

# **THE OXFORD HANDBOOK OF STATE CAPITALISM AND THE FIRM**

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## **Dedicated to Mike Wright (1952 – 2019)**

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This handbook presents the latest theoretical and applied thinking on state capitalism, i.e., the institutional, policy, and ownership arrangements that reflect the direct influence of the state on the economy and firm behaviour. It is a timely volume given the worldwide changes regarding the role of the state in the economy. Starting in the 1980s, there was an apparent process of retrenchment from earlier statism that had dominated most world economies since the 1940s, with state-owned enterprises becoming partially and fully privatized, industries becoming deregulated, and economies becoming liberalized by governments. However, in the 2010s the process saw a reversal, both in advanced economies (with governments regulating industries and nationalizing banks and firms to deal with the aftermath of the Great Recession that started in 2008) and in emerging economies (with governments using domestic firms as extensions of economic policy and supporting the international expansion of state-owned firms). This trend has resulted in new and more complex realities of the influence of the governments on firms. For example, governments share ownership with private investors, state-owned firms have become multinationals, governments have taken on new roles as global asset managers (e.g., through sovereign wealth funds) and there has been a rise of firms that have secured oligopolistic status through state concessions and by capturing outsourced public functions. These shifts can be seen as reflecting a long historical dynamic in which countries move to and away from laissez-faire marketization at one end of the spectrum and close state involvement in firms (statism) at the other end. The inability of unregulated marketization to ensure stability and broad-based growth has led to suggestions that this movement back to statism is predictable, and indeed, somewhat overdue, even if, the forms it assumes are not always benign.

The volume explores the processes through which state capitalism has emerged and is sustained, and what sets new state capitalism apart from the old. We argue that, here, a core distinction is between traditional models of nationalised or state-owned enterprises, and the greater variety of forms assumed in the contemporary age. This would include state-owned enterprises that have undergone reforms to place them on a more market-orientated footing, partially, but not completely privatised enterprises, private companies that have received government investment and work to serve the diplomatic goals of their country of origin government, and politically connected private firms which occupy a space between state and market. The latter rely on the state for contracts and support, typically occupy oligopolistic market positions, and secure private profits through government backing.

This Handbook demonstrates how state capitalism may be understood from a range of different disciplinary perspectives including political economy, economics, finance, public administration, sociology, and law. It includes chapters that explore institutions and institutional arrangements that sustain state capitalism including formal policies, informal patronage, and network ties. We pay special attention to state-affiliated multinational enterprises that may represent an arm of their country of origin governments but also may have close ties to governments of host countries. Several chapters are focused on the state as an investor operating through state-owned banks, sovereign wealth funds, and other financial agents. Finally, we demonstrate how state capitalism manifests itself around the world.

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## **Part I. THE HISTORY AND LOGICS OF STATE CAPITALISM**

### **1 State Capitalism and the Firm: An Overview**

Mike Wright, Geoffrey T. Wood, Alvaro Cuervo-Cazurra, Pei Sun, Ilya Okhmatovskiy, and Anna Grosman

**Abstract:** In this introduction to the Handbook of State Capitalism and the Firm, we provide an overview of state capitalism, its evolution, diversity, and theoretical implications. We clarify the tension between the market and the government that drives state intervention in the economy. A brief historical evolution of state capitalism provides a much-needed background to explicit and implicit discussions of the diversity of dimensions of state capitalism. We document how state capitalism seems to have followed a pendulum between periods of high dominance and periods of retrenchment that have resulted in the transformation of the literature over time. We also explain the variety of state capitalism that has been implemented across countries and time. We then outline the diversity in the theorization of state capitalism as a phenomenon and the implications of the cross-border expansion of state capitalism. We conclude with an overview of the potential avenues for future research on state capitalism and the firm.

**Keywords:** governments, capitalism, state ownership, regulation

### **2 State Capitalism: A Comparative and Historical Outlook**

Robert Boyer

**Abstract:** States and capitalisms have co-evolved and formed contrasted configurations from feudalism to contemporary configurations. Under the same label of state capitalism, economic history exhibits some definite mixes of various components: economic nationalism, public ownership of firms and banks, planning or large public spending and income redistribution. The French State Capitalism variant is one of these configurations. The co-ordination among public entities from industry to finance, indicative planning as an anti-uncertainty device and complementary economic policy instruments used to define a rather coherent and dynamic regime. The large opening to European and world competition and the financial deregulation have progressively eroded the performance of this successful modernization. The early XXI century evolution raises an intriguing issue: are not the Nation- States and the transnational platform capitalism trading place? Governments react to price signals whereas GAFAM exert the strategic leadership in the redeployment of contemporary capitalism. Will the COVID-19 mean a reversal and the revival of various brands of State Capitalism?

