Theory

- In a process of creative destruction R&D investments are ideally countercyclical

- But in a world with credit constraints they can become pericyclical

Empirical evidence

- Consider Payment incidents (PI) as a proxy for credit constraints
  - $\frac{R\&D}{Investments}$ positively related to $sales$
  - $\frac{R\&D}{Investments}$ negatively related to $sales * PI$

- $R\&D$ procyclical for credit constrained firms !

Discussion

- Relevance of the paper:
  - Cleansing effect of economic downturn
  - Fiscal policy.
- But $R\&D$ and Physical investments may have different temporal plans
  - Easier to cut Physical investment than $R\&D$?
  - why not $R\&D$ as a dependent variable (and control for physical inv.)?
- Control for the impact of fiscal policy/ Fiscal implications:
  - in downturn is more difficult to deduct $R\&D$ costs: subsidies to $R\&D$?