Abstracts

Intellectual Property Rights Policy, Competition and Innovation
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To what extent and in what form should the intellectual property rights (IPR) of innovators be protected? Should a company with a large technology lead over its rivals receive the same IPR protection as a company with a more limited advantage? In this paper, we develop a dynamic framework for the study of the interactions between IPR and competition, in particular to understand the impact of such policies on future incentives. The economy consists of many industries and firms engaged in cumulative (step-by-step) innovation. IPR policy regulates whether followers in an industry can copy the technology of the leader. We prove the existence of a steady-state equilibrium and characterize some of its properties. We then quantitatively investigate the implications of different types of IPR policy on the equilibrium growth rate and welfare. The most important result from this exercise is that full patent protection is not optimal; instead, optimal policy involves state-dependent IPR protection, providing greater protection to technology leaders that are further ahead than those that are close to their followers. This is because of a "trickle-down" effect: providing greater protection to firms that are further ahead of their followers than a certain threshold increases the R&D incentives also for all technology leaders that are less advanced than this threshold.

Richard Blundell

To understand the role of evidence in tax policy design, this paper organises the empirical analysis of reform under five loosely related headings: (i) Key margins of adjustment, (ii) Measurement of effective tax rates, (iii) The importance of information and complexity, (iv) Evidence on the size of responses, and (v) Implications from theory for tax design. The context for the discussion is the recently published Mirrlees Review of tax reform. Although the Review focused on all aspects of tax reform, this paper highlights the taxation of earnings. It also comments on earnings taxation in the context of VAT base-broadening reforms and the taxation of capital.

Immigration, Wages, and Compositional Amenities
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There is strong public opposition to increased immigration throughout Europe. Given the modest economic impacts of immigration estimated in most studies, the depth of anti-immigrant sentiment is puzzling. But immigration does not just affect wages and taxes. It also changes the composition of the local population, threatening the “compositional amenities” that natives derive from their neighborhoods, schools, and workplaces. In this paper we use a simple latent factor model, combined with data for 21 countries from the 2002 European Social Survey (ESS), to measure the relative importance of economic and compositional concerns in driving opinions about immigration policy. We find that compositional concerns are 2-5 times more important in explaining variation in individual attitudes toward immigration policy than concerns over wages and taxes. Likewise, most of the difference in opinion between more- and less-educated respondents is attributable to heightened compositional concerns among people with lower education.

The Impact of Immigration on the Structure of Wages: Theory and Evidence from Britain
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Immigration to the UK, particularly among more educated workers, has risen appreciably over the past 30 years and as such has raised labor supply. However studies of the impact of immigration have
failed to find any significant effect on the wages of native-born workers in the UK. This is potentially puzzling since there is evidence that changes in the supply of educated native-born individuals have had significant effects on their wages. Using a pooled time series of British cross-sectional micro data on male wages and employment from the mid-1970s to the mid-2000s, this paper offers one possible resolution to this puzzle, namely that in the UK natives and foreign born workers are imperfect substitutes. We show that immigration has primarily reduced the wages of immigrants - and in particular those of university educated immigrants - with little discernable effect on the wages of the native-born.

**Rethinking the Effect of Immigration on Wages**

*Gianmarco I.P. Ottaviano, Bocconi University, Giovanni Peri, UC Davis*

This paper calculates the effects of immigration on the wages of native U.S. workers of various skill levels in two steps. In the first step we use labor demand functions to estimate the elasticity of substitution across different groups of workers. Second, we use the underlying production structure and the estimated elasticities to calculate the total wage effects of immigration in the long run. We emphasize that a production function framework is needed to combine own-group effects with cross-group effects in order to obtain the total wage effects for each native group. In order to obtain a parsimonious representation of elasticities that can be estimated with available data, we adopt alternative nested-CES models and let the data select the preferred specification. New to this paper is the estimate of the substitutability between natives and immigrants of similar education and experience levels. In the data-preferred model, there is a small but significant degree of imperfect substitutability between natives and immigrants which, when combined with the other estimated elasticities, implies that in the period from 1990 to 2006 immigration had a small effect on the wages of native workers with no high school degree (between 0.6% and +1.7%). It also had a small positive effect on average native wages (+0.6%) and a substantial negative effect (-6.7%) on wages of previous immigrants in the long run.