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The Politics of Growth Beyond the State

Rethinking State-Business Relations in Peripheral Economies

Growth regime workshop, HWR Berlin, 18-19 May 2026

Background: The state of Development Economics

- ▶ Development Economics currently dominated by two grand paradigms:
 - ▶ Neo-institutional Economics (NIE, Acemoglu & Robinson)
 - Inclusive versus extractive institutions
 - Economic: property rights, free markets
 - Political: rule of law, pluralist & liberal democracy
 - Role models: UK, Glorious revolution; US settler economy

Problem: Overgeneralization, one-size-fits-all, „best practice policies“, „good governance“, Decontextualized.

- ▶ Developmental State (DS; Amsden, Johnson)
 - Strong bureaucracy, long-term planning, industrial policy
 - Public-private cooperation, „embedded autonomy“, „steering the market“
 - Role models: Japan, MITI, Keiretsu; South Korea, MIT/Planning board, Chaebol

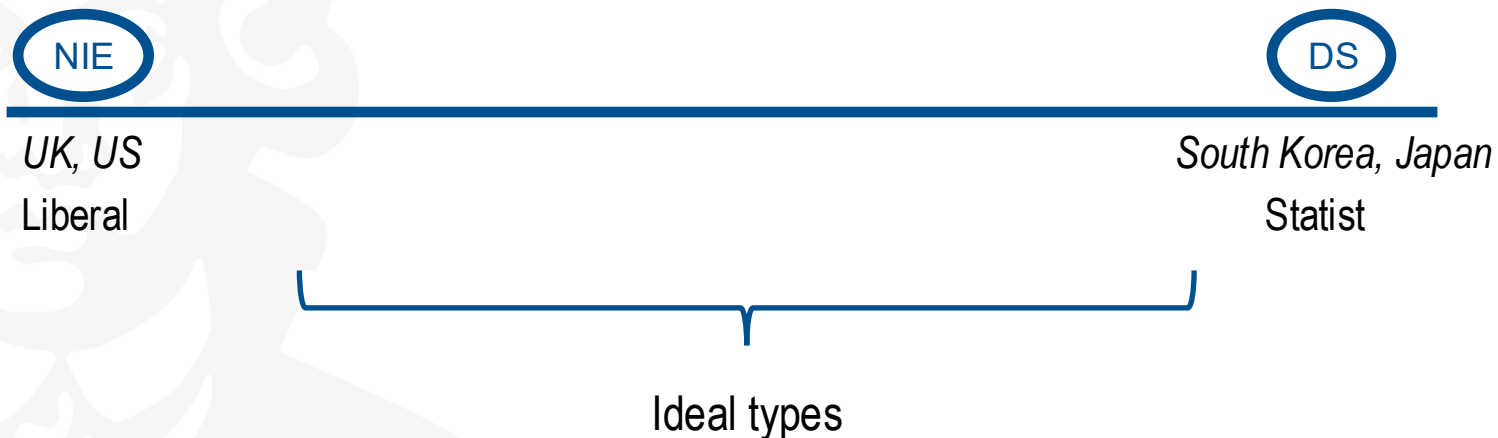
Problem: Abstraction from historical context, elusive quest for high degree of state capacity

Development Economics at a deadlock

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- ▶ Developmental State (DS; Amsden, Johnson)

Problem: Ideal types of effective liberal market institutions or state bureaucracies; modelled after a few historical success cases

> explanatory power for „the rest“ is rather limited.

