

# Household Innovation and R&D: Bigger Than You Think

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## **Abstract:**

Despite recent interest in measuring household activities, investment in household R&D (or household innovation), has not been considered in any of the literatures on national-accounts-style measurement. Household R&D is the dedication of household resources to creating a product or process that will generate a service flow in the future; that is a household intangible asset. This paper takes a step toward valuing household innovation in the U.S. by developing time series of nominal and real investment and capital stocks for household R&D. We find that household investment in R&D was more than 11 percent of R&D funded by the private business sector in 2017 and about half of what businesses spent on R&D to develop new products for consumers. If household R&D were judged to be in scope for GDP, GDP would have been 0.2 percent higher in 2017. We conclude that household R&D is important and warrants closer attention.

Keywords: household innovation, innovation, intangible capital, research and development

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