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AWI This Week

Wednesday, 23.4.14

Internal Seminar

12.15-13.15

Bettina Peters, ZEW

AWI 00.010

"Estimating Dynamic R&D Demand:
An Analysis of Costs and Long-Run Benefits"

Abstract

Internal Seminar

Bettina Peters

"Estimating Dynamic R&D Demand: An Analysis of Costs and Long-Run Benefits"*

Using firm-level data from the German manufacturing sector, we estimate a dynamic structural model of firm investment in R&D and quantify the cost and long-run benefit of this investment. The dynamic model incorporates linkages between the firm's R&D investment, product and process innovations, and future productivity and profits. It provides a natural measure of the long-run payoff to R&D as the difference in expected firm value generated by the R&D investment. For the firm with median productivity, investment in R&D raises firm value by 3.0 percent in a group of high-tech industries but only 0.2 percent in low-tech industries. Model simulations show that cost subsidies for R&D can significantly affect R&D investment rates and productivity changes in the high-tech industries.

*With Mark Roberts, Van Anh Vuong and Helmut Fryges

Talks and Research Visits

Kai Gehring presented "Information Transmission within Federal Fiscal Architectures: Theory and Evidence" at the 2014 Annual Conference of the Royal Economic Society, University of Manchester, UK, April 7-9.

Kai Gehring presented "The Home Bias in Sovereign Ratings" and also "Gesture politics or real commitment? Gender inequality and the allocation of aid" at the European Public Choice Society Meeting 2014, Cambridge University, UK, April 3-4.

New Publications

Till Requate, Ch'ng Kean Siang and Israel Waichman "Communication in Cournot competition: An experimental study", *Journal of Economic Psychology* forthcoming.

**Editorial deadline for issue 8/2014 of the newsletter:
Wednesday, April 22, 2014, 12 o'clock
newsletter@awi.uni-heidelberg.de**

If you would like to receive the newsletter by email,
please contact the address above.