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<b>Report No.</b>	2015-02
<b>Title</b>	The free-rider problem and the optimal duration of research joint ventures: theory and evidence from the Eureka program
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<b>Abstract</b>	In a research joint venture (RJV), members' contributions consist mostly of personnel and proprietary technical know-how. Since the quantity and quality of such contributions are difficult to verify, each member has the temptation to free-ride on others' contributions. In this paper we show that a RJV can resolve this free-rider problem by precommitting to its duration. Our model predicts, among others, that a RJV chasing a higher-cost innovation tends to have a shorter duration. We then utilize data from the European Eureka program to investigate the factors determining the durations of Eureka RJDs. We find the Eureka data consonant with the prediction of our model.
<b>Keywords</b>	Research joint venture (RJV), Free-rider problem, Unobservable R&D, Collusion, Stability of RJDs
<b>JEL</b>	D82, L1, L2

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