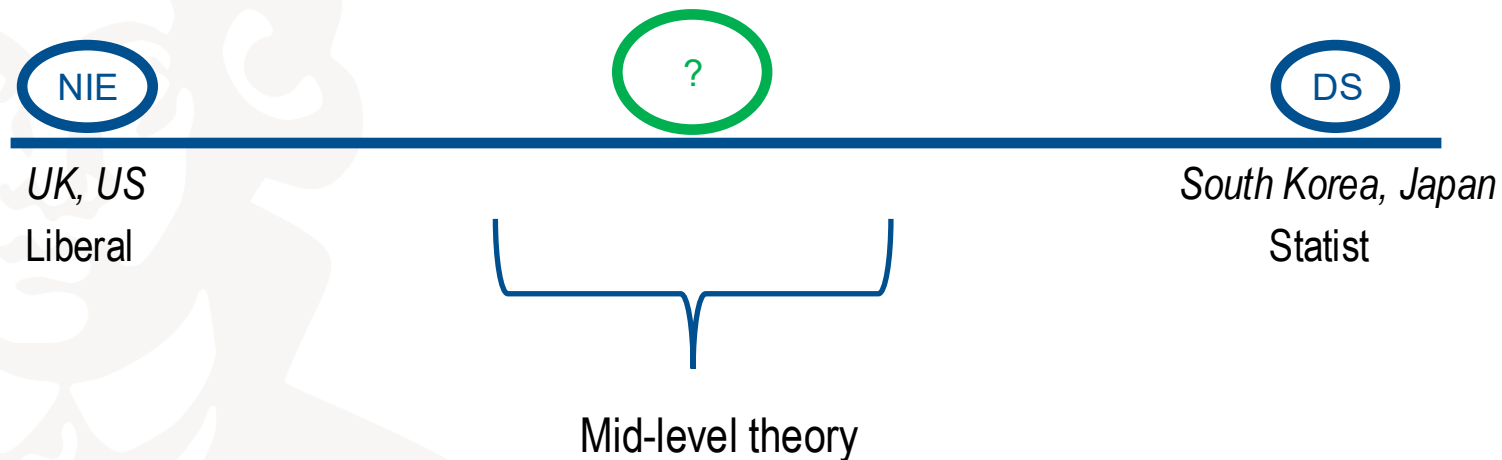


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Political settlements analysis: Moving beyond one-size-fits-all

- Elite bargains and power distribution
- Social foundation of political power
- The more co-opted/integrated groups = the more the ruling elite is responsive to broader segments of society & deliver inclusive growth.

Figure 3 The political settlement with a broad social foundation

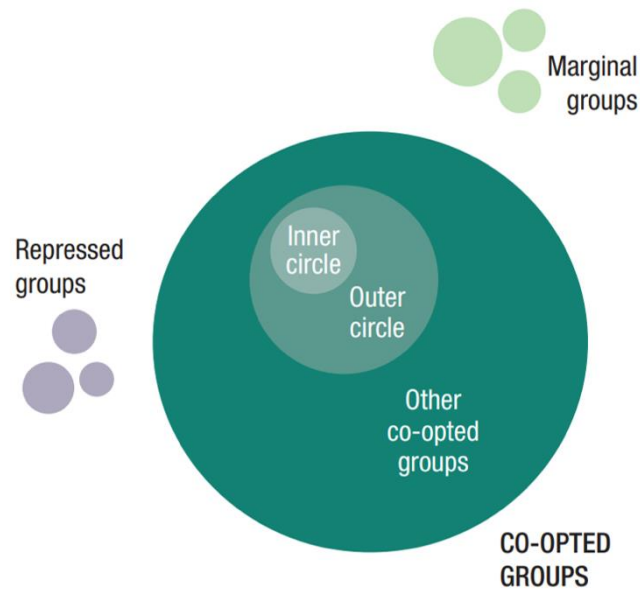
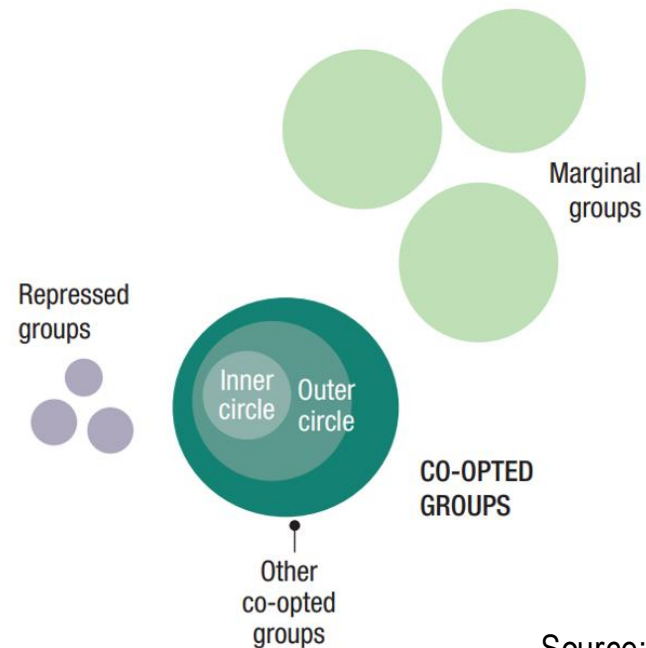


