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Growth Models in Emerging Capitalist Economies

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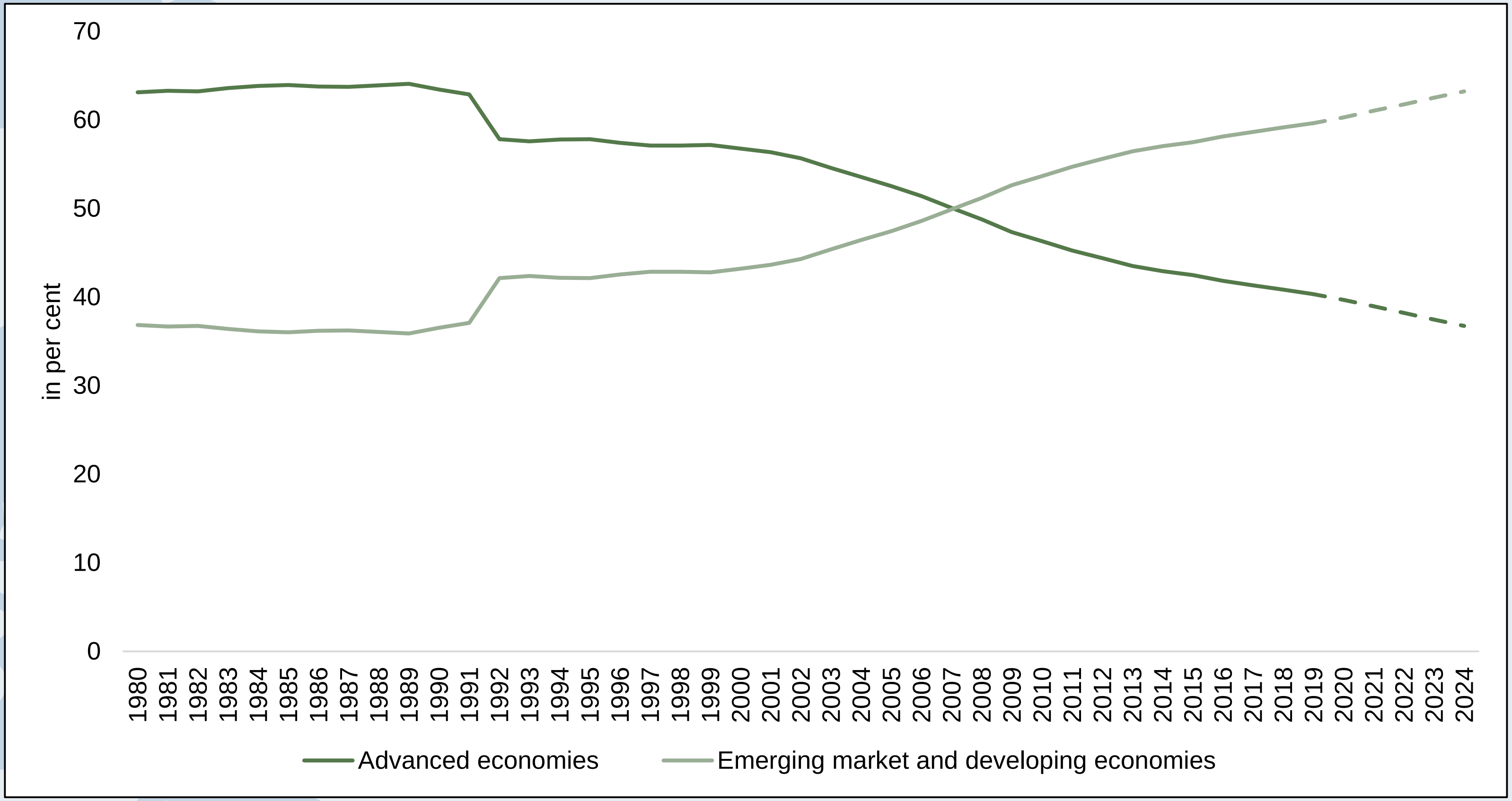
Overview

