

Intellectual Property Rights and Development: A Longitudinal vs. Cross Sectional Study

Abstract

This paper examines the role that a country's stage of development plays in their choice of intellectual property rights (IPRs). Past empirical observations on a panel of countries over time have found a U-shape relationship between IPRs and per capita GDP and taken it to imply a longitudinal U-relationship. A longitudinal U-shape does not follow intuition. Countries generally maintain or increase IPRs over time and, therefore, expectedly demonstrate a similar trend as they progress through stages of development. This paper argues that the well known U-shape is a result of cross country differences originating in the year that each country first chooses to implement IPRs, rather than a result of a longitudinal trend. Establishing clarity in the true longitudinal and cross-sectional relationship between IPRs and per capita GDP will enable researchers to accurately estimate and interpret the effects of IPRs when using panel data.