

# Dependency revisited: Capital flows, commodities, and growth models in emerging economies

Michael Schedelik, Andreas Nölke, Christian May,  
Alexandre de Podestá Gomes

Goethe University Frankfurt, Jacobs University Bremen  
Contact: [schedelik@em.uni-frankfurt.de](mailto:schedelik@em.uni-frankfurt.de)

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# Outline

- **Research gap**
- **Dependency and growth: literature review**
- **Commodity-led growth: Stylized features**
- **The Commodity-finance nexus**
- **Conclusion**

## Research gap

- Growth Model perspective as emerging paradigm in CPE (Baccaro/Pontusson 2016; Hassel/Palier 2021; Blyth et al. 2022)
- Main conceptual contributions: Macroeconomics, politics (social bloc), international interdependencies > vs. institutions/supply side (VoC)
- Application to emerging economies (Schedelik et al. 2021; Akcay et al. 2022; Mertens et al. 2022)
- So far: Focus on dependent financialization/debt-led growth (Bonizzi et al. 2022; Lapavistas/Soydan 2022; Akcay/Güngen 2022)
- Little attention paid to commodity prices/markets (e.g. Passos/Morlin 2022; Sierra 2022 for Latin America) > dialogue with development economics (Prebisch 1959; Deaton 1999; Erten/Ocampo 2013)

# Growth models in emerging economies

Type	Consumption-led		Export-led		Investment-led	
Subtype	Wage-based	Debt-based	Commodities-based	Manufacturing-based	FDI-based	Domestically-based
	e.g. Brazil 2009-2016	e.g. South Africa 2001-2016	e.g. Brazil & Indonesia 2001-2008	e.g. Korea 2001-2016	e.g. Mexico 2001-2016	e.g. China 2001- 2016

Source: Mertens et al. (2022): [Moving the Center: Adapting the Toolbox of Growth Model Research to Emerging Capitalist Economies \(Working Paper No. 188\)](#), Berlin: Institute for International Political Economy.