**Keywords:** Indicative planning, France, Soviet Union, State capitalism.

### **3 The Origins of the Developmental State: The European Experience**

Sophus A. Reinert

Abstract: This chapter interrogates the currently resurgent and frequently demonized concept of “state capitalism” from a deeper historical perspective. It argues that, contrary to what often is maintained, the concept fruitfully can be traced back to the strategies and policies of the city-states of Medieval and Renaissance Italy, if not before, and that pertinent aspects of it can be used to explain practically all successful trajectories of development since. The chapter focuses on the political economy of the Grand Duke Cosimo I of Tuscany as a foundational case study in this regard and demonstrates how, in spite of “high modernist” critiques, a number of successful developmental states from the Renaissance to the present actually have aligned themselves with James Scott’s ideal of prudent and practical *mētis* in matters of political economy.

Keywords: State Capitalism, Political Economy, Asian Tigers, Renaissance Italy, James Scott

### **4 State Capitalism: Means and Dimensions**

Matthew M. C. Allen, Geoffrey T. Wood, Matthew R. Keller

Abstract: The recent rise of companies from emerging markets, especially China, has led to a slew of studies based on the concept of ‘state capitalism’. However, definitions of this term vary significantly. We review how various leading authors use the term state capitalism to draw out differences between, and similarities within, those conceptualizations. By doing so, we seek to 1) define what ‘state capitalism’ is (and is not), 2) demonstrate how the dimensions of state capitalism vary and 3) put forward a range of Weberian ‘ideal types’ of state capitalism. This enables us to highlight the dimensions along which state capitalisms vary as well as to specify the means that state capitalisms use in an effort to achieve their objectives, opening up important new areas for interdisciplinary research.

Keywords: state capitalism; transaction-cost economics; resource-dependency theory; comparative capitalisms; China

### **5 State Logic and Governance: A Taxonomy**

Saul Estrin and Aleksandra Gregorič

Abstract: State-owned enterprises (SOEs) are playing an increasing role in many national economies, particularly outside the advanced countries. These trends somewhat counter the established literature portraying SOEs as inefficient, bureaucratic and poorly managed entities that perform worse across a variety of measures than privately owned firms (POEs). This chapter proposes a more nuanced view of the SOEs. We argue that their performance ultimately depends on the combination of 1) the objectives or the logics driving the governmental involvement in the enterprises (welfare state, developmental or predatory) and 2) the quality of the firm-level governance, defined by the quality of the corporate governance and managerial labor market institutions. We combine the different state logics and the firm governance to propose a taxonomy with six distinct configurations, each generating distinct outcomes in terms of SOE relative to POE performance and their wider implications for national economic performance. We conclude with a pilot empirical exercise comparing some basic indicators of contemporary national economic outcomes in examples of each of our six configurations.

Keywords: developmental state, predatory state, corporate governance, SOE performance

## **Part II. STATE CAPITALISM AND FINANCE**

### **6 State Ownership and Corporate Performance**

William L. Megginson and Xia (Summer) Liu

**Abstract:** In this study, we survey the extensive literature examining the economic and political developments since 2000 relating to state capitalism, state ownership of businesses and corporate governance. Through the early 21st century, there was an unambiguous global trend towards reducing government ownership of business enterprise, but this trend has since at least been slowed, and perhaps even reversed. We discuss the factors that have promoted a global resurgence of state ownership, then define and analyze the new ideology labelled “state capitalism” and assess its impact on corporate governance. This research highlights that different types of state owners have very different impacts on corporate value and performance, and that state ownership generally has a significant, and mostly pernicious, impact on corporate investment and financial policies. The separate effect of state ownership on corporate valuation is less clear-cut. This survey also summarizes recent empirical research examining the relationship between state ownership of business assets and financial markets and institutions. Sovereign wealth fund research yields essentially benign findings, but almost all studies examining state-owned banking show that state ownership reduces banks’ efficiency. All the financial markets and institutions studies examined highlight the distortive effects and economic costs of bailouts and guarantees. Finally, the research surveyed here convinces the authors that “state capitalism” is an essentially failed model.

