

THE INTANGIBLES. THE KEY TO PRODUCTIVITY AND DEVELOPMENT IN THE BASQUE COUNTRY

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In its last members' meeting, Innobasque presented the results of his work "[Indizea. Euskadiko Berrikuntzaren Indizea](#)". Despite the fact that it is an unfinished investigation and, therefore, surely subject to modifications, I am going to allow myself a brief analysis and some conclusions of the topics that I consider to be the most relevant elements.

In the first place, it is clearly stated, and it is good that this appears and is given the importance it deserves, that **intangibles are the factors that have contributed the most to productivity** global Basque Country. R&D, together with design, ICTs, marketing, organizational changes and training are the elements that best explain the efficiency of our economic system and, consequently, its competitiveness; of an average annual productivity growth of 1.8% in the Basque Country, more than two thirds are due to intangibles.

Secondly, **with the crisis, our productivity growth has fallen dramatically**; According to the data presented, 61.1% from the period 2004-2007 to the period 2008-2010, which my intuition tells me would be much higher if we extend the data to 2013. This fall in productivity is due to the fact that the Total Productivity of the Factors (PTF) becomes negative, equating the Basque Country to what has been a constant in the State as a whole over the last decade, which is a clear indication, according to many authors, of the structural weakness of the economic system Spanish (see Matilde Mas and Juan Carlos Robledo from IVIE on Productivity. [An international and sectoral perspective](#)) . In my opinion, the factors that could explain the "negative TFP" should be found in the excess productive capacity as a result of the sharp fall in aggregate demand that Basque companies have experienced with the crisis. (See explanatory note at the end)

Thirdly, **the contribution of intangibles to productivity grows by 33.3% compared to the pre-crisis period** and this growth, together with the resounding change that the The contribution of physical capital (its importance is multiplied by 6) and the quality of labor (its importance is doubled) are what allow positive growth in the total productivity of the Basque economy.

Finally, it is verified that **R&D, together with industrial design and intellectual property are key elements to explain the described importance of intangible capital in the Basque Country**; 46% before the crisis and more than two thirds in the crisis years. However, it will be necessary to wait for the final results of the work to know the contribution of the different elements of intangible capital to productivity, because the aggregation presented does not help to make accurate judgments on this subject. Furthermore, a careful explanation is needed to understand why the software contribution goes into negative figures during the crisis which is not easy to understand.

As a synthesis and final conclusion, encourage the authors, collaborators and sponsors of the initiative to present the final results as soon as possible because works like this are key, of course, to understand that the investment effort in intangible assets, or what is more vulgarly known as R+D+I, explains the positive evolution and relative resistance of the Basque economy in the face of the international financial crisis. And more importantly, they are still fundamental, to help carry out a differential and proactive industrial policy.

Explanatory Note: In the growth accounting literature, the part of production increases that are not directly explained by the traditional factors of capital and labor and that were traditionally attributed to technological change and innovation improvements is known as TFP. As the statistical base has allowed for the incorporation of R&D and other intangibles in the aggregate production functions, the TFP remains as a residue in which shocks are incorporated in an aggregate manner (some with a positive sign and others with a negative sign). macroeconomic, measurement errors, structural changes and other concepts that are not well collected in the National Accounts data.

You can see the photo that accompanies the article in more detail [here](#)

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