# Growth models in emerging economies

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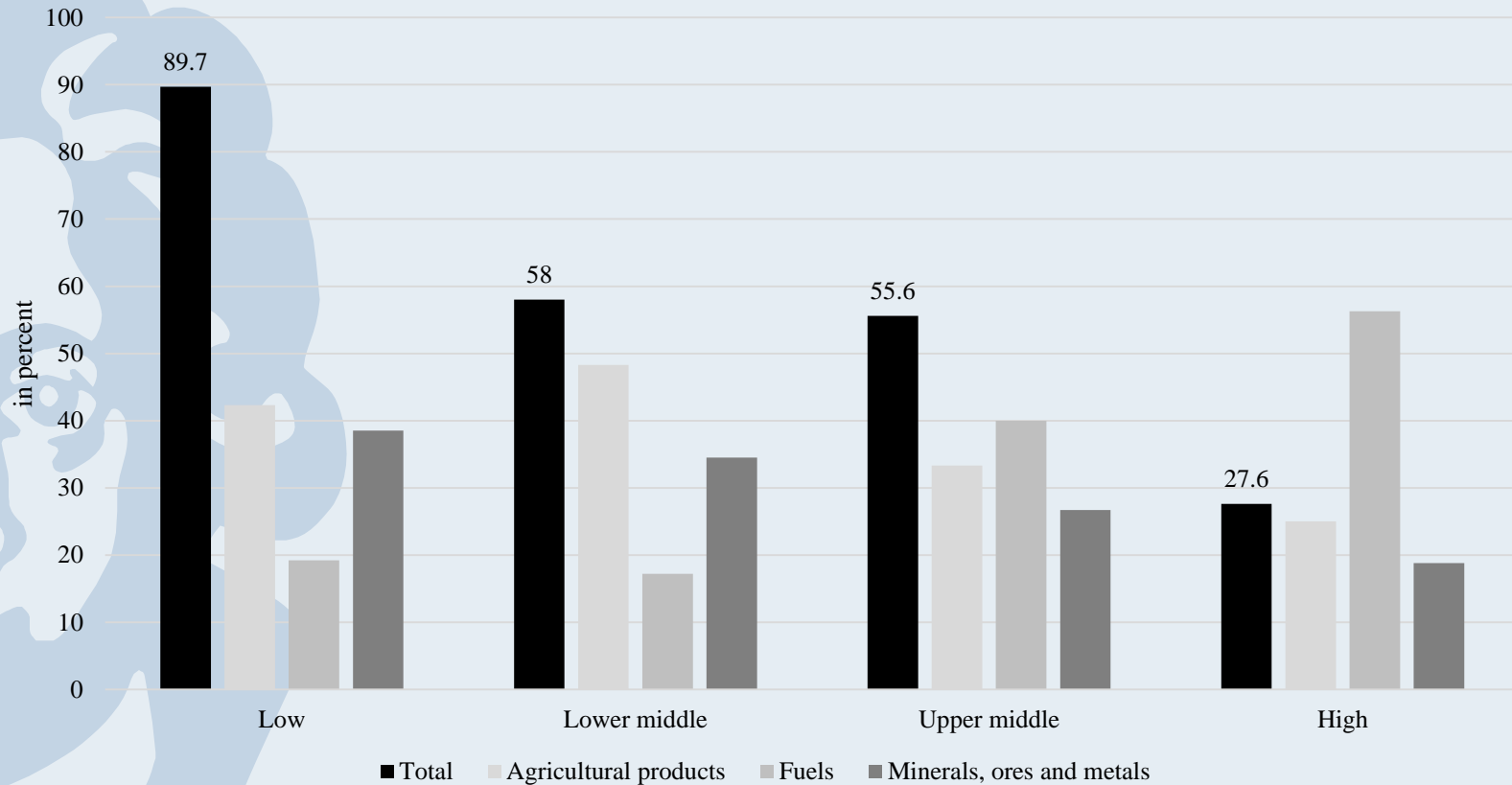
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# Dependency and growth in emerging economies

