

# Technical Efficiency and Governance: The Case of China\*

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## Abstract

Inefficient resource use by its enterprises may challenge the sustainability of China's intense and prolonged growth. We investigate whether inefficiencies depend on ownership relying on a database duly representative of China's mainland economy. Also, our stochastic frontier approach allows more flexibility to identify inefficiency's sources. We find that, compared to matching private companies, inefficiency is systematically larger (smaller) at State Owned Enterprises (foreign owned Chinese enterprises). Furthermore, when foreign ownership comes to mainland China from the other territories of greater China (Hong Kong, Macau, Taiwan) it is slightly more conducive to lower inefficiency than when it comes from foreign countries.

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