

# Are Intellectual Property Rights Unfair?

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## **Abstract**

If redistribution is distortionary, and if the income of skilled workers is due to knowledge-intensive activities and depends positively on intellectual property, a social planner which cares about income distribution may in principle want to use a reduction in Intellectual Property Rights (IPRs) rather than redistributive transfers. On the one hand, such a reduction reduces static inefficiency. On the other hand, standard redistribution also reduces the level of R and D because it distorts occupational choice. We study this possibility in the context of a model with horizontal innovation, where the government, in addition to taxes and transfers, controls the fraction of innovations that are granted patents. The model predicts that standard redistribution always dominates limitations to IPRs.

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