



## **Paper on Information Society and New Economy**

### **Definition of the information society**

Information and communication technology (ICT): the acquisition, processing, storage and dissemination of information through computer and telecommunication technologies, including both hardware and software.

Information society: makes extensive use of information networks and information technology, produces large quantities of information and communication products and services having a diversified content industry.

### **Background**

Technological developments, information revolution and globalisation are together changing the world; such has been so remarkable that we can speak about a new economy. Globalisation is an opportunity for the developing countries to get access to capital, in other words a chance to get the funding for the facilities of production. These facilities have helped to increase the welfare of the people.

### **“China-phenomenon” and new economy**

Globalisation together with ICT have changed the methods of production and resulted in distances becoming meaningless. For instance, this means that the production can be easily transferred to more cost efficient locations. This so called China-phenomenon has been seen as an economic threat in most of the western countries, although it should be understood as an opportunity.

The mobility of the production means that the resources will be allocated in according to the most effective way of production. It could lead to the situation that the price of the two production forces, labour and capital, get closer and finally end up at the same level. This is a natural phenomenon, and it does not entail that workforce or capital itself would transfer, all that is needed is that products and production move without limits. Globalisation and ICT make the costs of production decrease whilst the profitability of the work increases. With better production equipment and with higher knowledge, the work that earlier was made manually, can now be made much more effectively and cheaper.

The standard of living (GDP/population) is a result of the productivity of the work (GDP/workforce) and workforce (workforce/population). The productivity of the work can be increased almost without limits while workforce for example workforce/time or workforce/population is limited.

The productivity of work consists of three things:

1. Education and investment in human capital.
2. Investment in machines and equipment i.e. physical capital
3. Technological developments.

The most important factors are the technological developments which consist of

1. Developing new products and services
2. Developing new ways of production
3. Adopting the technology developed elsewhere.

### **Knowledge as an Instrument of Production**

The amount of information and information processing has increased enormously within the last few decades, and will continue to increase in the future. The capacity of the computers has doubled in every 18-24 months (Moore's law) and at the same time the price of computers has decreased on average of 56% per year.

While globalisation and the China-phenomenon moves the work intensive production to the cost efficient countries, computers, mobile phones and other ICT-machines become bulk-products constructed in countries with lower costs. That is why the ability to use and benefit from ICT technology leads to greater competitiveness. Thus knowledge becomes the most important instrument of production.

### **Conclusions**

ICT and globalisation have changed the world dramatically but the best is yet to come. This change should be seen as an opportunity, not as a threat. A change is the only way to develop. ICT and globalisation shouldn't be controlled too much, because freedom is the base of this development.

### **YOUTH OF THE EUROPEAN PEOPLE'S PARTY:**

1. Proposes increasing accessibility of R&D funds for SME's.
2. Urges governments to provide further education on ICT's in schools with the aim to bridging the digital divide.
3. Asks for more structural co-operation between universities and private companies in R&D in order to implement the Lisbon agenda.

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