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Research Article

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Growth regimes, dominant social blocs and growth strategies: towards varieties of export-led growth regimes and strategies in Turkey and Poland*

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This paper aims to contribute to the literature on growth regimes by combining an operationalization of growth regimes based on growth contributions and sectoral financial balances with an analysis of dominant social blocs (DSBs). We propose the concept of a growth strategy to bridge the political and actor-oriented sphere with the macroeconomic sphere. We employ this framework to analyze 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. Both countries' new DSBs pursue export-led growth strategies, but Poland's strategy focuses on non-price competitiveness while Turkey relies on price competitiveness. We lay out the differences between the strategies in terms of policies and the capital fractions supporting them.

Keywords: *post-Keynesian macroeconomics, comparative political economy, growth regimes, growth strategies, Poland, Turkey*

JEL codes: *B52, E65, E66, F43, O43, P16, P52*

1 INTRODUCTION

In post-Keynesian macroeconomics (PKM), growth regimes have been operationalized using the GDP growth contributions of aggregate demand components and the sectoral financial

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balances of the macroeconomic sectors (for example, Hein 2011, 2012; Hein/Mundt 2012; Dodig et al. 2016; Hein et al. 2021; Akcay et al. 2022). This decomposition gives insights into the demand sources of growth and their financing at a macroeconomic level. Commenced by Baccaro/Pontusson (2016), the ‘growth models approach’ gained prominence within Comparative Political Economy (CPE).¹ This approach took inspiration from PKM, so that issues of demand generation, instability, economic policies and international interdependencies are central (Stockhammer 2022a). While the incorporation of PKM principles has enhanced the economic analysis of CPE, on the one hand, integrating CPE concepts can further enrich PKM analyses of growth regimes from a political economy perspective, on the other hand. It is important to note that PKM authors have not completely neglected political economy aspects in their analysis of growth regimes. On the contrary, they have supplemented their analysis by including indicators of distribution and financialization (for example, Hein 2011, 2019; Hein/Mundt 2012; Akcay et al. 2022), but also measures of competitiveness, commodity prices and the fiscal policy stance within the analyses of growth drivers (Kohler/Stockhammer 2022; Jungmann 2023). Furthermore, PKM authors have complemented the analysis of growth regimes with that of macroeconomic policies more broadly (Hein/Martschin 2021) and welfare models (Hein et al. 2021). To some extent, however, these analyses are concerned with the *ex post* outcomes of political processes and shed little to no light on the processes themselves and the actors involved. On the contrary, Baccaro/Pontusson (2016) argue for examining the socio-political underpinning of growth regimes by analyzing the coalition of key actors supporting a regime. For that they propose using the concept of a *dominant social bloc* (DSB), which refers to a coalition of social groups whose expectations are satisfactorily met by the institutional structure and policies in place, leading them to back those structures and policies (Amable 2018: 240). Therefore, this framework focuses on the actors and groups that shape policies and institutions.

To our knowledge, however, present contributions to the growth regime literature have not yet combined an operationalization of growth regimes, based on growth contributions and sectoral financial balances, with an analysis of DSBs, particularly for ECEs.² In this paper, we set out to contribute to this endeavour on a conceptual as well as empirical level. Conceptually, we suggest employing the concept of a *growth strategy*, as the economic policy project of a DSB, to provide a bridge between the political and actor-oriented sphere, on the one hand, and the aggregated, macroeconomic sphere on the other. This macroeconomic sphere should be assessed through the concepts of a (demand and) growth regime (Hein 2011, 2012), growth drivers (Kohler/Stockhammer 2022; Jungmann 2023) and the macroeconomic policy regime (Hein/Martschin 2021; Kühnast 2023). On an empirical level, we set out to employ this inter-disciplinary framework to the cases of Poland and Turkey. First we investigate the growth regimes of both countries between 1999 and 2020, before we assess the developments in terms of both countries’ DSB and growth strategy.

Poland and Turkey are interesting for a variety of reasons. Both countries share several similarities in various dimensions and are yet distinct in others allowing for an insightful

1. Originally, PKM authors used the term ‘(demand and) growth regimes’ or ‘macroeconomic regimes’ while ‘growth models’ originated within CPE. If not otherwise specified, we will use these terms interchangeably throughout this article.

2. Kühnast (2023) arguably comes closest to such a methodological synthesis. See also the contributions in Hassel/Palier (2021a) for application and analysis of the growth strategy concept, however, focused on developed capitalist economies and with a different, more case study-based and focused growth regime taxonomy.

comparison. Both countries are emerging capitalist economies (ECEs)³, deeply integrated within the European trading area. Therefore, they can be considered European semi-peripheral countries (Becker/Jäger 2010; Becker/Weissenbacher 2015) exhibiting varying forms of dependency. While foreign direct investment (FDI) plays a prominent role in shaping Poland's dependency (Nölke/Vliegenthart 2009), it is portfolio flows in the case of Turkey's 'dependent financialisation' (Akçay/Güngen 2022).

We identify a domestic demand-led regime in Poland between 1999 and 2008, which transitioned to a weakly export-led regime between 2009 and 2020. In Turkey, we find a domestic demand-led regime before the Global Financial Crisis (GFC) of 2007–2009 that became a debt-led private demand regime until the Taper Tantrum in 2013. Since then, a development towards a more export-led regime is observable. We argue that in both countries, new DSBs established during the 2010s – represented by the Law and Justice Party (PiS) in Poland and the Justice and Development Party (JDP) in Turkey. Although with varying emphases, both DSBs embarked on export-led growth strategies. The Polish DSB pursues an export-led growth strategy centred on 're-industrialization' and 're-Polonization' that focuses on non-price competitiveness, that is, product quality and uniqueness, through industrial upgrading and diversification. Meanwhile Turkey's export-led strategy relies on price competitiveness, that is, a competitive exchange rate brought about by real depreciation. The strategies differ in terms of the policies they entail, the capital fractions that back them and in terms of their main motivation: while the Polish strategy entails more economic considerations, that of Turkey focuses on maintaining political support.

The remainder of the paper is structured as follows. In Section 2, we recapitulate the concept of growth regimes, DSBs and growth strategies. Section 3 assesses the growth regimes of Poland and Turkey from 1999 until 2020. Section 4 elaborates on the changes in the DSBs of Poland and Turkey and their growth strategies. Section 5 concludes.

