

## INNOVATION AND ENTREPRENEURSHIP CENTER

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### Determinants of Private and R&D Investments in Brazil: an empirical analysis of the period 1996-2011

#### Abstract:

Empirical studies regarding the determinants of private and R&D investments in developing countries, including Brazil, have demonstrated the negative impact of high inflation rates on innovation. However, the recent Brazilian experience clearly shows that stabilization, in and of itself, is not capable of recovering the investment rates. With this in mind, this study's goal is to answer, with the help of econometric simulation models, the questions: (i) what are the key-drivers to assess the Brazilian economy?; and (ii) what are the key factors to be considered when investments are made, particularly in R&D and innovation? To answer the first question we evaluated the impacts of macroeconomic variables on private investments, using a strategic bias and a long term vision plan. The estimates demonstrate empirical crowding-in evidence of public investments in infrastructure over private investments as a real impact to innovation. As for public investments (non-infrastructure) we suggest that the crowding-in impact dislocates private investments. All these indicators were obtained as presented in the theory, with the exception of the real interest rates variable ( $r$ ), in which we observed that the coefficient is positive and insignificant in the estimated equation.