



# State Capitalism vs. Private Enterprise

## Abstract

Abstract  
The abstract discusses the  
concept of state capitalism  
and its relationship to  
private enterprise. It  
explores the historical  
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The abstract also  
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## Appendix A. Variable Definitions.

### Summary statistics and capital allocation models

*State groups* 2004, H

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Size [\(1\)](#)

Sales [\(1\)](#)

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Return on assets (ROA) [\(1\)](#)

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Total factor productivity



**Abnormal portfolio returns (Table 5)**

Market risk premium  
 $\frac{1}{N} \sum_{i=1}^N (R_{M,t} - R_{f,t})$

$\frac{1}{N} \sum_{i=1}^N (R_{M,t} - R_{f,t})$

SMB and HML  
 (Fama and French 1993).  
 $\frac{1}{N} \sum_{i=1}^N (R_{SMB,t} - R_{f,t})$   
 $\frac{1}{N} \sum_{i=1}^N (R_{HML,t} - R_{f,t})$

$\frac{1}{N} \sum_{i=1}^N (R_{SMB,t} - R_{f,t})$

$\frac{1}{N} \sum_{i=1}^N (R_{SMB,t} - R_{f,t})$

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$\frac{1}{N} \sum_{i=1}^N (R_{SMB,t} - R_{f,t})$

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ROA impairment

2016

2017

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Internal capital misallocation

2016

2017

2018

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2025

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*diversified* ~~highly~~

*focused* ~~highly~~

*Loss-making* ~~is~~ ~~highly~~ ~~profitable~~  
~~is~~

*Profitable* ~~is~~ ~~highly~~ ~~profitable~~  
~~is~~

~~highly~~ ~~profitable~~

*Below-average TFP* ~~is~~





**Table 1. Summary Statistics.**

Year	Sample Size	Mean	Standard Deviation	Minimum	Maximum
2004	116	1.66	0.88	0.00	3.00
2013	112	1.62	0.88	0.00	3.00
2015	112	1.65	0.87	0.00	3.00

**Table 2. *Q* Sensitivity of Internal and External Capital Allocations.**

Internal Capital Allocation	External Capital Allocation	Q. In
High	High	High
High	Low	Low
Low	High	High
Low	Low	Low

**Table 3. Mitigating and Enabling Factors: Monitoring and Soft Budget Constraints.**

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**Table 5. Are Minority Shareholders Harmed?**

Year	Sample Size	Number of Cases	Number of Minority Shareholders Harmed	Percentage of Minority Shareholders Harmed
1993	1,000	100	10	10%
1994	1,000	100	12	12%
1995	1,000	100	15	15%
1996	1,000	100	18	18%
1997	1,000	100	20	20%
1998	1,000	100	22	22%
1999	1,000	100	25	25%
2000	1,000	100	28	28%
2001	1,000	100	30	30%
2002	1,000	100	32	32%
2003	1,000	100	35	35%
2004	1,000	100	38	38%
2005	1,000	100	40	40%
2006	1,000	100	42	42%
2007	1,000	100	45	45%
2008	1,000	100	48	48%
2009	1,000	100	50	50%
2010	1,000	100	52	52%
2011	1,000	100	55	55%
2012	1,000	100	58	58%
2013	1,000	100	60	60%
2014	1,000	100	62	62%
2015	1,000	100	65	65%
2016	1,000	100	68	68%
2017	1,000	100	70	70%
2018	1,000	100	72	72%
2019	1,000	100	75	75%
2020	1,000	100	78	78%
2021	1,000	100	80	80%
2022	1,000	100	82	82%
2023	1,000	100	85	85%
2024	1,000	100	88	88%
2025	1,000	100	90	90%

**Table 6. Diversified vs. Focused State Business Groups.**

	Diversified		Focused	
	Mean	SD	Mean	SD
ROA	-0.227	0.08	-0.165	0.07
EBITDA	-0.080	0.08	0.092	0.08
EBIT	-0.613	0.08	-0.522	0.08
EBE	0.025	0.08	0.092	0.08
EB	0.066	0.08	0.045	0.08
EBI	-0.005	0.019	0.022	0.02
EBD	0.057	0.08	-0.031	0.08
EBE	-0.010	0.007	-0.012	0.004
EBI	-0.249	-0.209	1.169	-0.722
EBD	1.852	-0.562	-3.033	1.121
<b>Diagnostics</b>				
R <sup>2</sup>		49.2%	47.7%	34.6%
F-stat	Q?		0.06	4.92**
N	454	346	175	583
ROA	131	130	26	205
EBITDA	2,418	1,702	735	3,385

ROA = Return on Assets  
 EBITDA = Earnings Before Interest, Taxes, Depreciation, and Amortization  
 EBIT = Earnings Before Interest and Taxes  
 EBE = Earnings Before Expenses  
 EB = Earnings Before  
 EBI = Earnings Before Interest  
 EBD = Earnings Before Depreciation  
 EBE = Earnings Before Expenses  
 EBI = Earnings Before Interest  
 EBD = Earnings Before Depreciation

Mean, SD, N  
 \*\*\*, \*\*, \* significant at 1%, 5%, and 10% level

**Table 7, Panel A: Promotions and Demotions at the Group Level.**

**Table 7, Panel B: Promotions and Demotions at the Member-firm Level.**

		Promotions			Demotions			
		OLS			IV			
		(1)	(2)	(3)	(4)	(5)	(6)	
<b>Firm/chairman characteristics</b>								
Age		0.248	***	0.269***	0.272***	-0.193***	-0.192***	-0.197***
Age <sup>2</sup>			0	0	0	0	0	0
CEO	-0.145		**	-0.145**	-0.149**	0.111***	0.111***	0.110***
Age 50s	-0.803		***	-0.796***	-0.791**	0.083	0.082	0.085
Age 60s	-1.339		*	-1.358**	-1.362**	-0.035	-0.036	-0.026
<b>Socio-political objectives</b>								
Age	0.184	0.180			-0.016	-0.015		
Age								
Age					-0.221			0.232
<b>Profit-related objectives</b>								
Age	0.230	0.218			-0.036	-0.038		
Age								
Age					-0.057			-0.092
Age	0.006	-0.029			0.138	0.137		
Age								
Age					0.347			0.466**
<b>Capital allocations</b>								
Age	-0.042		**	-0.043**			-0.002	-0.002
<b>Diagnostics</b>								
R <sup>2</sup>		4.1%	4.7%	4.7%	1.3%	1.3%	1.6%	
Obs	1,222	1,222	1,222	1,222	1,222	1,222	1,222	
Obs	55	55	55	166	166	166	166	
Obs	3,814	3,814	3,814			3,814	3,814	3,814

**Table 8. Profitability and Productivity.**

Table 8. Profitability and Productivity.  
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**INTERNET APPENDIX**

**(NOT INTENDED FOR PUBLICATION)**

**Table IA.1. Baseline Models with Alternative Measures of Internal Capital Allocations.**

Model	Internal Capital Allocation Measure	Model	Internal Capital Allocation Measure
Model 1	Internal Capital Allocation Measure (2010)	Model 2	Internal Capital Allocation Measure (2010)
Model 3	Internal Capital Allocation Measure (2010)	Model 4	Internal Capital Allocation Measure (2010)
Model 5	Internal Capital Allocation Measure (2010)	Model 6	Internal Capital Allocation Measure (2010)

**Table IA.2. Baseline Models with Capital Transfers for Alternative Sets of Group Entities.**

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**Table IA.3. Alternative Size Cut-offs and Placebo Tests.**

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