

STRATEGIC POLICY AND THE ECONOMY OF IDEAS PART II OF II

Policy Implementation and The Gains in National Power

By **Angelos Kolokouris**

Part I followed two lines of thought, from Plato's Forms to Romer's growth theory and from Aristotle's logic to the founding of artificial intelligence, that meet in today's economy of ideas. This second article documents the maturity of that economy, proposes how strategic policy should be rebuilt around it, and shows how the result strengthens every dimension of national power, with particular attention to defence and foreign affairs.

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1. The economic inversion, 1974–2025

Since the mid-1970s we have witnessed the rise of an economy based on ideas and a corresponding decline of the economy of material goods. The transformation is clearly visible in the S&P 500. Ocean Tomo's *Intangible Asset Market Value Study*, which measures intangible value as market capitalisation minus net tangible assets, opens its series with the market emerging from the 1973–74 crash: at the end of 1975, physical assets such as plant, equipment, land and inventories accounted for 83% of the index's value, and intangibles for only 17%. Half a century later the ratio has fully reversed (Figure 1).

The “economic inversion”: intangibles rise by 75 percentage points, 1975–2025

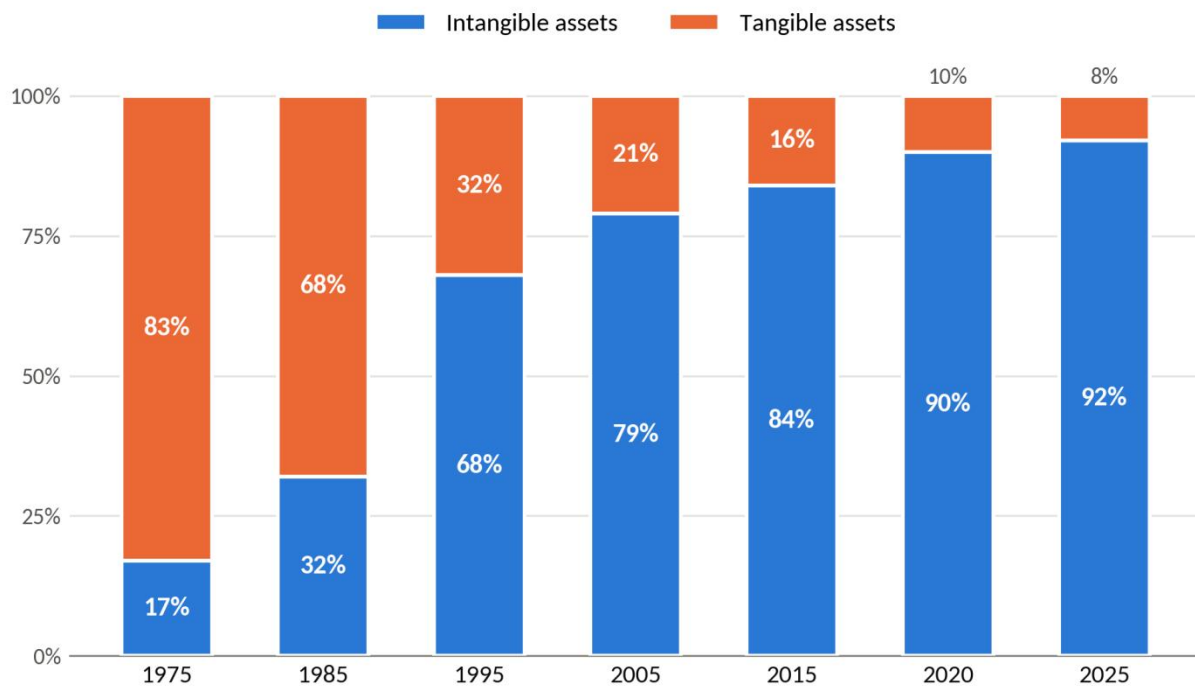


Figure 1. Composition of S&P 500 market value, 1975–2025 (share of market capitalisation). Source: Ocean Tomo, Intangible Asset Market Value Study (2020 and 2025 releases).

