

Special Deals with Chinese Characteristics(2020)

Special Deals with Special Investors(2020)

The Rise of State-Connected Private Owners in China

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Introduction

Formal economic institutions

Extraordinary economic growth in China: **driven by the gradual improvement of formal economic institutions.**

- 1980s: restoration of incentives to farmers and opening to foreign investment.
- Mid-1990s: the centralization of the banking system.
- 1990s and early 2000s: the restructuring of state-owned firms and clean-up of the bad debts.
- 2001: accession to the WTO.

While these policy reforms are undeniably important, this narrative sits uneasily with other pieces of evidence.

Indroduction

Other views

- Huang Yasheng(2008), *Capitalism with Chinese Characteristics*
 - ▶ there is **no clear formal legal protection** for private property in China.
 - ▶ **nor** is there an independent judiciary that enforces contracts and adjudicates commercial disputes.
- Acemoglu and Robinson (2012), *Why Nations Fails*
 - ▶ Formal rules and laws facing private business are **opaque and onerous**.
 - ▶ Many foreign companies find their access to the Chinese market **blocked**.
- **The World Bank's Doing Business Indicators** has for many years ranked China near the bottom of the world in terms of the “ease of starting a business”.
 - ▶ All, 90(190)
 - ▶ Ease of starting a business: 150(190)

Introduction

Why? Informal Institutions.

Q1: But how can economy with **such poor institutions** grow at the rate and for as long as China has?

- **Special Deals with Chinese Characteristics(2020)**
- **informal institutions (“特事特办”）** in the early 1990s.
 - ▶ by obtaining a special deal from a local political leader.
 - ▶ which enables them to either break the formal rules or obtain favorable access to resources.

Q2: Informal systems are often highly **localized**, not as **universal** as formal systems.

- 对于中国“特事特办”制度是政府往往只能为数量有限的企业提供帮助（比如某个地方官员可能最多支持几十家企业，但一个地级市平均有 10 万家企业），这一理论如何解释中国如此大规模的民营企业的成长？
- **Special Deals with Special Investors(2020)**

Special Deals with Chinese Characteristics(2020)

The prevalence of special deals is **common in countries with poor formal institutions**, and **China is no different.**

- The essence of a special deal
 - ▶ **only available to some firms**
 - ▶ **out-weighted by the costs**

In china, why the benefits of special deals may have exceeded the cost?

(1) enormous **administrative capacity** → “**helping hand**” to firms.

- ▶ exemptions to regulations
- ▶ lobbying the central government for the right to break rules
- ▶ improving local infrastructure
- ▶ providing land at below market prices
- ▶ blocking entry of other firms

(2) high **powered incentives** to provide special deals.

- ▶ support private firms simply out of a **sense of duty**
- ▶ **increasing number of firms** benefit from the special deals

(3) local governments **actively support** private firms

- ▶ **compete** with other local governments to attract and support their businesses.

Special Deals with Chinese Characteristics(2020)

Our hypothesis is that “**extractive economic institutions**” in China come with unique “**Chinese characteristics**” that has made all the difference.

- First, local political elites **extract rents** by enabling favored firms to generate more profits.
 - ▶ enormous administrative capacity
- Second, local elites get personal benefits from these rents, and thus the local administrative apparatus is **laser-focused on supporting favored firms**.
- Third, **thousands of local governments compete** ferociously to attract and support firms, thus limiting the ability of an individual local government to harm other businesses.

2. How do Special Deals Work in China?

Circumvent Formal rules

In last two decades:

- the central government designated **9 “strategic and pillar” industries** that were restricted to a handful of **state-owned** firms (1990s).
- “negative list”—of 12 industries where foreign firms were **prohibited**. (2015).

The goal of these policies was to **create powerful state owned firms** in these sectors by **restricting entry**.

- However, despite the official rules that restricted entry by private firms
- **New private firms established accounted for 62% of all firms in the “strategic” and “negative list” sectors in 2007.**
- The reason private firms were able to enter the strategic industries, despite the official rules that their presence was **illegal**, was because local governments helped certain private firms **circumvent** the formal rules.
- We illustrate how this happened with case studies of two “strategic” industries —**the aluminum and automobile industries**.

2. How do Special Deals Work in China?

中国铝业公司 (Chinalco) 主导，在本世纪初占据了中国铝市场 98% 的份额。

- 当该公司于 2001 年上市时，中央政府通过了一项法律，赋予该公司购买中国所有铝土矿的独家权利。
- 然而，到 2008 年，由于大型私营企业进入铝市场，中铝的市场份额下降到不到 50%。

这是为什么？

举个例子：

- 其中的一个公司是东方希望 (三门峡) 铝业公司，东方希望集团的子公司。
- 东方希望集团于 1995 年在四川成立，主要业务是动物饲料的加工商和分销商。
- 21 世纪初，东希望集团决定将业务扩展到铝领域。
- 东望集团与河南三门峡地方政府达成协议，购买铝土矿。
- 在三门峡地方政府的支持下，东希望集团于 2005 年开始生产铝。
- 河南其他许多民营企业也走上了类似的道路，到 2008 年，它们已夺走了中铝一半的市场份额。

当被问及他在铝行业取得成功的关键时，东希望的老板说：“请原谅我的坦率，但是地方官员，即使是腐败的官员，也需要政绩。

2. How do Special Deals Work in China?

how a specific local government supports private business.

Figure 1: Work Program of a Vice-Mayor of Education



- there were **seven Vice-Mayors** in the city
- **the central focus of the local government was to attract and support private businesses.**
- each Vice-Mayor was the point person for about **30 private firms**.
- We estimate that about **200 private businesses** have “**special deals**” negotiated by the Vice-Mayors, Mayor or even the local Communist Party Secretary.
- What we witnessed in this city is evident to anyone **who has done business in China**, that a **central priority** of Chinese local governments is to **attract and support private businesses**.

3. Growth with Chinese Characteristics

GDP growth averaging **11%** per year in 1990s and 2008.

This growth was driven by the emergence of special deal regime best characterized as a "**high capacity and private benefits**" regime.

Four types of evidence:

- the growing importance of **large firms**, particularly of **large conglomerates**.
 - ▶ 宋峰的一篇 WP 文章就专门讲这个事: *Conglomerate Formation in China*.
- we show **employment growth rates are higher in cities** where **returns to special deals are higher**.
- we present direct evidence of **political ties and preferences** of successful firms.
- localities **block** better firms from **selling into their markets**.

3. Growth with Chinese Characteristics

3.1 Growth of Large Firms and Conglomerates

Assumes the **incentive** to provide special deals is that the local leader **gets a share of the firm's profits**.

- political leaders prefer to provide deals to larger firms
- large firms will gain as a consequence of the **availability** of special deals.
- Table 1 shows the output share of firms **in the top 1% firms in the employment size distribution**.

Table 1: Sales Share of Top 1% Firms

	Above-Scale Industrial Firms	All Industrial Firms	
1998	25.2%	1995	31.6%
2002	28.9%	2004	37.5%
2007	33.3%	2008	45.1%

Source: Above-Scale Industrial Firms from the Annual Survey of Industrial Firms (ASIF). All Industrial Firms from Economic Census.

