

**Discussion of “The Rise of Star Firms: Intangible  
Capital and Competition”  
by Ayyagari, Demirguc-Kunt and Maksimovic**

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AFA 2020

**This paper**

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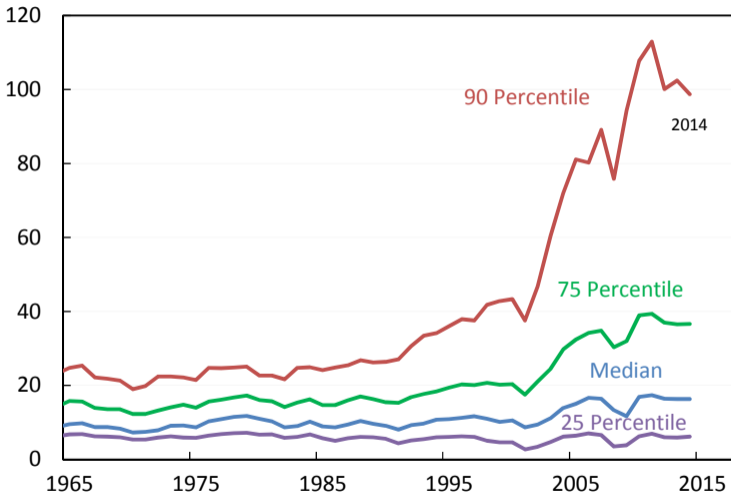
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## Return on Invested Capital Excluding Goodwill, U.S. Publicly-Traded Nonfinancial Firms

Percent



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  - concentration/superstar firms: Autor et al. (2019), Grullon et al. (2019), ...



## Why should we care?

$$\text{rcap}_{i,t} \approx \frac{\Pi_{i,t}}{K_{1,i,t-1}} = \frac{P_{i,t}Y_{i,t} - W_tL_{i,t}}{K_{1,i,t}}$$

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H1 is not benign — clear policy implications

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3. High  $\text{rcap}_{i,t}$  firms do not invest less than others [H2]  
at least in  $R\&D$  — less clear for capex

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-  $\mu > 1, K_{2,t} > 0$ :  $V_t = q_{1,t}K_{1,t+1} + q_{2,t}K_{2,t+1} + \text{rents}$  Lindenberg and Ross (1981)



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This decomposition turns out to be very general — see our paper!

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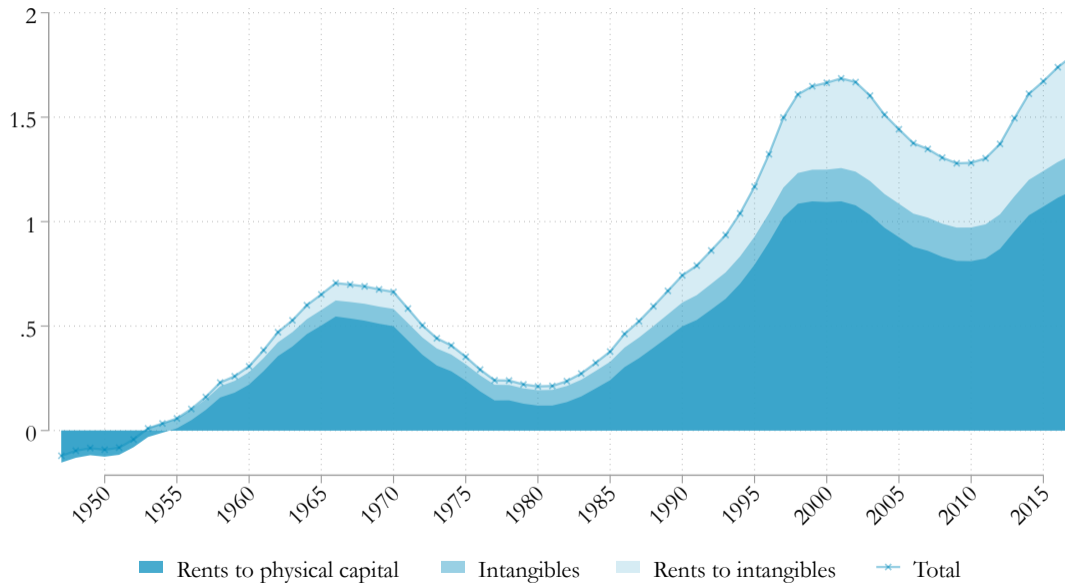
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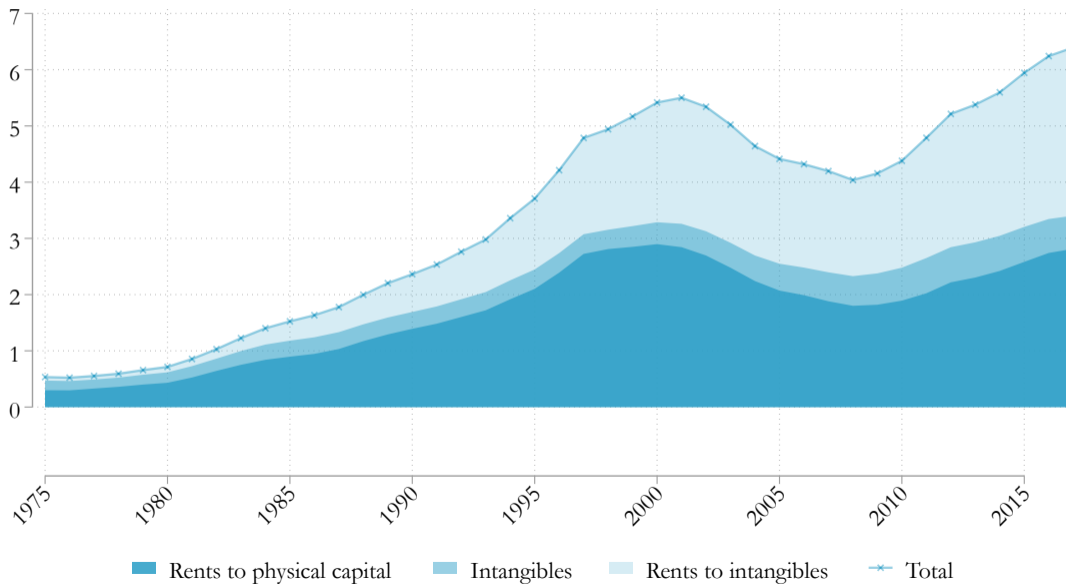
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There is always an **interaction term** — rents attributable to intangibles

