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# Fixed capital stock depreciation in developing countries: Some evidence from firm level data

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## Notes

1. Easterly and Rebelo ([1993](#)) use the depreciation rate of 7 per cent uniformly for all countries and all periods, as compared to 0.04 in Nehru and Dhareshwar ([1993](#)). Penn World Table 5.6 uses 15 per cent for machinery, 24 per cent for transport equipment, and 3.5 per cent for constructions including both residential and non-residential structures.

2. The aggregate capital stock data sets currently available for economic research are constructed by using the perpetual inventory method and the standard assumptions about the capital depreciation rates.

3. In the presence of inefficiency, as argued in Pritchett ([1997](#)), the accounting cost incurred by the firm is higher than the opportunity cost, which is defined as the value of the best alternative use of the capital given the technology available.

4. As Le... the  
governm... e capital.  
Also eve... e sense that  
it yields... maintenance  
exper... nment.

5. Net book value of fixed assets is an approximation of the cost of the assets less accumulated depreciation.

6. The capital structure of the firms in the sample is not significantly different from the optimal capital structure. The optimal capital structure is determined by the trade-off between the tax shield and the cost of financial distress. The optimal capital structure is 0.35, which is significantly different from the sample capital structure of 0.25. The reason for this is that the sample firms are not in the optimal capital structure. The optimal capital structure is 0.35, which is significantly different from the sample capital structure of 0.25. The reason for this is that the sample firms are not in the optimal capital structure.

vary in response to various factors such as corporate tax policies, and reallocation of physical capital assets across firms and sectors.

7. Such factors may include the corruption surcharge in corporate procurement of assets, which may differ across firms.

8. However, if firm-specific investment goods deflators are used for each individual firm, such deflators, which are calculated from the replacement values for the firm's fixed assets and investment, could be heavily biased due to measurement errors and reporting errors.

9. Using the equipment level data from aerospace industry auctions, Ramey and Shapiro ([2001](#)) show that capital is sector-specific, and reallocation of sector-specific capital, combined with thinness of asset resale markets, results in substantial decline in market value.

10. Undermaintenance on public capital in particular is commonly observed for many developing countries (World Bank, [1994](#)).

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