3. Growth with Chinese Characteristics

3.1 Growth of Large Firms and Conglomerates

- The largest firms **do not fully capture** the extent to which large firms increasingly **dominate the Chinese economy**.
 - ▶ 局部性?
- **East Hope Group**
 - ▶ East Hope is one of the four companies created in 1995
 - ▶ The **original** business: animal feed processing.
 - ▶ now one of **the largest aluminum** producers in China
 - ▶ By 2015, there were a total of **213 firms** in the East Hope Group, one of which is the East Hope (Sanmenxia) Aluminum Company

Anbang Group

- ▶ Anbang Insurance —was founded in 2004
- ▶ controlling stakes in 94 companies

3. Growth with Chinese Characteristics

3.1 Growth of Large Firms and Conglomerates

The largest subsidiaries of the East Hope and Anbang Groups are almost **always joint ventures with other companies**.

- The joint ventures of the East Hope Group have three distinctive features
 - a they are all located outside of Sichuan Province, the home province of the East Hope Group.
 - b almost all are **joint ventures with state owned firms**
 - c they are typically the first firm the group established in the province and in a sector that is **new to the group**.
 - ★ East Hope's initial companies in the coal, non-ferrous metals and chemicals are **joint ventures with state owned firms outside of Sichuan Province**.
 - ★ Anbang's subsidiaries is the Chengdu Rural Commercial Bank.
 - ★ The other shareholders of Chengdu Bank are 10 local **state owned firms** (from Chengdu) and 11 holding companies.
 - ★ Chengdu Bank itself owns 40 subsidiaries
- conglomerates

3. Growth with Chinese Characteristics

3.1 Growth of Large Firms and Conglomerates

安邦所谓“如迷魂阵”般的股权架构

安邦股东中的国有股东：上汽集团和中石化。上汽集团是安邦成立之初最大的股东，占股 20%，2005 年首次增资到 16.9 亿元时引进中石化为新股东，此时两家国营企业共占股份 40%。06 年增资后，上汽再次跟进，仍然占股 20%。

到 2011 年 5 月第五次增资，股东仍为 8 个，此时两家国营企业股份合起来已被稀释到只有 9.1%。待到 2014 年增资结束时，又再引进了 14 家企业法人“新股东”。而原有的两家国企大股东在第七次增资完成时，合计只持股 1.77%。

其次不得不让人关注的点就是安邦 2014 年的两次增资。增资过后，股东数量一下子从 8 位增至 39 位，全部都是法人股东，新入股的股东少则出资 2 亿，多得则都在 20 亿左右，不得不佩服安邦的融资能力。但这些股东有些不同寻常，细究 37 家非国有企业背后的股东，或者几层之后的股东（部分股东虽有多层架构，但各层公司只有 1-2 个股东，底层架构多为两个自然人股东）。

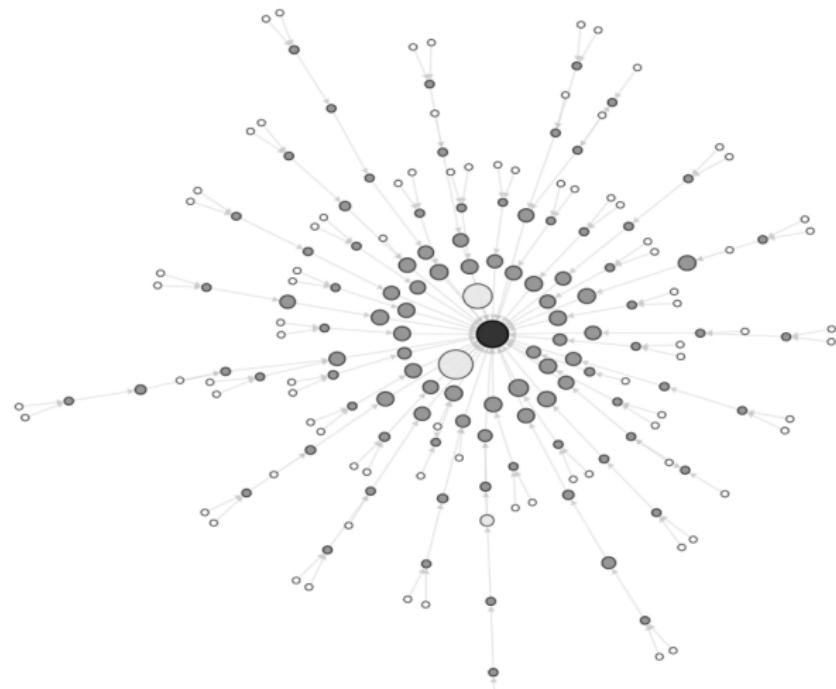
有一个统计，每家股东后面至少还有一层企业股东，13 家 (35%) 有背后两层企业股东，3 家有三层背后企业股东，1 家有 5 层背后企业股东。也就是说，这 37 家非国企直接股东背后共有多达 64 家不同的企业法人股东，分布在不同层次的隐形股东结构中。而层层穿透直至自然人股东，共计 86 位自然人股东。

很明显，目前的所有者（图 3 中 opcircle 代表的个人）非常努力地将他们对安邦的所有权隐藏在一系列控股公司的背后。这种模式表明，安邦的原股东可能通过分享核心公司的股权来换取优惠待遇，从而发展公司。

3. Growth with Chinese Characteristics

3.1 Growth of Large Firms and Conglomerates

Figure 3: Owners of Anbang Insurance, 2015



3. Growth with Chinese Characteristics

3.1 Growth of Large Firms and Conglomerates

Table 2: Average Number of Firms of Chinese Conglomerates

	1995	2015
Top 100	509	15,322
Top 500	115	5,979
Top 1000	61	3,120

Source: Firm Registry of State Administration for Industry and Commerce.
Entries are average number of firms per conglomerate among the 100, 500,
and 1000 largest conglomerates in 1995 and 2015.

Table 3 shows that not only has the size of the largest conglomerates increased, but the ownership structure of the conglomerates has also changed.

Table 3: Jointly-Owned Subsidiaries of Chinese Conglomerates

	1995	2005
Top 100	39%	82%
Top 500	25%	85%
Top 1000	30%	81%

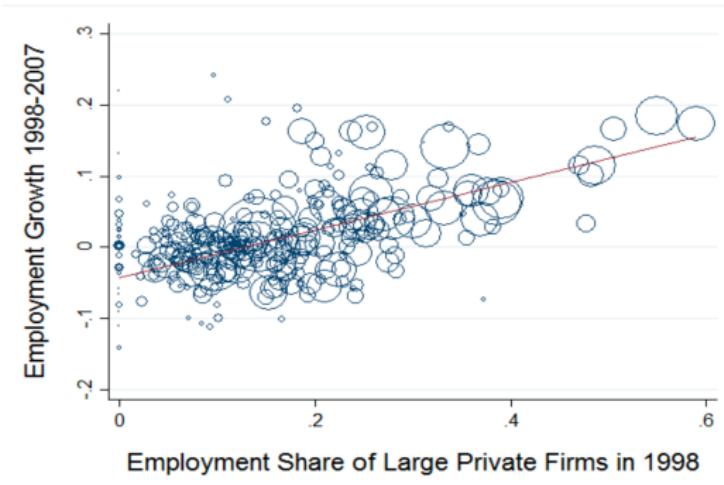
Source: Firm Registry of State Administration for Industry and Commerce.
Entries are the weighted percent of subsidiaries of the 100, 500, and 1000
largest conglomerates that are jointly owned with other companies. Weights