2 CONNECTING DOTS: GROWTH REGIMES, DRIVERS, DOMINANT SOCIAL BLOCS AND GROWTH STRATEGIES

2.1 Macroeconomics: growth regimes, drivers and macroeconomic policies

In the PKM literature (for example, Hein 2011, 2012, 2019; Hein/Mundt 2012; Akçay et al. 2022), growth regimes are assessed by considering, first, the financial balances of the main macroeconomic sectors (the household sector, the corporate sector, the government sector and the external sector). These balances should sum up to zero, apart from statistical discrepancies, because a positive financial balance of one sector needs a respective negative financial balance of another sector. Second, this method considers the growth contributions of the main demand aggregates (private consumption, public consumption, investment and net exports) which sum up to the growth rate of gross domestic product (GDP). Analyzing these indicators provides information on the main demand sources of growth, how demand is financed and the related deficit dynamics within and between economies. This method commonly distinguishes four growth regimes: (1) a *domestic demand-led regime* characterized by positive or balanced financial balances of the private

3. The term ECEs refers to economies with a capitalist mode of production that feature some but not all of the characteristics of developed capitalist economies, for example, in terms of financial and trade integration into world markets or sectoral composition of the economy. Both Turkey and Poland are commonly considered ECEs, for example, in investment indexes like the Emerging Markets Europe Index compiled by MSCI (2022).

sector and a balanced or negative current account.⁴ Net exports do not contribute to growth, which almost exclusively stems from domestic demand. (2) A *debt-led private demand (boom) regime* characterized by negative or close to balance financial balances of the private sector, in particular, of the household sector and a negative current account. Growth is driven by domestic demand, particularly private demand, and net exports contribute negatively to growth. (3) An *export-led mercantilist regime* exhibits positive financial balances of the private sector and a positive current account, net exports contribute to growth and are positive. (4) A *weakly export-led regime* that shares some of the features of an export-led mercantilist regime but not all – for example, it may exhibit positive growth contributions of net exports but a negative current account or vice versa.⁵

Pioneered by Baccaro/Pontusson (2016), CPE scholars within Comparative Capitalism research have taken inspiration from the demand and growth regime approach (for example, Baccaro et al. 2022; Schedelik et al. 2021). This marked a shift within Comparative Capitalism from the Varieties of Capitalism (VoC) approach based on New Consensus Macroeconomics with supply-side-determined long-run equilibria (Hall/Soskice 2001) to post-Keynesian-based demand-focused approaches. By doing so, issues of demand generation, instability, economic policies and international interdependencies move centre stage (Stockhammer 2022a). However, issues remain regarding the operationalization of the various growth regimes. The PKM approach classifies growth regimes according to the demand components contributing to growth and how they are financed (Hein 2023). In contrast, the growth regime classifications found in the CPE literature are less consistent. Baccaro/Pontusson (2016, 2022) argue that capitalist diversity in terms of growth regimes stems from the search of new demand sources following the falling wage shares and income-financed consumption since the 1970s and 1980s. In consequence, developed capitalist economies have pursued export-led regimes (Germany), private debt-led ones (UK), a mix of both (Sweden), failed to generate sustained demand (Italy) or followed a construction-led one (Spain). Other scholars have identified FDI-led regimes in Ireland, the Visegrád countries and the Baltic states (Bohle 2018; Bohle/Regan 2021; Regan/Brazys 2018). While all these classifications may describe some reality in the respective countries, they hardly form a consistent framework as the name-giving factors belong to different categories: wages are a form of income, exports are an aggregate demand component, construction is an industrial sector and FDI a form of finance.

Although the demand and growth regime analysis based on growth contributions and financial balances is consistent in itself, it is not sufficient either. It provides information on the demand sources of growth and the related deficit dynamics within and between economies. However, the factors leading to the demand components to grow remain unexplained.⁶ For that purpose, the concepts of growth drivers (Köhler/Stockhammer 2022) and that of macroeconomic policy regimes (Hein/Martschin 2021) are conducive. The concept of a macroeconomic policy regime ‘describes the set of monetary, fiscal and wage or income policies, as well as their coordination and interaction, against the

4. A negative current account corresponds to a positive financial balance of the external sector and vice versa.

5. See Hein (2023) for a more detailed presentation of this approach, relating it to different regime concepts within PKM and situating it within the PKM analysis of financialization.

6. Applicants of the presented growth regime taxonomy are well aware of this and have hence complemented their analyses with indicators that can be considered growth drivers. They have looked at indicators of distribution and financialization (for example, Hein 2011, 2019; Hein/Mundt 2012; Akcay et al. 2022), linked it to welfare models (Hein et al. 2021) or embedded it in a comprehensive analysis of macroeconomic policies (Hein/Martschin 2021; Kühnast 2024).

institutional background of a specific economy, including the degree of openness or the exchange rate regime' (Hein/Martschin 2021: 507). This approach builds on PKM models and their policy recommendations that would lead to a stable domestic demand-led growth regime, while deviations from these policies would move the economy toward a debt-led private demand or export-led regime (Hein/Martschin 2021; Hein 2023).

Growth driver analysis is similar to that of a macroeconomic policy regime as both examine factors that influence demand components, growth and thus the growth regime. However, the macroeconomic policy regime analysis contains elements not present in the growth driver analysis and vice versa. Growth drivers are 'factors that are not themselves part of aggregate income but influence the growth of its components' (Kohler/Stockhammer 2022: 1319). Possible growth drivers are financial factors such as house prices and household debt, fiscal policy, measures of competitiveness, FDI, income distribution and commodity prices (Jungmann 2023; Kohler/Stockhammer 2022). As for macroeconomic policy regimes, different growth drivers are conducive to different growth regimes. Furthermore, growth regimes, seemingly similar in terms of their growth contributions and financial balances, may differ regarding their growth drivers and macroeconomic policies and hence in terms of the regime's sustainability and cyclicity (Jungmann 2023; Kohler/Stockhammer 2022; Stockhammer 2022b). In this context, which social groups, sectors and industries benefit from a growth regime depends on the respective growth drivers and macroeconomic policies of that regime. Hence the analysis of growth drivers and macroeconomic policies does not only inform the macroeconomic but also the political economy analysis of growth regimes to which we turn next.

2.2 Political economy: dominant social blocs and growth strategies

The growth regime approach posits that regimes require a socio-political underpinning. Otherwise put, 'growth models do not emerge out of thin air' (Bohle/Regan 2021: 77). To analyze the coalition of key actors that underpins a growth regime, the concept of a DSB is employed (Amable 2003, 2018; Amable/Palombarini 2008; Baccaro/Pontusson 2016). A DSB is 'the set of social groups whose most significant expectations are sufficiently satisfied by the institutional structure and the policies implemented for them to support this structure and these policies' (Amable 2018: 240). Therefore the DSB shapes the institutional configuration and conducts policies compatible with its growth strategy. The DSB may encompass different social groups, such as trade unions, political elites and different capital fractions and even cross-class and cross-sectoral alliances. The composition of the DSB can change over time, allowing for a dynamic understanding of the state and institutions (Amable 2003) – in contrast to the more or less static VoC framework.