**Keywords:** Sovereign wealth funds, International financial markets, Government policy and regulation

### **7 Sovereign Wealth Funds**

Christine Bischoff and Geoffrey T. Wood

**Abstract:** This chapter introduces Sovereign Wealth Funds (SWFs) and where they stand in the world of state capitalism. SWFs are gradually becoming leading participants in the alternative investor ecosystem, and are another expression of state capitalism. This chapter highlights the challenges of categorizing state investment funds, and argues that what sets SWFs apart is an ostensibly inter-generational savings focus. Through the usage of examples, we highlight the great diversity in SWFs in terms of size, scope and quality of governance, and contrast those that have some focus on internal investment to promote national development with those that are purely external focused. Again, we draw attention to the case of SWFs that have faced rapid depletion and explore what sets them apart from more prosperous funds. Finally, we explore how SWFs may be theorized in terms of ethics, state capabilities and orientation, diplomacy, and via network theory.

**Keywords:** State capitalism; Sovereign Wealth Funds; developmental states; rentier states; inter-generational savings.

### **8 State-owned Development Banks**

Aldo Musacchio, Sergio Lazzarini, Pedro Makhoul and Emily Simmons

**Abstract:** State-owned development banks are either seen as solving market imperfections or criticized for crowding out private lenders and encouraging politically motivated lending. We study six development banks—Chile’s Corfo, Brazil’s BNDES, Canada’s BDC, Germany’s KfW,

Korea's KDB, and China's CDB, analyze the tools they use to address market failures and create a typology according to their strategic focus. We identify two general strategic orientations of development banks—national-champion oriented (with a focus on large firms and with direct mechanisms of lending and equity investment) and entrepreneurship-oriented (with a focus on smaller firms and with more indirect tools to reduce market failure, such as credit guarantees). We conclude with several suggestions for research and public policy. For instance, we argue that, as local capital markets and institutions evolve, development banks should progressively become more entrepreneurship-oriented, focused on smaller entrepreneurial firms and use more indirect mechanisms to promote equity investment and alleviate credit constraints (such as credit guarantees). From a research standpoint, scholars should examine conditions and mechanisms through which development banks help develop novel and valuable private capabilities and how their internal organizational patterns influence the impact of their policies.

Keywords: Development banks, industrial policy, market failures, political economy

## **9 State Capitalism and the Financial Crisis**

John L. Campbell

Abstract: This chapter reviews the neoliberal origins of the 2008 financial crisis and explains how different types of nation-states coped with it. There were significant differences between how liberal and coordinated market economies responded. The chapter also examines the international response to the crisis and how banks reacted to it. The chapter concludes by reviewing the lessons learned from the crisis.

Keywords: Financial crisis; state; capitalism; neoliberalism

## **10 State Ownership and Project Financing**

Barclay E. James and Paul M. Vaaler

Abstract: Research in management and related research fields offers different answers to questions about how partial state ownership in large infrastructure projects (projects) affects overall investment risk. In this chapter, we review those answers and their underlying theoretical assumptions. We then offer our own answer hinging on two factors: the extent of state ownership in a project and the institutional stability of state policies where that project is announced, financed, constructed, and operated. Our answer proposes that state ownership generally increases investment risk unless there is low state policy stability in the host country where the project is located. Then, substantial but non-controlling minority state ownership provides a second-best assurance against detrimental policy changes and decreases investment risk. We document empirical support for our proposition through analyses of state ownership and investment risk in 1190 projects announced but awaiting financing in 91 countries from 1990-2007. Regression and related empirical analyses indicate that minority state ownership reduces the likelihood that financing will be significantly delayed for projects located in host countries with low policy stability. Partial state ownership signals assurance against detrimental policy changes, but also possible interference under existing policies. This chapter demonstrates the limited circumstances when the assurance signal dominates and partial state ownership acts as a helping rather than hindering hand to private investors and the projects they fund and govern.

Keywords: state ownership, policy stability, infrastructure projects, investment risk, signaling theory, financing speed

## **PART III. STATE CAPITALISM AND INTERNATIONAL BUSINESS**

### **11 The Internationalization of State-owned Firms: Within Country Drivers**

Alvaro Cuervo-Cazurra and Cheng Li

**Abstract:** We analyze the impact of state ownership on firm internationalization. We propose and explain four drivers of the variation in the internationalization of state-owned enterprises (SOEs) from the same country: (1) Industry, in which SOEs created to provide public services are less likely to internationalize, while those created to facilitate industrial upgrading are more likely to expand abroad; (2) type of state ownership, in which SOEs owned by lower-level governments like municipalities are less likely to internationalize, while those owned by higher-level governments such as the central administration are more likely to go abroad; (3) level of state ownership, in which SOEs with higher state ownership are less likely to expand overseas, while those with lower state ownership are more likely to internationalize; and (4) managerial independence, in which SOEs with lower managerial independence are less likely to internationalize, while those with higher independence are more likely to expand abroad.

