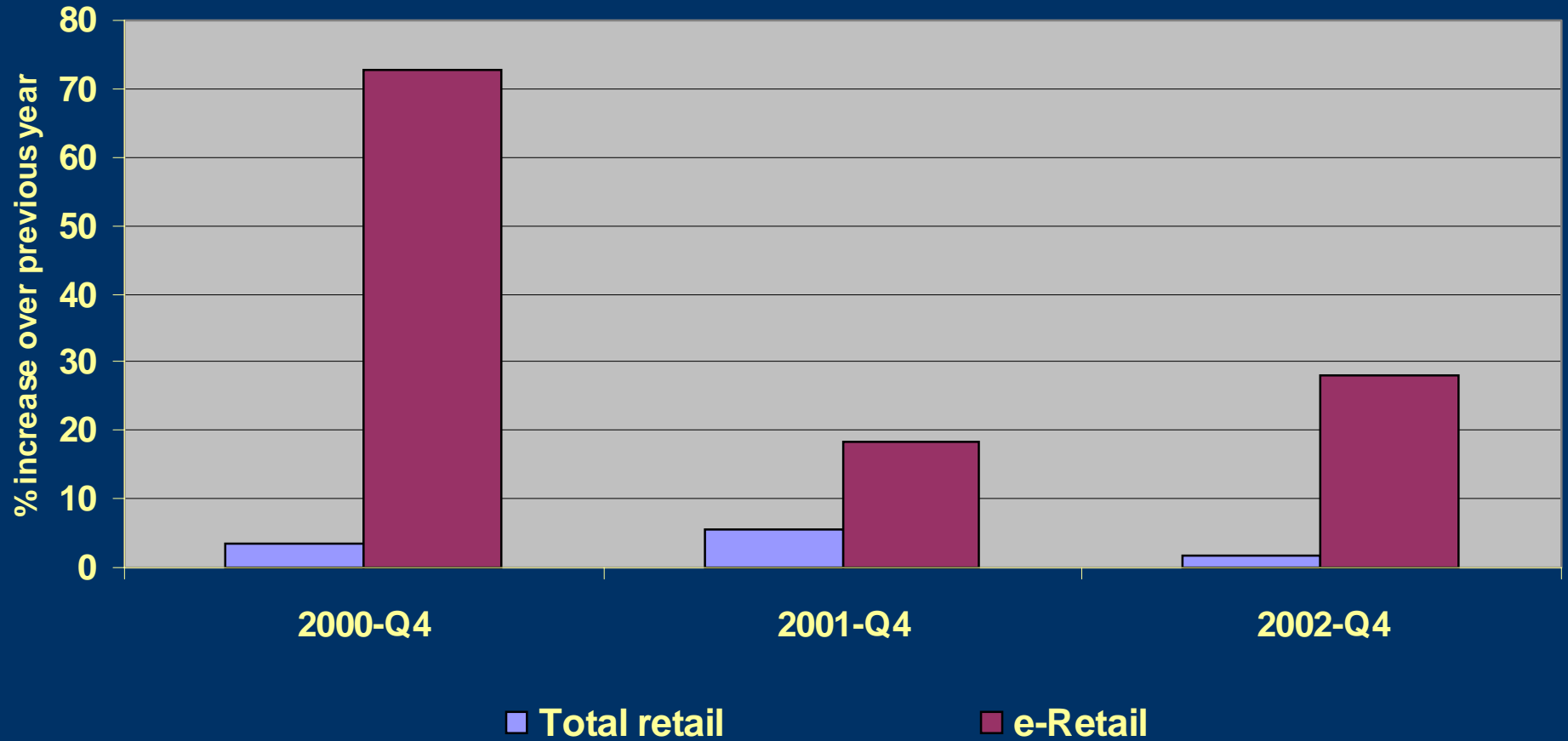
| Who the holiday shoppers were  |     |
|--|-----|
| <i>More than 30 million U.S. Internet users bought gifts online during the holiday season. The percent of the overall online shopping population in each group</i> |     |
| Men  | 41% |
| Women  | 59% |
| By race and ethnicity  |     |
| Whites   | 79% |
| Hispanics  | 10% |
| Blacks   | 4%  |
| Others   | 7%  |
| By age   |     |
| 18-29  | 24% |
| 30-49  | 52% |
| 50-64  | 20% |
| 65+  | 4%  |
| By household income  |     |
| <\$30,000  | 13% |
| \$30,000-\$49,999  | 23% |
| \$50,000-\$74,999  | 25% |
| >\$75,000  | 39% |
| By Internet experience   |     |
| 1 year or less   | 3%  |
| 2-3 years  | 14% |
| 4-5 years  | 37% |
| 6 or more years  | 45% |
| <i>Source: Pew Internet &amp; American Life Project December 2002 survey. Sample= 1,220 Internet users. Margin of error is ±3%.</i>                                |     |

