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Strategic Interaction among Governments in the Provision of a Global Public Good

Margaret K. Kyle, David B. Ridley, Su Zhang

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## **ACCEPTED MANUSCRIPT**

## Strategic Interaction among Governments in the Provision of a Global Public Good<sup>1</sup>

Margaret K. Kyle, MINES ParisTech (CERNA), PSL Research University, and CEPR David B. Ridley, Duke University<sup>2</sup>
Su Zhang, Duke University

#### Abstract

How do governments respond to other governments when providing a global public good? Using data from 2007-2014 on medical research funding for infectious and parasitic diseases, we examine how governments and foundations in 41 countries respond to funding changes by the US government (which accounts for half of funding for these diseases). Because funding across governments might be positively correlated due to unobserved drivers they have in common, we use variation in the representation of research-intensive universities on US Congressional appropriations committees as an instrument for US funding. We find that a 10 percent increase in US government funding for a disease is associated with a 2 to 3 percent reduction in funding for that disease by another government in the following year.

Keywords: public goods; free riding; innovation; health; pharmaceuticals *JEL*: H4; H5; I18; O1; O3

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<sup>&</sup>lt;sup>2</sup>Corresponding author: David Ridley, Fuqua School of Business, Duke University, Durham, NC 27708, david.ridley@duke.edu, +1.919.660.3784.

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