Abstract for “Spillovers from R&D and Other Intangible Investment: Evidence from UK Industries”

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Many agree that evidence exists consistent with spillovers from R&D. But is there any evidence of spillovers from a broader range of knowledge/intangible investments, such as software, design or training? We collect investment data for this wider intangible range for a panel of 7 UK industries 1992 - 2007. Using the industry-level method in the R&D literature, Griliches (1973) for example, we regress industry TFP growth on lagged external knowledge stock growth, where the latter is outside industry knowledge stock growth weighted by matrices based on (a) flows of intermediate consumption or (b) workers. Our main new result is that we find (controlling for time and industry effects) statistically significant correlations between TFP growth and knowledge stock growth in (a) external R&D and (b) total intangibles. We expand our framework to allow for imperfect competition and non-constant returns and show our results are robust; likewise they are robust to including foreign R&D, and other controls, and various lags.