

Abstract for “Survey-data Estimates of the R&D Depreciation Rate”

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This paper presents estimates of the R&D depreciation rate using survey data on Australian inventions. Its novelty is twofold. First, it relies on direct observation of the revenue streams of inventions. This is in sharp contrast with previous studies which all rely on models based on indirect observation and require strong identifying assumptions. Second, it presents estimates of the effect of patent protection on the depreciation rate. We find that the yearly depreciation rate varies between 1 and 5 per cent, although as much as 40 per cent of the decline in value occurs within the first two years. We further find that patent protection slows down the erosion of profits by about 1–2 percentage points.