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R&D Intensity, Uncertainty, and the Cross-Section of Investment

Abstract: Investment responses to uncertainty are heterogeneous across assets and increase with the asset's R&D intensity, with the most R&D-intensive assets responding positively. This is consistent with a mechanism in which investing reveals project value, so uncertainty raises the return to investing rather than to delaying. We embed this mechanism in a model with heterogeneous firms and industry-level uncertainty shocks to quantify the pass-through to aggregate corporate investment.