

# **Modern capitals: reflections, and the way ahead**

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**UN NES Beyond GDP sprint meeting, 31 May 2022.**

Views are our own.

# Disclaimer

- Joint views with Jonathan Haskel – discussed in advance.
- Views are our own – not BoE, MPC, ESCoE, Imperial.

# The modern economy is an intangible economy

Company	Market Cap (\$bn) (21st March 2021)
Apple	2,051
Saudi Aramco	1,920
Microsoft	1,778
Amazon	1,558
Alphabet	1,393
Facebook	839
Tencent	753
Tesla	641
Alibaba	615
Berkshire Hath'y	588

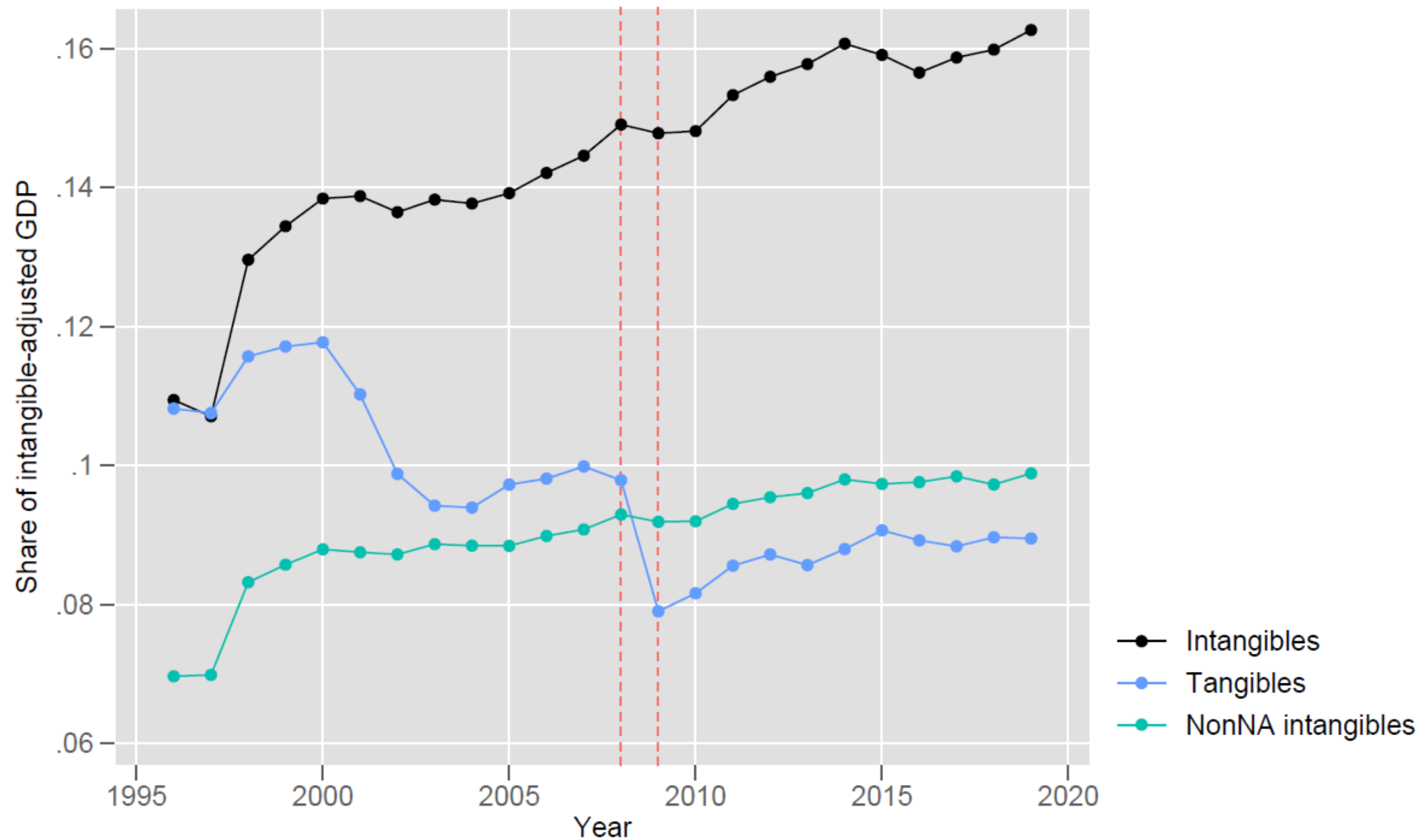
**Aramco's assets**



**Microsoft's assets**

```
Function: CmdSpelling
* Author:
* Copyright: Microsoft 1986
* Date: 8/31/87
*
* Description: Menu level command fu
*
** ***/
|
/* %%Function:CmdSpelling %%Owner:bry.
CMD CmdSpelling(pcmb)
CMB * pcmb;
{
    int cmd = cmdOK;
    CHAR szFileT [ichMaxFile];
    CHAR dlt[sizeof(dltSpeller)];
    struct SPV spv;
    struct SPL spl;
    struct SCD scd;
```

# Shares of intangible, tangible and nonNA intangible investment



Note: Non-farm 'market' sector, Europe10 & US

Source: EU KLEMS-intan invest (LUISS)

# Capital measurement has come a long way, but with further to go?

## SNA 1968

- No intangible assets
- Partial coverage of repair & maintenance
- Small items excluded
- Military assets excluded
- No cultivated assets

## SNA 2008

- Research & development capitalised
- Software & databases clarified
- Terminology updated
- Single use military assets capitalised
- Capital services introduced
- Costs of ownership transfer introduced

## SNA 1993

- Some intangible assets included
- Repair & maintenance clarified
- Small tools clarified
- Military assets included
- Cultivated assets included
- OCIV and Revaluation account introduced
- Non-produced and natural assets elaborated

## SNA 2025?

- Data capitalised?
- Marketing assets made produced assets?
- Labour account, featuring training expenditure, introduced?
- Clarification of treatment of IPPs held by MNEs?

# Measuring intangible investment is a game of two halves

## Tangible assets

95%

**Purchased investment** – a firm buys another unit's output on the market

5%

Mostly dwellings

**Own-account investment** – a firm develops an intangible asset in-house for its own use

## Intangible assets

40%

60%

70% for only capitalised intangibles

# Own-account investment is increasingly important

- Software and databases
- Data?
- Marketing assets?

Firms have useful information (time sheets) – need to get out there and speak to them!

Need to get comfortable with the approach – more research

# The way ahead

- Challenges remain – measurement is hard, need more research
- Better together – sharing experiences helps, welcome this group
- Financial accounts catching up – National Accountants leading the way
- Expect revisions – a good thing!



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