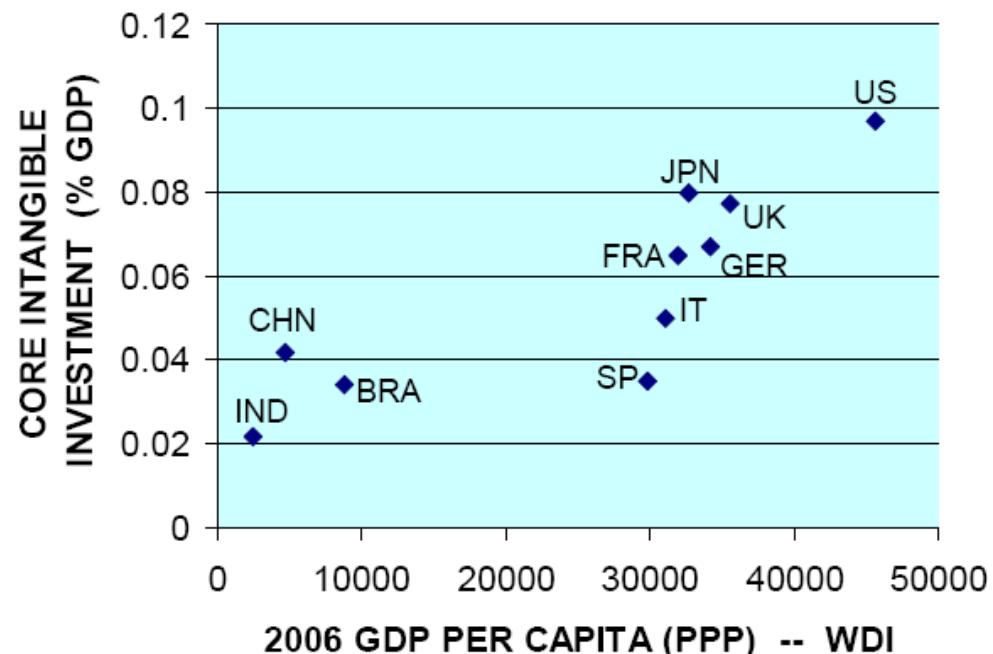
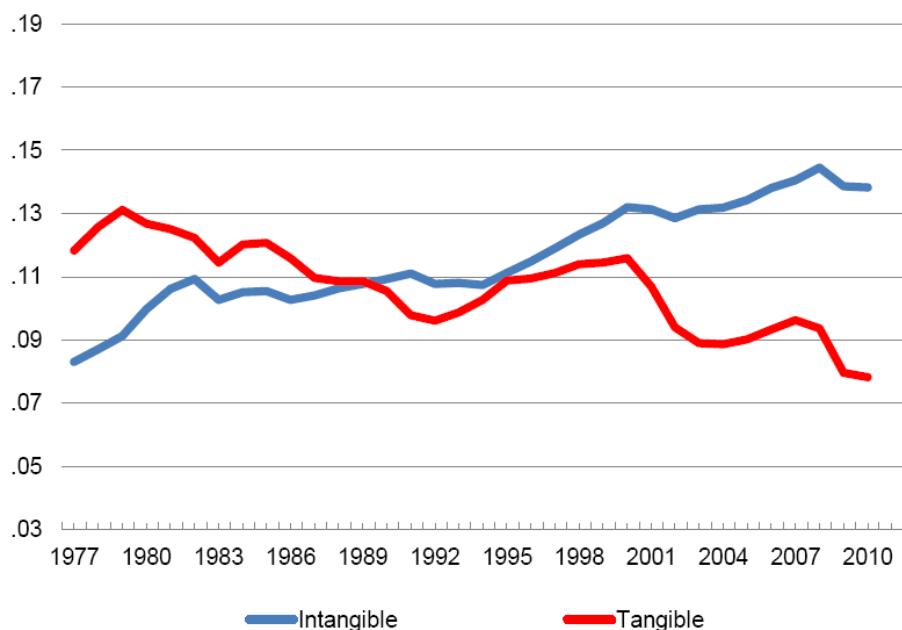


# Why the policy interest in KBC?

Figure 1. U.S. Business Investment Rates, 1977-2010  
(ratio to business output adjusted to include new intangibles)