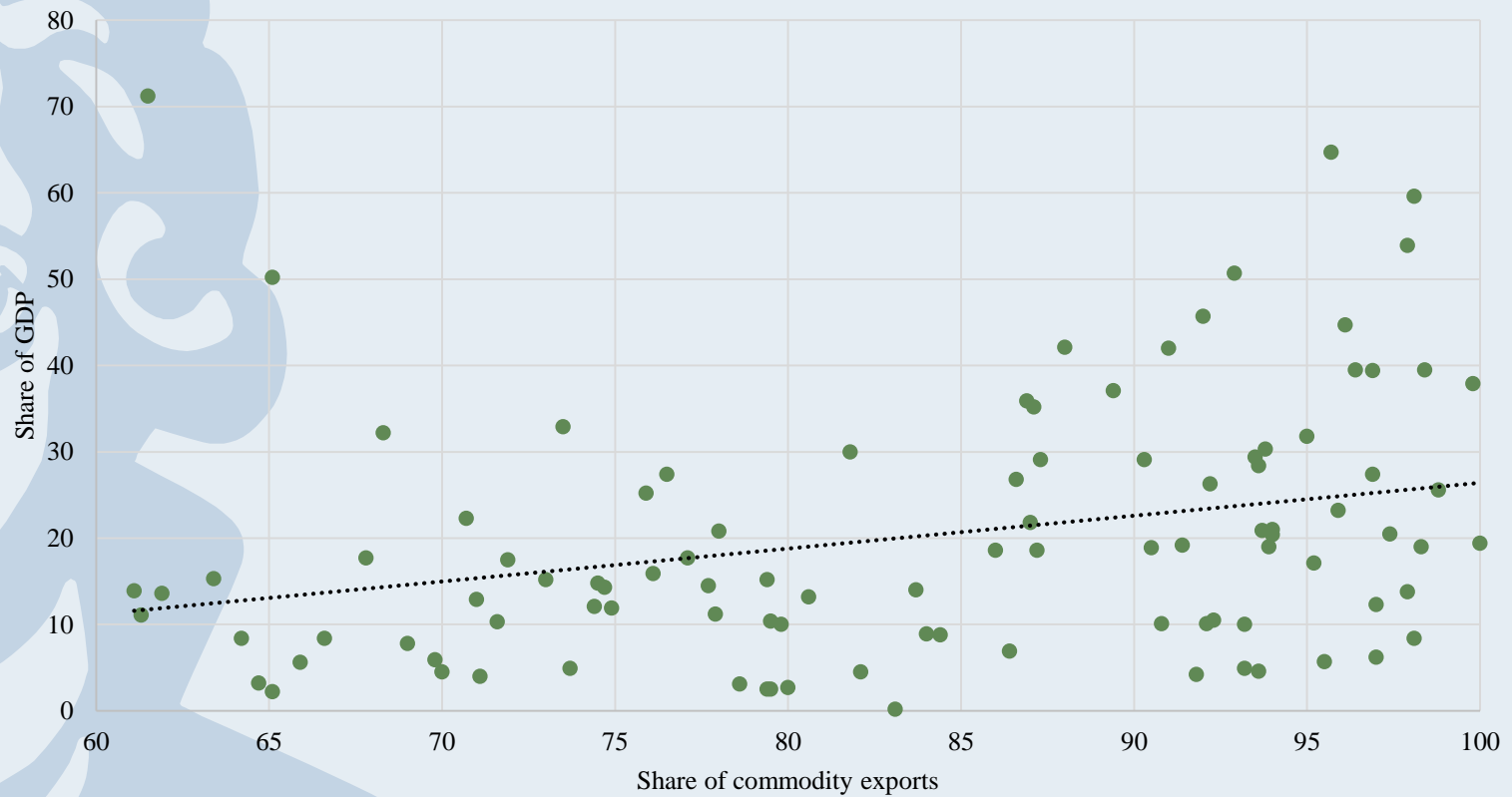
- **Prebisch-Singer thesis:** Declining terms of trade of commodities vis-à-vis manufactured goods
  - Demand mechanism: Lower income elasticities of demand for commodities than those for manufactures
  - Supply mechanism: abundance of low-skilled labor inhibits that technological progress translate into rising real wages
- Empirical research on long-run real prices, **commodity super cycles** (Erten/Ocampo 2013)
- **Dutch Disease:** Real appreciation of the currency due to capital inflows and commodity revenues
  - Spending effect: Increased domestic income & spending > higher prices & output in nontradables sectors
  - Resource movement effect: capital & labor move into commodity sectors