**Keywords:** state-owned enterprises, internationalization, multinationals, ownership, management

### **12 State Capitalism and Diplomacy**

Xia Han and Xiaohui Liu

**Abstract:** Using survey data on Chinese multinational enterprises (MNEs), we examine the effect of home-government diplomatic support on Chinese firms' overseas performance. The findings indicate that the level of diplomatic support offered by the home government has a positive association with the overseas performance of Chinese MNEs. Strong political relations between China and the host country can further boost the effect of home-country diplomatic support on the subsidiary performance of these firms. Our study helps to resolve the puzzle concerning why emerging market MNEs tend to operate in countries where the political conditions are risky. State capitalism plays a key role in enabling emerging market MNEs to compete in overseas markets where strong political relations between a firm's home government and the host country are in place.

**Keywords:** Chinese MNEs, diplomacy, political relations, state capitalism

## **PART IV. STATE CAPITALISM, LAW AND DEVELOPMENT**

### **13 Industrial Policy**

Łukasz Mamica and Wilfred Dolfsma

**Abstract:** The 2008 crisis has highlighted the need for a more active industrial policy, and the lockdown and the collapse of supply chains due to the 2020 pandemic only reinforced this process. In this chapter, we show that the effectiveness of practical industrial policy solutions requires taking into account their geographical and sectoral aspects. Of particular importance are activities in the area of R&D support policy, which not only contribute to increased competitiveness of industry but also determine the possibility of its transformation towards climate neutrality, especially in the renewable energy sector. We are well aware of the potential threats associated with the spending of public funds as they may interfere with the free market, but with an appropriate industrial policy these actions are likely to have more benefits than potential

negative effects. Taking into account the areas where firms source their inputs and the areas where they sell their products and services (they may do both locally and globally), we propose categorising firms into four groups. For each category, we propose a catalogue of industrial policy tools. In our opinion, only actions that reflect the specificity of firms stand a chance of delivering the planned results. We suggest a generic way, from an institutional economic point of view, to analyse government policy in general and industrial policy in particular.

Keywords: industrial policy, green industrial policy, public subsidies, industry

## **14 State Capitalism and the Law**

Yong-Shik Lee

Abstract: This chapter examines the role of the law in state capitalism and assesses the law's impact. The law forms the regulatory frameworks in which the state participates in the economy and attempts to regulate the manner and extent of such participation. The law is both a facilitator and a regulator of the state involvement in the economy. The legal facilitator of state capitalism is also relevant to the enhancement of economic development. This chapter introduces the successful development case of South Korea that adopted extensive state capitalism and examines how the state used the law to achieve economic development. This chapter, with the aid of the recently developed General Theory of Law and Development, finds that law, legal frameworks, and institutions in Korea were an essential implementation tool of state capitalism in Korea, which promoted successful economic development.

Keywords: State Capitalism, Law, General Theory of Law and Development, Economic Development, South Korea

## **15 The State as a Facilitator of Innovation**

Yong Wang and Xiuping Hua

Abstract: This chapter discusses the role of the state in facilitating innovation and industrial development. An overview is given of theoretical research on the importance of government support on innovation and technology upgrading. Both strengths and weaknesses with regards to state intervention activities are explored by summarizing empirical evidence. It then addresses the facilitating role of the state in cultivating emerging high-tech industries and promoting corporate innovation in both developed and emerging economies. Finally, a discussion is made of industrial and innovation policies in China from a historical and dynamic perspective. Grounded in our discussions, we offer key implications for theory and practice and suggest that despite uncertainty in policy impacts, the state in emerging economies should not only work on overcoming market failures in most industries but also actively create and shape markets in newly emerged and innovative industries.

Keywords: Innovation, technology upgrading, facilitating state, government support

## **16 State Capitalism and Big Data**

Anupriya Misra and Vania Sena

Abstract: This chapter has explored the relationship between big data and state capitalism. Our starting premise is that big data offer several opportunities to both researchers and practitioners. Like any other organisation, SOEs produce large volumes of data while undertaking their routine activities. As a result, they end up storing data of different types and complexity that can be used to improve our understanding of the drivers of their performance and by governments and

practitioners to improve the SOEs' performance. The chapter has analysed the benefits that big data can offer to limit the liability of stateness and the challenges they can pose.