Additionally we propose the application of the concept of *growth strategy*, which we define as the economic policy project of the DSB. We identify this strategy through official communications that outline the envisioned economic trajectories. The growth strategy may be focused on establishing or continuing a certain growth regime and thereby materialize through respective macroeconomic policies. Hence it is adjacent to the concept of a macroeconomic policy regime. However, conceptually, a growth strategy differs from a macroeconomic policy regime as the former allows accounting for the intention of the DSB while the macroeconomic policy regime analysis is by definition an *ex post* analysis of macroeconomic indicators, that is, growth strategies may fail in materializing themselves in macroeconomic policies as intended or they may not have yet materialized. Furthermore, growth strategies may encompass aspects beyond the macroeconomic sphere, for example, geopolitical considerations, questions of ownership of capital and political

coalition building.⁷ Thus policies that are part of the growth strategy do not necessarily aim at altering the growth regime, but still may affect it. Employing the concept of a DSB's growth strategy hence allows us to link the more actor-level focused political economy analysis with the aggregated, medium-run, PKM-inspired macroeconomic analysis of the growth regime.

We assume that a growth strategy is subject to a 'dual determination' (Gülp 1985), reflecting interdependencies between the national and international levels of analysis (Nölke et al. 2020: 22). At the national level, the composition of the DSB plays a crucial role in shaping the growth strategy. Different growth drivers and macroeconomic policies have varying distributional consequences for different social groups. In other words, growth strategies serve specific social groups based on the drivers of growth and policies they entail. To establish and sustain a growth strategy, it is necessary to align the interests of different social groups, such as classes or class fractions, with those of the political elites. This alignment is crucial as the growth strategy materializes through concrete state policies. In addition the integration of the country into the global economy also influences the growth strategy (Gülp 1985). For ECEs, this integration is characterized by their subordinate position within the global financial system and global production (Bonizzi et al. 2020). Successful growth strategies in ECEs therefore have to consider the subordinations and associated constraints they face while also maintaining support from the distinct social groups that make up the DSB.

To identify the social groups that benefit from and support specific growth regimes driven by particular growth drivers, we utilize the literature on producer groups. Producer groups are categorized based on the diverse interests of different fractions of capital. These interests can vary in several ways, such as target markets (exports versus domestic demand), economic sectors, preferences for monetary policy (Culpepper 2011; Martin 2021; Baccaro/Pontusson 2016), or, specifically for ECEs, preferences regarding the exchange rate (Frieden 1994, 2015). By examining these categories, we can gain insights into the specific social groups supporting a particular growth regime. For the two export-led growth strategies of our empirical cases, we will adopt Deniz's (2019) categorization on producer groups of core good producers (hereafter *core capitalists*) and peripheral goods producers (hereafter *peripheral capitalists*), on which we will elaborate further in Section 4.

3 GROWTH REGIMES IN POLAND AND TURKEY BETWEEN 1999 AND 2020

Based on the laid out framework, this section describes the growth regimes in Poland and Turkey between 1999 and 2020.

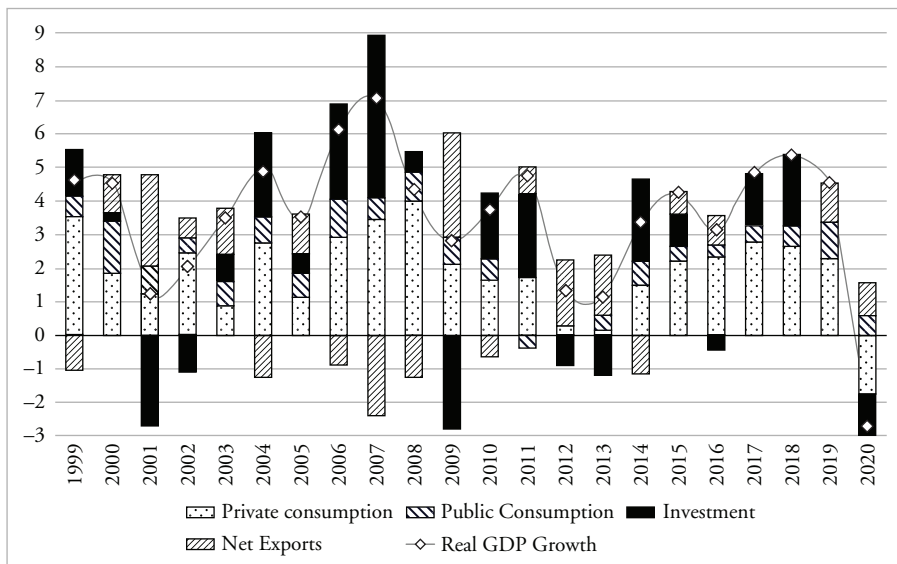
3.1 Poland

Remarkably, between 1999 and the COVID-19 pandemic in 2020, Poland has not seen a year without growth. Looking, however, at the growth contributions and sectoral financial

7. A more detailed but similar definition of a growth strategy is provided by Hassel/Palier (2021b: 13): Growth strategies 'refer to a (relatively coherent) series of decisions and reforms, taken by either governments or producers' groups (economic and social actors) in order to boost growth and stimulate job creation [...] and the rationale for these decisions [...]. They involve policy changes and adaptations in different policy fields that affect the demand and supply sides of an economy, including structural and welfare reforms. Since it often means reforming some of the main institutions of a growth regime, implementing a growth strategy can contribute to changing the existing growth regime over time'.

balances, one can see changes in the demand sources of growth and their financing (Figures 1 and 2). Prior to the GFC of 2007–2009, Dodig et al. (2016) for 2002–2008 and Hein et al. (2021) as well as Kühnast (2023) for 2000–2008 find a domestic demand-led regime in Poland, reflected in Figures 1 and 2. Until 2008, domestic demand components, with a notable role of investment, contributed positively to growth and net exports negatively – most exceptions from that were years of growth slowdowns⁸ (Figure 1). Respectively, visible in Figure 2, throughout the pre-crisis years, the financial balance of the external sector was positive – equivalent to a Polish current account deficit. The public financial balance was negative but improved until the GFC. Conversely the financial balance of the private sector deteriorated in the years prior to the GFC and turned negative in 2004. This indicates that households were on average dissaving or even accumulating debt. However, one has to be aware that the household sector also includes non-corporate businesses, that is, the accumulation of debt may have served to some extent the purpose of financing business investment. The financial balance of the corporate sector, on the other hand, improved and turned positive in 2003. Hence the annual growth contributions and sectoral financial balances point to a domestic demand-led regime in Poland before the GFC.

