

Financial markets and R&D Investments: a theoretical and empirical analysis.

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ABSTRACT

This paper analyzes the investment decisions of the Italian firms listed in the hi-tech stock market by using a model where investments and financial structure are decided simultaneously by the firms. To verify the role of the stock market as a potential vehicle of information, we introduce a very simple theoretical model where the firm simultaneously chooses the investment and financial structure. The empirical specification is implemented with the idea of performing nested tests that compare the New-Keynesian “excess sensitivity” literature with more conventional interpretations, where the cost of financial capital can be interpreted in the light of “firm specific” choices. The results of the empirical analysis is broadly consistent with the New-Keynesian “excess sensitivity” approach and with the theoretical model introduced in the first part of the paper.

Keywords: investment, intertemporal firm choice, capital structure, financing policy

JEL Classification: D92, G32.

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