

# On the trade, growth, and welfare effects of intellectual property rights protection

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## Abstract

To examine how intellectual property rights protection affects trade, growth, and welfare, I develop a two-country R&D-based growth model in which final goods firms in both countries determine the range of imported varieties in the overall use of intermediate inputs. I show that strengthening patent protection in either country increases the range of imported varieties of intermediate goods and stimulates economic growth in the country that strengthened patent protection. Moreover, my welfare analysis of patent protection shows that welfare-maximizing patent protection is stronger in an open economy with intermediate goods trade than in a closed economy without intermediate goods trade.

JEL classification: F43, O31, O34

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