1. Research Motivation: Extending the Growth Model Perspective

GDP based on purchasing power parity, share of world GDP in per cent, 1980-2024



Source: IMF Data Mapper, accessed 25 March 2020, estimates from 2020 onwards

2. Growth Model Research in CPE/PKE: The State of the Art

Growth Models in advanced economies:

- CPE meets PKE: institutions, macroeconomics, and politics (Baccaro and Pontusson 2016, 2018, Stockhammer et al. 2016, Hein et al. 2020, Stockhammer 2020, Hassel and Pallier 2021, Kohler and Stockhammer 2021).
- Growth Model perspective in CPE: debt-based (UK) vs. export-based (DEU) growth

Growth Models in ECEs:

- FDI-based growth in East Central Europe and Ireland (Bohle and Regan 2021)
- Social bloc analysis in conjunction with (negative) institutional complementarities (Wood and Schnyder 2020, Schedelik et al. 2020)
- Export-based growth in ECEs („East Asian Tigers“, China)? (World Bank 1993, 2013)

3. Growth Models in ECEs: Conceptual Considerations

Dependent Variables:

- **Growth models in ECEs: limited welfare states, higher degree of heterogeneity between and within ECEs**

Independent Variables:

- **Developments of global capitalism: GFC as watershed**
- **International interdependencies: Foreign direct investmens, commodity super-cycles, subordinated financialization**
- **Supply-side: Comparative advantage, institutional complementarities**
- **Social bloc analysis: Ideology, non-democratic settings, transnational dimension**

4. Growth Models in ECEs: Investment-based Growth Model

Relative Contributions to GDP Growth in Emerging Capitalist Economies, Germany and the UK, 2001-2016

			Relative Contributions to GDP Growth							
	GDP Annual Growth		Private Consumption		Government Consumption		Investment		Net Exports	
	2001-2008	2009-2016	2001-2008	2009-2016	2001-2008	2009-2016	2001-2008	2009-2016	2001-2008	2009-2016
China	10.70	8.26	0.28	0.43	0.10	0.15	0.48	0.47	0.10	-0.04
India	7.08	7.49	0.60	0.57	0.08	0.09	0.48	0.30	-0.10	0.04
Russia	6.58	0.64	0.83	0.62	0.05	0.09	0.34	0.30	-0.25	0.28
Indonesia	5.19	5.47	0.50	0.53	0.13	0.34	0.36	0.34	0.67	0.07
Brazil	3.71	1.24	0.47	1.02	0.19	0.13	0.11	0.14	0.26	-0.20
Mexico	1.90	2.19	0.75	0.62	0.08	0.07	0.55	0.19	-0.24	0.03
Turkey	4.71	5.33	0.55	0.57	0.15	0.09	0.43	0.48	-0.12	-0.10
Korea	4.91	3.23	0.39	0.33	0.16	0.32	0.21	0.28	0.58	0.26
South Africa	4.17	1.62	0.68	0.79	0.23	0.19	0.41	0.07	-0.30	0.17
Germany	1.31	1.18	0.19	0.52	0.11	0.26	0.17	0.13	0.72	0.34
United Kingdom	2.38	1.22	0.71	0.62	0.01	0.08	0.58	0.27	-0.48	-0.10

Source: OECD National Accounts at a Glance, reference year 2015, GDP expenditure approach, extracted 26 February 2020; for China see National Bureau of Statistics of China, Statistical Yearbook 2019; own calculations
Note: Excluded due to data irregularities Mexico 2001/2002, Germany 2002, Brazil 2009