# Commodity dependency by income levels



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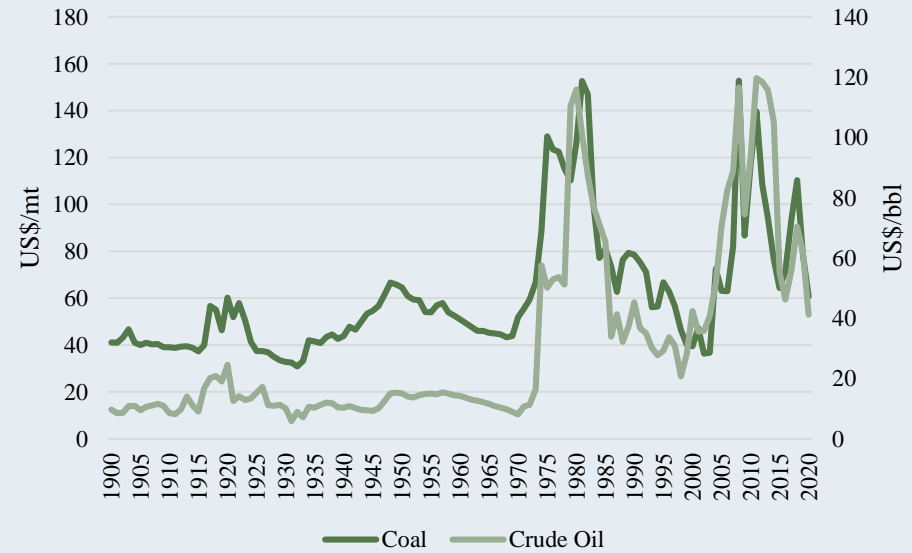
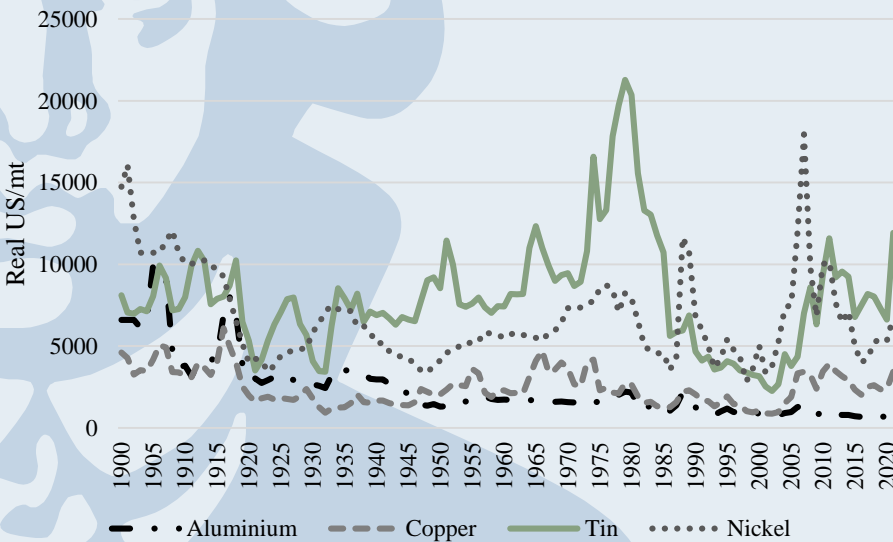
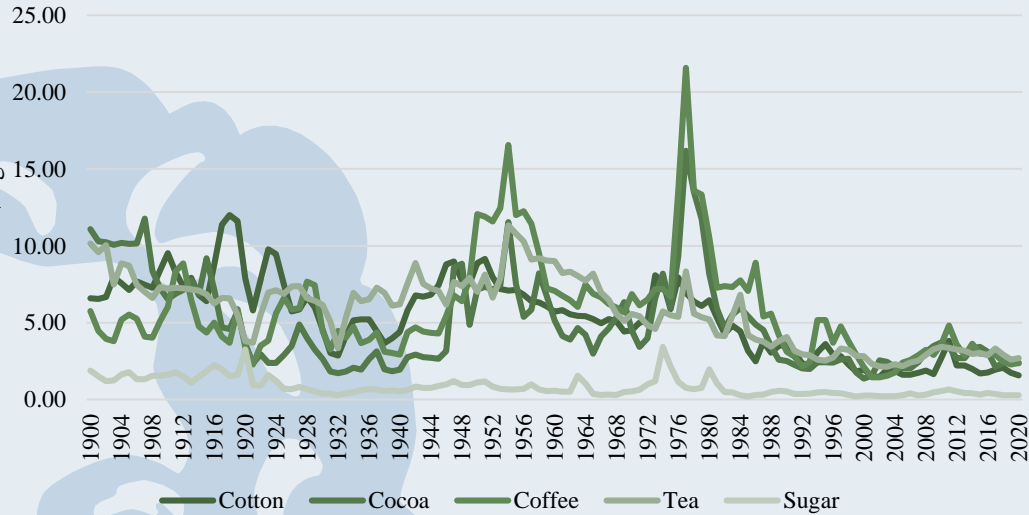
# Commodity-led growth: Stylized features



