

# Investment-Cash Flow Sensitivities Are Not Valid Measures of Financing Constraints

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## Abstract

Work by Kaplan and Zingales provides both theoretical arguments and empirical evidence that investment-cash flow sensitivities are not good indicators of financing constraints. Fazzari, Hubbard, and Petersen [this *Journal*] criticize those findings. In this note we explain how the Fazzari et al. criticisms are either very supportive of the claims in earlier work by Kaplan and Zingales or incorrect. We conclude with a discussion of unanswered questions.

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