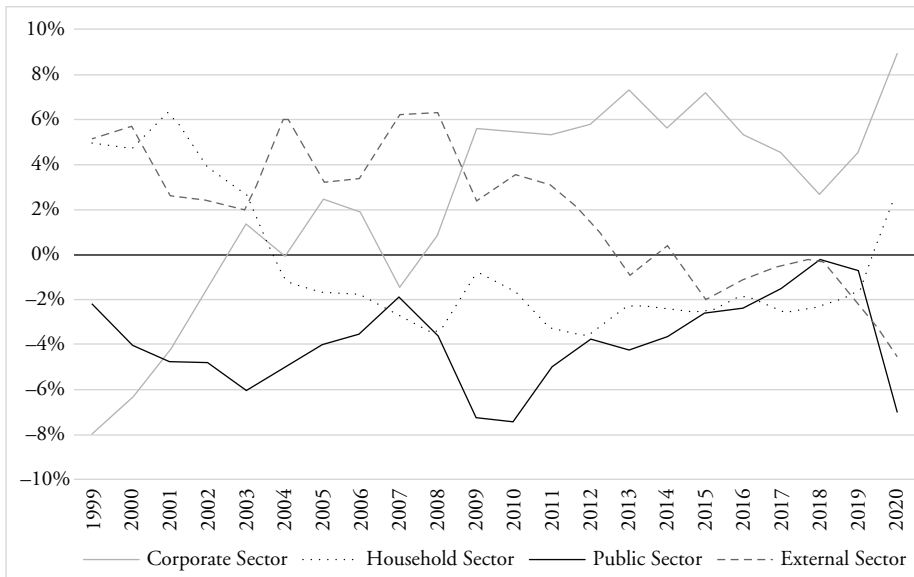
For Poland, the GFC constituted a breaking point. Dodig et al. (2016), Hein et al. (2021) and Kühnast (2024) characterize the Polish economy as weakly export-led in the post-GFC period. The sectoral financial balances reflect this development. The external financial balance showed a decreasing trend, meaning the current account of the Polish economy



Source: World Bank (2022), authors' calculations and presentation.

Figure 1 Growth contributions and real GDP growth of Poland in percentage, 1999–2020

8. When assessing growth contributions, one is well advised to handle recession and growth slowdown years with caution. In such years, investment as the GDP component that is the most sensitive to the business cycle typically declines sharply, and net exports rise due to the fall in imports when income decreases. The year of 2001 in Poland is a case in point.



Source: European Commission (2022), authors' presentation.

Figure 2 Sectoral financial balances Poland, percentage of GDP, 1999–2020

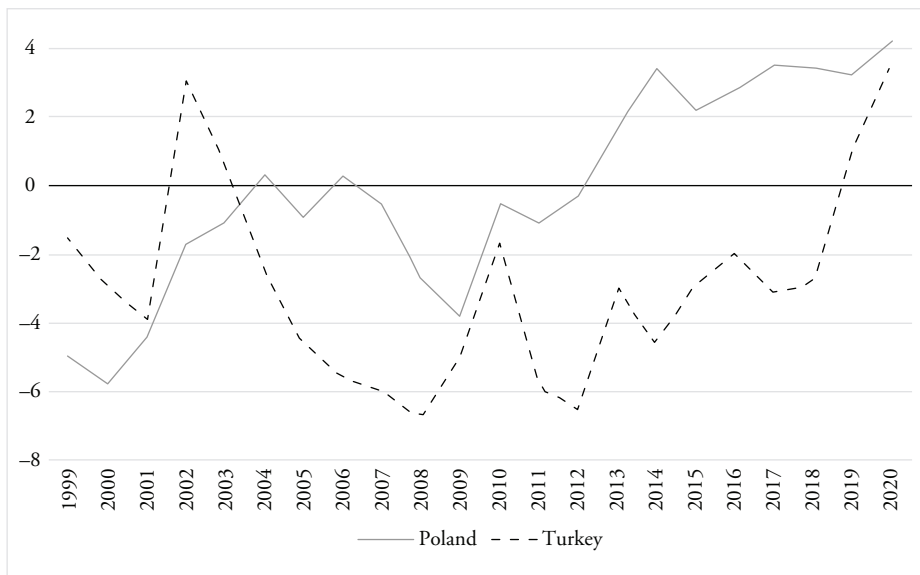
improved during the post-crisis years (Figure 2). This is in line with the increasingly positive contribution of net exports to growth (Figure 1) and the rising share of net exports to GDP (Figure 3). Kühnast (2024) and Jungmann (2023) suggest that the dynamism of Polish exports and its improved external position is linked to its improved measures of competitiveness. Both studies show that Poland exhibited a constant and, comparatively to other ECEs, high level of non-price competitiveness during the post-GFC, in addition to moderate increases in its price competitiveness via stable real depreciations.

The reduced significance of domestic demand can be attributed to the constantly improving structural government balance of Poland during this period (Jungmann 2023), that is, fiscal policy becoming less expansionary. This also contributed to the improvement of the public sector deficit (Figure 2). It is notable, however, that during Poland's weakly export-led regime, the household sector ran a negative financial balance. Hence households, including non-corporate businesses, were on average dissaving and incurring new debt. The improvement in the external position of the Polish economy, reflected in the decreasing external financial balance, was accompanied by an improvement in the financial position of the public sector while that of private households did not improve. Also noteworthy is the relatively high growth contribution of investment during the post-crisis years (Figure 1).

In sum, the annual Polish macroeconomic data confirms in essence the regime pattern found in the literature: domestic demand-led in the years before the GFC and weakly export-led thereafter.

3.2 Turkey

In the years leading up to the GFC, Turkey was identified as a domestic demand-led regime stabilized by public deficits (Dodig et al. 2016; Akcay et al. 2022). In fact Turkey's



Source: World Bank (2022), authors' presentation.