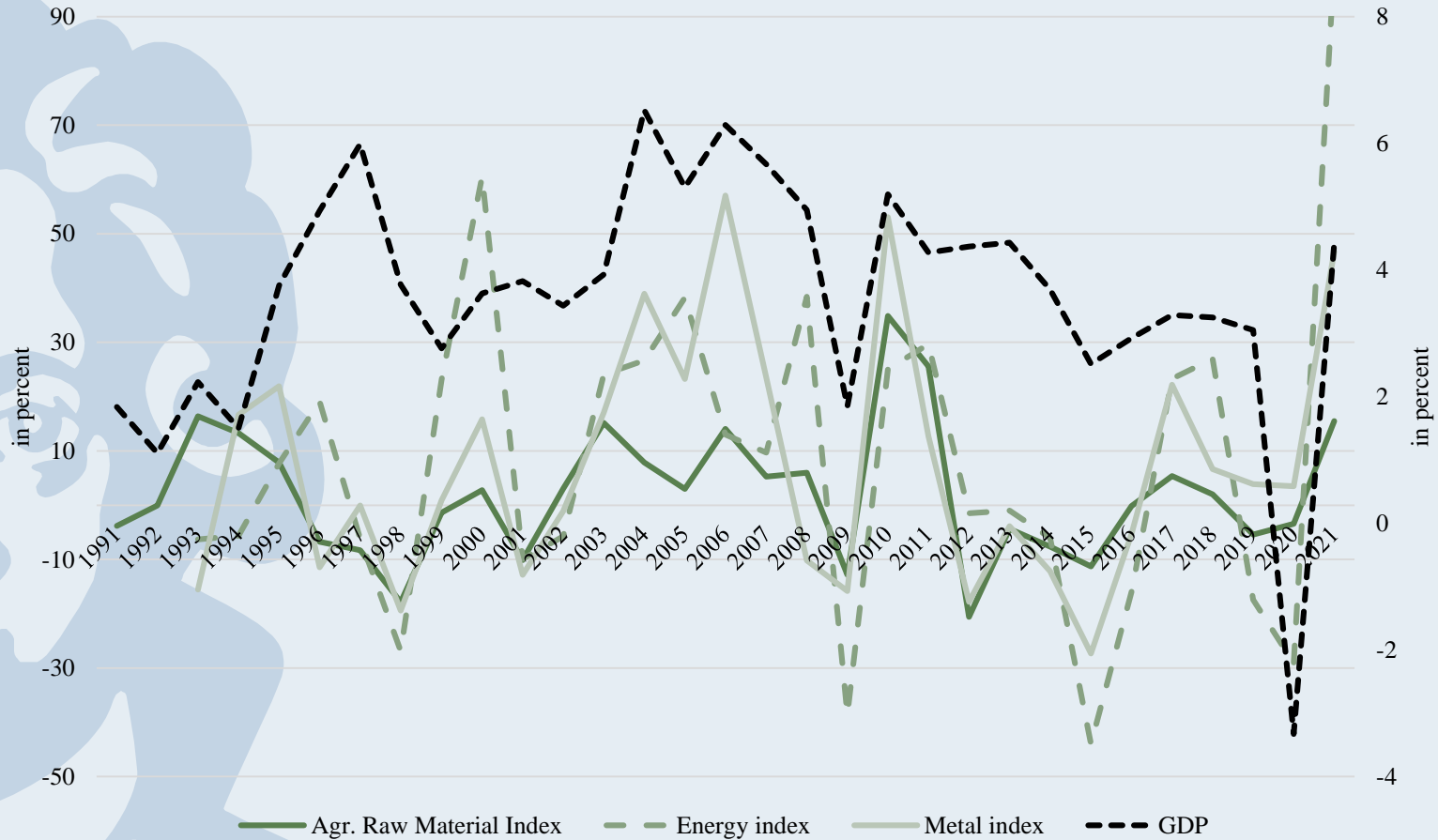


# Long-run real prices of selected commodities

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# Commodity prices and growth



