

MTEI SEMINARS

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State Governments as Financiers of Technology Startups: Implications for Firm Performance

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U.S. state governments are active financiers of new science and technology companies. Yet little is known about the effects of state R&D funding on the performance of recipient ventures. This study provides new evidence based on competitive R&D awards administered by the state of Michigan from 2002 through 2008. We find strong and compelling evidence that state R&D awards enhanced the commercial viability (i.e., survival) of recipient firms, suggesting a relaxation of financial constraints. Among firms with scores near the discontinuous funding threshold, our estimates suggest that awardees were 15% to 25% more likely to survive three years after the competition than otherwise comparable applicants that sought but failed to receive an award. We also find that receipt of state R&D funding enhanced the follow-on financing for these new ventures, but only for those with more onerous information challenges in entrepreneurial capital markets.

Keywords:

Innovation; government R&D programs; entrepreneurial finance; regression discontinuity design

When:

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Where:

[EPFL, Odyssea 4.03, VIP room](#)