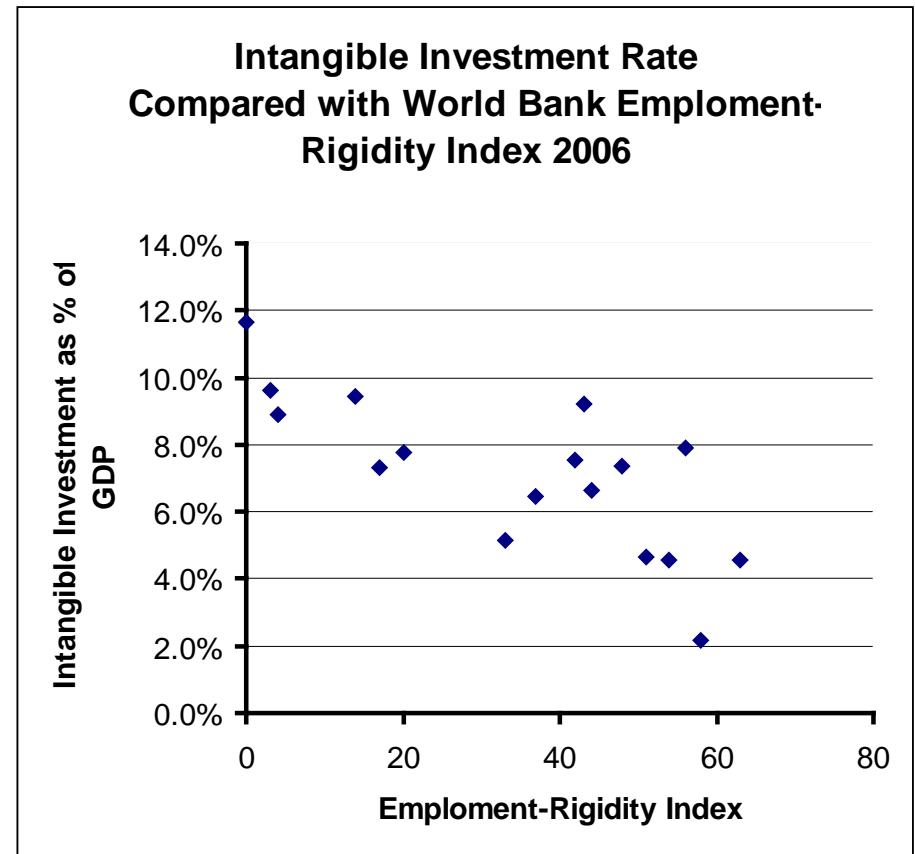
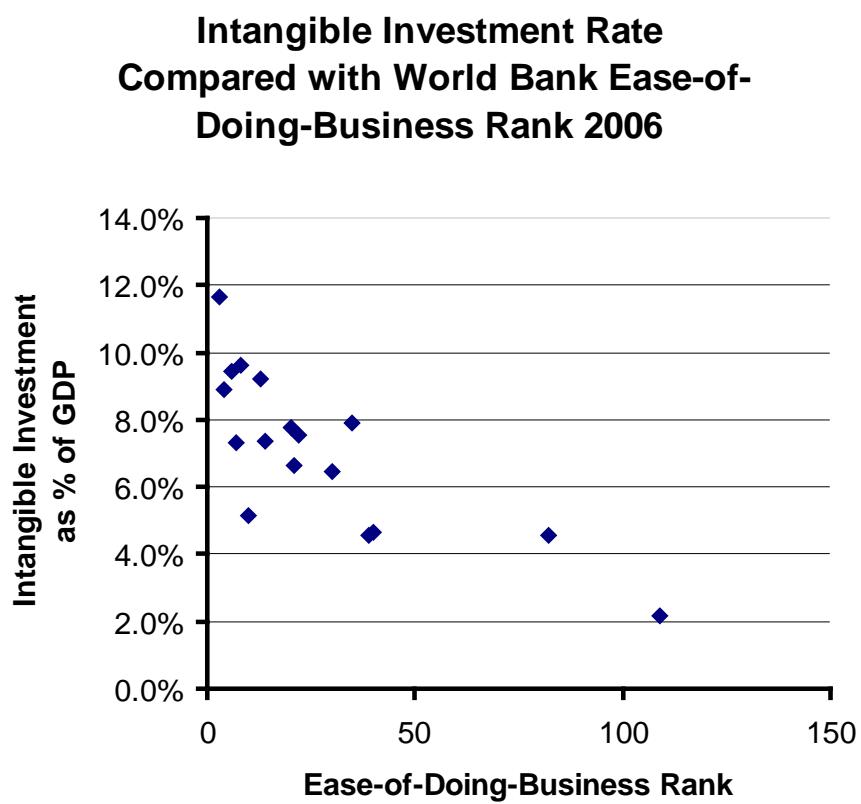
# What is KBC?

- firm-specific intangible capital produced within firm to support firm's long-run business model
- existential investments that define firm's capabilities: its information system, intellectual property, and economic competency
  - KBC more than formal R&D - innovation is more than invention
- information platform from which individual “applications” are launched
  - KBC not incremental or current output oriented

# How to Harness Correlation

- Richard Fisher: if you want to increase private employment, persuade people who do the hiring
  - need to look at policy from firm's standpoint
- CEO surveys identify as challenges
  - innovation, human capital, flexibility, customer relationships, corporate brand & reputation
  - macroeconomic uncertainty, government regulation
- Implications for KBC Policy
  - diffusion as important for firm innovation as new science/technology
  - exploit non-STEM components of KBC
  - reduce perceived barriers

# KBC and Business Climate



# Race against the machine

- KBC-induced GDP growth does not necessarily increase employment of living standards
- Worker redundancy and “hollowing out” of wages induces regulatory backlash
- Problem is to find ways of harness KBC to stimulate growth while minimizing impact on workers
  - Education and training
  - Support for labor-intensive sectors
  - Support for new business formation