Keywords: SOEs, Big Data, Liability of Stateness

## **PART V. STATE CAPITALISM AND PUBLIC ADMINISTRATION**

### **17 Outsourcing State Functions**

Amanda M. Girth

Abstract: Since the 1970s, governments have shifted away from statist policies and towards markets through waves of market-oriented reforms. Across advanced and emerging economies alike, the public sector has increasingly outsourced the provisioning of goods and services to the private sector. The outsourcing of state functions is motivated by economic arguments that underscore the value of competition and using the market to overcome the inefficiencies of monopolistic public institutions. Political and ideological motives drive outsourcing with right-leaning governments preferring smaller government workforces and reduced union power. Outsourcing is also pursued for pragmatic reasons such as harnessing private sector innovation and shedding functions that are not core competencies. Critiques of public sector outsourcing include misplaced faith in markets and an underemphasis on market efficiencies, contributing to unreliable cost savings. Opponents contend the private sector emphasizes efficiency at the expense of other public values and further exacerbates accountability challenges of governing. Outsourcing state functions raises broader questions regarding the role of the public sector and the legitimacy of public institutions.

Keywords: Outsourcing, privatization, public sector markets, public values

### **18 Public-Private Partnerships**

James Foreman-Peck

Abstract: Britain was at the forefront of utilising Public-Private Partnerships (PPP) and contracting out from the 1980s. The British experience of increasing disenchantment with private finance and outsourcing in recent years is therefore of considerable interest. Private contractors have not proved invariably better at managing government services than direct government supply. The nearly complete measurement of the service is highly desirable if the supply is to be successfully contracted out or provided by a PPP. Though potentially beneficial for controlling project whole life costs, bundling different stages of supply boosts the size of the contract, which in turn reduces the number of potential competitors and the intensity of competition for the contract. Credible risk transfer continues to be challenging. H M Treasury project appraisal in some respects was biased in favour of private finance projects and yardstick competition between procurement routes remains underutilised. Private finance has been shown an expensive way of massaging the national debt-GDP ratio, although less than 10% of government investment is at stake. On the other hand, considerable experience has been obtained in controlling whole life project costs with other, simpler, procurement routes.

Keywords: Procurement, Private finance, Outsourcing, Value for money.

## **19 Hybrid Governance of State-owned Enterprises**

Ilya Okhmatovskiy, Anna Grosman and Pei Sun

**Abstract:** We consider the governance of state-owned enterprises (SOEs) as hybrid because it combines mechanisms of public administration and informal political interference with standard corporate governance mechanisms. Researchers often consider social enterprises as hybrid organizations and we demonstrate that hybrid characteristics of social enterprises are usually evaluated positively while hybrid characteristics of SOEs are viewed as their vulnerability. Prior discussions about SOE governance tend to focus on standard corporate governance mechanisms and treat distinct characteristics of corporate governance in SOEs as ‘deviations’ from standard governance practices. By considering SOE governance as hybrid, we bring attention to the existence of alternative governance mechanisms that the state can rely on, such as governance through performance contracts, intermediate ownership structures, and informal influence by politicians. We look at governance hybridity from a variety of theoretical perspectives used in prior research about corporate governance of SOEs. We also discuss how hybrid governance arrangements in SOEs vary within and across countries. We conclude the chapter with directions for future research on hybrid governance of SOEs.

**Keywords:** State-owned enterprises; hybridity; hybrid organizations; corporate governance

## **Part VI. STATE CAPITALISM: CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE POLITICAL ACTIVITY**

### **20 State Capitalism and Corporate Social Responsibility: A Comparative Typology**

Alan Brejnholt, Gerhard Schnyder, Jukka Rintamaki and Luda Svystunova

**Abstract:** Typically, the relationship between corporate social responsibility (CSR) and state action is considered to be one of complementing or substitution. However, growing numbers of governments consider CSR as a potential policy tool and attempt to actively shape organisational CSR policies and outcomes. Yet, different types of states exhibit different levels of interventionism and different preferences regarding the means and ends of state intervention in the economy. This suggests that CSR policies and outcomes vary across different types of states. The extant literature has only given scant attention to this issue and has not systematically considered the relationship between types of states and CSR policies and outcomes. In this chapter, we seek to remedy this shortcoming. We systematically explore the relationship between varieties of states and corporate social responsibility, by constructing a typology of corporate responsibilities in different types of states. We combine existing typologies of states and government-CSR configurations, to answer the question of how different types of states lead to different firm-level CSR practices and overall outcomes. We find that a regulatory state seeks a minimum role in facilitating CSR, largely leaving CSR to the market for self-regulation. A welfare state takes an active role in shaping CSR practice through direct affiliations in cross-sector collaboration and mandatory CSR policy. A developmental state also has direct involvement in CSR practice through frequent partnerships involving social projects or CSR facilitated through subsidies as well as CSR as a form of government. Lastly, we theorize that predatory states have little interest in CSR, and when they do it is mostly in an opportunistic fashion with limited social and environmental outcomes.

