The cumulative crisis of the Covid-19 pandemic, Russia's invasion of Ukraine, and climate change have put a spotlight on the rapidly changing role of the State. What was an unthinkable State intervention a couple of years ago is now commonplace—decision-makers from across the political spectrum have used the power of the State to counteract the negative socio-economic and environmental consequences of the crisis in an attempt to protect people's well-being. A couple of years ago, the Portuguese government, for example, was only a minority owner of the airline company TAP, but it now owns a 72.5% stake and finances the airline with a €1.2bn government loan. Companies from multiple sectors have received support. This include, among others, travel companies (British Airways, Ryanair, Wizz Air, Easyjet, RCL Cruises, Stagecoach, Intercontinental Hotels, Airbus), retailers (John Lewis, Westfield and Boots, Burberry), or education and sports entities (Tottenham Hotspur Stadium, Football Association, Football League, London Business School).

State leadership can help navigate the economy through the challenges and uncertainty that climate change brings, including energy transition and resilience to natural disasters. For two main reasons, market forces alone will not be sufficient on this front. First, the transition to net zero requires massive adjustments that need to be coordinated across multiple sectors of the economy, including energy, transport, agriculture, forestry, as well as water and land use, among others. Second, in addition to changing the legal and regulatory framework to drive the green transition, the share of state-owned enterprises (SOEs) in the priority sectors tends to be high, and the state can assume industry leadership on greening particular markets through direct ownership policies (stewardship). At the same time, state ownership of enterprises and banks can generate large costs to the budget when governments must bail out these companies, mainly due to weaker governance and efficiency. In 2022, public debt of advanced economies amounted to 112.4% of GDP (IMF Global Outlook, 2022) with Greece exceeding 177%, Italy 150%, Singapore 140%, and the United States 122%. China and India have not yet exceeded 100% of GDP, but it is only a matter of time because their public debt is gaining momentum. Moreover, financial difficulties in SOEs may also imply that core public services may fail, such as the provision of water and electricity which affect the disadvantaged parts of the population the most. Understanding the various roles, the government may need to play in the economy is thus important, including the policy tradeoffs between potential benefits and costs.

Therefore, in our Project, we aim to answer the following research questions: (1) What can be the role of state-owned enterprises (SOEs) and state-owned banks (SOBs) in the economy, and what are the associated benefits and costs? (2) Are SOEs and SOBs able to advance national policy priorities and help actively propel the economic transformation to fairer and more productive markets and the green transition? And finally, (3) What are the determinants of financial distress at SOEs and SOBs, how can the distresses at SOEs and SOBs interest or reinforce each other, and how are they transmitted into the broader economy? We aim to answer the above questions using a spectrum of datasets and methodologies on a sample of EU, OECD and core emerging economies.

Our Projects will allow us to provide the answers to many questions important from an academic as well as policymakers perspective. Currently, the entire World stands on the eve of the largest transformation it has ever gone through. The answer how to organize it so that it would minimize the bad consequences for all of us is crucial. We also estimate how the policy priorities can be leveraged via SOEs and SOBs into the economy, and whether the existence of these institutions is economically or/and socially justified. Our Project will provide such kind of implications.