# Direct and indirect effects on growth

- **Direct effects on growth**

- Rising and declining export earnings

- **Indirect effects on growth**

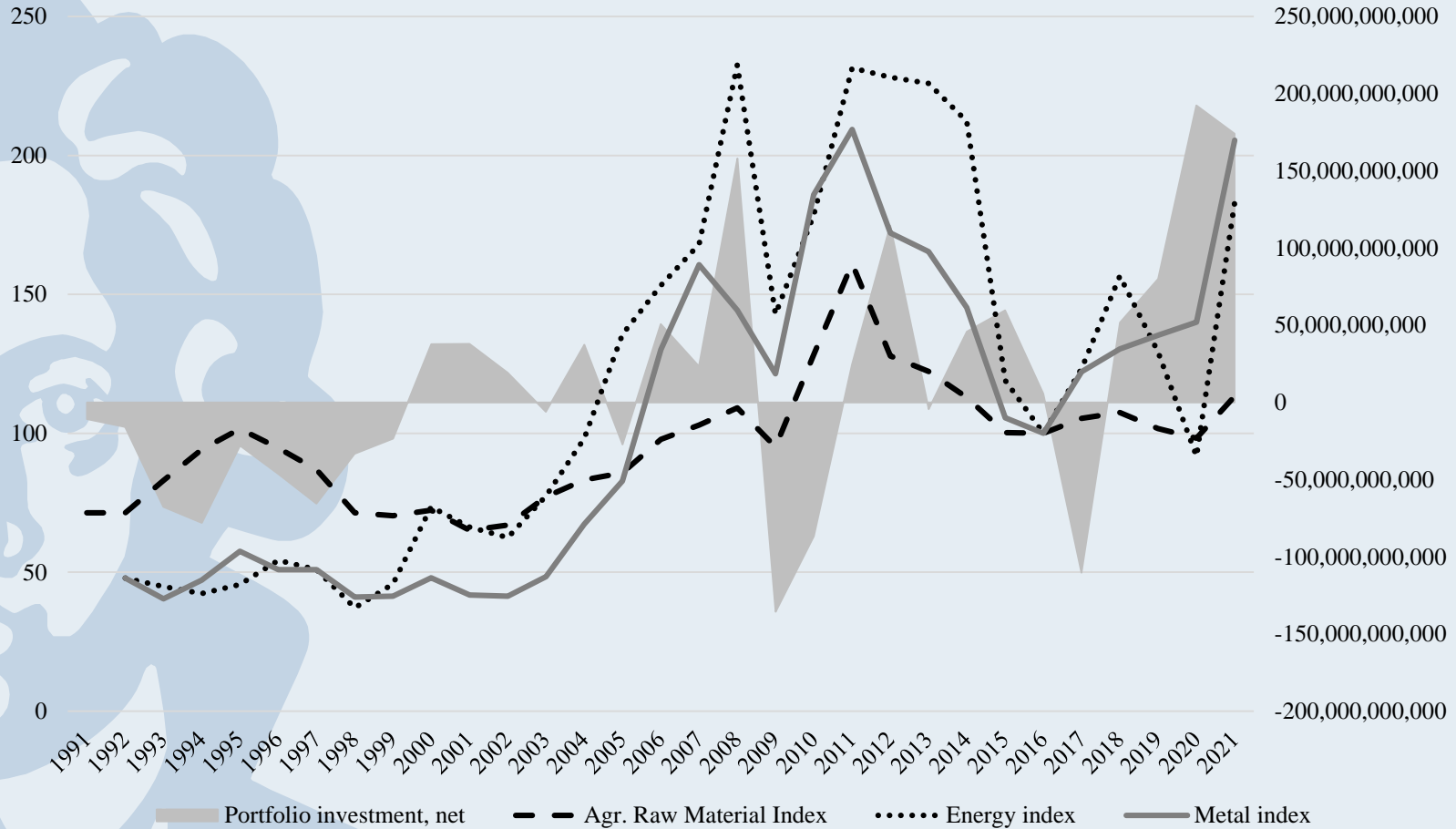
- **Procyclical public finances**

Commodity price boom/bust > Rising/declining tax revenues & profits of SOEs >  
Rising/contracting government spending (consumption & investment)

