

# KBC Policy

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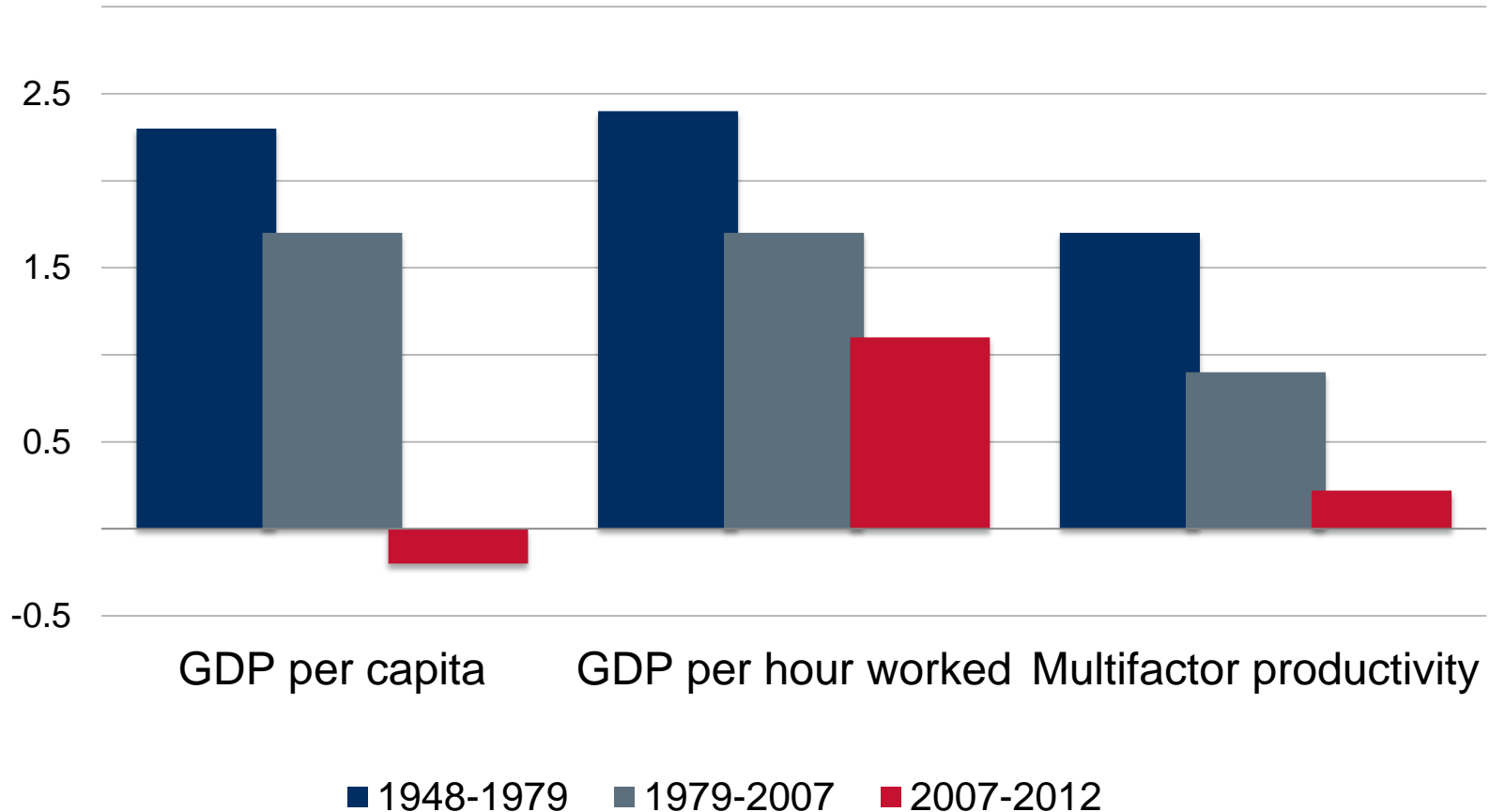
# Four main points

## 1. Frame the debate in macroeconomic terms

- Implications for GDP – “true” trajectory of investment incl. impact budget/fiscal issues (a la Landefeld)
  - Requires timely understanding of the current economy
  - Updating estimates of KBC relies on researchers
- Implications for understanding structural productivity trends (rate than can be maintained over a cycle, between equal points of labor utilization)
  - Labor utilization a major concern

# Labor utilization, not productivity, dragging down US living standards

Annual  
percent  
change



Note. Multifactor productivity is for total economy and does not include intangibles.

## Four main points

2. Key comparative results suggest importance of **institutions** as well as thinking about **infrastructure** that promotes diffusion

- intangibles intensity associated with higher levels of development and ease of doing business
- spillovers from KBC deepening to TFP growth (aka diffusion)
- KBC-ICT complementarity
  - What does big data need? (broadband, supercomputing)
  - What do bio-systems need? (avoid over regulation)

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### 3. Modeling challenges remain

- Internationalization of intangibles
  - MNCs and technology transfers are not appropriately modeled, much less measured, using current approaches
- Prices for intangibles – policy implications cannot be ignored

## Four main points

### 4. Measurement dilemmas

- “The statistical system is not ready”
  - Innovation account can be created (Hulten and I have a recent paper that sketches this out )
- “Measuring brand equity is not a priority”
  - Think: marketing, not advertising, and remember the Nestle presentation (BE was 21% of intangibles!)
- Alfred Marshall pondered impact of advertising on prices.
  - Empirical literature has not been dispositive . . .
  - Taking advantage of a “natural experiment” (simultaneous increase and decrease in advertising tax across regions in Austria), a recent study (Rauch 2011) found that advertising **lowered** consumer prices, on average.

Thank you.

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