3. Growth with Chinese Characteristics

3.2 Heterogeneity Across Cities in Impact of Special Deals

如果一个城市生产率高的民营企业比例较高，那么在“特事特办”制度下，受到地方政府帮助的企业也就比较多，从而该城市的经济增长速度就比较快。

Figure 4: Employment Growth and Initial Share of Large Private Firms



- cities with more high TFP firms initially also grow faster over time.
- 目前的证据都比较间接，我们下面直接看，如果政府支持了民营企业，这些企业产出会更好吗？

3. Growth with Chinese Characteristics

3.3 Political Ties and Preferential Treatment

We now turn to **more direct evidence** of links of ties between political leaders and firms.

- data: *Chinese National Association of Industry and Commerce*
- The survey identifies whether the firm's owner is a member of **the local People's Congress or Political Consultative Committee (PC/PCC)**.
- So we use this information to measure the relationship between PC/PCC membership and firm characteristics.
- About **30-40% of the firms** in the survey are owned by PC/PCC members, and this ratio is roughly constant over the years of the survey (1997 to 2012).

3. Growth with Chinese Characteristics

3.3 Political Ties and Preferential Treatment

What has changed over time is the advantage of firms owned by PC/PCC members.

Table 4: Firm Sales and PC/PCC Membership

	1997	2006	2012
Provincial PC/PCC	1.25 (.22)	2.09 (.19)	4.18 (.27)
Prefectural PC/PCC	1.02 (.12)	1.63 (.10)	2.51 (.11)
County PCC/PCC	.70 (.09)	.99 (.07)	1.72 (.08)
N	1946	3836	4616

- Table 4 shows the sales of firms owned by PC/PCC members relative to sales of firms whose owners are not in the PC/PCC.
- First, not surprisingly, firms owned by PC/PCC members are larger.
- Second, the sales gap has increased over time. **The sales gap:**
 - ▶ county-level PC/PCC: **1 log point**
 - ▶ top-tier Provincial-level PC/PCC: **3 log points**
- **Why?**

3. Growth with Chinese Characteristics

3.3 Political Ties and Preferential Treatment

Table 5 examines whether politically connected firms had better access to capital.

Table 5: Access to Bank Loans and PC/PCC Membership

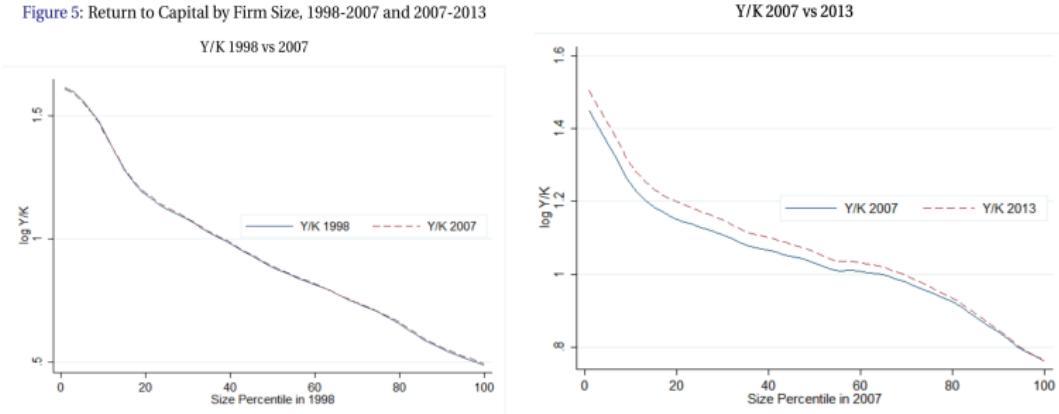
	2002	2006	2012
Provincial PC/PCC	1.62 (.31)	1.45 (.28)	1.59 (.40)
Prefectural PC/PCC	.77 (.14)	.86 (.14)	1.04 (.16)
County PCC/PCC	.71 (.11)	.62 (.11)	.63 (.12)
N	2602	3836	3566

- But there is **no clear** evidence that the preferential access **increased** between 2002 and 2012.

3. Growth with Chinese Characteristics

3.3 Political Ties and Preferential Treatment

Figure 5: Return to Capital by Firm Size, 1998-2007 and 2007-2013



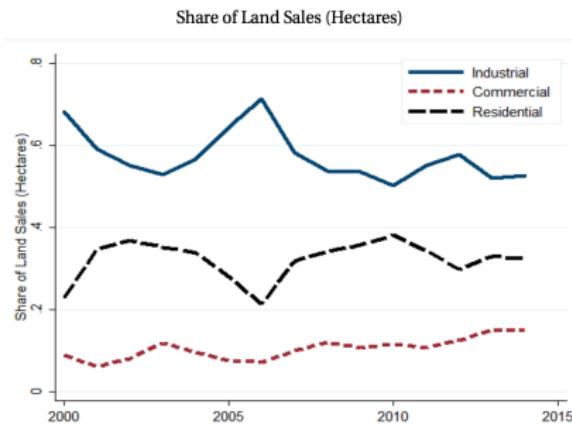
- Annual Survey of Industrial Production.
- First, in all time periods, capital productivity is decreasing in firm size.
- Second, the advantage of large firms does not seem to change in the 1997-2007 period.
- Bai et al. (2016)
 - ▶ 1998: centralization of the financial system (removed the control)
 - ▶ After 2008, the 4 trillion yuan fiscal stimulus in 2009-2010, local governments began to have access to capital

3. Growth with Chinese Characteristics

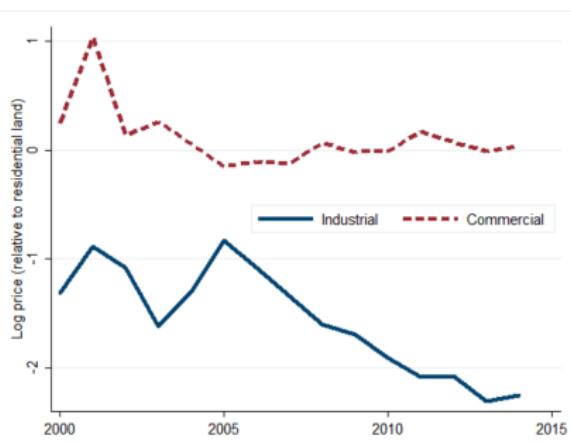
3.3 Political Ties and Preferential Treatment

- Local governments also provide land at below market costs to favored firms.

Figure 6: Allocation and Price of Land in China



Log Price per Hectare (relative to residential land)



- The obvious problem: Residential land may be mostly located in **higher priced urban locations**, while industrial land is concentrated in **cheaper** more remote locations.
- so?

3. Growth with Chinese Characteristics

3.3 Political Ties and Preferential Treatment

Table 6 shows the price gap after we introduce a succession of **controls for location**.