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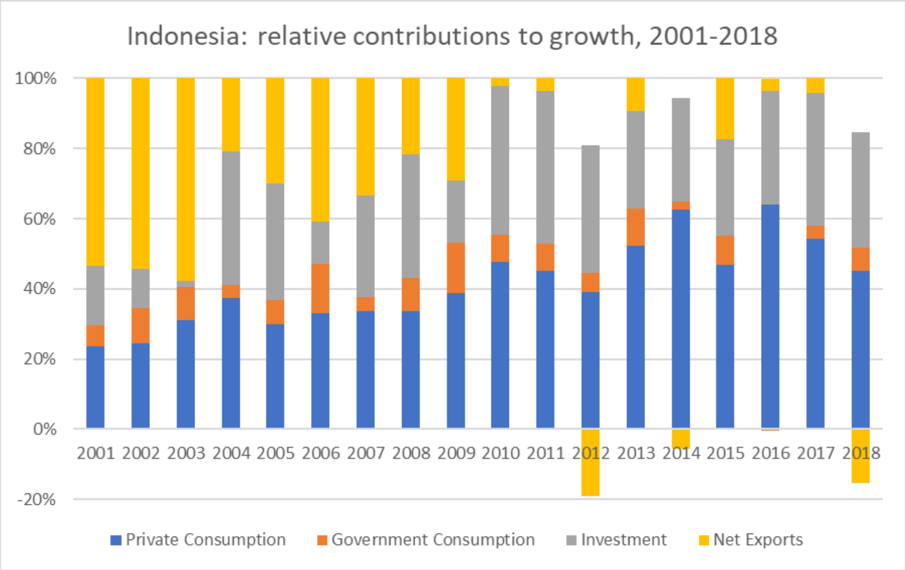
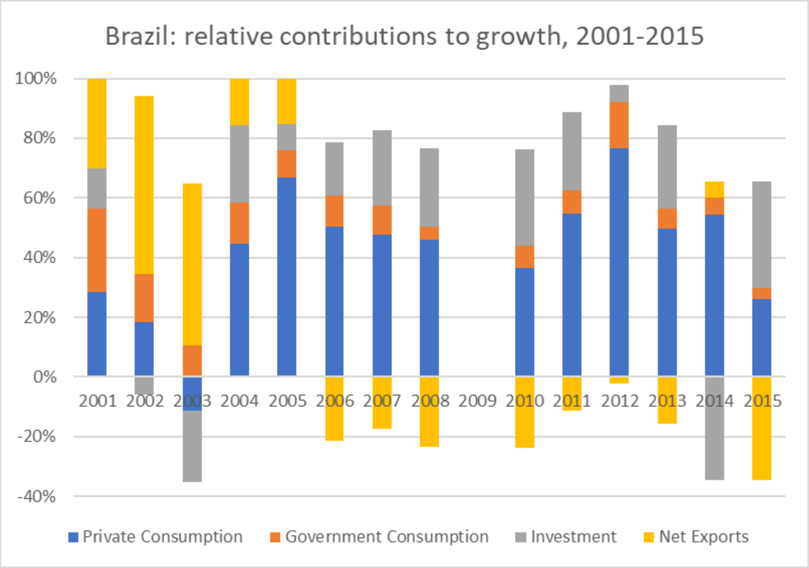
4. Growth Models in ECEs: Investment-based Growth Model

Relative Contributions to Growth by Demand Factor, same y-axis values

5. Case Study #1: International Interdepencies: Brazil and Indonesia after the End of the Resource Boom

Relative Contributions to Growth by Demand Factors: Brazil and Indonesia over time