**Keywords:** corporate social responsibility; varieties of capitalism; state capitalism; comparative political economy; institutional theory

## **21 State Capitalism and Corporate Social Responsibility: State Influence on the Firm**

Jiyang Dong and Xiaowei Rose Luo

**Abstract:** In this chapter, we review the literature to examine the role of the Chinese state in shaping corporate social responsibility (CSR) activities. We start by taking stock of the variety of channels employed by the Chinese party-state to influence the adoption and diffusion of CSR among Chinese firms. Second, we examine how the state utilizes different institutional linkages between the state and firms to influence CSR in connected firms. These linkages include the government's shareholding in firms and political connections between firms and governmental agencies and differ in how they transmit the state's influence regarding CSR. Third, we delve into the state's bureaucratic fragmentation and dual goals (economic and non-economic), which affect the effectiveness of the state's CSR policy implementation. Fourth, we analyze the circumstances under which the civil society's demands of CSR may undermine or enhance the state's influence on CSR. Lastly, we explore the strategic benefits firms can obtain from the state through their CSR activities. Overall, our review unveils the complexity and evolution of the state's influence on CSR in China and points to promising directions for future research.

**Keywords:** Corporate social responsibility (CSR), institutional linkage, state structure, stakeholder pressure, China

## **22 Corporate Political Ties and State Capitalism**

Renfei Gao, Pei Sun, Anna Grosman and Ilya Okhmatovskiy

**Abstract:** Corporate political ties serve as a significant channel for business-government interactions and represent a prominent feature of state capitalism. Given the burgeoning scholarly interests in this topic over the last few decades, we identify the latest insights that emerge from this literature, with an emphasis on the strategy and performance implications of corporate political ties. We first define the scope of our overview of corporate political ties, noting the relevance of other forms of corporate political activity and state capitalism. We next review several important theoretical perspectives that have been used to study corporate political ties. This is followed by a detailed review of the recent research on the strategy and performance implications of corporate political ties and the emergent insights into the benefits and costs of corporate political ties. The chapter concludes by offering several directions and suggestions for future research.

**Keywords:** Corporate political ties (CPTs), corporate political activity (CPA), nonmarket strategy, state capitalism

# **PART VII. STATE CAPITALISM: COUNTRY AND REGIONAL ANALYSES**

## ***AFRICA***

## **23 State Capitalism in Sub-Saharan Africa**

Lucien van der Walt, Gilton Klerck and Kirk Helliker

**Abstract:** Historical and contemporary analyses of state capitalism have largely by passed sub-Saharan Africa in that state capitalism, as a conceptual framework, has generally been absent from analyses of the region, and experiences in the region have generally been absent in discussions of, and theory-building about, state capitalism. This chapter helps redress the situation, by examining African cases, with a focus on the period from the late nineteenth century to the present, covering the modern European colonial, early post-independence, and contemporary, neo-liberal periods.

An examination of African experiences suggests the need to rethink standard typologies of state capitalism, to embrace, inter alia, colonial capitalism – including *étatiste-peasant* regimes and regimes of competitive exploitation – and militarised forms of state capitalism – such as those seen under colonial charter companies, and more recently, under predatory independent states. African experiences underline that there is no simple sequence of types, as some older forms recur later, and there are overlaps and co-existences of types. Finally, attention to African variants of some better-known types – for example, racialized forms of import-substitution-industrialisation under apartheid – enrich existing typologies. It is important, therefore, to take account of the great variation in African state forms, capacities, class structures and political economies when considering regional patterns and making international comparisons.

