

Macro Roundup Article

Headline: [Picking Winners? Government Subsidies and Firm Productivity in China](#)

Article Link: <https://www.nber.org/papers/w30699>

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Summary: We estimate total-factor productivity (TFP) for Chinese listed firms and investigate the relationship between these estimates of TFP and the allocation of government subsidies. We find little evidence that the Chinese government consistently “picks winners.” Firms’ ex-ante productivity is negatively correlated with subsidies received by firms, and subsidies appear to have a negative impact on firms’ ex-post productivity growth throughout our data window, 2007 to 2018. Neither subsidies given out under the name of R&D and innovation promotion nor industrial and equipment upgrading positively affect firms’ productivity growth. On the other hand, we find a positive impact of subsidy on current-year employment, both for the aggregated and employment-related subsidies.

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