

Title: Back to the future? The private value of scientific research

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Abstract:

This paper explores how the value of scientific research has evolved between 1985-2007 by data on nearly 30,000 M&A deals. We find that value (shadow price in a Tobin q regression) of the stock of scientific knowledge of the target (acquired firm) has declined over time, after controlling for other measurable assets of the acquired firm. The results are strongest for targets in the lowest quartile. The results are robust to alternative measures of the stock of scientific knowledge. Our findings suggest that the value of scientific research in large firms has declined. These results raise intriguing questions about the future of research in large corporations, and about the evolving division of labor in innovation in the economy.