

**Public R&D Policies and Cost Behavior
of the US Manufacturing Industries**

Theofanis P. Mamuneas*

and

M. Ishaq Nadiri**

May 1993

Abstract

This paper estimates and evaluates the contributions of R&D tax incentives and publicly financed R&D investment policies in promoting growth of output and privately funded R&D investment in US manufacturing industries. Publicly financed R&D induces cost savings but crowds out privately-financed R&D investment while the incremental R&D tax credit and immediate deductibility provision of R&D expenditures have a significant impact on privately financed R&D investment. The optimal mix of both instruments is an important element for sustaining a balance growth in output and productivity in manufacturing sector.

* Department of Economics, New York University.

** Department of Economics, New York University and NBER.

Address Correspondence To:
Prof. M. Ishaq Nadiri
Department of Economics
New York University
269 Mercer Street, 7th floor
New York, N.Y. 10003
U.S.A.