

Globerman⁴¹ investigates the spillover effects of foreign-owned firms on their domestic counterparts in the same country. He finds that labor productivity in domestically owned manufacturing plants in a given industry is an increasing function of the degree of foreign ownership in the industry. He interprets this as supporting the notion that foreign direct investment entails spillover efficiency benefits. Mansfield⁴² finds that the rate of productivity growth of U.S. firms is an increasing function of their overseas R&D expenditures. This implies that R&D conducted by foreign affiliates and perhaps supported by foreign governments spills over to the benefit of the U.S. parent.

We now turn to the theory of optimal patent term in a trading economy.

⁴¹ S. Globerman, "Foreign Direct Investment and 'Spillover' Efficiency Benefits in Canadian Manufacturing Industries", *Canadian Journal of Economics*, 12, February 1979: 42-56.

⁴² E. Mansfield, 1984, *op. cit.*