Table 6: Price of Industrial and Commercial Relative to Residential Land

	1	2	3	4
Commercial Land	-0.37 (.00)	-0.25 (0.00)	-0.24 (0.00)	-0.20 (0.00)
Industrial land	-1.72 (0.00)	-1.51 (0.00)	-1.47 (0.00)	-1.46 (0.00)
<u>Controls:</u>				
County	No	Yes	Yes	No
Distance from County Center	No	No	Yes	No
Neighborhood	No	No	No	Yes

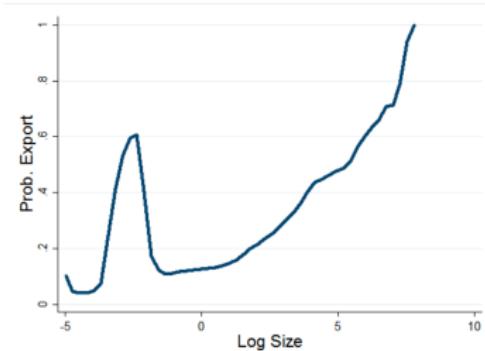
- Counties with cheaper land allocate more land to industrial use, but within the same county, industrial land is still cheaper than residential land.

3. Growth with Chinese Characteristics

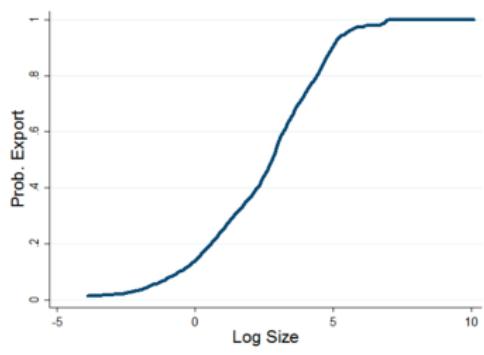
3.4. Local Protection and Exports

- Shanghai-GM and Chery
- 作为芜湖市政府控制的地方国有企业，奇瑞于 1996 年由时任芜湖市副市长的湛夏来和来自中国北方的一汽（另一家中央政府直接控制的大型国有企业）的工程师尹通耀创立。
- 副市长随后游说中央政府获得汽车生产许可证，中央政府同意了，但条件是汽车只能在芜湖销售。
- Chery only accounted for 5% of domestic car sales, 20% of cars exported from China were produced by Chery.

Data: China



Data: United States



local protection breaks the relationship between productivity and local sales because some productive firms are blocked.

3. Growth with Chinese Characteristics

Summary

- the growing importance of **large firms**, particularly of **large conglomerates**.
- we show **employment growth rates are higher in cities** where **returns to special deals are higher**.
- we present direct evidence of **political ties and preferences** of successful firms.
- localities **block** better firms from **selling into their markets**.

Q2: Informal systems are often highly **localized**, not as **universal** as formal systems.

- 第一篇文章分析了“特事特办”这种非正式制度能在中国奏效的原因。但仍待回答的一个问题是，地方政府、地方官员的**资源和时间有限**，只能为数量有限的民营企业提供帮助（比如某个地方官员可能最多支持几十家企业，但一个地级市平均有 10 万家企业），这一理论如何解释中国如此大规模的民营企业的成长？
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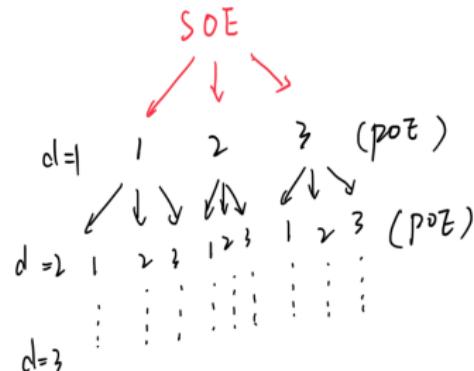
“特事特办”是如何惠及大量民营企业的？

- “特事特办”机制不仅存在于地方政府和选定的民营企业之间，从地方政府那里获得“特事特办”待遇的企业，也可以借助类似的机制将“特事特办”的好处传递给更多的企业。

以国有出资人为核心的股权联系网络

- 当某家民营企业试图进入一个被垄断的市场时，经常采取的策略或是寻求与掌握关键资源的地方政府成立合资企业，或者尝试与拥有生产许可或一定垄断力量的大型国有企业成立合资企业。
 - ▶ 类似的故事更是在各类讲述企业史的财经类文章或书籍中频繁出现，有的民营企业为了获得上市配额与国有企业或单位成立合资企业，更多的民营企业为了更便利的融资采取类似的策略.....

Like this:



Special Deals with Special Investors(2020)

East Hope Group

- 来源百度百科
- 东方希望集团是由我国著名民营企业家刘永行先生于 1982 年创立，是我国改革开放后建立的第一批民营企业。发展成为集农业、重化工业产业链等为一体的特大型民营企业集团。2020 年 9 月 10 日，全国工商联发布的 2020 中国民营企业 500 强榜单排名第 42 位。
- 历经 21 年发展，东方希望集团在浦东这片开发开放的热土上“硕果累累”，已成为集重化工业（矿山、发电、铝业、硅业、水泥、化工等 10 多个行业）、农业（饲料、养殖等）、商业地产为一体的特大型跨国民营企业集团，也是上海市规模最大的制造业民营企业之一。

新希望集团和东方希望集团是什么关系？

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兄弟集团关系，新希望集团董事长[刘永好](#)^a是东方希望集团董事长[刘永行](#)^a的四弟。

刘家有四兄弟：[刘永言](#)^a，刘永行，刘永美（陈育新），刘永好。寓意：言行美好。由于家庭生活困难，两岁时老三刘永美，被过继到四川新津县顺江乡古家村陈姓人家，改名为陈育新。1982年，刘家四兄弟创立了希望集团。1995年，四兄弟明晰产权，进行资产重组。老大刘永言创立了大陆希望集团，老二刘永行成立了东方希望集团，老三刘永美（陈育新）建立了华西希望集团，老四刘永好成立了新希望集团。

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值得一提的是，铝工业是河南省的支柱产业之一，从氧化铝到电解铝、铝加工，规模均居全国前列。其中，三门峡是典型的资源型城市，铝工业一直是三门峡的支柱产业，早在 2012 年就建成了[开曼铝业](#)^b、恒康铝业、戴卡轮毂公司等一批骨干企业。此外，氧化铝生产企业东方希望（三门峡）铝业有限公司等。

另据最新的《2020 衡昌烧坊·胡润百富榜》显示，小编无意中搜索发现，籍贯或出生地及在三门峡有重点投资项目的亿万富翁，至少有 2 人榜上有名，即来自东方希望（三门峡）铝业有限公司实际控制人刘永行、[刘相宇](#)^b父子（1100亿元），开曼铝业（三门峡）有限公司创始人钭正刚、[尉雪凤](#)^b夫妇（235亿元）等。

值得注意的是，据 2020 年 10 月 26 日发布的《2020 河南民营企业 100 强》榜单显示，河南漯河 2 家企业入围综合百强榜单：东方希望（三门峡）铝业有限公司（排名第 44 位），开曼铝业（三门峡）有限公司（排名第 51 位）。大家怎么看？

