

Intangible Capital and Economic growth in Canada

John R. Baldwin, Wulong Gu and Ryan Macdonald
Micro-Economic Analysis Division
Statistics Canada

Studies in the U.S show that intangible capital makes a significant contribution to labour productivity growth and economic growth in the U.S. business sector (Corrado, Hulten and Sichel, 2006). This paper will develop a measure of intangible capital for Canada and examine the contribution of intangible capital to economic and labour productivity growth in Canada. The results for Canada will be then compared with the results for the U.S.

Intangible investment in this paper will include R&D expenditure, non-R&D innovation expenditures, and business expenditures on foreign technologies. Previous studies for Canada show that the Canadian innovation system is directed more toward non-R&D innovation expenditures and expenditures on foreign technologies (Baldwin, Beckstead and Gellatly, 2005). As such, it is essential to include those expenditures in the measure of intangible capital for Canada.