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Editorial to the special issue

Frontiers in Growth Regimes Research I: Theoretical Perspectives and Conceptual Issues

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Post-Keynesian macroeconomics (PKM), and, in particular, the post-Kaleckian distribution and growth models that allow for different ‘demand and growth regimes’ in modern capitalism, have received some attention in comparative political economy (CPE) as well as international political economy (IPE) recently, starting with the work by Baccaro/Pontusson (2016) on ‘growth models’. This has provided the grounds for replacing orthodox ‘new consensus macroeconomics’ (NCM) (Carlin/Soskice 2015) with its long-run supply side determined equilibrium at the NAIRU (non-accelerating-inflation-rate-of-unemployment) activity level as the macroeconomic backbone of the ‘varieties of capitalism’ (VoC) research in the tradition of Hall/Soskice (2001). Opening up CPE and IPE to PKM allows for the integration of aggregate demand, finance, income and wealth distribution, as well as macroeconomic policies into the medium- to long-run analysis of ‘demand and growth regimes’ in the PKM terminology, or of ‘growth models’ to use CPE jargon. This special issue of the *European Journal of Economics and Economic Policies: Intervention* on ‘Frontiers in Growth Regimes Research I: Theoretical Perspectives and Conceptual Issues’ tries to contribute to the dialogue between these ‘two distant cousins’ (Stockhammer/Kohler 2022), PKM and CPE/IPE. First versions of the papers contained in this issue, as well as of the follow-up issue on ‘Frontiers in Growth Regimes Research II: Country Cases’, were presented and discussed in a two-day online workshop at the Institute for International Political Economy (IPE),¹ Berlin School of Economics and Law, in October 2022. The submitted versions of the papers have then gone through a review process and we are happy to present here the revised and finally accepted versions. We are most grateful to the authors and reviewers for a smooth and highly efficient ‘academic production process’.

This special issue starts with a paper by Eckhard Hein on ‘Varieties of demand and growth regimes – post-Keynesian foundations’. The author argues that the analysis of demand and growth regimes has had a long tradition in PKM. Methodologically, he

1. Details on the IPE and the workshop can be found here: <https://www.ipe-berlin.org/en/>.



distinguishes two levels of the analysis. First, regarding the theoretical model perspective, the Kalecki–Steindl tradition and the Sraffian supermultiplier approach are reviewed as relevant theoretical foundations for demand and growth regime research. The Kalecki–Steindl tradition has focussed on investment-driven and distribution-led growth, the Sraffian supermultiplier models focus on autonomous demand-led growth. While both approaches contain some significant differences with respect to the determination of long-run equilibrium growth, these differences may not be so severe when it comes to the analysis of different growth episodes, according to the author, because real-world economies never reach long-run equilibrium but are always in some sort of traverse. Second, from an empirical-historical perspective, Hein reviews the recent research on the co-existence of different demand and growth regimes in finance-dominated capitalism and links them to the theoretical model perspectives. He distinguishes, first, a basic national income and financial accounting decomposition approach; second, a Sraffian supermultiplier inspired growth decomposition approach; and third, several lenses looking at growth drivers, partly incorporating elements of the Kalecki–Steindl distribution and growth model tradition and its modern incarnations. It is argued that these three levels of empirical-historical analysis are, in principle, neither mutually exclusive nor even contradictory, but that they rather complement each other. Finally, Hein concludes that in particular the PKM analysis of growth drivers provides several systematic links with CPE approaches, when it comes to the introduction of the political economy dimension (social blocs, growth coalitions, changes in institutions favouring certain type of re-distribution and economic policies, etc.), while the national income and financial accounting, as well as the Sraffian supermultiplier growth accounting decomposition approaches provide the consistent macroeconomic foundations for such kind of research.

Bruno Amable in ‘Nothing new under the sun: the so-called “growth model perspective”’ then takes a critical view at the recent contributions in CPE on growth models from a regulation theory perspective. He argues that the origins of the growth model approach can be found in contributions by Michel Freyssenet in the 1990s/2000. By presenting the contributions and limitations of Freyssenet’s approach, he tries to show how contemporary growth model approaches fail to establish a solid link between political economy and heterodox macroeconomics. He concludes that an approach that starts from the differentiation of interests of social groups and takes into account the autonomy of politics has more potential to achieve this task, allowing us to recover the inspiration of Kalecki’s (1943) article on the political limits to economic policy.

