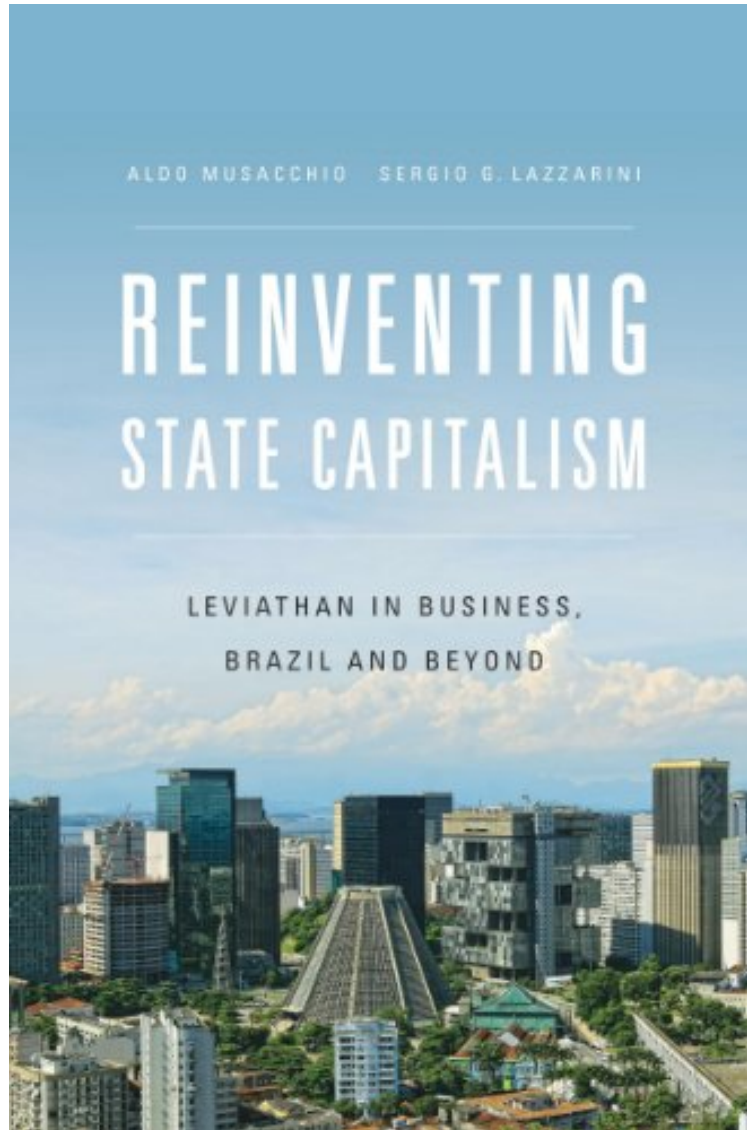


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Reinventing State Capitalism

Aldo Musacchio

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Aldo Musacchio : Reinventing State Capitalism before purchasing it in order to gauge whether or not it would be worth my time, and all praised Reinventing State Capitalism:

5 of 5 people found the following review helpful. Balanced and Insightful By Loyd Eskildson Most observers see SOEs as inefficient soviet companies. However, the typical SOE model is changing. Traditional state capitalism had governments own and manage SOEs as extensions of the public bureaucracy. The authors define state capitalism today as 'the widespread influence of the government in the economy, either by owning majority or minority equity positions (the latter comprises the fastest growing group) in companies or by providing subsidized credit and/or other privileges to private companies. The book begins reporting that Brazilian firm JBS acquired America's Swift company for \$1.4

billion in May, 2007, and Pilgrim's Pride two years later (Sept. 2009) for \$2.8 billion. Where did it get the funds to do so? From the Brazilian National Development Bank, which had singled out JBS as a 'national champion' and provided it the funding to become a dominant player. Many other governments and development banks (286, in 117 countries, including Brazil, China, Germany, India, and Korea) are acting similarly. Meanwhile, the Agricultural Bank of China (ABC) had been lending according to directions from the CCP, and by 2008 over 25% of its loans were non-performing. China's government 'fixed' this by bailing out the bank, cleaning up its balance sheet, and revamping its leadership. The result - ABC's subsequent IPO raised almost \$22 billion for 15% of its capital, and the share price rose almost 30% shortly after. Firms under government control are estimated to account for one-fifth of the world's stock market capitalization - about 5% in Sweden, 60% in China. In about half these situations the government is a minority investor, and majority-owner in the rest. per a Morgan Stanley report that studied stock returns of publicly traded SOEs from areas other than North- and Central America, along with Asia, found they'd generated superior returns. SOEs are typically among the largest publically-traded firms in developing countries and comprised 25 of the 100 largest companies in the 2010 Fortune Global 500. On the other hand, on average, SOEs are less efficient than their private counterparts - purportedly due to their lacking high-powered incentives and proper monitoring, social objectives that sometimes conflict with profitability, politicians using SOEs for their own benefit, and managers recognizing that government will bail them out if necessary. Defenders see state investment as a way to promote development beyond what is possible under free markets - eg. reducing the costs of RD, coordinating resources and firms to pursue projects with high spillovers. Some observers see the rise of state capitalism as a consequence of the 2008 global financial crisis (eg. bailing out G.M. and AIG), while others point out that Chinese state capitalism was expanding before the crisis. In the mid-1970s European (Rolls-Royce, Jaguar, BA in England) and Asian governments nationalized firms in large numbers. This trend was later reversed. The authors contend that governments moving from owner and manager to shareholder has improved SOE performance and capital availability, but not reduced government temptation to intervene in operations - especially in natural resource industries. They use state capitalism's rise in Brazil to illustrate the rise of the new models. Since at least 1989 seers have forecasted the end of state capitalism. That has not happened, and there is now considerable push-back against privatization in Brazil and India. 1 of 2 people found the following review helpful. Great book. It's an easy read for any student ...By HRRGreat book. It's an easy read for any student looking to get to know a little bit more on how state capitalism evolved along the years and how countries have different policies regarding it.

Focusing on a quantitative assessment of Brazil's economic performance 1976-2009, Aldo Musacchio and Sergio Lazzarini analyze the rise of new species of state capitalism in which governments interact with private investors either as majority or minority shareholders in publicly-traded corporations or as financial backers of purely private firms.

This excellent book is likely to shift the terms of the debate on new and growing forms of state intervention into capitalist economies. It opens broad new fields of research and analysis, and brings fresh insights and extensive data to bear on the topic. It is truly path-breaking. (Ben Ross Schneider, Massachusetts Institute of Technology) What should one make of the revival of state capitalism? hellip; Reinventing State Capitalism hellip; sheds fresh light on the question. (The Economist 2014-06-21) About the Author Aldo Musacchio is Associate Professor of Strategy and Director of the Brazil and Latin America Initiatives at Brandeis University. Sergio G. Lazzarini is Professor of Organization and Strategy at the Insper Institute of Education and Research.