Intangibles almost doubled between 1985 and 1995, as personal computing and software spread, and passed 79% by 2005. They stood at 90% in 2020 and held at about 92% in 2025, despite sharp monetary tightening in between. This shift of 75 percentage points is what Ocean Tomo calls the “economic inversion”: value has moved from what you can touch to what you can think. As its co-founder James Malackowski notes, the Industrial Revolution took a century to unfold, while “the intangible revolution has occurred within a single human lifespan.”

Most of this intangible economy is linked to software and electronics, and it rests on intellectual property and its legally defined use. Artificial intelligence now sits at its centre: quite literally, AI drives the economy of ideas.

2. Why the old frame no longer fits

Classical strategic policy was built for rival goods. A tone of steel used in one place cannot be used elsewhere, so policy focused on securing supply, protecting producers and picking sectors. Ideas behave differently: they are non-rival, they gain value as they circulate, and their source is inexhaustible. When 92% of the value of leading firms is intangible, a strategy measured in plants, tonnes and hectares is measuring the wrong thing.

AI deepens the mismatch. It lowers the cost of recombining knowledge, so the bottleneck moves from producing ideas to selecting, validating and diffusing them. It also concentrates advantage in whoever controls compute, data and models. Table 1 contrasts the two frames.

Table 1. Two frames of strategic policy

Dimension	Strategic policy for material goods	Strategic policy for the economy of ideas
Core resource	Land, energy, raw materials, physical capital	Human and social capital, knowledge, data, computing
Source of value	Scarcity and control of supply	Circulation, recombination and use at scale
Basis of national power	Territory, population, industrial and military mass	Talent, trusted institutions, networks, AI capability
Role of the state	Allocator and protector of sectors	Architect of institutions and of the “space of ideas”
Planning mode	Fixed long-term plans and targets	Adaptive, experimental, evidence-driven
Role of AI	A sector among others	Both instrument and object of policy
Key risk	Supply shocks	Concentration, disinformation, skills gaps, loss of trust (weakening of social capital)

3. From principles to implementation

Each thinker of Part I supplies a design principle. **Popper**: treat policy as a testable conjecture, with explicit success criteria and sunset clauses. **Hayek**: build open platforms and fair rules rather than trying to pick every winner. **Schumpeter**: fund the new while cushioning the transition for workers and regions. **Keynes**: invest in the intellectual base itself. **Romer**: invest in meta-ideas, the institutions that produce and share ideas. **Aristotle to Dartmouth**: fund foundations patiently, since abstract work becomes infrastructure decades later.

These principles act on a single cycle (Figure 2), and a weak link, such as low trust or poor diffusion, limits the return on all the others.

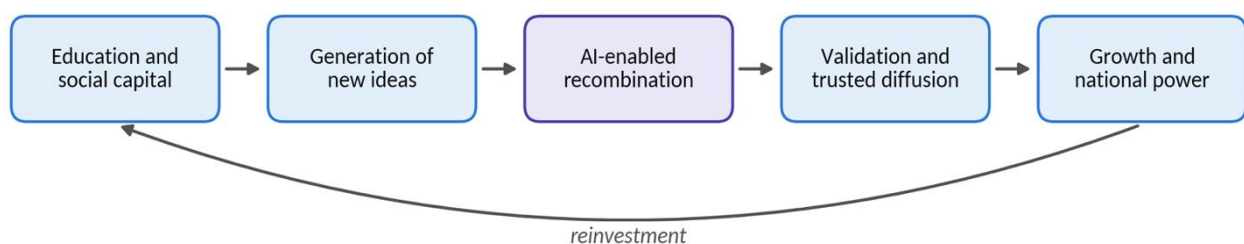


Figure 2. The policy cycle of the economy of ideas

Implementation rests on six pillars: **education for ideas** (mathematics, logic, philosophy and AI literacy at every age); **social capital and partnership**, on the Irish model; a **distributed idea ecosystem** linking domestic talent, the diaspora and international research networks; **AI capability and infrastructure**, through pooled compute, data commons and applied-AI missions; **balanced IP and diffusion**, rewarding creation without locking value into rents; and **information integrity**, keeping the circulation of ideas trustworthy. They are governed by a strategic foresight unit with AI-assisted horizon scanning, portfolio funding with built-in testing, and a standing partnership forum, and measured by indicators of ideas: intangible investment, AI diffusion, the concentration of data and compute, and social trust.

