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Zhaozhao He

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# Money Held for Moving Stars: Talent Competition and Corporate Cash Holdings<sup>‡</sup>

ZHAOZHAO HE<sup>†</sup>

## ABSTRACT

Exploiting reforms of state covenants-not-to-compete laws to capture exogenous variation in barriers to compete for talent, I show that firms increase cash holdings when talent competition intensifies. The effect is concentrated among firms for which talent is more important and in industries relying more on knowledge-based competitive advantages. Furthermore, greater financial strength enables a firm to gain local talent market share at the expense of rivals, leading to superior product market performance. Supporting the idea that firms build up stronger financial positions to remain competitive in the labor market, these findings highlight corporate liquidity as a strategic variable to retain and attract mobile talent.

*Keywords:* Cash Holdings, Non-competes, Property Rights, Talent Competition, Skilled workers

*JEL Classifications:* D80, G32, J24, J44, K12, K31, O34

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<sup>†</sup> Peter T. Paul College of Business and Economics, University of New Hampshire. Zhaozhao He can be reached at phone: (603)-862-2233, email: zhaozhao.he@unh.edu, and mailing address: 10 Garrison Ave, Durham, NH 03824

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