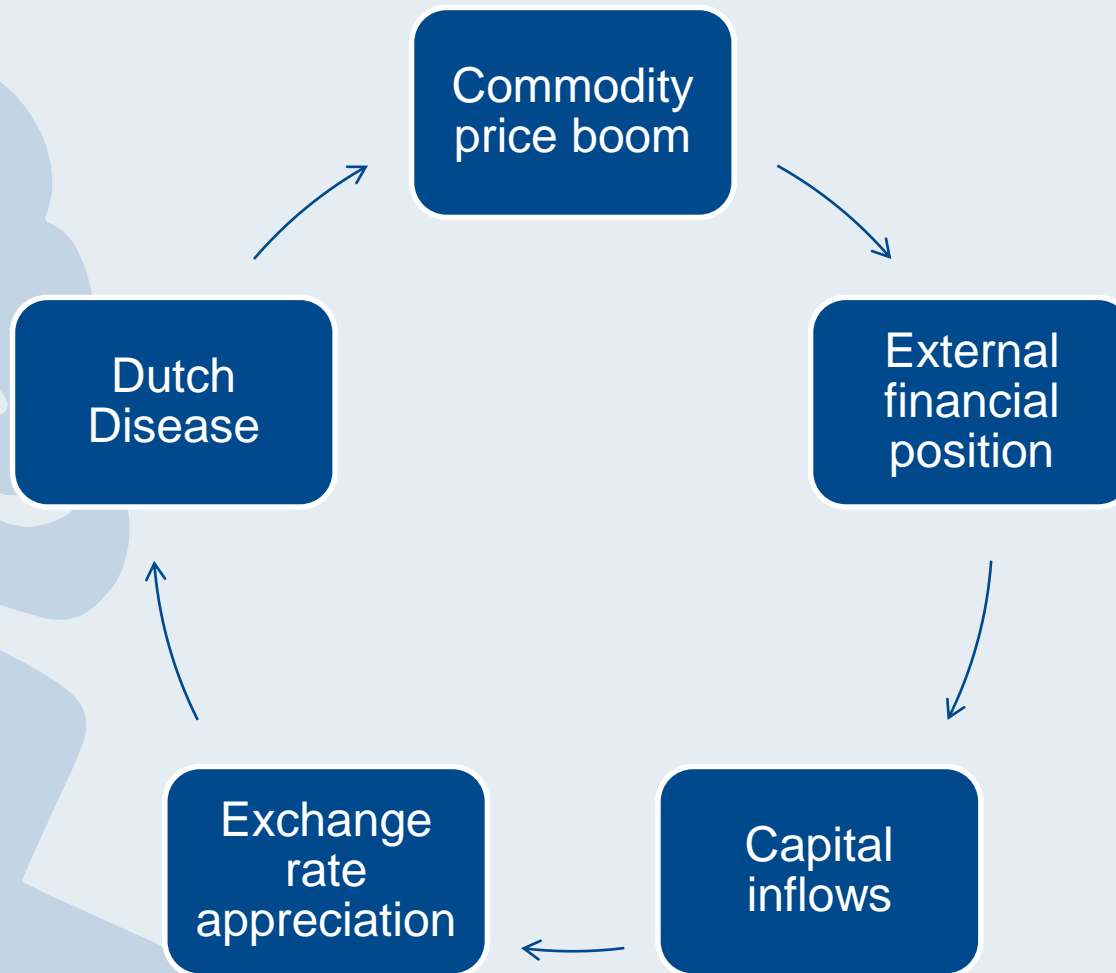
- **Attraction of capital inflows (FDI & mainly portfolio investment) >  
Commodity finance nexus**