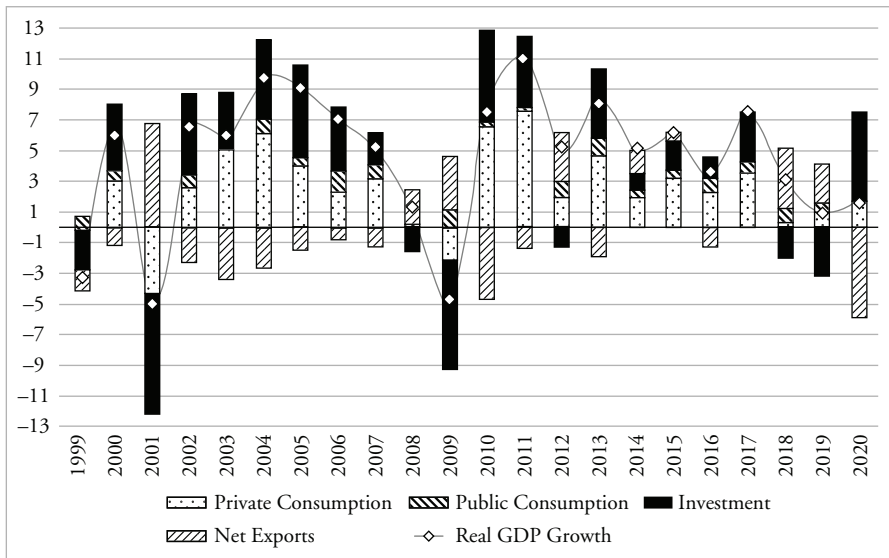
Figure 3 Net exports as percentage of GDP, Poland and Turkey, 1999–2020

growth between 2001 and 2008 stemmed from domestic demand components while net exports contributed negatively (Figure 4). As shown in Figure 5, the private sector financial balance was positive on average, although it deteriorated during this period. The public sector exhibited negative financial balances throughout the period, albeit improving since the 2001 crisis. The external sector, conversely, recorded positive financial balances, that is, Turkey ran current account deficits, and had negative net exports (Figure 3).

For the post-GFC years Dodig et al. (2016) and Akcay et al. (2022) identify a debt-led private demand (boom) regime in Turkey. However when examining Turkey's performance in Figure 4, it becomes evident that growth contributions varied widely during that period, making classification challenging. We thus divide Turkey's post-GFC years into a recovery phase from 2010–2013 and the period from 2014 onwards.

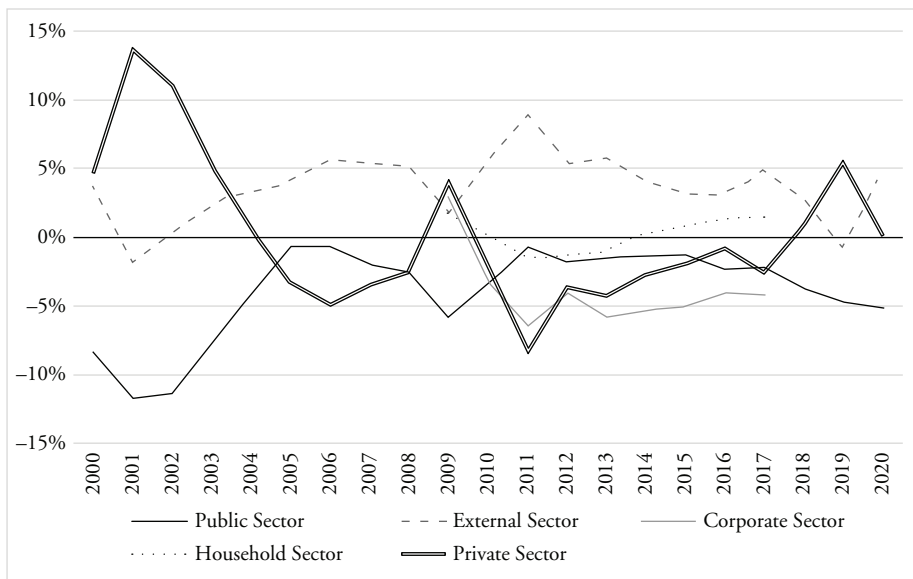
During the recovery phase from 2010 to 2013, Turkey ran a debt-led private demand (boom) regime, which came to an end with the 2013 Taper Tantrum – the announcement of the US Federal Reserve to taper its asset purchases, leading to capital outflows from ECEs like Turkey (Eichengreen/Gupta 2015). From 2010 to 2013, the growth contributions were similar to those before the GFC. Except for the recessive year of 2012, growth was entirely driven by domestic demand, with investment and private consumption playing significant roles, while net exports contributed negatively (Figure 4) and remained negative (Figure 3).

One notable change with respect to the pre-crisis years are the sectoral financial balances. During the recovery years from 2010 to 2013, as Figure 5 shows, households and corporations and the private sector as a whole were running negative financial balances. Households and corporations were hence overall running down financial assets and incurring new debt. Meanwhile the external sector showed a surplus, that is, the Turkish economy exhibited a current account deficit. Furthermore, the public sector



Source: World Bank (2022).

Figure 4 Growth contributions and real GDP growth of Turkey, 1999–2020



Notes: The disaggregated financial balances for the private sector are only available between 2009 and 2017. The disaggregated private sector balances stem from the AMECO database while the other sectors' data stem from the IMF, hence the slight discrepancy.

Source: Own calculations based on IMF (2022) and European Commission (2022).

Figure 5 Sectoral financial balances Turkey, percentage of GDP, 2000–2020

also had a negative financial balance, although it showed slight improvement. This debt-led private demand (boom) regime came to an end after the 2013 Taper Tantrum, which caused a halt in capital flows to Turkey (Akçay/Güngen 2022).

From 2014 onwards Turkey experienced lower levels of growth compared to previous years, accompanied by a shift in the structure of its growth. Net exports contributed notably more frequently to growth or maintained a more balanced position (Figure 4), with their share of GDP also improving (Figure 3). When examining the sectoral financial balances, we see improvements in the balances of both the household and the corporate sector, while that of the external sector declined (Figure 5). These characteristics indicate that, following the 2013 Taper Tantrum, Turkey transitioned towards a weakly export-led regime. This was accompanied by notable real depreciations and hence increases in price competitiveness during these years (Jungmann 2023).

4 POLITICAL ECONOMY OF GROWTH REGIMES IN POLAND AND TURKEY: CHANGES IN DOMINANT SOCIAL BLOCS AND GROWTH STRATEGIES

It is evident that Poland and Turkey share similarities in their recent growth regime development, transitioning from domestic demand-led or debt-led private demand regime to a weakly export-led one. However, there are notable differences in the driving factors behind this shift. In Poland, the pivot towards a weakly export-led regime was accompanied by a stable real exchange rate, price stability, a relatively high level of non-price competitiveness and a more contractionary fiscal policy (Jungmann 2023; Kühnast 2023). On the other hand, Turkey's shift to an export-led regime was primarily driven by significant real depreciation after 2013 (Jungmann 2023). At the same time, both countries witnessed changes in their DSBs and growth strategies during the 2010s, reflecting their distinct growth drivers. Both countries' new DSBs have embraced export-led growth strategies, differing in the type of competitiveness they rely on and the policies they entail (Broz/Frieden 2001; Onaran/Stockhammer 2005).