Source: Pew Internet and American Life project

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# Growth in e-Retail

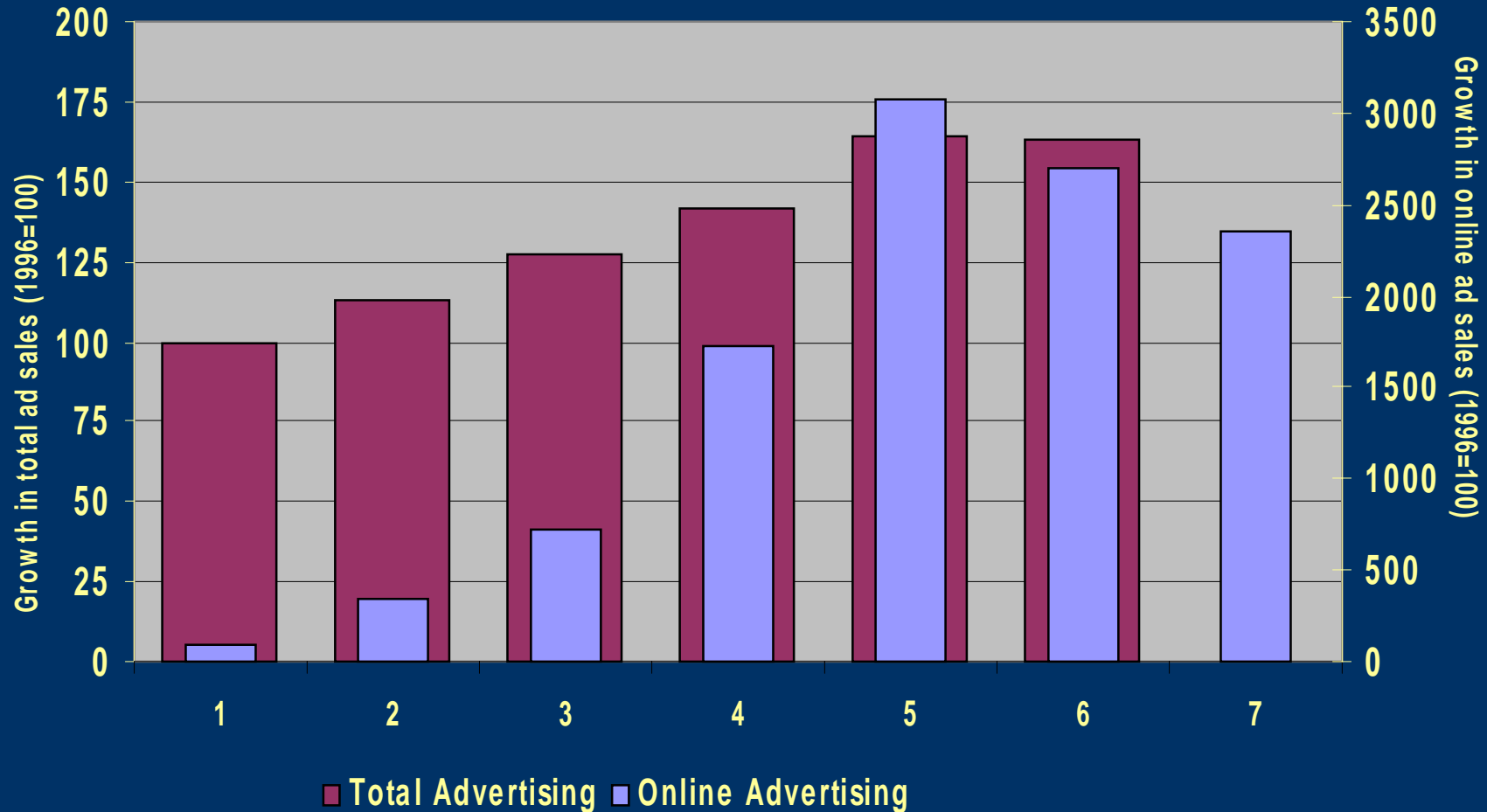


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Source: Census E-Stats



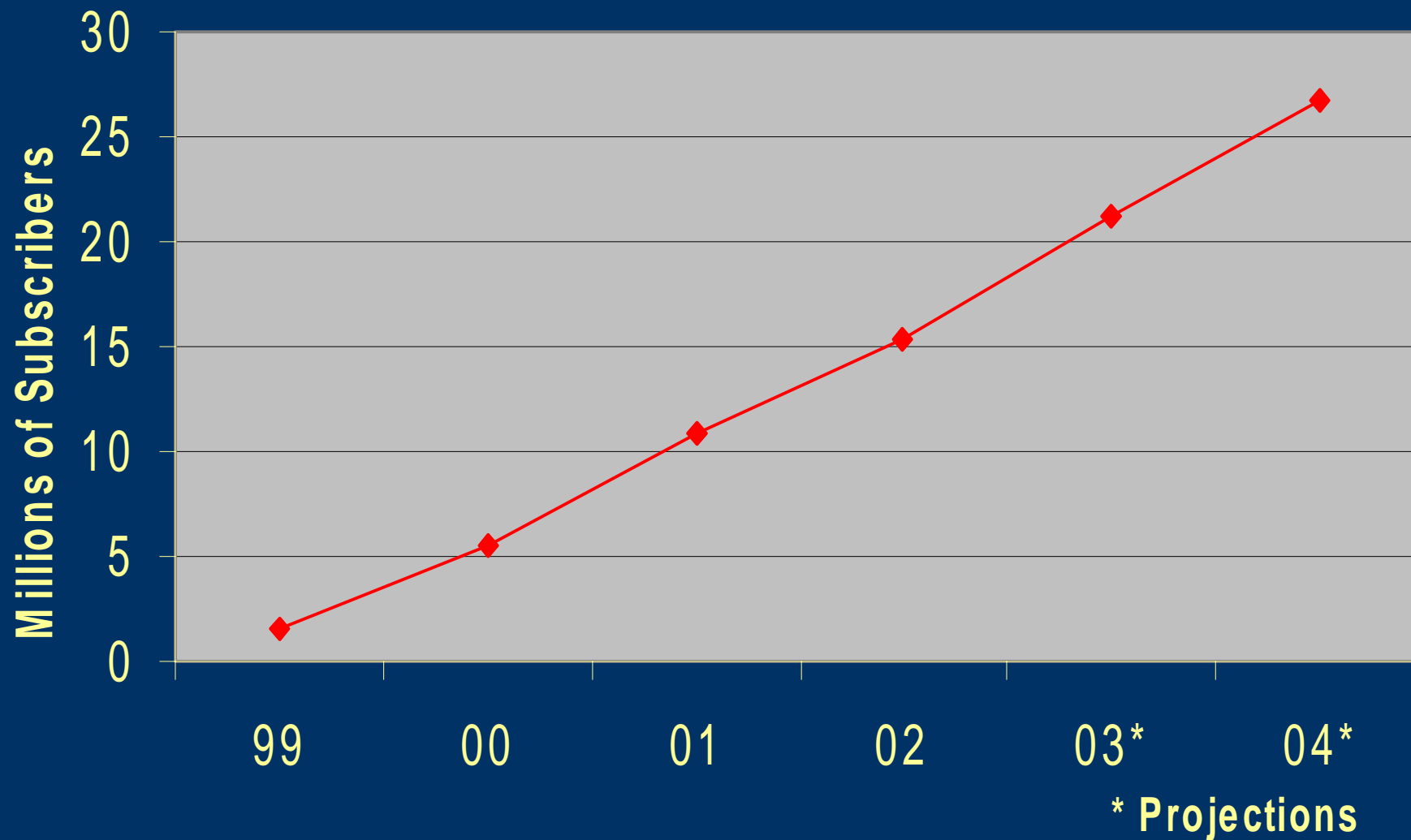
# Online Ad Revenue



Source: Interactive Advertising Association

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# Broadband Adoption



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Source: The Yankee Group

# So Why Did The Bubble Burst?

**Expectation:** The Internet and E-commerce would be driven by new services consumers would pay for.

**Reality:** The real growth in E-business will be to drive efficiency and cut cost.

**Expectation:** Transformation would be fast, painless and sweep away the resistors.

**Reality:** Supplanting an old industrial network built around machines, paper, and people takes considerable time and brings considerable disruption.

# So What Do We Need to Do?

1. Recognize that the real impact of IT will be through digital transformation of entire industries.
2. Recognize that innovations in the IT sector are far from over, and that while customer-led adoption will be the driving force, vendor-led innovation still offers new possibilities.
3. Recognize that we need to move to a new phase of IT policy that focuses on removing barriers and creating conditions for the widespread transformation of whole industries.

**Move beyond the  
fashionable skepticism, and**

**Dare to Dream Again**

**about the potential of IT to  
transform our economy  
and our lives.**

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