TABLE VIII
CORPORATE LIQUIDITY AND FIRM-LEVEL CHARACTERISTICS IN 2006

	Cash to assets ratio				
	(1)	(2)	(3)	(4)	(5)
Cash flow volatility	0.47***				0.14***
	(0.10)				(0.04)
Capital expenditure to assets		−1.33***			−0.89***
		(0.24)			(0.25)
Acquisition to assets			−0.71***		−0.53***
			(0.13)		(0.06)
Debt to assets				−0.45***	−0.40***
				(0.05)	(0.04)
Firm-level controls	No	No	No	No	Yes
Observations	1,701	1,701	1,701	1,701	1,701

Notes. *$p < .10$, **$p < .05$, ***$p < .01$; the standard errors are clustered by the two-digit SIC industry code. The firm-level controls are the two-digit SIC, firm size, market to book ratio, networking capital to assets, dividend dummy, and R&D to sales. The construction of the variables and the choice of control variables follow Bates, Kahle, and Stulz (2009) closely, as reported in Online Appendix S4.

find that the firms that have more liquidity are likely to be more financially constrained relative to their counterparts before the financial panic. Bates, Kahle, and Stulz (2009) identify more than 10 factors that lead firms to hold more liquid assets. In particular, they find that more cash holding (or a strong liquidity position) is associated with less investment, borrowing, acquisitions, and unstable cash flow, which are characteristics that likely reflect constrained companies rather than unconstrained companies. Table VIII confirms that their results hold in 2006, consistent with the results in Table VII. In Online Appendix S7, by reporting the same relationships between 2006 corporate liquidity and 2008 firm-level characteristics, I provide suggestive evidence that such firms remained constrained in the middle of the financial crisis. In this replication analysis, I use the Compustat database, which is used in Bates, Kahle, and Stulz (2009) and Gilchrist et al. (2017).[36] This result, along with previous studies, emphasizes that the concern about using liquidity as a measure of financial constraint is not specific to the particular sample that I use but generally applies to different data and periods. More generally, this concern

36. I closely follow Bates, Kahle, and Stulz (2009) for cleaning the Compustat database. See Online Appendix S4 for a more detailed discussion of the Compustat data used in this analysis.