Keywords: state capitalism, apartheid, developmental state, predatory state, state enterprises

## **24 State Capitalism in the Middle East**

Yusuf M. Sidani

Abstract: The chapter addresses state capitalism in the Middle East by addressing military capitalism and how it operates within Egypt. Throughout its recent history, the military has emerged as a skillful institution, leveraging its status within Egyptian society. The military became the institution that does not only sustain peace and ensure stability, but also the one much needed to fill the void left by ineffective societal and governmental institutions. In that process, it was able to accumulate huge political and economic interests, clearly signaling that the military will never waver in protecting those interests. The chapter presents the historic progression of military capitalism and explains what this means for the future of Egyptian society and economy

Keywords: Egypt, Sisi, Mubarak, Sadat, Nasser

## **AMERICAS**

## **25 State Capitalism in Latin America**

Rodrigo B. DeMello

Abstract: State capitalism in Latin America has survived the re-democratization in the 1980s and remains relevant to the political economy of most countries in the region. State capitalism remains popular because it has been instrumental for the political survival of both left- and right-wing governments. In this chapter, I provide an overview of the current level of state capitalism in Latin America and a review of the extant literature. Finally, I develop a framework to describe how governments may use state capitalism tools to distribute private and public goods aiming at building and managing coalitions in multiparty presidential systems.

Keywords: State-Owned Enterprises, Latin America, State Capitalism

## **26 State Capitalism in the United States: Development Finance State**

Robert Hockett and Saule Omarova

Abstract: In this chapter, we outline what we call “The American Plan” of state capitalism, developed by Treasury Secretary Alexander Hamilton in the early years of the American republic, and trace its defining elements through two centuries down to the present. In the modern era, these elements jointly define what we call a “Development Finance State,” an American tradition of hybrid public-private financing of continuous economic progress. We argue that the rediscovery and rebirth of this forgotten but powerful American tradition is the key to the country’s ability to meet the many challenges it faces today.

Keywords: ‘American System,’ development finance, developmental finance state, digital dollar, state capitalism, public-private finance.

## **27 State Capitalism in the United States: The Military and Prison Industrial Complexes**

Daniel D'Amico

Abstract: This paper describes the unique incentives at play within state-produced and managed military and prison industries under democratic political arrangements. Unlike competitive market economies wherein competition guides productive and allocative efficiency, centrally managed state industries deviate from social efficiency in so far as discretion holders perceive value from growth, and or voting electorates exhibit bias. Thus, the proclivity for deviating from socially efficient equilibria is present in both authoritarian and democratic regimes lacking effective checks and balances in the military and criminal justice arenas.

Keywords: bureaucracy, prisons, military, incentives, institutions

## **28 State Capitalism is Capitalism in Canada**

Heather Whiteside

Abstract: The long arc of state capitalism in Canada indicates that state capitalism is capitalism and that liberal, particularly neoliberal, discourse of distinct private markets underpinned by public sector laissez-faire mentality is largely fiction. Crosscutting historical and contemporary trends reveal that state-owned enterprises have both supported capitalist development and reflected changes within the capitalist system; thus, the neoliberal era may be market-led but is highly reliant on and enabled by the state. This chapter reviews the literature on state capitalism and summarizes neoliberal era contradictions, details the relationship between state capitalism and state-owned enterprises in Canada through case study examples over various periods of economic development, and provides insights on state capitalism from the Canadian vantage point.

Keywords: state capitalism, state-owned enterprise, neoliberalism, Canada

## **ASIA**

## **29 State Capitalism in East Asia**

Richard Carney and Krislert Samphantharak

Abstract: The chapter examines the relationship between political regimes and state capitalism in East Asia, with accompanying cases to illustrate the dynamics. A four-regime typology is used to characterize national political systems, including Narrow Authoritarian Regimes (Brunei), Single Party Authoritarian Regime (China), Dominant Party Authoritarian Regime (Singapore), and Democracy (Taiwan). With regard to the manifestation of state capitalism, we focus on the relative dominance of state ownership of listed firms and the role of sovereign wealth funds. Although political rulers in DPARs are autocrats, they face different incentives than other autocratic rulers because they hold multiparty elections. This critical feature motivates them to engage in more aggressive state interventions in the corporate sector, especially when their hold on power is threatened. The case studies illustrate (1) cross-sectional relationship between political regime and the manifestation of state capitalism; (2) the change in state capitalism as a result of a change in the structure of the political regime, as with the case of Taiwan; and (3) the relatively greater assertion of state influence on the corporate sector by rulers in DPARs.