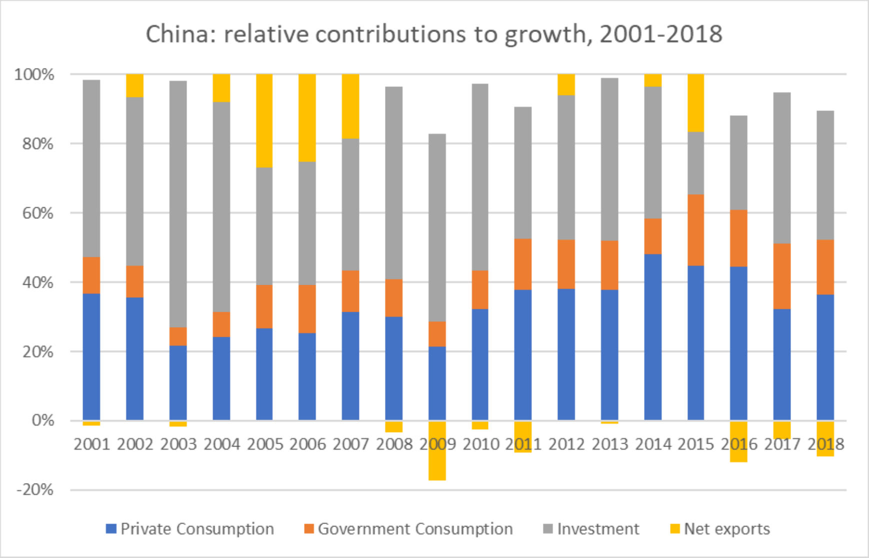


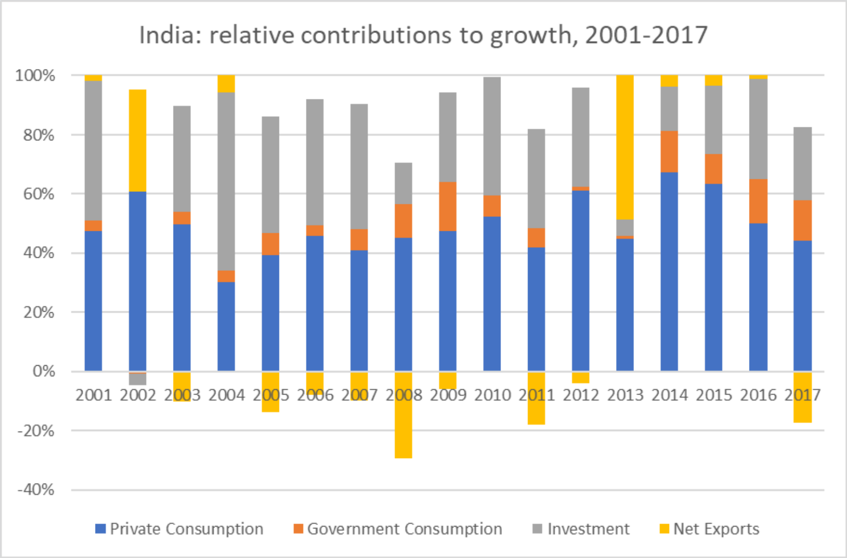
5. Case Study #1: International Interdepencies in Brazil and Indonesia

- **Important international interdepencies for emerging markets: commodity cycles, financial flows**
- **How does end of China cycle after 2011 influence growth in commodity exporters?**
- **Export contribution to growth negatively affected both in Brazil and Indonesia**
- **However, Indonesia more stable and balanced growth**
- **Reasons: Openness in Brazil, both for financial flows and for imports, result: deindustrialization**

6. Case Study #2: Social Blocs in China and India: Not Always Coupled with Growth Model

Relative Contributions to Growth by Demand Factors: China and India over time





. Case Study #2: Social Blocs in China and India

- CPE assumption: stable growth model = stable social bloc
- China: growth model turns from export to balanced after 2008, but same social bloc
- India: growth model stable/balanced, in spite of major change from Congress to BJP
- Need to modify CPE assumption for emerging economies

7. Case Study #3: (Negative) Institutional Complementarities in South Africa

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- **Do not neglect supply-side completely: comparative institutional advantages**
- **Successful industrialisation requires institutional complementarities**
- **State-permeated capitalism: medium-tech goods for domestic consumption, based on moderate wages and adapting imported technology**
- **South Africa: capital-intensive mining, energy – not suited for medium tech manufacturing**

8. Case Study #4: Regional Growth Models in China

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- Very large and heterogeneous emerging capialism: not one growth model, different models in different regions
- (in collaboration with ten Brink and de Podesta Gomes (Jacobs University))
- Different success of regions:
- Export phase before GFC: boom in labour-intensive IT export region Suzhou
- Balanced phase after GFC: boom in diversified production for domestic demand in Nanjing region

9. Conclusions

<u>Main findings:</u>

- **Investment-based growth in ECEs**
- **Export-based growth in large ECEs is the exception rather than the rule**
- **International interdependencies more important and unstable**
- **Decoupling of social blocs and growth models**
- **Institutional complementarities crucial for industrialisation**
- **Different regional growth models within very large ECEs**