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A taxonomy of state capitalism

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Proposition 1 based on „Capital in the 21st Century”

Income and Wealth distributions are not the natural outcome of certain economic laws, but of political processes, so that there is no automatic path towards convergence of this distribution as countries progress. This becomes especially obvious when accounting for the fact that especially in developed nations r – meaning the return of capital – is larger than g – meaning growth of income and production.

Proposition 2 based on chapter 2 of the dissertation

The fuzzy concept of state capitalism can best be made concrete by defining with the help of Eucken and the literature on this economic order seven constituting principles and to differentiate it from a reference model of market capitalism. Essentially, in state capitalism – in contrast to market capitalism – to a large degree rule of law is missing.

Proposition 3 based on chapter 3 of the dissertation

There are grave performance differences to be observed between varying forms of state capitalism as evident through the taxonomy made in this study. The differences are mostly to be explained by the ability of some states to overcome the lack of rule of law through a credible commitment to development and thereby the protection of property rights. Another decisive condition for this credible commitment is as an interdependent factor a capable bureaucracy.

Proposition 4 based on section 4.1 of the dissertation

Russia is an example of crony state capitalism. The political leadership of Russia did not achieve to credibly commit to development and the security of property rights. Reasons for this decisive drag on development are to be found in turf wars between ministries as liberals and members of the security forces wrangle for influence. As a matter of fact, possibly the gradual pay rise for technocrats can initiate institutional change by raising the quality of the civil service.

Proposition 5 based on section 4.2 of the dissertation

Kazakhstan is a dual economy state capitalist country while in certain respects leaning towards crony state capitalism. It is noteworthy that there was a high actor centrality in Kazakhstan under former President Nazarbayev. This enabled the country to through his credible commitment to development and consequently property rights safety overcome negative economic effects of lack of rule of law. Coherence of policy implementation was hampered through constant inter- and intra-ministerial reshuffling, though, but overall outright turf wars between rivalling groups as in Russia were not to be observed.

Proposition 6 based on section 4.3 of the dissertation

Singapore is a hybrid form of state capitalism with on the one hand remarkable ownership of the state in the corporate sector and on the other hand liberal policies being in place. Singapore demonstrates how it is possible to straddle both economic orders and at the same time coming to an exceptional performance. The state acted as an entrepreneur itself, while

also allowing private companies from abroad and at home to act on a level playing-field. This provided for sufficient competition, so that all the relevant actors were constrained to engage in productive activities.

Proposition 7 based on section 4.4 of the dissertation

South Korea from 1961 until 1996 was state capitalist of a developmental state variant. In contrast to Singapore its state capitalism was orchestrated in a rather top-down manner with the pilot agency EPB as a commanding height. Owing to political backing by the President this pilot agency managed to coordinate the entire developmental effort. With its transition from state to market capitalism by the mid-1990s South Korea serves as one of the very few countries having managed this endeavour.

Proposition 8 based on the field of sports

"It does not matter how fast you finish a race, but it matters that you do finish your race."