The issue of ‘House price cycles, housing systems, and growth models’ is then approached by Karsten Kohler, Benjamin Tippet and Engelbert Stockhammer. They provide a framework for theorising the role of house price cycles in national growth models. The authors synthesise Minskyan approaches with CPE by arguing that institutions influence the extent to which countries experience what they call ‘house price-driven growth models’. First, they argue that house price dynamics have been undertheorised in existing growth models analysis. But finance-led models can be properly understood only against the background of rising house prices that stimulate consumption through wealth effects and investment through construction. Second, they identify behavioural and Minskyan theories of housing cycles as suitable frameworks to theorise the impact of housing on growth. But they acknowledge that this literature does not provide an analysis of cross-country differences in housing cycles. Third, drawing on the CPE literature on housing systems, Kohler et al. argue that factors such as private homeownership and mortgage-credit encouraging institutions can explain differences in the intensity of housing cycles. The authors provide preliminary empirical support for this framework from a cross-country analysis. Their results show strong cross-country heterogeneity in the intensity of housing

cycles, and countries with more intense house price cycles also tend to exhibit more volatile business and debt cycles. Their empirics show that homeownership rates and mortgage-credit encouraging institutions are positively correlated with the volatility of house price cycles.

In ‘FDI-led growth models: Sraffian supermultiplier models of export platforms and tax havens’, Ryan Woodgate develops two Sraffian supermultiplier models of two different kinds of economies that are dependent upon foreign direct investment (FDI): the ‘export platform FDI-led’ growth model and the ‘tax haven FDI-led’ growth model. The former is driven by the growth of the exports of foreign-owned firms and is associated with green-field FDI inflows, whereas the latter is driven by the growth of profits booked at foreign-owned shell companies that are partly absorbed through taxation and is associated with intangible FDI inflows. The two models achieve demand, output and income growth via fundamentally different channels, yet they appear similarly export-led given how profit shifting artificially inflates the net exports of tax havens. Based on these models, a set of empirical indicators are proposed to differentiate export-platform from tax haven economies. In contrast to Bohle/Regan (2021), who characterise output growth in both Hungary and Ireland as being led by the exports of foreign-owned firms, Woodgate’s model and the indicators proposed support the hypothesis that Ireland is closer to the tax haven FDI-led growth model, whereas Hungary is better approximated by the export platform FDI-led model.

‘Dependency revisited: commodities, commodity-related capital flows and growth models in emerging economies’ is the title of the paper by Michael Schedelik, Andreas Nölke, Christian May and Alexandre Gomes. They argue that the growth model perspective has provided avenues for bridging CPE and IPE, mainly with regard to the global financial crisis and developments within the Eurozone. The authors contribute to this endeavor by highlighting the joint effects of capital flows and commodity price swings on growth models in emerging capitalist economies. While the literature on dependent financialisation has primarily focused on debt-led growth in the Global South, they spell out the negative implications of commodity-based export-led growth. To this end, they first present a stylized depiction of commodity dependence and provide descriptive statistical evidence of its global prevalence. Subsequently, they trace the co-movement of capital flows to emerging economies and commodity prices. Schedelik et al. argue that this ‘commodity–finance nexus’ reinforces the pro-cyclical nature of commodity-based growth, financial volatility and the vulnerability to global boom–bust cycles. Furthermore, the authors demonstrate that the conventional method for identifying growth models by calculating the relative contributions to growth is ill-suited to capture the commodity-based export-led growth model of highly commodity-dependent economies. Finally, they identify commodity price movements and fiscal policies as major drivers of growth, with an important role for domestic politics as an intervening variable.

In the final paper of this first special issue on ‘Frontiers in Growth Regimes Research’, Ümit Akçay and Benjamin Jungmann focus on the interplay between the political and macroeconomic spheres of growth regimes. Their paper on ‘Growth regimes, dominant social blocs and growth strategies: towards varieties of export-led growth regimes and strategies in Turkey and Poland’ aims to contribute to the political economy of growth regimes literature by combining an operationalization of growth regimes based on growth contributions and sectoral financial balances with an analysis of dominant social blocs (DSBs). The authors propose the concept of a growth strategy to bridge the political and actor-oriented sphere with the macroeconomic sphere. They employ this framework to analyse the cases of Poland and Turkey. The study identifies a transition from a domestic demand-led regime to a weakly export-led regime in Poland,

while Turkey experienced a shift from a domestic demand-led regime to a debt-led private demand regime and subsequently towards a weakly export-led regime, too. Akcay and Jungmann show that both countries' new DSBs pursue export-led growth strategies, but Poland's strategy focuses on non-price competitiveness while Turkey relies on price competitiveness. They lay out the differences between the strategies in terms of policies and the capital fractions supporting them.

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