

# US Policies for Fostering Intangibles

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*Exploring the promises and pitfalls of the global information economy*

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# End goal is management and utilization of intangible assets

Business sector:  
higher value added

Public sector:  
create appropriate public policies  
better management of public assets

# Federal Investment in Intangibles

\$200 billion in FY 2006

8% of \$2.5 trillion total budget

20% of \$1 trillion discretionary spending

# Federal Investment in Intangibles

FY 2006 outlays (rough estimates)

## Information and intellectual property

|  |                 |
|--|-----------------|
| R&D funding (does not include facilities and equipment)  | \$122.4 billion |
| Arts & humanities/museum funding (including Smithsonian) | \$1 billion     |
| Government information creation                          |                 |
| Statistical agencies                                     | \$2.2 billion   |
| Weather service  | \$0.7 billion   |
| Library of Congress/CBO/GAO                              | \$1 billion     |
| PTO  | \$1.6 billion   |

## Individual Human Capital (know-how)

|   |              |
|---|--------------|
| Education and training                      | \$61 billion |
| Training of government personnel (military) | \$9 billion  |

## Social Capital (Alliances & Networks) Organizational capacity building & technical assistance

|   |               |
|---|---------------|
| Community (HUD, EDA, HHS, USDA extension service) | \$0.5 billion |
| Company (MEP, SBA)                                | \$0.5 billion |

## Brands and marketing - reputation

|  |               |
|--|---------------|
| Export promotion   | \$1.5 billion |
| Product safety, food safety, drug safety (investments in product reputation) | \$3 billion   |

|              |                        |
|--------------|------------------------|
| <b>Total</b> | <b>\$204.4 billion</b> |
|--------------|------------------------|

Does not include tax expenditures or value of landing slots, grazing rights, water rights, mining rights, spectrum and broadcast licenses, etc.

# Policies on Intangibles

Policies to encourage understanding of intangibles

Policies to encourage financial investments in intangibles

Policies to foster utilization of intangibles

# Policies to encourage understanding of intangibles

Increase corporate disclosure of intangibles:

- Reinstate the joint FASB and IASB research project on expanded disclosure guidelines for intangibles.
- Clearly designate nonfinancial measures for evaluating intangibles in MD&A portion of financial statements.
- Create a safe harbor in financial statements for reporting of intangible assets.
- Modify Sarbanes–Oxley so that there is a clear directive for assessments of the “material” intangible assets.
- Utilize the stock exchanges as initial testing grounds for increased intangible disclosure by requiring listed members to make additional disclosures that capture intangible metrics.

# Policies to encourage understanding of intangibles

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Explore the possibility of creating a “best practices” guidelines for intangible asset management.

Include innovation and intangibles as part of the Baldrige Award.

Create a crosscutting special analysis of the Federal budget.

Include intangibles in the GDP accounts.

# Policies to encourage financial investments in intangibles

Create a national central registry of intellectual property security interests.

Convene a special FASB/SEC task force on valuation methodologies and support and encourage increased research on valuation standards.

Explore the creation of an Intangibles Mortgage Corporation (Ida Mae) to regularize the intangibles-backed securities market.

Undertake a review of the Basel II Accords to better understand their implications for intangible-backed lending.

Coordinate with ongoing efforts at market reform, such as the President's Working Group on Financial Markets, to ensure that intangible-backed assets are properly included.



# Policies to foster utilization of intangibles

Expand/reorient the MEP program to include intangible asset management.

Review federal and state insurance laws and regulations to promote the development of financial sound insurance coverage of intangibles.

Create a permanent knowledge tax credit that would increase investments in intangibles.

Explore lowering the tax rate on intangible asset royalties, in conjunction with stricter regulations on international transfer pricing mechanisms and cost-sharing arrangements and on passive investment companies.

# Policies to foster utilization of intangibles

Enact patent reform legislation and include a review of patent litigation and patent liability insurance and a review of federal and state technology policies to encourage promotion of patent pools.

Review how the federal technology transfer system, including Bayh–Dole, does or does not facilitate the creation of intangible assets.

Review federal government business loan programs, especially in the small business arena, to ensure that intangible assets can be used as collateral, including requiring SBA to work with its commercial lenders to develop standards for the use of intangible assets as collateral, similar to existing SBA underwriting standards.

## For Further Information

*Intangible Asset Monetization: The Promise and the Reality*; Working Paper #03, Athena Alliance, April 2008

*Measuring Intangibles: A Summary of Recent Activity*; Working Paper #02, Athena Alliance, June 2007

*Reporting Intangibles: A Hard Look at Improving Business Information in the U.S.*, Working Paper #01, Athena Alliance, April 2005

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