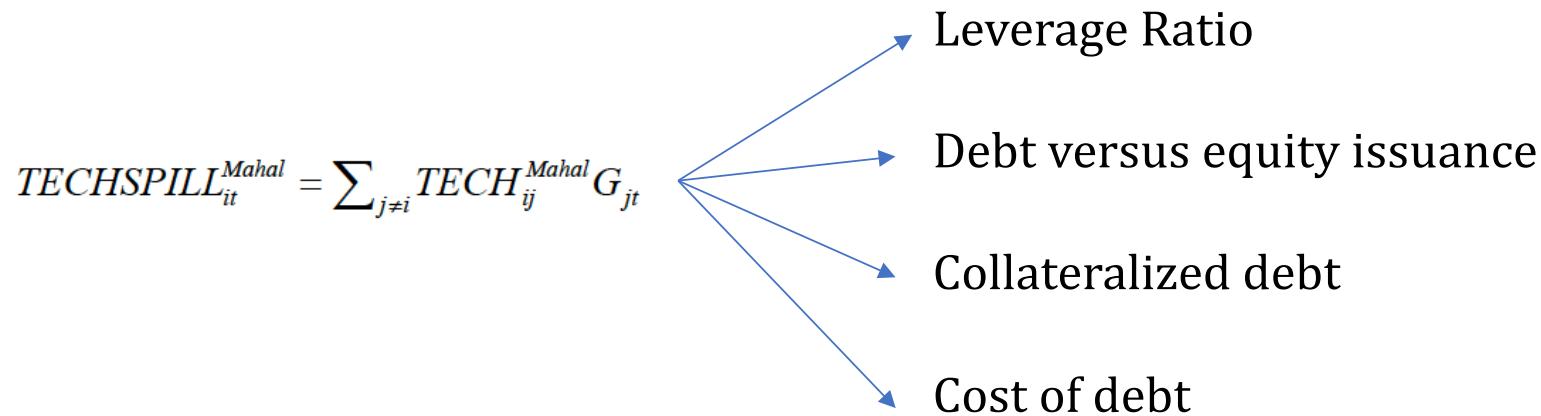


# Discussion of “Do Technology Spillovers Affect Corporate Financial Policies?” by Kesckés and Nguyen

Discussion by  
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# What is this paper about?

- Do technological spillovers affect financing?



# Why should technology spillovers matter?

- Increase asset redeployability
  - Technology proximity increases. Collateral value of patents is higher.
    - Lenders charge lower spreads. Firm borrows more.
- Technology spillovers – greater complexity.
  - More adverse selection.
  - Increases the cost of equity.
  - Firm issues less equity. And, becomes more leveraged.

# What is TECHSPILL measuring?

$$TECHSPILL_{it}^{Mahal} = \sum_{j \neq i} TECH_{ij}^{Mahal} G_{jt}$$

Technological proximity

R&D stock

Identification:  
R&D tax credits

**Question:** How do firms decide technology investments? What types of firms invest in technology with greater proximity? Versus those that are further apart?

# Importance of weights in TECHSPILL

$$TECHSPILL_{it}^{Mahal} = \sum_{j \neq i} TECH_{ij}^{Mahal} G_{jt}$$



Are the weights important?

**Question:** What results would you get if you equally weight the R&D stock of peer firms? Or use random weights?

# More cross-sectional tests

- Asset redeployability of technology is important for:
  - Financially constrained firms
  - Firms with few other collateralizable assets: Fewer tangible assets and higher M/B ratios
- Establishing the channel
  - Does technological proximity reduce the asset volatility?
  - Does it reduce systematic risk?

# Long-run returns

- Econometric issues with long-run returns.
- Examine earnings response coefficients.

# Conclusions

- Important contribution
- Clean hypothesis. Excellent execution.
- Nice paper!