IARIW-ESCoE Conference
"Measuring Intangible Assets and Their Contribution to Growth"

Intangible investment and Covid-19 crisis: a preliminary assessment

Ahmed Bounfour, European Chair on Intangibles & RITM, Université Paris-Saclay, Faculté Jean Monnet, ahmed.bounfour@universite-paris-saclay.fr

Alberto Nonnis, Université Paris-Saclay, RITM, Faculté Jean Monnet, alberto.nonnis@universite-paris-saclay.fr

The economic crisis triggered by the ongoing Covid-19 pandemic is creating unprecedented challenges to businesses around the world. The impact on GDP and employment in the major economies has been severe and recovery will be slow and difficult. However, some lessons from the 2007-2009 crisis and from the recent evolutions can be taken. Even though in that case the nature of the crisis was distinct, similarities can be found in the factors that encouraged the recovery. Here, we focus on the role of intangible assets, arguing that already after the great recession countries that were investing more in intangibles were the ones that recovered faster. After the Great Recession, a considerable cut in investment both in tangibles and intangibles occurred, but countries that in the recovery period gave priority to intangibles, accelerating what is called the intangible shift, recovered more swiftly (Haskel and Westlake, 2018). Something similar is expected with the Covid-19 crisis. Of course, when talking about intangibles, one needs to take into account measurement and accountability issues which many scholars identify as the reasons that partially explain the so-called productivity puzzle, that is the productivity slowdown experienced in the recent years since the start of the great recession in 2007. In fact, many scholars pointed out that what is missing is a correct measurement of technological innovations, and when correcting GDP for unmeasured intangibles productivity growth is higher, explaining the puzzle at least partially (see, for example, Corrado et al., 2013; Corrado et al., 2018 and Nakamura, 2010).

In this article, we will discuss preliminary results of the GlobalInto Intangibe Capital Firm Survey which is a forthcoming firm survey conducted by the GlobalInto H2020 project (https://globalinto.eu/). From an intangible capital perspective the survey aims both at measuring investment in intangible assets for European firms across seven EU economies and assessing the economic impact of the Covid-19-Crisis. We do so by focusing on two aspects. Firstly, we propose a comparison with the 2007 crisis, with particular attention given to the countries and industries that recovered more swiftly and for which the pace of recovery can be explained with higher intangible investment levels. The argument here is that firms that invested heavily in intangibles in the pre-2007 crisis period recovered faster. We expect a similar pattern for the COVID-19 crisis. Secondly, we exploit the above mentioned survey to evaluate the countries and sectors that have been hit more strongly by the Covid-19 crisis. A particular attention will be put on how the Covid-19 crisis impacted investment in intangibles by firms across European economies, with detailed information on the Covid-19 impact on spending aggregates such as R&D, funded training, organisational capital, software, design and branding. By bridging the two mentioned aspects, we aim at providing policy implications on the critical role of intangibles in the post Covid-19 era, both for firms and policymakers.

References

Corrado, Carol, et al. ""Innovation and intangible investment in Europe, Japan, and the United States."" Oxford Review of Economic Policy 29.2 (2013): 261-286.
Carol, Corrado, et al. ""Intangible investment in the EU and US before and since the Great Recession and its contribution to productivity growth."" (2018): 11-32.
Haskel, Jonathan, and Stian Westlake. Capitalism without capital: The rise of the intangible economy. Princeton University Press, 2018.
Nakamura, Leonard I. ""Intangible assets and national income accounting."" Review of Income and Wealth 56 (2010): S135-S155.

Data Sources
GlobalInto:
https://globalinto.eu