A Model of Intangible Capital

Author:Nicolas Crouzet, Janice C. Eberly, Andrea L. Eisfeldt, Dimitris Papanikolaou

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We propose a model that starts from the premise that intangible capital needs to be stored on some medium --- software, patents, essential employees --- before it can be utilized in production. Storage implies that intangible capital may be partially non-rival within the firm, leading to scale economies. However, storage can also compromise the ability of the firm to fully appropriate the returns generated by intangibles. We explore the implications of these two mechanisms for firm scale, scope, and investment decisions, and we outline their connection to recent macroeconomic and financial trends in the US.