4. The effect on national power

National power is usually analysed through its instruments (diplomatic, informational, military and economic) and the foundations beneath them: human capital, technology, institutions and social cohesion. The proposed implementation strengthens all of them at once, because they now draw on a common stock of talent, trusted institutions, data, compute and the capacity to recombine knowledge (Figure 3).

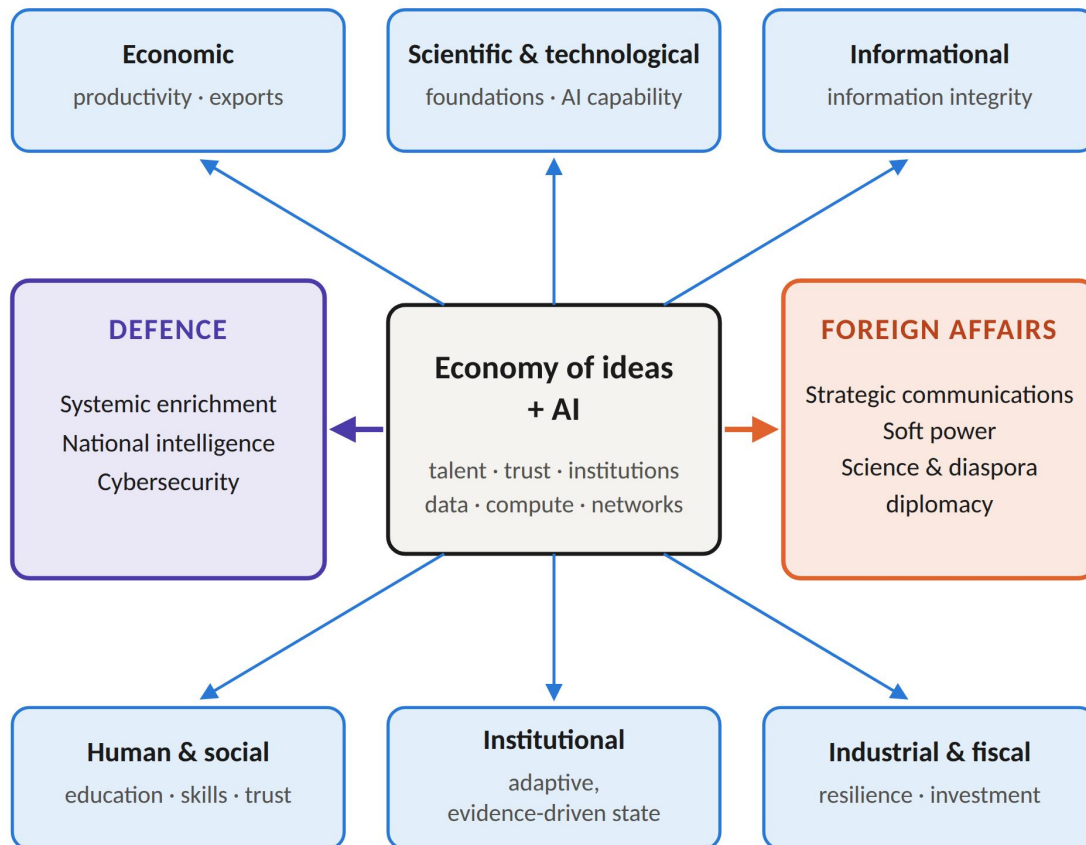


Figure 3. The economy of ideas as the common source of national power

Economic power rises through productivity, higher-value exports and a lesser dependence on physical scale. **Scientific and technological power** grows as foundations and AI capability give a degree of sovereignty in critical technologies. **Human and social power**, in education, skills and trust, becomes a strategic resource in its own right, since cohesion speeds innovation and resists manipulation. **Institutional power** improves as Popperian, evidence-driven governance makes the state adaptive. The largest qualitative gains, however, lie in defence and foreign affairs.

i. Defence: systemic enrichment, intelligence and cybersecurity

The economic inversion has reached the military domain. The value of a modern platform lies increasingly in its sensors, software, data links and models rather than in its steel. For a smaller state that cannot compete on numbers, this is an opening.

