

The Intelligence Capital Manifesto: How Enterprises Can Win in the Intelligence Economy

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ver: 06 February 2026

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ABSTRACT

This paper develops a unified theoretical and empirical framework for understanding the rise of *Intelligence Capital* as a new dominant factor of production: institutionalized, process-owning human+AI systems that learn, retain memory, and compound in economic value.

We argue that recent macroeconomic anomalies, including sustained output growth with weak employment creation, rising productivity without proportional hiring, and increased capital concentration, reflect a structural transition rather than cyclical fluctuations. Using cross-national labor and productivity data, we document a “labor inversion” in which output increasingly flows through embedded intelligence systems prior to labor-market absorption, generating persistent “phantom jobs.”

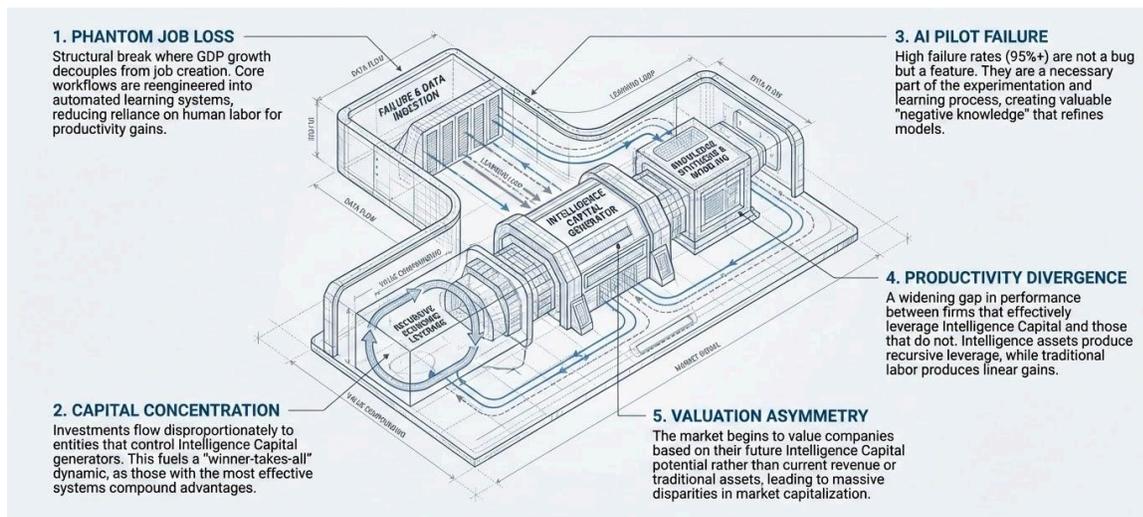
At the microeconomic level, we reinterpret the firm as a learning-and-compounding engine rather than a transaction-cost minimizer, modeling enterprises as portfolios of Intelligence Capital Generators that internalize knowledge, capture feedback, and exhibit power-law return dynamics.

We introduce the Intelligence Capital Yield Function to formalize how exploration, failure, and institutional learning are converted into scalable economic advantage. The analysis shows that high experimental failure rates and valuation asymmetries are endogenous features of Intelligence Capital formation rather than indicators of misallocation.

Finally, we identify organizational and behavioral constraints that limit compounding and propose governance mechanisms that align managerial incentives with long-run learning yield. The findings contribute to theories of the firm, endogenous growth, and technological change by demonstrating how intelligence-based capital reshapes productivity, employment, and competitive dynamics in advanced economies.

Executive Summary

The *Intelligence Capital Manifesto* argues that the global economy has entered a structural transition in which economic growth is no longer primarily driven by labor or traditional capital, but by Intelligence Capital: institutionalized, process-owning human–AI systems that learn, retain memory, and compound in value over time. This shift explains a set of contemporary anomalies—including strong GDP growth with weak job creation, rising productivity without proportional hiring, capital concentration, high AI pilot failure rates, and valuation asymmetries—that are often treated as separate phenomena but are, in fact, manifestations of a single underlying transformation.



At the macroeconomic level, the paper documents a “labor inversion” in which output increasingly flows through embedded intelligence systems before reaching labor markets. This produces persistent “phantom jobs”: roles that would historically have been created but are now structurally bypassed. Evidence from the United States and Europe indicates that this decoupling is not cyclical but reflects a durable reorganization of production around cognitive infrastructure rather than human labor.

At the microeconomic level, the manifesto reframes the firm. Departing from the Coasean view of firms as transaction-cost minimizers, it models enterprises as learning-and-compounding engines organized around portfolios of Intelligence Capital Generators. These generators encode workflows, capture feedback, and accumulate institutional knowledge, enabling firms to generate increasing returns through endogenous learning. Competitive advantage arises not from deploying AI tools, but from owning and governing systems that continuously improve their own economics.

The paper introduces the Intelligence Capital Yield Function to formalize how exploration, disciplined failure, and institutional learning are transformed into scalable economic value. Within this framework, high experimental failure rates are interpreted as necessary inputs to capital formation rather than as inefficiencies. Power-law return structures and extreme outcome dispersion are shown to be intrinsic features of Intelligence Capital systems.

Organizational and behavioral constraints are identified as primary barriers to effective Intelligence Capital formation. Loss aversion, endowment effects, and familiarity bias systematically impede transformation. The manifesto proposes a managerial “change stack” based on reversible pilots, status repricing, and embedded human–AI collaboration to overcome these frictions and enable sustained learning velocity.

The analysis further argues that contemporary concerns about AI-driven “bubbles” misunderstand the economics of cognitive capital formation. High capital expenditure, concentrated returns, and valuation asymmetries reflect discovery and scaling processes inherent to new dominant asset classes. Financial markets are increasingly pricing future Intelligence Capital dominance rather than current product revenues, while many traditional enterprises remain undervalued due to unrecognized Intelligence Capital deficits.

Finally, the manifesto situates Intelligence Capital as a new dominant factor of production, comparable in historical importance to land, machinery, and information. In this emerging regime, enterprises and nations compete primarily on their ability to generate, govern, and compound institutional intelligence. The CEO’s central role shifts from overseeing digital transformation to stewarding internal capital markets for learning systems.

The central conclusion is that economic advantage in the coming decades will accrue not to organizations that merely adopt artificial intelligence, but to those that systematically transform intelligence into durable, self-reinforcing capital. Firms and societies that master Intelligence Capital formation will dominate productivity, innovation, and geopolitical influence, while those that do not will become structurally dependent.

Thesis

The central conclusion of manifesto is:

We are not entering an AI economy. We are entering an Intelligence Capital economy.

In this economy:

- Advantage comes from generating, governing, and compounding institutional intelligence.
 - Tools do not confer durable power; learning systems do.
 - Firms and nations that master Intelligence Capital will dominate.
 - Those that do not will become structurally dependent.
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