Intangible Capital, Markups, and Markdowns: Evidence from Japanese Listed Firms

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Abstract

This paper examines how intangible capital is related to firms' market power in product and labor markets using an unbalanced panel of Japanese listed firms from 1980 to 2024. We estimate firm-level markups and markdowns following the production-function approaches employed by the standard literature and then relate these measures to two types of intangible capital: R&D capital and organizational capital. The empirical results show that organizational capital is positively associated with markups and negatively associated with markdowns, while the role of R&D capital is relatively limited and less robust. These findings suggest that organizational capital may strengthen firms' product-market position while also encouraging rent sharing with workers. The stagnant accumulation of organizational capital may therefore help explain why Japan experienced weak price and wage growth since the 2000s.

Keywords: intangible capital; markups; markdowns; organizational capital; labor market power; Japan.

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