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## Article

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# Frontiers in Growth Regimes Research II: Country Cases

Editorial to the special issue

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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 II: Country Cases’ 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 previous issue on ‘Frontiers in Growth Regimes Research I: Theoretical Perspectives and Conceptual Issues’, were presented and discussed in a two-day online workshop at the Institute for International Political Economy (IPE),<sup>1</sup> Berlin School of Economics and Law, in October 2022. The submitted versions or 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 Juan Manuel Campana, João Emboava Vaz, Eckhard Hein and Benjamin Jungmann on ‘Demand and growth regimes of the BRICs countries – the national income and financial accounting decomposition approach and an autonomous demand-led growth perspective’. The paper presents an analysis of changes in

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

demand-led growth regimes in the BRICs countries, Brazil, Russia, India, and China, after the global financial crisis (GFC) and the Great Recession of 2007–2009. It does so by discussing and applying two approaches: a first one based on national income and financial accounting decomposition, and a second one based on the Sraffian Supermultiplier (SSM) growth model, distinguishing the dynamics of autonomous expenditure growth from those of the induced components of aggregate demand. The authors argue that the SSM approach provides the bridge between the traditional approach based on national income and financial accounting decomposition and the analysis of growth drivers, both in PKM as well as in CPE and IPE. Campana et al. illustrate this by pointing out some changes in the underlying political economy and economic policy growth drivers in each of the countries.

In ‘A supermultiplier demand-led growth accounting analysis applied to the Spanish economy (1998–2019)’, Héctor Labat-Moles and Ricardo Summa analyse the demand-led determinants of Spanish economic growth from 1998–2019. Similar to Campana et al., the authors apply the supermultiplier demand-led growth accounting methodology, however, with two modifications: first, they incorporate consumption out of public transfers, and second, they incorporate consumption out of public wages as a source of autonomous demand. The demand-led growth decomposition by Labat-Moles and Summa on Spanish growth from 1998–2019 highlights (i) public demand and exports as important growth drivers, and a decreasing supermultiplier that reduces growth rates. Furthermore, (ii) it is pointed out that the indirect effect of a real estate boom in the economic expansion of 1998–2008 caused increasing public revenues opening space to the expansion of public demand. And finally, (iii) the incapacity of exports to lead the recovery alone is highlighted, as the latter started only with the resumption of public and private demand.

Theodore Klassen, in ‘From export boom to private debt bubble: a macroeconomic policy regime assessment of Canada’s shifting growth regime in the neoliberal era’, then examines the emergence of private debt-led growth in Canada since the GFC by means of a growth regimes and macroeconomic policy regime assessment. Examining each of the four business cycles in the 1983–2020 period, roughly encompassing the entirety of the neoliberal period, demonstrates the emergence of a ‘rising’ weakly export-led growth regime in the early 1990s, a shift to a ‘falling’ weakly export-led regime by 2001, and a turn to a debt-led private demand regime since the GFC. Klassen’s assessment of the macroeconomic policy regime then identifies the structural changes and policy factors which have contributed to Canada’s shifting growth regime. The author argues that while price competitiveness played an important role in the first three cycles, it failed to re-establish an export-led regime in the post-GFC period in the face of decreased non-price competitiveness. Instead, the post-GFC combination of low real interest rates which encouraged the accumulation of private debt and fiscal policy which *ex post* did not address the negative financial balances of the household sector supported the turn to private debt-led growth.

‘Macroeconomic policy regimes and demand and growth regimes in emerging markets: the case of Argentina’ is the title of the paper by Juan Martín Ianni in which he provides a PKM analysis of the demand and growth, as well as, macroeconomic policy regime of Argentina between 2002 and 2019. The article thus contributes to closing the gap regarding the application of these approaches to emerging market economies. By providing a novel periodization of the Argentine macroeconomic development, Ianni’s results show a more precise characterization of the latter, thus allowing a better understanding of economic policy and its effects on aggregate demand and growth. In particular, it is possible to observe the transition of the macroeconomics policy regimes and demand and growth regimes between 2002 and 2015, as well as an abrupt change after 2016.

The article entitled ‘In search of a growth model for Italy: the failed attempt of an export-led recovery strategy?’ features an analysis of Italy’s growth pattern between 2001 and 2019 by Alessandro Bramucci. Applying the demand and growth regimes categories used in PKM and CPE literature, Bramucci argues that after the global financial and economic crisis, Italy

followed an export-led recovery strategy. In this respect, Germany's growth model emerged as the successful model to follow. In the dominant view, Germany's economic success since the mid-2000s was attributed to a series of painful but necessary economic reforms. The success of Germany's export-led mercantilist regime became particularly attractive to Italy given the similar export-oriented manufacturing industry. However, Bramucci argues, Italy has followed the 'wrong' German model based on wage compression and restrictive budget policies while the 'true' German model has been based on non-price competitiveness factors.

With her article 'Growth regimes of populist governments: a comparative study on Hungary and Poland', Julia Kühnast contributes to the debate on growth models and the political economy of populism. Kühnast investigates the relationship between the changes in demand and growth regimes, the politics of the right-wing populist governments in Poland and Hungary after the GFC, and the respective macroeconomic policy regimes. In both countries, the GFC was a turning point, leading to the emergence of new economic and political ideas. These processes, Kühnast argues, resulted in changes in the growth regimes and increased the importance of the export sector.

In 'Growth models, growth strategies, and power blocs in Turkey and Egypt in the twenty-first century', Ali Rıza Güngen and Ümit Akçay examine the ability of authoritarian states in the Global South to establish new growth models. The authors start from the observation that authoritarian states, such as Turkey and Egypt, benefited from global financial circumstances in the early 2000s and experienced shifts in growth strategies in the 2010s, suppressing political space further. To explain the changes in growth strategies and models amid the strength of reinforced authoritarianisms in these two countries, the authors employ a hybrid research strategy, tying growth model changes to conflicts within the power blocs. Güngen and Akçay argue that in the mid-to-late 2010s, peripheral goods producers gained the upper hand in Turkey, while a military takeover in Egypt was followed by the promotion of exports and new investments. They also contend that power bloc reconfigurations in the last decade and the rise of new growth strategies both in Turkey and in Egypt aimed to change previous domestic demand-led growth models.

Finally, in 'The territorial logic of an export-led growth strategy: Israel's regime change after the Second Intifada', Arie Krampf picks up on the observation that neo-mercantilism has become ubiquitous among small and large states. While the conventional explanation for the appeal of an export-led growth regime has focused on the material interests of domestic growth coalitions, Krampf offers an alternative explanation for transition to export-led growth strategies, based on the geopolitical and territorial interests of states. The article posits that states may embrace a mercantilist export-led growth model because it aligns with their geopolitical objectives. Krampf then demonstrates the geopolitical hypothesis based on the transition of Israel from a consumption-led to an export-led growth strategy after the end of the peace process and the outbreak of the Second Intifada in 2000.

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