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New Building Blocks for Jobs and Economic Growth: Intangible Assets as Sources of Increased Productivity and Enterprise Value A Summary Conference Observations

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In May 2011, Athena Alliance organized a conference on the role of intangible assets in economic growth. Co-sponsored with the OECD, The Conference Board, Kauffman Foundation, and US National Academies and hosted by the Georgetown Center for Business and Public Policy, the conference discussed multiple aspects of intangibles and innovation. As with many such gatherings, the conference yielded a richness of conversations and insights that are impossible to completely convey. This summary aims to highlight a few of those discussions based on the author's personal observations. For more on the conference, including links to conference documents and materials, visit www.newbuildingblocks.org.

From the beginning, the conference discussions highlighted the importance of intangibles. As Chairman Bernanke said in his opening remarks, the topics of innovation and intangible capital “are central to understanding how we can best promote robust economic growth in the long run.” The conference embraced a broad perspective of intangibles—from worker skills, reputation, organizational structures, and relations with suppliers and customers to patents, copyrights, and trademarks.

Another key insight was the acknowledgment of the need to view intangibles from multiple perspectives and frameworks. Great progress is being made on macroeconomic measurement, such as the inclusion of intangibles in gross domestic product (GDP) measurements. Yet, as was said at the end of the conference, the intangible framework is “too important to be left in the hands of macroeconomists.” There is a need to integrate the macroeconomic analysis, based on available data on corporate spending, with the business strategy and corporate reporting view. This, in turn, is driven by the imperative to understand the resulting assets created by corporate investment and how these assets can help finance innovation and economic growth.

But we must move beyond issues of measurement. As one participant explained, our task is to help “managers organize information on intangibles” and then learn how intangibles “lead to innovation, service improvements, reputation, and improved business performance.” To accomplish these tasks, both the public and private sectors need to see how the intangibles framework links to business outcomes and economic growth. Business needs better tools to understand and manage intangibles. Financiers and investors need better valuation standards so the financial system can treat intangibles as a recognized asset class. Public policy analysis needs to better identify market failures and understand the microeconomics of intangibles (e.g., the social return on investment) and the complementarities among intangible assets.

With respect to innovation, the conference conversations highlighted the shifting ecosystem, especially the move to a collaboration model. Crafting policy in this new ecosystem will require a better understanding of the flows of knowledge, including the tacit knowledge of workers. Greater study is needed of institutions and framework conditions that are supposed to foster collaboration. In addition, case studies that detail successes and failures must be generated. The intersection of large firms and startups should be looked at more closely, especially how innovation can be facilitated through information exchange, supplier relations, and other interactions. Finally, in this era of collaboration, the patent system can and should work better.