Figure 4 The political settlement with a narrow social foundation



Source: Kelsall 2018

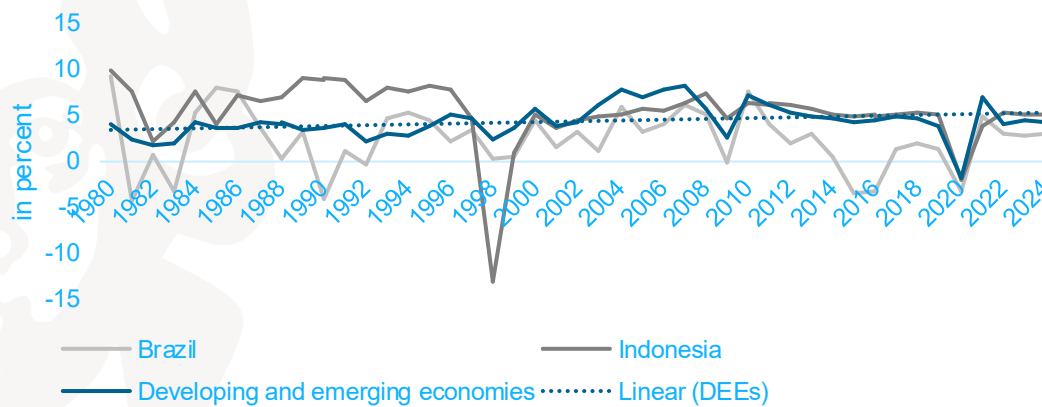
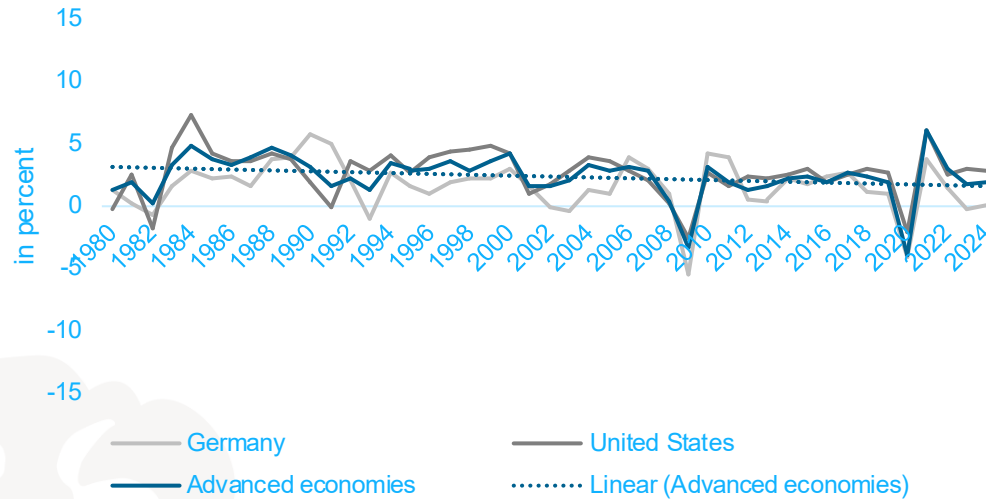
Varieties of state-business relations: A comparative political economy approach

- **Institutions** matter, but beyond rule of law, property rights and free elections (vs. NIE)
- The **state** matters, but beyond impartial bureaucracies and state capacity (vs. DS)
- Politics and **social power** matter, but beyond elite bargains (vs. PolSet)

Adding a *CPE lens*:

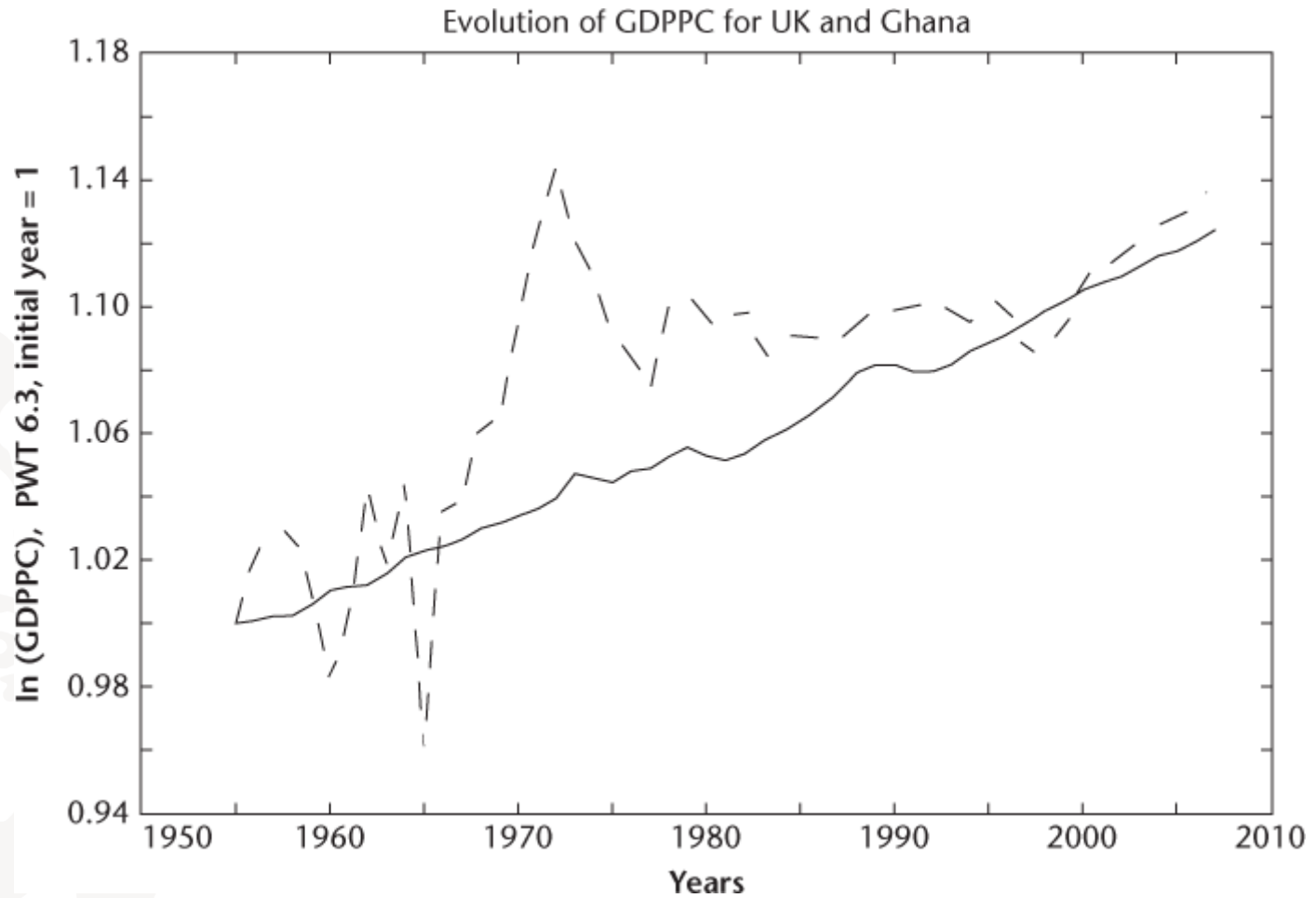
- Quasi-corporatist institutions or patron-client networks serve as interest representation & conflict mediation between social groups
- Promote common over sectional interests and help foster bi-partisan coalitions
- Solve collective action and coordination problems of key state and private actors
- Long-term investments over short-termism
- Key in times of crisis & volatile growth episodes = Type of growth model/regime matters!

Growth volatility in peripheral economies



Source: Schedelik et al. 2026

... in historical perspective



Source: Pritchett et al. 2017

Types of peripheral growth models and their sources of vulnerability

Growth model	Commodity-led growth	Debt-led growth	FDI-led growth
Growth driver	Commodity prices	Portfolio inflows	FDI inflows
Vulnerability	Dutch disease, deindustrialization	Sudden stops, financial and currency crises	MNC relocating, middle- income trap

Source: Own elaboration.

- Type of growth model and its vulnerabilities matter
- Key actors, interests and power politics vary
- Interest intermediation, representation and compensation are key to stabilize highly volatile growth trajectories

Conclusions

- Political and economic volatility are key challenges for growth in peripheral economies.
- Focus should shift from long-term growth to stabilizing highly volatile growth trajectories in the short term. Economic and social costs of bust episodes are too high and often eliminate gains from boom period.
- Institutions of interest representation and mediation are key to stabilize growth.
- BUT: more context sensitive approach is crucial than the one common in neo-institutional economics (patron-client networks, quasi-corporatism).
- Power distribution within the state and between the state and key social groups is crucial, BUT not necessarily efficient state bureaucracy with high degree of state capacity.
- Type of growth matters, as key actors, interests and power politics vary.