When firms are able to pledge their assets as collateral, investment and borrowing become endogenous: pledgeable assets support more borrowings that in turn allow for further investment in pledgeable assets. We show that this *credit multiplier* has a significant effect on investment when firms face credit constraints. Specifically, investment-cash flow sensitivities will be *increasing* in the degree of tangibility of financially constrained firms' assets. If firms are unconstrained, however, investment-cash flow sensitivities are unaffected by asset tangibility. This theoretical prediction allows us to use a “differences in differences” approach to identify the effect of financing frictions on corporate investment: we compare the *differential (marginal) effect* of asset tangibility on the sensitivity of investment to cash flow across *different regimes* of financial constraints. Using two layers of cross-sectional contrasts helps address the concern that inferences based on investment--cash flow sensitivities are biased when Q does a poor job in controlling for investment opportunities. We implement our testing strategy on a large sample of manufacturing firms drawn from COMPUSTAT between 1971 and 2000. Using standard OLS and measurement error-consistent GMM estimators, we find that the data strongly support our hypothesis about the role of asset tangibility on corporate investment under financial constraints.