Keywords: political regimes, state ownership, sovereign wealth funds

### **30 State Capitalism in India**

Rohit Chandra and Elizabeth Chatterjee

Despite three decades of gradual liberalization, state intervention in the Indian economy remains extensive but substantively different from the old central planning. The state has moved away from the direct ownership model in many industrial sectors. Nonetheless, large state-owned enterprises (SOEs) still dominate key sectors such as energy and infrastructure, and the state continues to intervene heavily in many other sectors using its control of credit, land, and natural resources. This chapter surveys these changes, examining the reinvention of SOEs in the liberalization era. It uses firm-level case studies from the electricity, coal, and aviation sectors to explain variation in SOE performance, showing this to be inextricable from the political economies in which individual firms are embedded. SOEs have thrived when entrepreneurial bureaucrats have been able to leverage their firms' political influence and access to lucrative resources. They have fared much less well when managers lacked the resources to resist political pressures or the entry of privately-owned rivals. Finally, it assesses new tools of state intervention, especially the channelling of state resources to favoured private firms and the slow-burning economic crisis this has precipitated since 2012. Overall, the political and economic coherence of Indian state capitalism as a system should not be overstated, illustrating the difficulties of governing state capitalism in a fractious federal democracy.

Keywords: state capitalism, state-owned enterprises, India, business history, liberalization.

## ***EUROPE***

### **31 State Capitalism in Western Europe**

Andrea Colli

Abstract: Notwithstanding the intense wave of privatizations which has deeply transformed the physiognomy of Western European economies since the mid-1980s, Governments are still playing a relevant role as direct owners of companies in several industries, particularly those with strategic relevance. What has changed is, however, both the structure of State involvement in the companies' ownership and also the strategic orientation of the companies themselves. As far as ownership is concerned, in several (but not in all) cases Western European governments have reduced the size of their shareholdings to the minimum threshold of control. This has meant the floating of a consistent part of the companies' capital on the international stock market, and the involvement of relevant constituencies as institutional investors. This has had, of course, a relevant impact on these companies' corporate governance practices, which are now subject to much closer scrutiny than in the past. The consequence of this process has been a radical change in the companies' strategies, now facing a much more diversified constituency of shareholders. Inward-looking, domestic-oriented market strategies have given room to outward-looking behaviours based on aggressive internationalization. This process in its turn has impacted other aspects of corporate life, for instance, the hiring of top management. The chapter analyses the contours of the phenomenon suggesting a taxonomy useful for understanding the different typologies of State-ownership.

Keywords: State ownership; Corporate governance; State-owned multinationals; Multiple agency conflicts

### **32 State Capitalism in Poland and Hungary: Populist Varieties**

Maciej Bałtowski, Piotr Kozarzewski and Tomasz Mickiewicz

**Abstract:** We discuss the emerging economic systems of Poland and Hungary using the state capitalism approach and suggest some general lessons. We define state capitalism in the broad and narrow senses and propose six major manifestations of state capitalism of the populist variety and five major state capitalism tools. Applying this framework to the post-Soviet, transition economies context, we discuss the origins of state capitalism formation in Poland and Hungary. We focus on specific features of state capitalism of the populist variety in these countries, including the relative importance of political capitalism, oligarchy, and the use of state-owned enterprises (SOEs) as the source of rents, as well as the varieties of state control over the enterprise sector. We point out that the specific economic policies implemented in the two countries are conditioned by the past. We also underline the discrepancy between the features resulting from post-communist path dependence and the contemporary influences, mainly related to the membership of both countries in the EU.

**Keywords:** state capitalism, populism, clientelism, cronyism, Hungary, Poland

### **33 State Capitalism in Russia**

Satoshi Mizobata and Hiroaki Hayashi

**Abstract:** The aim of this chapter is to explain how Russian state capitalism functions in terms of business and society. Given that the government–business relationship in Russia has changed from state capture or the grabbing hand model to the ‘give-and-take’ model, it is necessary to clarify the interrelations between government, business, and society in order to understand Russian state capitalism. This paper highlights five characteristics of Russian state capitalism as follows. First, the basic feature of the Russian state capitalist economic structure heavily depends on natural resources led by a strong central authority. Rent-seeking behaviour penetrates the economy. Second, with regard to corporate structure, a focus on the governmentalisation of strategic sectors to attain corporate control has been in effect since the 2000s, and the state has retained control of priority business. Third, Russia’s innovation policy has a state-led character. Despite a series of ambitious strategies, Russia has failed to build coherent institutions for innovation. Fourth, with regard to state–society relations, the state has provided increased support to ordinary people, mainly using oil and gas revenue. This is one reason that the public supports the Putin regime. Finally, the Russian middle class is heavily dependent on the government due to its composition, implying that the Russian middle class is not strong enough to reform the status quo. Therefore, as long as oil and gas revenues do not decrease, Russian society remains stable.

**Keywords:** privatisation, governmentalisation, state corporation, innovation, industrial policy, social contract, middle class