Referee report on "Effects of Intellectual Property Rights Protection and Integration on Economic Growth and Welfare," by Chung-hui Lai and Vey Wang

The authors examine how the distribution of franchise fees and institution quality affect economic growth and welfare in a R&D-based growth model with a franchise system. The authors address the issue of protection of intellectual property rights (IPR) in an R&D-based model by including the franchise system. The authors obtain some results about the growth and welfare effects of strengthening IPR protection.

This paper deals with an interesting topic, viz. the effects of intellectual property rights protection and integration on economic growth and welfare. It builds on a rich already existing R&D-based growth literature and shows that the effects of intellectual property rights are non-trivial. However, I have some questions on the paper.

- This paper tackles an interesting theme. The model assumes that Nash bargaining process between the intermediate goods firms and final good firms with imperfect IPR protection. However, in Eq. (1) the authors assume the bargaining occurs between an intermediate goods firm and *m* final goods firms.

- How is Eq. (18) derived from the free entry condition in the R&D sector? Please drive it in details.

- The variable Lx is not defined in section 4 on page 7.

- The model very strongly builds on the seminal work by Grossman and Helpman (1991). Some further reference to this work would help the reader to position the paper.

Reference:

Grossman, G.M., and E. Helpman. 1991. *Innovation and growth in the global economy*. Cambridge, MA: MIT Press.