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Intellectual appropriability, product differentiation, and growth. (English) Zbl 1102.91069
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Summary: In the modern world, the main assets are immaterial ideas. Such assets are much more easily stolen than traditional factors such as physical capital and land. In this paper, we investigate the long-run growth effects of intellectual misappropriation at the R&D level. We adopt a generalized framework with both vertical and horizontal innovation. Inspired by recent evidence and by the patent law, we assume that only vertical innovations can be spied, because they are less easily patented than horizontal innovations. The main results are: (1) despite growing population, the fraction of labor engaged in spying activities tends to be constant; (2) in economies in which the R&D process is more vulnerable to ideas theft, growth rates are lower but product differentiation will be more intense; (3) intellectual misappropriation neutralizes the positive growth effect of R&D subsidies but not their positive level effects.

MSC:

91B38 Production theory, theory of the firm
91B40 Labor market, contracts (MSC2010)
91B62 Economic growth models

Cited in **3** Documents

Keywords:

[schumpeterian growth](#); [vertical innovation](#); [horizontal innovation](#); [industrial espionage](#); [R&D](#)

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