

Contents

<i>List of figures</i>	vii
<i>List of tables</i>	ix
<i>List of contributors</i>	xiii
<i>Foreword</i>	xv
Guy Quaden	
Introduction	1
<i>Paul Butzen and Catherine Fuss</i>	
1. Lifting the burden: fundamental tax reform and US economic growth	13
<i>Dale Jorgenson and Kun-Young Yun</i>	
2. Structural modelling of financial constraints on investment: where do we stand?	40
<i>Jean-Bernard Chatelain</i>	
3. Capital market imperfections and investment: evidence from Belgian panel data	59
<i>Marcel Gérard and Frédéric Verschueren</i>	
Discussion: <i>Sebastian Schich</i>	77
4. Investment, R&D and liquidity constraints: a corporate governance approach to the Belgian evidence	83
<i>Patrick Van Cayseele</i>	
Discussion: <i>Patrick Vanhoudt</i>	99
5. Financing and investment interdependencies in unquoted Belgian companies: the role of venture capital	105
<i>Katleen Baeyens, Sophie Manigart and Ilse Verschueren</i>	
Discussion: <i>Leo de Haan</i>	126

6.	Financing constraints, fixed capital and R&D investment decisions of Belgian firms <i>Michele Cincera</i> Discussion: <i>Fabiano Schivardi</i>	129 148
7.	Real options and investment under uncertainty: what do we know? <i>Lenos Trigeorgis</i>	153
8.	Development path and capital structure of Belgian biotechnology firms <i>Véronique Bastin, Albert Corhay, Georges Hübner and Pierre-Armand Michel</i> Discussion: <i>Chantal Kegels</i>	167 190
9.	Investment, uncertainty and irreversibility: evidence from Belgian accounting data <i>Danny Cassimon, Peter-Jan Engelen, Hilde Meersman and Martine Van Wouwe</i> Discussion: <i>Michael Thiel</i>	194 220
10.	The impact of uncertainty on investment plans: a survey data approach <i>Paul Butzen, Catherine Fuss and Philip Vermeulen</i> Discussion: <i>Ulf von Kalckreuth</i>	227 245
11.	Governance as a source of managerial discipline <i>Julian Franks and Colin Mayer</i>	253
12.	Capital structure, firm liquidity and growth <i>Ronald Anderson</i> Discussion: <i>Ignazio Angeloni</i>	270 292
	<i>Bibliography</i>	295
	<i>Index</i>	323

Figures

1.1	Transition paths of tax rates: Flat Tax, Hall–Rabushka	30
1.2	Transition paths of tax rates: Flat Tax, Armey–Shelby	31
1.3	Transition paths of tax rates: plans 1 and 2 of NRST	35
1.4	Transition paths of tax rates: plans 4, 5 and 7 of NRST	36
3.1	Impulse response to specific interest rate shock	74
4D.1	Gross fixed capital formation vs R&D in the Belgian private sector	101
7.1	Investment decision process	159
8.1	Scenario tree with time-to-build and growth options	171
9.1	Real option analysis (ROA) vs net present value (NPV) rule	197
9D.1	Measures of uncertainty	220
9D.2	Investment share in the euro area, 1980–2001	221
9D.3	Degree of skewness (annual growth rates 1961–92)	224
12.1	Optimal level of liquid assets holdings	276

Tables

1.1	Tax parameters of fundamental tax reforms: lump sum tax adjustment (central cases)	29
1.2	Welfare effects of fundamental tax reform: Flat Tax	32
1.3	Welfare effects of fundamental tax reform: National Retail Sales Tax	34
3.1	Equation (3.6), full sample	68
3.2	Equation (3.6), small vs large firms, high-debt and low-debt firms	69
3.3	Structural parameters, equation (3.6)	70
3.4	Equation (3.8), full sample, small vs large firms, high vs low debt level firms	71
3D.1	Impact of uncertainty on investment (selected empirical studies)	79
3D.2	Panel cointegration estimates of aggregate investment equations (1970–99; 19 OECD countries)	80
4.1	Expected sign of coefficients in the investment regression	93
4.2	Summary statistics of the panel	94
4.3	GLS regression of investment, fixed effects, book value of lagged R&D	95
4D.1	Correlations between lags of business R&D and private investment	100
5.1	Description of the total sample	113
5.2	Description of dependent and independent variables	114
5.3	Results of the analyses	118
5A.1	Variable definitions	124
5A.2	Basic statistics of investment in tangible assets by year after VC participation	125
6.1	List of the main variables	133
6.2	Error correction model for physical capital	139
6.3	Error correction model for R&D capital	139
6.4	Error correction model for R&D: permanent versus occasional R&D	141
6.5	Error correction model for R&D: impact of publicly funded R&D	142

6.6	Long run cash-flow effects: differences between industry sectors and regions	144
8.1	Hypotheses	179
8.2	Mean values of capital structure ratios for the sample and across stages	181
8.3	Mean values of capital structure ratios and differences tests across branches	182
8.4	Capital structure hypothesis tests with grouping of failure and success branches	185
8.5	Capital structure hypothesis tests with respect to patent filing information	187
8D.1	Index of VC investment/GDP (average 1998–99), Belgium = 100	192
8D.2	Breakdown of high-tech venture capital (1999)	193
9.1	Investment and macroeconomic volatility indicators: global results	199
9.2	Estimation of investment functions using cross-section data	207
9A.1	Investment and macroeconomic volatility indicators: country-specific results	212
9A.2	Tobit I estimates for different uncertainty indicators	214
9A.3	Reduced Probit estimation results for different uncertainty indicators	216
9A.4	Sample selection estimates for different uncertainty indicators	218
9D.1	Testing for additional determinants in investment equations	222
10.1	Descriptive statistics of the final samples	234
10.2	GMM estimation in first difference with fixed effects and sector-specific uncertainty	238
10.3	Effect of firm-specific demand uncertainty on planned investment (OLS estimates)	239
10.4	OLS estimates of Euler equation 10.3 (Spring survey)	242
11.1	Cumulative excess returns of 516 US merging firms from the bid announcement to five years post merger (1970–89)	256
11.2	Long-term performance for a sample of 722 UK takeovers (1975–90)	256
11.3	Pre-bid performance for targets of hostile bids and a sample of non-merging companies using share returns	257
11.4	Average board turnover annualised over three years for firms in different deciles of share price performance	260
11.5	Size of largest shareholdings for a sample of quoted companies (1988–93)	261

11.6	Concentration of ownership by performance of firms in different deciles	261
11.7	Executive board turnover and CEO turnover for a sample of poorly performing companies ranked by quartile of interest cover, percentages	263
12.1	Factors determining liquid assets holdings	279
12.2	Data definitions	281
12.3	Liquidity ratio for UK firms (OLS regressions)	282
12.4	Liquidity ratio for UK firms (panel estimates)	284
12.5	Comparisons of corporate liquidity (ratio of liquid assets to total assets)	286
12.6	Liquidity ratio for Belgian firms	287
12D.1	Correlation between debt (long- and short-term) and liquid assets across non-financial firms in four European countries	294