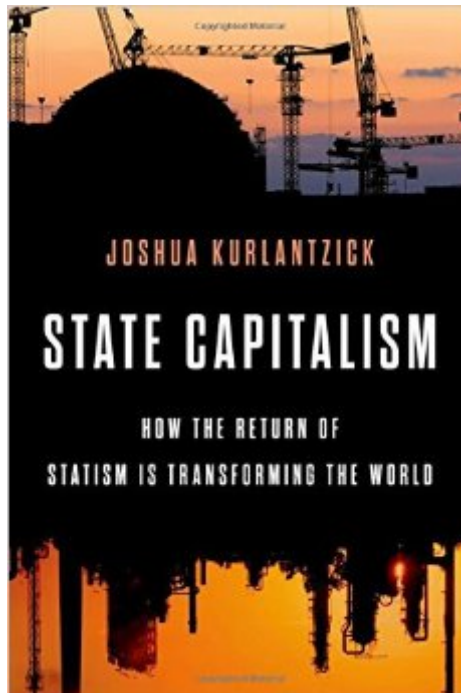


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State Capitalism: How The Return Of Statism Is Transforming The World



Synopsis

The end of the Cold War ushered in an age of American triumphalism best characterized by the "Washington Consensus:" the idea that free markets, democratic institutions, limitations on government involvement in the economy, and the rule of law were the foundations of prosperity and stability. The last fifteen years, starting with the Asian financial crisis, have seen the gradual erosion of that consensus. Many commentators have pointed to the emergence of a powerful new rival model: state capitalism. In state capitalist regimes, the government typically owns firms in strategic industries. Not beholden to private-sector shareholders, such firms are allowed to operate with razor-thin margins if the state deems them strategically important. China, soon to be the world's largest economy, is the best known state capitalist regime, but it is hardly the only one. In *State Capitalism*, Joshua Kurlantzick ranges across the world--China, Thailand, Brazil, Russia, South Africa, Turkey, and more--and argues that the increase in state capitalism across the globe has, on balance, contributed to a decline in democracy. He isolates some of the reasons for state capitalism's resurgence: the fact that globalization favors economies of scale in the most critical industries, and the widespread rejection of the Washington Consensus in the face of the problems that have plagued the world economy in recent years. That said, a number of democratic nations have embraced state capitalism, and in those regimes, state-backed firms like Brazil's Embraer have enjoyed considerable success. Kurlantzick highlights the mixed record and the evolving nature of the model, yet he is more concerned about the negative effects of state capitalism. When states control firms, whether in democratic or authoritarian regimes, the government increases its advantage over the rest of society. The combination of new technologies, the perceived failures of liberal economics and democracy in many developing nations, the rise of modern kinds of authoritarians, and the success of some of the best-known state capitalists have created an era ripe for state intervention. *State Capitalism* offers the sharpest analysis yet of what state capitalism's emergence means for democratic politics around the world.

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Customer Reviews

Politics and political systems seem to go full circle and according to the author of this book the state is back in business, control is good and it will keep society on track. State capitalism will help slowly get the excesses of the wilder elements of the free market economy back in order. Or will it? This was an interesting, albeit difficult at times, book. It takes a thoughtful look at the world and its changing political currents, noting how governments are again holding companies of strategic interest rather than letting them be privatised. Of course, some governments have not yet got the memo or are letting their need for income to cloud their judgement. Some of the state-owned ventures may have previously been in private hands too, but were bailed out and/or nationalised when the economy hit the skids. Think about state control and many will instantly think of 'Communist countries' such as China placing control on every industry. Others will automatically assume 'ineffective business'. Both assumptions can, in part, be right but many countries and companies that don't fall into those categories also exist. The author believes this can be a threat to democracy, even when the businesses are held by democratic nations. It can be a mix of control, strategy, a safety net or just a political will. The inference is that the private sector can do things better and should be given the chance to do so; yet where is the line drawn? A privatised post office might not be such a threat as a privatised army, yet what about core assets such as electricity, water and even telecommunications? A hybrid public-private sector approach can be a bodge compromise. In peacetime it is less of a problem, in wartime?

Despite top level assertions to the contrary, Beijing has been tightening government control of leading companies - boosting state subsidies to preferred firms in industries it considers critical, such as energy, telecommunications, and IT. China's SASAC admitted in 2012 that SOEs now own 66% of all assets in China, up from 60% a decade ago. Industrial output of China's COEs have risen from 6X the median 2004 Chinese company to 11X in 2010. Of the 42 largest Chinese firms, only three are privately-owned. SOEs account for about one-third of all capital spending in China,

whereas in most developed economies they account for 5% or less. Beijing appoints senior directors of many of the largest firms, and they are expected to become Party members, if not already. One study found the CCP had appointed about 80% of all COEs at SOEs, as well as half of all senior executives just below the CEO. Over the summer of 2015, over 200 journalists, analysts, etc. who had posted 'rumors' online regarding problems in China's markets and accused officials of malfeasance vs. equity markets, were arrested. Many states are also increasing intervention in their economies. These include Brazil, Indonesia, Russia, Egypt, Vietnam, Malaysia, Singapore, UAE, Venezuela. Author Kurlantzick defines 'state capitalists' as those whose government has an ownership stake in, or significant influence over, the 500 largest firms according to revenue. Government spending in the U.S. now exceeds 40% of GDP, but primarily for social welfare projects and defense - not to own and control corporations. Growth confirmed by last five years, economic freedom has stagnated, especially in developing regions.

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