▲ 赞同 1

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1

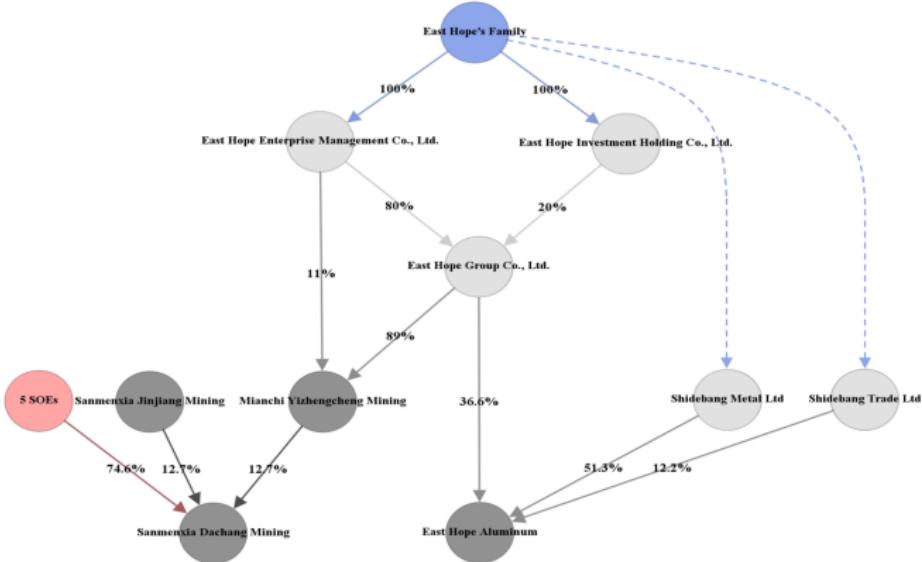
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评论

Special Deals with Special Investors(2020)