Poland has adopted an export-led strategy that focuses on non-price competitiveness, that is, product quality and uniqueness, through industrial upgrading and diversification. Meanwhile Turkey's export-led strategy relies on price competitiveness, that is, a competitive exchange rate brought about by real depreciation.⁹ We suggest that these two export-led growth strategies are backed by distinct capital fractions: by core capitalists in Poland and by peripheral capitalists in Turkey.

Core capitalists primarily operate in industries such as base metal, automotive, durable goods, chemicals, wholesale trade, finance and banking. They have capital-intensive production structures, maintain high productivity levels, employ skilled workers, offer wages higher than the minimum and are well integrated into international markets with direct access to global financial networks. These capitalists pursue an export-led growth strategy based on non-price competitiveness, emphasizing factors other than price to gain a competitive edge. To attract foreign capital flows, this strategy relies on price stability and higher real interest rates. As a result, core capitalists strongly advocate for an inflation-targeting framework, orthodox central banking policies, including central bank independence, rule-based macroeconomic management, fiscal consolidation and investments in human capital.

9. Drawing on the distinction made by Ban et al. (2023), we can argue that Poland's growth strategy aligns more with a 'high road' development approach, while Turkey's strategy is more akin to a 'low road' approach.

Peripheral capitalists predominantly operate in sectors such as textiles, clothing, footwear, food, forestry, wood, paper, furniture and construction. They have a labour-intensive production structure, lower levels of productivity and primarily consist of small and medium-sized enterprises. These capitalists rely on unskilled workers and offer only minimum wages. They have limited access to global financial networks, relying mainly on loans denominated in the national currency. Their export-led growth strategy is centred on price competitiveness, necessitating a policy of maintaining a competitive exchange rate and lower interest rates to stimulate economic growth. As a result, peripheral capitalists advocate for active industrial policies and discretionary macroeconomic policies and may not prioritize central bank independence as much as other factors.

In the following sub-sections, we will outline the changes in the DSBs and growth strategies of Poland and Turkey during the 2010s, examining their connection to historical factors, domestic political dynamics and international economic conditions.

4.1 Poland

4.1.1 *Market reforms of the 2000s and formation of a new DSB*

The current DSB in Poland, consisting of core capitalists, conservative-nationalist political elites, blue-collar workers and subaltern classes, has emerged in response to three waves of market reforms in the post-1989 period. The first wave of market reforms was marked by the ‘shock therapy’ program and involved transitioning from a planned to a market economy through economic liberalization, macroeconomic stability and privatization (Sachs 1992: 5). The second wave of reforms occurred during the early 2000s as part of the European Union (EU) membership process (Shields 2011), aiming to complete the unfinished transition from the first wave (Appel/Orenstein 2016: 320). A significant political consequence of the second-wave reforms was the decline of social democracy in Poland, leaving space for nationalist conservative right-wing politics to fill the void previously occupied by left-wing politics in organizing social discontent arising from the market reforms (Snegovaya 2022).

The third wave of market reforms took place between 2007 and 2015, the period of coalition governments led by the centre-right and pro-EU party Civic Platform (PO). Although Poland did not experience a recession during the GFC (Figure 1), the economy did slow down and the PO government undertook unpopular fiscal measures. One such measure was increasing the retirement age to 67 years, which was met with disapproval by 90 per cent of the population according to surveys (Szczerbiak 2017: 406). Additionally, as part of the third wave of reforms, the coverage of the social security system was narrowed to protect the competitiveness of companies (Maciejewska et al. 2016).

As a consequence of these market reforms, nearly half of the Polish population found themselves excluded from productive employment, and a growing proportion of new recruits were hired on precarious, limited-term contracts (Rae 2015: 180). The wage differentials in the labour market widened, deepening inequalities among workers, particularly between educated/highly skilled workers and low-educated/unskilled ones (Brzeziński 2017). Consequently and in face of the diminished organizational and institutional power of the working class, workers became susceptible to right-wing populist nationalist propaganda (Zuk 2017).

4.1.2 *Challenging the dependent market economy model*

The most important impact of the GFC on the Polish economic and political elites was an increased awareness of Poland’s dependence on global economic developments. After 1989

Poland adopted a ‘dependent market economy’ model, which relied on integration into global manufacturing value chains by offering a skilled yet relatively inexpensive labour force. This integration was facilitated by multinational corporations through FDI, leading to a dependence on decisions made by foreign corporations (Nölke/Vliegthart 2009; Drahoukoupil 2008). However, in the post-2008 period, this model has gradually given way to a growth strategy characterized by developmentalist policies that emphasize economic nationalism and increased state intervention (Appel/Orenstein 2016: 160; Bluhm/Varga 2020).

The business community in Poland, alongside state managers and the political elite, played an active role in shaping the new growth strategy aimed at challenging Poland’s dependent market economy model. Naczyk (2014: 5) asserts that the mobilization of the local business elite after the GFC in industries such as banking, finance and chemical production, was responsible for the rise of economic nationalism, which prioritizes the domestic bourgeoisie. Polish capitalists were motivated by the desire for greater management autonomy, as they realized that multinational corporations made investment decisions based on the priorities of their countries of origin during the GFC (Foy 2016). Consequently, top executives of Polish subsidiaries, particularly bankers, began lobbying political elites to secure active state support for the development of domestic companies (Naczyk 2021).

The PiS party-led government, which came into power in 2015, was convinced that foreign multinationals, controlling critical sectors like banking, retail and telecom, were undermining the domestic economy by transferring their profits and dividends to their home countries. In response the government formulated a ‘re-Polanization’ strategy to break free from this dependent development model. Mateusz Morawiecki, the then Minister of Finance and Development, argued that Poland had fallen into a ‘dependent development trap’ due to the policies followed since 1989 (Foy 2016). The Responsible Development Plan, announced by the Ministry of Investment and Development (2016), was the main policy document for the new growth strategy of the PiS, aimed at establishing an export-led growth model with a greater emphasis on improving domestic production capacity. According to the Minister of Development Morawiecki (2016), foreign capital had gained control over key sectors of the economy such as banking, and manufacturing industry as a result of the dependent market economy model. The Ministry of Investment and Development (2016: 12) highlighted that two-thirds of foreign trade, 50 per cent of industrial output and 65 per cent of the banking sector were under foreign control. The plan aimed to ‘re-industrialize’ the economy as the top priority, with an emphasis on utilizing domestic capital instead of foreign capital (Kozarzewski 2019; Toplišek 2020).

