

# The Efficient Provision of Entrepreneurial Innovation\*

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## Abstract

There exists a broad literature on whether or not patents promote innovation and invention. The information supplied to society under a patent is essentially a privately provided public good. To this end, questions of efficient provision of patents in lieu of innovation is tantamount to efficient resource allocation in a public good/project economy. Importantly, one might ask under what conditions and economic circumstances might the efficient provision of patents be obtainable. In this paper entrepreneurial innovation is treated as a public good as ideas once they are exposed become both non-rival and non-excludable. This paper incorporates the idea that heterogeneous agents exist in any economic system. It also exploits the fact that there are positive externalities generated from the set of resources and incomes available to agents in the economy. In such a setting it is shown that efficient outcomes in a public good sense, in terms of the licensing fees for taking advantage of a patent, can be achieved without side-payments. Furthermore, a strategy that can be easily implemented from a pragmatic viewing angle is presented. We also show that poverty and underdevelopment feed on themselves, and thus, is under-pinned by a vicious cycle that possesses a spiraling effect which is self-reinforcing.

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