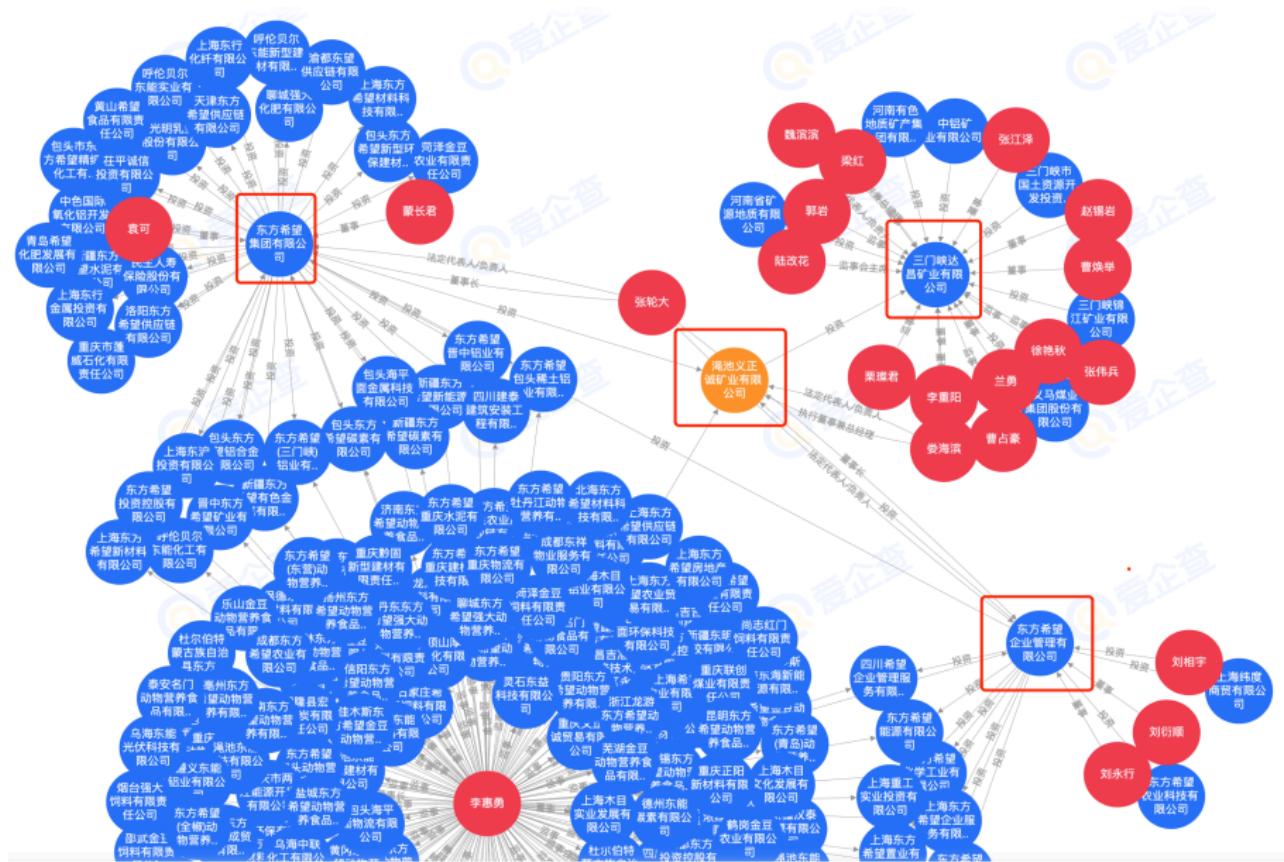
East Hope Group

Figure 1: Owners of East Hope Aluminum and Dachang Mining



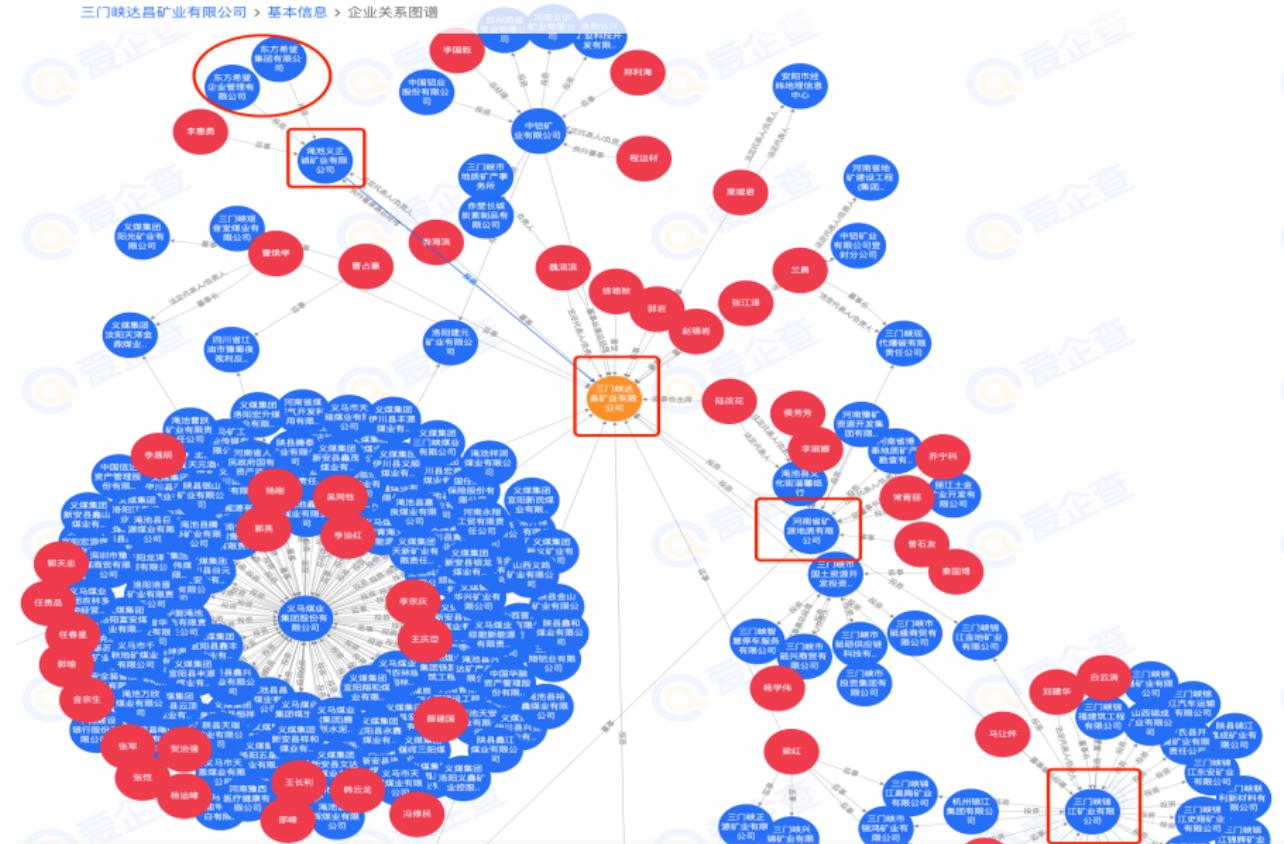
- The ultimate owner of East Hope Aluminum is East Hope's family.
- The ultimate owners of Dachang Mining are East Hope's family and the ultimate owners of the five state owned firms and the Hangzhou Jinjiang Group.

Special Deals with Special Investors(2020)



Special Deals with Special Investors(2020)

[三门峡达昌矿业有限公司](#) > 基本信息 > 企业关系图谱



Special Deals with Special Investors(2020)

All Companies Owned by East Hope



- Red: State JV
- Grey: Solely Owned by East Hope
- Blue: Private JV

Special Deals with Special Investors(2020)

East Hope Group

Table 3: Owners of the East Hope Group

	East Hope's Family	State Owners	Other Private Owners
# of Owners	1	15	11
Firms per Owner	236	599	305
East Hope's Joint Ventures	27	15	12
Capital per Owner	26.5	226	5.1

- EastHope Group consists of 236 firms of which 209 are wholly owned by East Hope's family and 27 are joint ventures with other owners.
- 15 state owners and 11 private owners with joint ventures with East Hope's family.
- The 15 state owners operate on average **600 companies with total registered capital of 226 billion yuan.**
- The registered capital of state owners linked with East Hope's family is almost **nine times larger than** that of the East Hope's family itself.
- **These state firms are the connected owners in the East Hope Group and are significantly larger than East Hope itself.**

Special Deals with Special Investors(2020)

- 2000-2019 通过这样一种快速链接，我国的民营企业快速增加？
- The third column shows that all of this growth is due to the growth in private individual owners.

Table 1: Number of Firms and Ultimate Owners, 2000-2019

Active Firms	All	Ultimate Owners			
		Individuals	State	Foreign	Collective
2000	4,405,139	5,332,032	5,255,522	35,029	41,235
2010	10,122,468	20,055,478	19,932,816	32,296	90,085
2019	37,546,275	62,865,027	62,689,037	40,672	134,864

10 times

主要

Table 2: Registered Capital Share of Ultimate Owners, 2000-2019

	Individuals	State	Foreign	Collective
2000	52.1%	35.8%	8.5%	3.5%
2010	59.5%	29.4%	9.1%	2.0%
2019	68.9%	21.4%	6.7%	3.1%

上升

下降

下降

Special Deals with Special Investors(2020)

4. Connected State and Private Owners

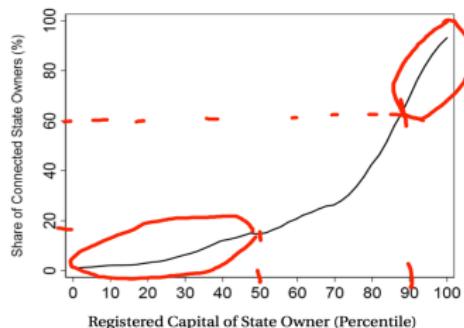
Fact 1: Large Owners are “Connected”

Table 5: Connected Owners Among Top Owners, 2019

	Top 100	Top 1,000	Top 10,000	Top 100,000
# State Owners	63	458	2,438	6,826
# Connected	63	452	2,305	5,243
# Private Owners	37	542	7,562	93,174
# Directly Connected	31	358	3,466	17,236
# Indirectly Connected	3	73	1,953	37,360

- Large private owners are deeply connected to the state
- large state owners have deep ties with private owners.

Figure 2: State Owners with JVs with Private Owners by Size, 2019



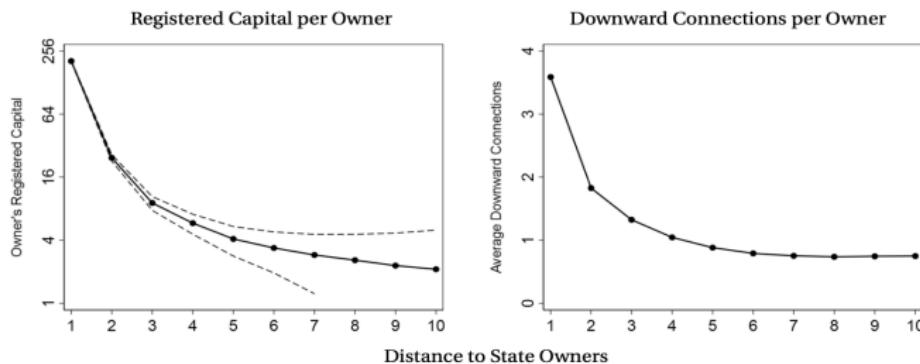
Note: Figure shows share of state owners in 2019 that have joint ventures with private owners by percentiles of total registered capital of the state owner.

