

Intellectual Property Rights and Growth: Is there a Threshold Effect?

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Abstract

Recent WTO agreements have forced developing countries to adopt stronger intellectual property rights (IPRs). However, theoretical research is critical at best, but undecided at large, on the impact of stronger IPRs on economies at lower stages of development. This paper is particularly concerned with a critical empirical examination of the impact of human capital on the relationship between IPRs and economic growth. Using a threshold estimation technique, originally developed by Hansen, the paper discovers a threshold level of human capital (robust to many different variations) such that for countries whose human capital is below this level, tighter intellectual property rights have a negative impact on economic growth, while for countries with human capital above this level, tighter intellectual property rights are unrelated to economic growth. Thus, we find a non-linear relationship associated with this switching regression.

Keywords: Threshold, Intellectual Property Rights, Economic Development, Growth

JEL classification: F15, O11, O34, O4

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