After 2015 the PiS government was able to form a new DSB that included blue-collar workers represented by the Solidarity union, subaltern classes, conservative and nationalist political elites and core capitalists. They embarked on an export-led growth strategy with a focus on prioritizing Polish companies. The alliance between Solidarity and PiS resulted in several changes benefiting blue-collar workers and subaltern classes, including the repeal of the retirement age extension, Sunday trading restrictions and limitations on precarious contracts (Burtković et al. 2023). The PiS government also implemented social assistance programs as part of their strategy (Zuk/Toporowski 2020). The Family 500+ program provides unconditional monthly assistance to families with two or more children, regardless of their income, in the form of 500 zloty (approximately 110 euros). This program can be seen as a tool of the growth strategy to incorporate subaltern classes into the PiS-led DSB (Shields 2019). As for the core capitalists, the PiS government’s ‘re-Polanization’ strategy had already been extensively implemented, with the share of domestic capital

in the banking sector exceeding foreign capital in 2017 for the first time since 1999 and reaching 54.1 per cent in 2018 (EBF 2019).

In sum, the period of market reforms during the post-1989 period has led to the decline of social democracy. The ensuing discontent with the fiscal measures that came with the market reforms made workers susceptible to right-wing politics. The PiS-led government that came into power in 2015 marks the establishment of a new DSB in Poland, aligning conservative-nationalist political elites, core capitalists, blue-collar workers and subaltern classes under a new growth strategy. This growth strategy aims at replacing the dependent market economy model with an export-led model that is based on upgrading domestic capital, reducing the vulnerability of the economy to external shocks and increasing social security via introduction of new conservative welfare state measures (Arak/Flis 2018; Kühnast 2023).

The current DSB inherited a weakly export-led regime shaped by the market reforms of the former government and the dependent market economy model. Up until the COVID-19 pandemic, the new growth strategy and its policies have not significantly altered the current growth regime in terms of growth contributions and sectoral financial balances (Figures 1 and 2). Its ultimate effect on the growth regime remains to be seen. Changes in the growth regime would require changes in growth drivers, but the ones that facilitated the weakly export-led regime after the GFC have not seen remarkable changes since 2015: the real exchange rate has remained rather stable, non-price competitiveness comparatively high and the structural government balance further decreased until the COVID-19 pandemic (Jungmann 2023). Since 2015, however, personal income inequality has fallen, exhibited through a declining Gini coefficient for disposable income (Jungmann 2023). This arguably boosted private consumption but this boost may also be endogenous to the overall increase in GDP (Figure 1).

4.2 Turkey

4.2.1 *The neoliberal coalition – the DSB of the 2000s*

During the 2000s, following the 2001 crisis, Turkey attracted capital inflows due to two external anchors, the IMF programme and the EU membership negotiations, along with the introduction of an inflation-targeting regime with high interest rates, privatization and fiscal austerity. Continuous relatively high growth rates supported by capital inflows allowed the establishment of a DSB consisting of core capitalists, Islamist political elites, organized around the JDP, and the poor. The main cement of this DSB was the maintenance of a strong national currency, the Turkish lira (TL). The core capitalists consist of large business groups, including the banking sector. They are characterized by access to international loan markets and the production of relatively high-tech goods with a substantial import content, which is why they are interested in price stability and a strong currency. At the same time the policies that led to a strong TL also benefited the lower classes. For the first time in Turkey's history, cheaper loans became available to them, while the strong TL increased their purchasing power. Moreover, the political elite was successful in containing possible reactions against the implementation of privatizations by increasing social assistance programs (Akcaay 2018).

Yet the IMF program-led economic policies contained internal contradictions. While an overvalued national currency boosted imports, cheap imports simultaneously undermined existing production structures in both manufacturing and agriculture, resulting in 'premature deindustrialization' (Rodrik 2015), a persistently high current account deficit and high unemployment rates. Thus the domestic demand-led growth regime relied heavily on the continuation of capital inflows, which led to an overvaluation of the national

currency and further exacerbated the current account deficit (Orhangazi/Yeldan 2021). Consequently, this growth regime not only increased Turkey's dependency on capital inflows, but also rendered the country more vulnerable to swings of the global financial cycle (Akcaý/Güngen 2022).

4.2.2 *The quest for a new growth strategy*

The year 2013 marked a significant turning point for Turkey's political economy (Akcaý 2021). In the post-2013 period, characterized by the contraction phase of the global financial cycle resulting from the Federal Reserve's tightening of monetary policy, slowing growth rates began to undermine the social base of the previous DSB. Turkey's domestic demand-led regime had heavily relied on capital inflows, and the stagnant economic performance threatened the sustainability of the social and financial inclusion mechanisms that had contributed to the political stability of the 2000s (Akcaý 2018). As a result a restructuring of the DSB took place between 2013 and 2018.

In the post-2013 period, the central bank found itself compelled to raise interest rates in order to attract capital inflows and sustain the previous growth regime, thereby exposing contradictions within the DSB. On the one hand, higher interest rates were a key demand of core capitalists to maintain price stability and a strong national currency. On the other hand, higher interest rates might have led to a credit crunch, dampened aggregate investment, increased unemployment and ultimately undermined political support for the JDP. As the JDP's political survival increasingly clashed with the demands of core capitalists, the JDP embarked on a search for a new growth strategy. This shift coincided with the rising influence of peripheral capitalists within the DSB (Bekmen 2014; Bozkurt 2021).

The period between 2018 and 2021 marked a transition period for implementing the new growth strategy, during which Turkey faced two significant developments: the TL currency crisis in August 2018 and the 2020 COVID-19 shock. Following the currency crisis, Turkey's central bank was compelled to raise interest rates from 17.75 per cent to 24 per cent in September 2018, resulting in a credit collapse and subsequent recession (CBRT 2023). However, the US Federal Reserve's monetary policy U-turn and its subsequent decrease in interest rates created significant policy space for Turkey's central bank. As a result, Turkey's central bank was able to reduce interest rates from 24 per cent to 12 per cent in 2019 (Altınörs/Akcaý 2022).

In response to the COVID-19 crisis, Turkish policymakers implemented various measures to address the economic slowdown. One key response was the provision of super-cheap loans, achieved by reducing interest rates, supported by active reserve management measures of the central bank (Güngen 2020; Akcaý 2023). Active reserve management by the central bank allows policymakers 'to simultaneously control interest rates and exchange rates' (Ocampo 2016: 222), at least for a short period. Active reserve management thus provided an opportunity to temporarily suspend the monetary policy dilemma faced by policymakers. In this context policymakers were able to lower interest rates to foster the economic recovery while preventing a rapid depreciation of the national currency. Yet this option was only available for a limited time. The pandemic-related super-low interest rate loans resulted in a significant increase in house prices and further dollarization of bank deposits. When eventually the central bank's reserves dropped to a crucial level, it felt compelled to dramatically increase interest rates in October 2020 (Akcaý 2023).