Special Deals with Special Investors(2020)

4. Connected State and Private Owners

Fact 2: A Private Owner's Position in the Hierarchy of Connected Owners Depends on Distance to the State

Figure 3: Capital and Downward Connections of Private Owners, 2019



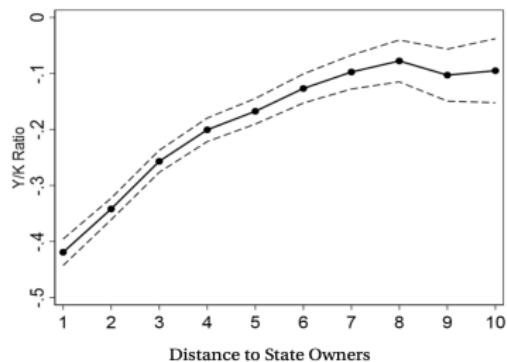
- 地方政府更愿意向生产率高的（规模大的）企业提供帮助。
- 小推论：民营企业之间的差异甚至要大于民营和国有企业之间的差异。（国有、民营的界限不清晰）

Special Deals with Special Investors(2020)

4. Connected State and Private Owners

Fact 2: A Private Owner's Position in the Hierarchy of Connected Owners Depends on Distance to the State

Figure 4: Capital Productivity of Private Owners, 2013



- 资本生产率比中位数低的企业更容易以低成本获得贷款。
- 有差别的惠及不同企业。

Special Deals with Special Investors(2020)

4. Connected State and Private Owners

Fact 3 : More Private Owners Have Become Connecteds

- 股权联系网络的扩张

Figure 6: Expansion of State Investment in Private Owners, 2000-2019

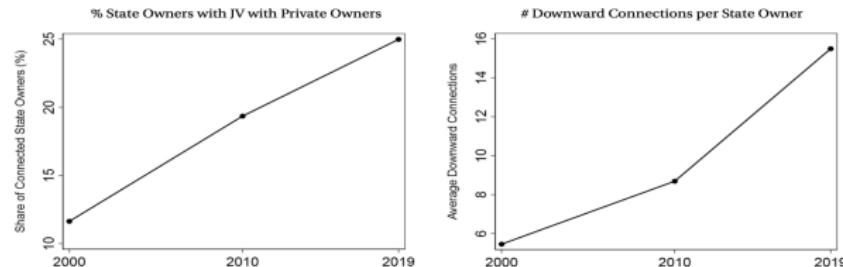
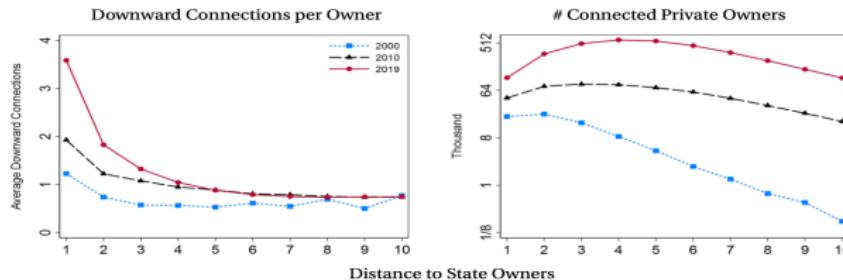


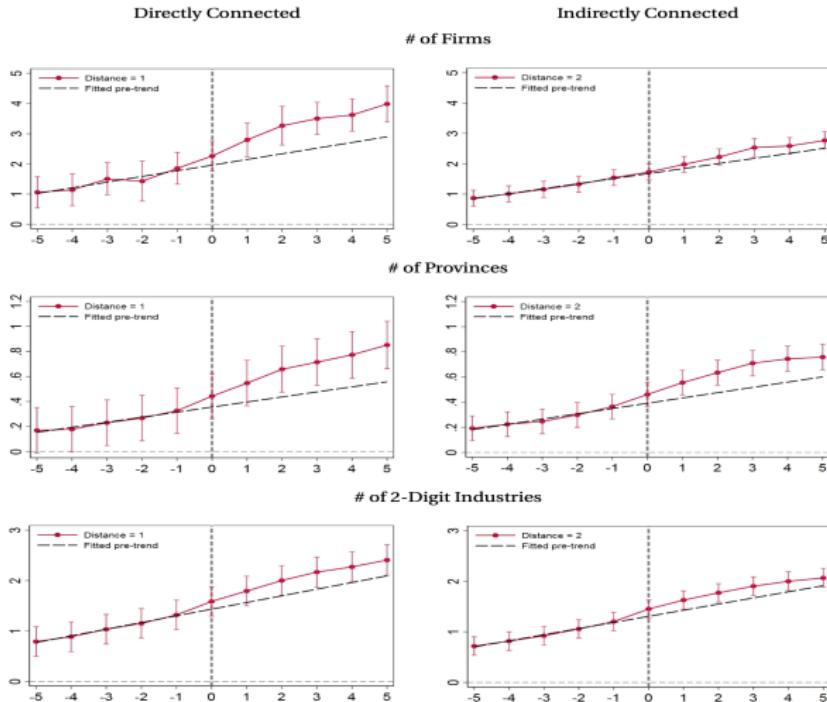
Figure 7: Expansion of Connected Private Owners, 2000-2019



Special Deals with Special Investors(2020)

Fact 4: Private Owners Grow Faster After They Become Connected

Figure 8: Effect of Becoming "Connected" for Private Owners



Special Deals with Special Investors(2020)

Fact 4: Private Owners Grow Faster After They Become Connected

Figure 8 delivers three messages.

- First, there is clearly a **pre-trend** in all the outcome variables **for owners that become connected**.
 - ▶ We interpret this as saying that owners that were growing quickly are more likely to become connected.
- Second, there is a clear change in the **trend** for all three outcomes **once the owner becomes connected**.
- Third, the magnitude of the change in the trend is **larger** for owners that become **directly connected** compared to owners that become indirectly connected.

Special Deals with Special Investors(2020)

Fact 5: State-Connected Private Owners Account For A Large Part of Total Private Owner Growth

A central fact about China's growth is the decline in the size of the state sector and the expansion of the private sector.

Table 6: Share of Connected Owners in Registered Capital, 2000-2019

	All Private	Private Owners Directly Connected	Indirectly Connected	Connected State Owners
2000	64.2%	10.3%	5.6%	33.0%
2010	70.6%	13.6%	11.3%	28.0%
2019	78.6%	16.7%	18.7%	20.8%

- POE connected : increased by 19.5 percentage points between 2000 and 2019.
- Numbers of POE : increased by 14%.
- In other words, the share of unconnected private owners dropped by 5.1%.

Special Deals with Special Investors(2020)

Simple Model

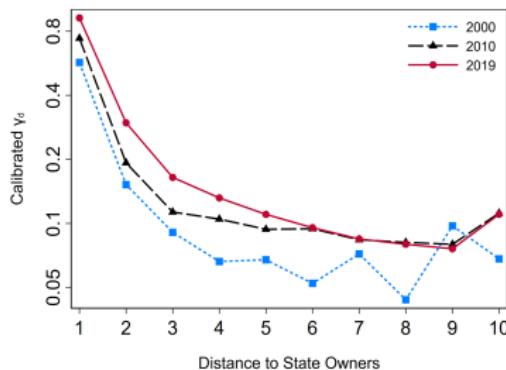
Total revenues of owner i is :

$$\bar{Y}_i = (1 - \tau + \gamma_i)^\theta A_i^\theta$$

Here A_i represents owner i 's productivity, τ denotes the frictions faced by all private owners, and γ_i is a reduced form representation of the benefits owner i gets from her connections to the state.