Systemic enrichment. Rather than buying mass, the state can enrich the whole defence system with knowledge: upgrading existing platforms through software, data fusion and AI decision support; linking sensors, units and allies so that, like ideas, their value grows with circulation;

and applying AI to predictive maintenance, logistics, simulation and training. A domestic defence-innovation ecosystem joining universities, start-ups, industry and the diaspora (pillar 3), tested through Popperian cycles of rapid trial and clear failure criteria, turns procurement into a continuous accumulation of capability.

National intelligence. The intelligence cycle is itself an economy of ideas. AI shifts its bottleneck from collection to sense-making, exactly as it does in the wider economy: from producing information to selecting, validating and diffusing it. Multilingual analysis of open sources, pattern detection and predictive analytics, linked to the strategic foresight unit, can strengthen early warning. Human analysts must remain accountable, sources must carry provenance, and systems must be hardened against deception and poisoned data, all under firm legal oversight.

Cybersecurity. When 92% of corporate value is intangible, much of a nation's wealth lives in the cyber domain: its intellectual property, data, software and models. Cyber defence thus becomes the defence of the national stock of ideas. It calls for security by design in public digital infrastructure, AI-assisted detection and response, protection of research against espionage, secure national and European compute and data commons (pillar 4), a pipeline of cyber skills (pillar 1) and trusted public-private information sharing built on social partnership (pillar 2). AI systems themselves become assets to protect.

ii. Foreign affairs: strategic communications and soft power

Joseph Nye defined soft power as the ability to shape the preferences of others through attraction rather than coercion or payment. It is an intangible asset par excellence, and the economy of ideas is its natural habitat.

Strategic communications. A state that invests in information integrity (pillar 6) can speak to the world with a coherent, evidence-based voice, coordinated across ministries. AI-assisted monitoring of the international information space allows early detection of disinformation campaigns and a rapid, truthful response, supported by provenance and labelling of content. In an age of synthetic media, credibility is the currency of influence, so honesty and verifiability become strategic assets.

Soft power. Ideas are also a form of diplomacy. Science diplomacy, participation in international research networks, scholarships that attract foreign students and the mobilisation of the diaspora extend a nation's reach far beyond its size. Expertise earns a seat where norms are set, as in EU and international AI governance, where a smaller state can act as a credible broker. For Greece the asset is unique: the lineage traced in Part I, from Plato's Ideas and Aristotle's logic to the foundations of AI, is a narrative of origin that no other nation can claim, provided it is matched by contemporary contribution.

5. Conclusion

For a smaller open economy such as Greece, the economy of ideas is an opportunity that borders the imperative. It lowers the weight of physical scale and raises the weight of talent, networks and institutions. A realistic strategy would (a) specialise in niches where research strength already exists, (b) draw systematically on the scientific diaspora and its cultural

tradition, and (c) use existing frameworks rather than replicating them alone. Ireland shows that a deliberate social partnership that brings together the private and the public sectors, augmented by qualified international mentors, can turn a peripheral economy into a technology hub within a generation.

The economy of ideas is no longer emerging; it is the economy par excellence, while, of course, existing economies continue to operate, albeit in supplementary roles. Strategic policy must now design the institutions through which a society generates, tests, recombines, protects and shares ideas, with AI as both a powerful instrument and a force that must itself be governed. Done well, this strengthens national power in all its forms, from prosperity and security to the quiet influence of attraction. **The source of ideas is inexhaustible; whether a nation draws on it is a matter of strategic choice.**

About the author

Angelos Kolokouris, born in Vlahiotis-Laconia Greece, obtained a BSc in physics from CUNY USA, followed by graduate studies in nuclear engineering and an interdisciplinary Master's in quantum mechanics at Penn State, and doctoral studies in Philosophy (Mathematical Logic) and Computer Science at Temple University, focusing on the Logical Foundations of AI. In the 1980s and thereafter, his companies played a pioneering role in theoretical & applied AI, developing PROLOG interpreters & systems tools and implementing major AI systems in critical civic and defense areas. He works on AI policy and R&D mostly to (a) counter disinformation and (b) implement predictive AI systems.

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