



European
Research Area

EUROPEAN POLICY BRIEF

SPINTAN – Policy Brief No. 1

SPINTAN
smartpublicintangibles

Public Intangibles: The public sector and economic growth in the SNA*

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Background and context

The SPINTAN project is reviewing the nature of public and nonmarket sector economic activity, how it is measured in national and industry accounts, and how that would change if public intangible assets were to be capitalized.

The work is relevant given the demonstrated importance of intangible assets in market sector activity. When a complete list of intangible assets are measured and capitalized in market sector accounts for European countries and the United States, intangible capital is found to be an important driver of economic growth.

Objectives of the research

The research reported in “Public Intangibles: The public sector and economic growth in the SNA” explores expanding the scope of public investment to include intangibles in the System of National Accounts (SNA) by (a) reviewing the asset boundary of existing inputs to public services production, and (b) reconsidering the common understanding public infrastructure.

Scientific approach / methodology

To identify the real savings proportional to the change in aggregate social welfare and to set out the requisite changes to national accounts for studying the contribution of public intangibles to growth in productivity and level of living of a society.

* This Policy Brief is based on the SPINTAN Working Paper No. 1: Corrado, C., J. Haskel and C. Jona-Lasinio (2016): ‘Public intangibles: the public sector and economic growth in the SNA’, available on the SPINTAN website <http://www.spintan.net/c/working-papers/>.

New knowledge and/or European added value

First, economic theory suggests the level of living as compared with multifactor productivity may differ from one another, and computing trends in both will presents a more complete picture of public investment in economic growth.

Second, economic theory and available data suggest that the intangible capital of European countries can be augmented to include investments in (1) information, scientific and cultural assets held in its public or nonmarket sector; (2) the organizational competences of its nonmarket and public institutions; and (3) the human capital assets generated by its school systems.

The light blue bars in the chart below show SPINTAN’s preliminary estimates of investments (1) and (2) by the nonmarket sector of selected European countries and the United States. The dark bars show investments in comparable assets by the market sector, and in each case investment is reported as a share of the sector’s value added.



Note: Nonmarket refers to the following group of industries: R&D services, education services, health and social services, arts, entertainment and recreation services, and public administration and defense. Market refers to the remainder of each economy.

The variation in nonmarket/public intangible investment rates across countries is striking, suggesting differential impacts on economic growth and productivity across European countries.

SPINTAN’s estimates of the value of human capital produced by a country’s school system are not yet available (and data limitations prevent application to all but a few countries).

All told, capitalizing a society’s intangible investments and improving the consistency and transparency of existing methods of accounting for public investment in national accounts will provide policy makers with better data. The relative trajectories of the level of living as compared

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with multifactor productivity can be computed, and the returns to public investments, both tangible and intangible, can be studied.

Public investment creates opportunities for future increases in a society's real income and living standards. Developing a theoretical framework to account for public intangible investment enriches the wider agenda of accounting for factors determining economic growth. The provision of data that enable a deeper understanding of the links between specific, publicly financed intangible assets and industry inputs and real output is essential for empirical policy analysis.

SPINTAN – Smart public intangibles

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Website	www.spintan.net
Further reading	
Related websites	
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