# $Q_1-1$ in the non-financial corporate sector (Crouzet and Eberly, 2019)

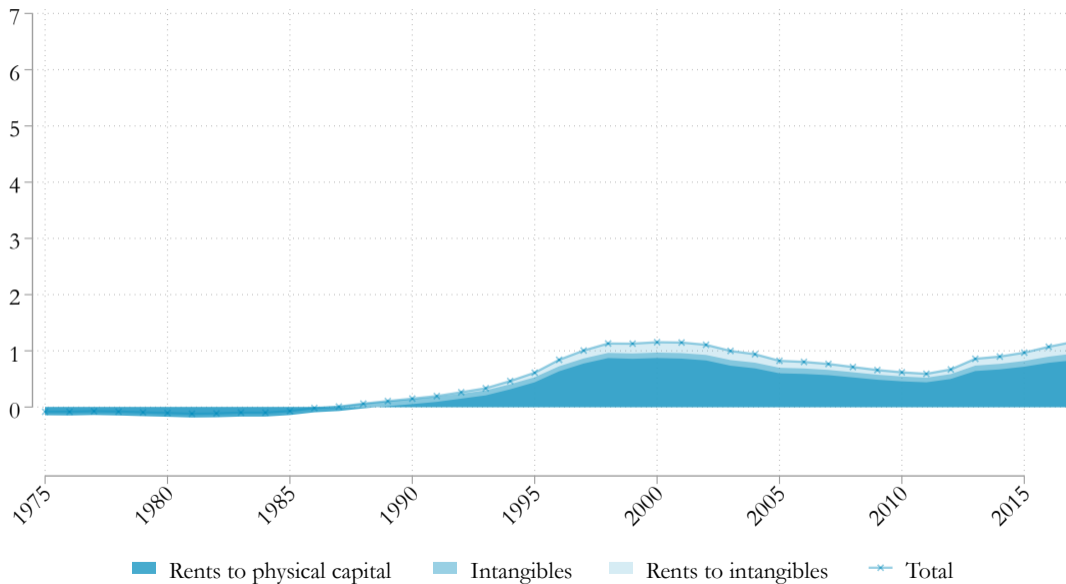


# Decomposition of $Q_1 - 1$ : top 25% of firms by $rcap_{i,t}$





# Decomposition of $Q_1 - 1$ : **bottom 75%** of firms by $rcap_{i,t}$

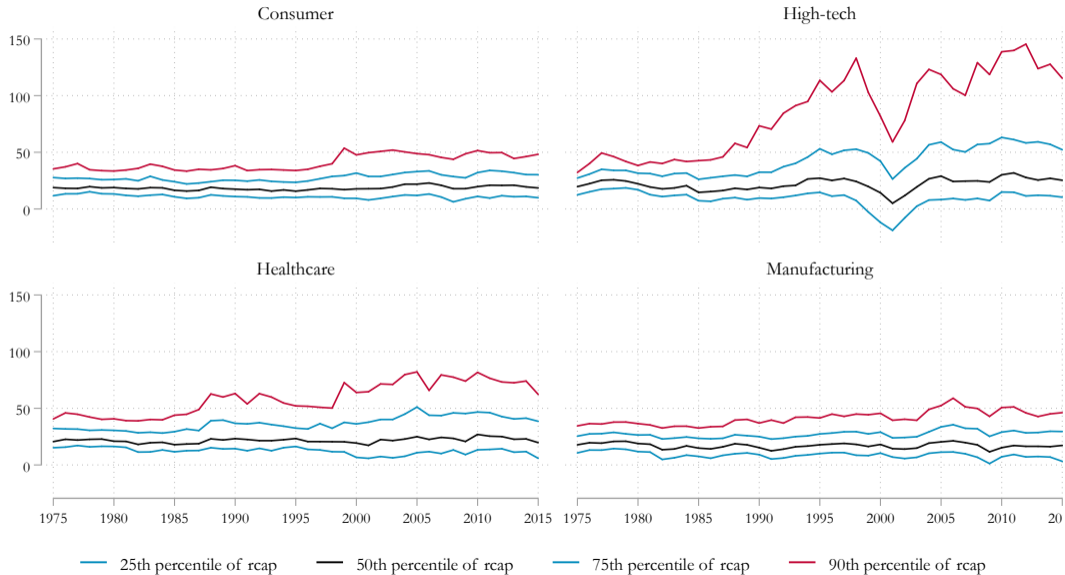


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# Sectoral distribution of $rcap_{i,t}$



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  - interaction** matters