It becomes evident that economic policies have increasingly aligned with the interests of peripheral capitalists in the post-2018 period (Akcaý 2023). A notable indication of the

growing influence of peripheral capitalists within the DSB was the appointment of Nurettin Nebati as the Minister of Treasury and Finance of Turkey in 2021. Nebati, a prominent member of the Independent Industrialists and Businessmen Association's (MÜSİAD) Board of Directors, also holds a position in MÜSİAD's High Advisory Board (Cumhuriyet 2021). Given that MÜSİAD is the main institutional body representing peripheral capitalists, Nebati's appointment brought considerable leverage to this fraction in the policymaking processes.

In contrast, Orhan Turan, the president of Turkish Industry and Business Association (TÜSİAD), which is the main business association of core capitalists, openly criticized the government's new growth strategy. Turan (2022) argued that the policies based on competitive exchange rates, higher exports and current account surpluses do not align with the modern understanding of development. He further emphasized that the policy of gaining a competitive advantage in exports through an undervalued TL and cheap labour is an outdated strategy (Turan 2022).

Despite the criticisms of the core capitalists, the government's new export-led growth strategy benefitting peripheral capitalists through real depreciation became more pronounced during the COVID-19 crisis. Policymakers initiated a new competitive exchange rate policy that aimed at incentivizing exports via real wage suppression and thus permanently solving Turkey's current account deficit problem. As part of this strategy, Turkey's central bank decreased interest rates between September and December of 2021, triggering a significant surge in inflation in the following months (Akçay 2023). Minister Nebati recently provided further insights into the main reasons behind this policy choice:

We could have increased interest rates to lower the exchange rate. But then production would be adversely affected. We went to a crossroads. We chose to grow with inflation. Otherwise, we could have taken very drastic measures to reduce inflation. We would raise interest rates. Production would then cease ... Manufacturers and exporters profit from this system, except for the low-income households. The wheels are turning. Since we prefer to grow, the growth figures are good, and the growth also reflects positively on employment. But we are making arrangements to increase the income of our low-income citizens. So we try to protect them against inflation. (Selvi 2022, original in Turkish)

Despite internal contradictions of the new growth strategy, policymakers seem determined to implement it, as it constitutes a common ground between the political elite and peripheral capitalists, particularly exporters. The recent shift in the DSB, reflected in the government's new policy orientation towards an export-led model, has reinforced Turkey's mode of integration to the global economy, that is, exporting mainly low-tech and medium-tech manufacturing goods, primarily benefitting peripheral capitalists over core capitalists (Kılıçaslan et al. 2021). It is important, however, to note that this attempt to establish a new growth strategy does not constitute a comprehensive development plan or a new industrial policy, in contrast to the Polish case, but is more politically motivated. Its design aims to keep the unemployment rate at around 10 per cent ahead of the May 2023 presidential and parliamentary elections. Thus, the future of Turkey's pursuit of this new growth strategy will be determined by the outcomes of the May 2023 elections.

5 CONCLUSIONS

In this paper, we have made the case to employ the concept of a growth strategy, as the economic policy project of a DSB, to provide a bridge between the political economy and actor-oriented sphere, on the one hand, and the aggregated, macroeconomic growth

regime sphere on the other. On an empirical level, we employed this framework to the cases of Poland and Turkey. We find a domestic demand-led regime in Poland between 1999 and 2008, which transitioned to a weakly export-led regime between 2009 and 2020. In Turkey we find a domestic demand-led regime before the GFC that became a debt-led private demand regime until the Taper Tantrum in 2013. Since then a development towards a more export-led regime has been observed.

Under the impression of external shocks, like the GFC of 2007–2009 and the 2013 Taper Tantrum, new DSBs formed in both countries during the 2010s. In Poland, the period of market reforms during the post-1989 period led to the decline of social democracy. The ensuing discontent with the fiscal measures that came with the market reforms made workers susceptible to right-wing politics. The PiS-led government, which came into power in 2015, marked the establishment of a new DSB in Poland, aligning conservative-nationalist political elites, core capitalists, blue collar workers and subaltern classes under a new growth strategy. This growth strategy aims at replacing the dependent market economy model with an export-led model that is based on upgrading domestic capital, reducing the vulnerability of the economy to external shocks, and increasing social security via introduction of new conservative welfare state measures. This new DSB inherited a weakly export-led regime shaped by the market reforms of the former government and the dependent market economy model. Up until the COVID-19 pandemic, the new growth strategy and its policies have not significantly altered the current growth regime in terms of growth contributions and sectoral financial balances. Its ultimate effect on the growth regime remains to be seen.

For Turkey, the year 2013 marked a turning point. Until then the DSB consisted of the JDP, core capitalists and the poor. This bloc was united by high growth facilitated by capital inflows, price stability and a strong TL. However, in the face of worsened international financial conditions, maintaining price stability and a strong TL without compromising growth and employment became increasingly challenging after 2013. Consequently, to maintain its political support among the lower classes, the JDP made the decision to prioritize their political objectives over the pursuit of price stability and a strong currency. This shift in priorities led to the adoption of a new export-led growth strategy characterized by low interest rates and real depreciations, aimed at increasing price competitiveness. While this strategy materialized in a weakly export-led regime, helping to sustain the support of the lower classes, it also resulted in the alienation of core capitalists. Within the DSB, core capitalists' privileged position dwindled while that of peripheral capitalists strengthened. In contrast to the Polish case, this new growth strategy was more driven by political than economic motives, but similarly, its long-term trajectory and impact on the growth regime remain to be seen.

The comparison revealed that changes in the DSBs and growth strategy may have different motivations and that compositions of the DSB vary accordingly to the pursued strategy although the growth regimes are at first glance alike. Going forward, future analysis is necessary to shed more light on the ultimate success of the growth strategies discussed. Overall the cases presented emphasize the need to differentiate common growth regime categories. On the one hand, seemingly similar growth regimes can differ significantly in terms of their economic implications, such as long-term growth, sustainability and cyclicity (Jungmann 2023; Kohler/Stockhammer 2022; Stockhammer 2022b), but as the Polish and Turkish case indicate, also in terms of their DSB and growth strategy. In addition to refining regime distinctions based on growth drivers, there may also be a need for more fundamental changes to the different role of demand components in standard regime taxonomies. As highlighted by Mertens et al. (2022) and evident in the analysis of Poland and Turkey (Figures 1 and 4), investment may play a more crucial role for

ECEs as commonly reflected in PKM growth regime frameworks. The current subordinate role assigned to investment in these taxonomies can be attributed to their derivation from PKM analyses of financialization, which has emphasized the negative impact of the dominance of finance on investment (Hein 2023). Therefore, it is necessary for growth regime analysis categories to keep pace with the dynamic nature of the growth regimes themselves.

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