

WHY BIG FIRMS ARE TYPICALLY RELUCTANT TO PARTICIPATE IN RESEARCH JOINT VENTURES

Policies aimed at encouraging research joint ventures (RJVs) between firms are likely to be frustrated, according to research by Professors **Lars-Hendrik Roeller**, **Ralph Siebert** and **Mihkel Tombak**, published in the July 2007 issue of the *Economic Journal*. Their study shows that big firms have too many incentives not to get involved in collaborative projects with smaller firms.

Since the mid-1980s, policy-makers on the both sides of the Atlantic have encouraged research co-operation between firms. Examples include subsidies for co-operative research and development (R&D) within the European Union's framework programmes, and the National Cooperative Research Ventures Act in the United States. In addition to this financial encouragement of RJVs, antitrust laws have been liberalised to allow firms to cooperate in R&D.

So why, this study asks, have so few firms actually engaged in RJVs? The authors find evidence of big firms snubbing small firms with whom they would like to participate in RJVs. This may be because firms of different sizes have different concerns about the types of R&D they would like to engage in.

The authors, however, hypothesise that big firms can gain greater leverage in the marketplace and sharing the results of the R&D would give the smaller firms a leg-up – something they do not have an incentive to do. Given this exclusionary effect, policy-makers trying to encourage more cooperative research between firms are likely to be frustrated.

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Notes for editors: 'Why Firms Form (or Don't Form) RJVs' by Lars-Hendrik Roeller, Ralph Siebert, and Mihkel Tombak is published in the July 2007 issue of the *Economic Journal*.

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