# Commodity prices and capital flows

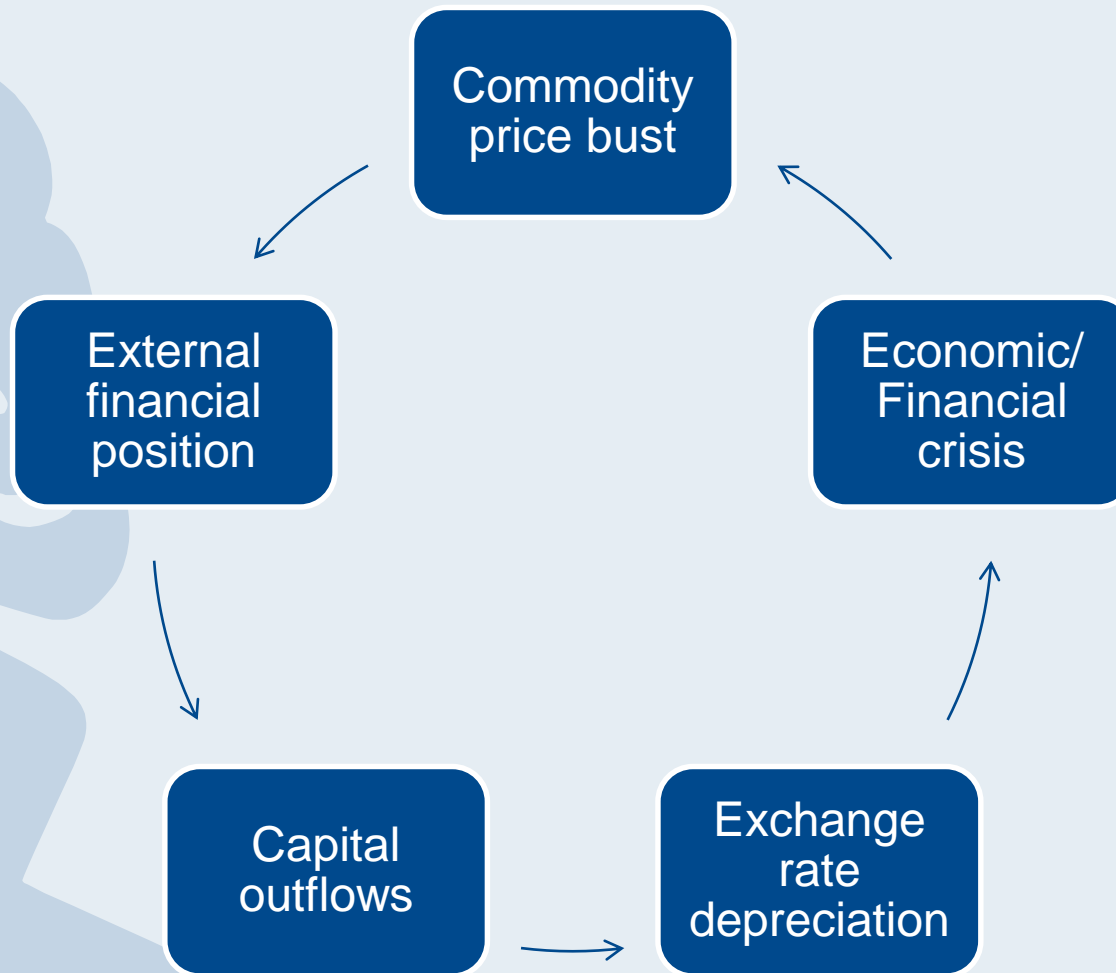
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# The commodity-finance nexus



# The commodity-finance nexus reversed



# Conclusion

- Extension of the growth model/growth regime perspective to developing and emerging economies
- Relevance of system-level (IPE) variables for growth model (CPE) analyses
- Importance of commodity-based export-led growth, stylized features and global prevalence
- Cyclicity and volatility of commodity prices, direct and indirect effects on growth
- Commodity-finance nexus: Interplay between commodity price boom/bust periods, capital inflows/outflows and growth