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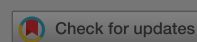
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Articles

# Does R&D spending boost tangible investment? An analysis on European firms

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## ABSTRACT

This article investigates the relationship between firm's R&D intensity, expressed as R&D expenditure over sales, and investment intensity in tangible assets. It is commonly acknowledged that R&D requires additional physical investment to be implemented. R&D increases a firm's productivity and return to tangible investments, thus, providing to the firm incentives to bear high tangible capital costs and to invest more. This

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econometric results highlight the importance of financial factors, particularly with respect to firms’ internal resources. Exposure to international trade has a negative impact on investment, possibly depending on the time-span of the sample used.

Abbreviations: Technological Innovation and R&D; Investment Capital; Industry Studies; Firm Behavior; Empirical Analysis

KEYWORDS: R&D tangible investment firm behaviour IV model

JEL CLASSIFICATION: O32 E22 L60 D22

## Disclosure statement

No potential conflict of interest was reported by the authors.

## Notes

<sup>1</sup> To allow for a comparison between the Tobit estimates and OLS coefficient, the marginal effects are computed, multiplying Tobit coefficients by an adjustment factor, as a function of the inverse Mill’s ratio, at the mean values of the variable of interest (Wooldridge [2002](#), Ch. 16).

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