$$\text{Aggregate Output} = \sum_{d=1}^{d^*} \left[(1 - \tau + \gamma_d)^\theta \sum_{i \in d} A_i^\theta \right] + \sum_{i \in \text{not connected}} (1 - \tau)^\theta A_i^\theta.$$

Figure 9: Calibrated Benefit from Connected Owners



Special Deals with Special Investors(2020)

Simple Model

Table 8: Aggregate Output Growth From Connected Investors, 2000-2019

	2000-2019	2000-2010	2010-2019
Output Growth in Data (% per year)	10.2%	11.6%	8.6%
Output Growth in Model (% per year):			
$\Delta\gamma_d, d \geq 1$	4.2%	3.4%	5.1%
$\Delta\gamma_d, d = 1$ only	2.4%	2.4%	2.3%
$\Delta\gamma_d, d \geq 2$ only	1.9%	1.1%	2.8%
Output Growth in Model (% per year):			
Directly Connected Owners	2.5%	2.4%	2.5%
Indirectly Connected Owners	2.4%	1.5%	3.4%

- From 2000-2020, the expansion of the connected sector increased the aggregate growth rate by an average of 4.2% per year, so almost half of the growth of the private sector in the data.

Special Deals with Special Investors(2020)

Conclusion

中国为什么能成功？

- “特事特办”机制不仅存在于地方政府和直接获得“特事特办”待遇的民营企业之间，这些企业还可以通过股权联系一定程度上将“特事特办”的好处传递给更多的民营企业。
 - ▶ 1) 中国政府有强大的行政能力，
 - ▶ (2) 地方官员有支持这一制度的强大激励，
 - ▶ (3) 众多地方政府之间的竞争降低了这一制度可能产生的不利影响，“特事特办”制度在中国带来的好处可以超过其给企业造成的损失，从而推动整体经济的增长，而在其他正式制度不健全的国家，类似的制度安排就可能无法奏效。
- 从而，“特事特办”制度惠及的民营企业范围大大扩展了，当然，这个范围内民营企业得到的好处是有差别的。
- 在 2000—2019 年，通过股权联系获得“特事特办”制度好处的企业范围有显著扩大。
- 2000—2019 年，获得“特事特办”制度好处的企业范围扩张推动民营经济年均增长了 4.2%，约占这一时期民营经济增长的一半左右。

然而，这并不意味着“特事特办”制度对中国经济增长的推动作用是可持续的。完善的正式制度的形成是一个非常艰难且耗时日久的过程，而“特事特办”制度是在正式制度完善之前的一个“次优解”。

- 也可能出现非常多的问题！

Risks

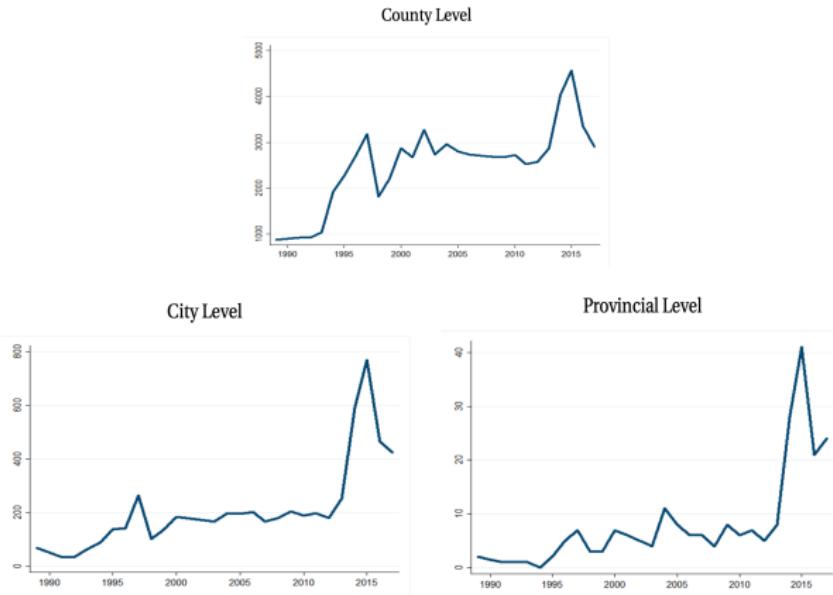
- 要素分配扭曲
- 挂靠国有企业骗取贷款
- 和贸易伙伴产生摩擦
- 腐败！

Risks

obtain private rents from these firms

If this is the case, the danger is that constraints on the ability of local officials to obtain private benefits will **lower growth**.

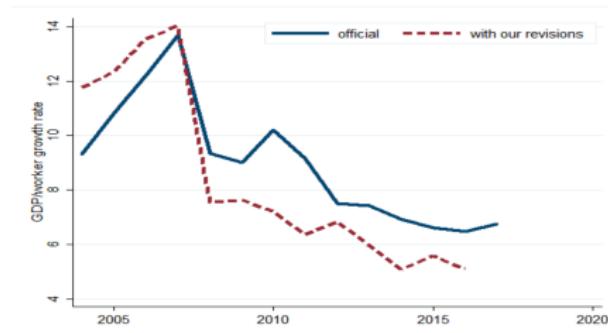
Figure 10: Corruption Cases by Level of Government



Risks

- The corruption crackdown was widely supported in China and has been effective by many accounts.
- Yet, the corruption crackdown has diminished the willingness of local officials to help local businesses.

Figure 11: Growth Rate of GDP/worker



- 如果说反腐降低了地方官员特事特办的积极性?
- We do not know whether the anti-corruption campaign was the main driver of the growth slowdown, as there are other possibilities.

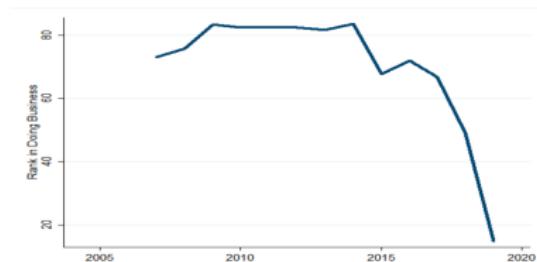
Risks

- Chinese authorities have made multiple efforts in recent years to **move away** from a regime of special deals.
- The Third Plenary Session of the 18th CPC Central Committee in November 2013 issued a resolution to “let the market play the decisive role in the allocation of resources.”
- The State Council later issued a follow up document that acknowledged “special deals” as a **double-edge sword**, which “promoted the investment growth and industry concentration to some extent” but “have disturbed the market order.”
- Then, it laid out specific policies to stop local leaders from providing special deals.
 - ▶ On the government revenue side, local governments are not allowed to provide **preferential tax policies, nor to reduce administrative fee or government funds from firms or to assign land at a preferential or zero price.**

Risks

- On the government expenditure side, local governments are prohibited from developing preferential policies for firms, including those by means of remitting taxes or granting subsidies.
- Perhaps in reflection of these policy changes, China's ranking in the World Bank's Doing Business indicators has improved dramatically.

Figure 12: China's Rank in "Doing Business" Indicators



Note: Figure reports China's percentile rank in "ease of starting a business" from the World Bank's *Doing Business* project. We scale China's score by the number of countries in the data each year to convert the score into a percentile rank.

感谢大家的聆听！