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Abstract
In this paper, we aim to contribute to the recently growing body of political economy literature on growth regimes. Theoretically, we apply the demand and growth regime approach developed within post-Keynesian macroeconomics. This is complemented by a critical comparative political economy perspective to analyse the socio-political underpinnings of a demand and growth regime by using the concept of dominant social blocs and their growth strategies. We posit that the concept of growth strategy is useful to uncover the intention of a dominant social bloc to consolidate or change the current demand and growth regime.

Using this framework, we examine the demand and growth regimes of Poland and Turkey from 1999 to 2020. 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 identify a domestic demand-led regime before the Global Financial Crisis (GFC) that became a private debt-led regime until the taper tantrum in 2013. Since then, a development towards a more export-led regime is observable, albeit at lower and unstable growth levels.

We argue that in both countries the trend toward a more export-led regime after the GFC is associated to changes in the dominant social blocs. Both of the new dominant social blocs that established themselves during the 2010s – represented by the PiS-party in Poland and the AKP in Turkey – pursue a growth strategy toward "national capitalism". Politically, these strategies have come with a democratic backlash. Economically, they aim to gain more control over key sectors such as banking and finance while developing a more competitive export sector through domestic re-industrialisation initiatives.

Key words: Post-Keynesian macroeconomics, comparative political economy, growth regimes, growth strategies, Poland, Turkey

JEL code: B52, E65, E66, F43, O43, P16, P52

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1. Introduction

In this paper, we aim to contribute to a recently growing body of political economy literature on growth regimes. Theoretically, we use the demand and growth regime approach developed by post-Keynesian macroeconomics (PKM), which provides a systematic framework for a comparative macroeconomic analysis. To complement the PKM approach, we employ some of the conceptual tools from critical comparative political economy (CPE): the concept of dominant social blocs to analyse the socio-political underpinnings of a particular demand and growth regime. Finally, we suggest that the concept of growth strategy could be a useful tool to track changes in macroeconomic policies and growth drivers that lead to changes in demand and growth regimes. Thus, we argue that growth strategies, reflected to some extent in macroeconomic policies, lie at the intersection of demand and growth regimes and dominant social blocs.

Based on this framework, we investigate the demand and growth regimes of Poland and Turkey from 1999 until 2020. We identify a domestic demand-led regime in Poland between 1999 and 2008 that switched to a weakly export-led regime between 2009 and 2020. In Turkey, we identify a domestic demand-led regime before the Global Financial Crisis (GFC), that became a private debt-led regime until 2013 when the US Federal Reserve announced a tapering of its asset purchase program. Since then, a development towards a more export-led regime is observable albeit at lower and unstable growth levels. In the next step, we sketch out the changes in the dominant social blocs in both countries and their respective growth strategies. We offer links for both countries between the changes in the dominant social blocs and their growth strategies, on the one hand, and changes in macroeconomic policies and demand and growth regimes, on the other.

This paper contributes to the literature on divergent growth regimes in two main areas. First, we aim to provide a coherent theoretical framework that consists of PKM analysis and critical CPE. Particularly, we suggest that analysing growth strategies is helpful to uncover interlinkages between growth regimes, dominant social blocs, macroeconomic policies, and their dynamics. Second, we use this framework to examine Poland and Turkey. We argue that both countries are pursuing a growth strategy aimed at establishing a form of "national capitalism," with the apparent democratic backlash in these two countries during the 2010s representing a political component of their strategy.

The case studies of Poland and Turkey, two emerging capitalist economies (ECEs)[1], are interesting for five reasons. (i) Both countries have recently shown similar trends in terms of their growth regime development as their net export's contribution to growth has increased and their external position improved. (ii) Both share similar political economy tendencies in the post GFC period, i.e., increasingly non-democratic political paths and distancing from orthodox neoliberal policies. (iii) Both are deeply integrated in the European trading area. (iv) Both can be considered as European semi-peripheral countries (Becker & Jäger 2010; Becker & Weissenbacher 2015), although their mode of dependency varies. While the dependency on foreign direct investments (FDIs) has characterized the "dependent market economy" of Poland (Nölke & Vliegenthart 2009; also see Figure A6 in the appendix), the dependency on portfolio flows has marked Turkey's "dependent financialization" path (Akcay & Güngen 2022; also see

[1] We consider Poland and Turkey as ECEs as they are listed in the Emerging Markets Europe Index, which was launched in 2001, by the MSCI (2022), one of the largest global investment banks. Sabine Herrmann from the Deutsche Bundesbank, and Adalbert Winkler from European Central Bank also listed Poland and Turkey in the category of Emerging European Countries (Herrmann & Winkler, 2008).

Figure A5). Finally, (v) although with variation, their growth strategies share similarities, and both aim at overcoming the problems caused by their peripheral condition.

The remainder of the paper is structured as follows. In Section 2, we recapitulate the concept of growth regimes, dominant social blocs, 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 dominant social blocs of Poland and Turkey and their growth strategies. Section 5 concludes.

2. Growth regimes, social blocs, and growth strategies

2.1. Growth regimes, drivers, and macroeconomic policies

The demand and growth regime approach within PKM developed through the study of macroeconomics under financialisation focused on developed capitalist economies (DCEs) (Hein 2012). Financialisation describes the major changes of capitalist economies in terms of their financial sector and its relationship with the overall economy, including the liberalization of financial markets, the development of new financial instruments and an overall increasing role of finance in the operation of economies (Epstein 2005). These changes have affected macroeconomic performance through the channels of income distribution, investment, consumption, and current account balances. In terms of income distribution, wage shares have been falling, top income shares have risen, and inequality of household income has generally increased (Hein 2015). Meanwhile, corporate investment in the real capital stock has fallen at the expense of financial pay-outs (Davis 2017). These two features of financialisation have each partially negatively affected aggregate demand and growth, directly by decreasing investment in the capital stock, and indirectly by redistributing income to groups with lower propensities to consume in mostly wage-led economies.[2] Against this background, two extreme growth regimes developed in DCEs prior to the GFC. Countries like the United States, the UK, and peripheral European ones, compensated for the drag on investment and income-financed consumption demand by developing debt-led private demand (boom) growth regimes driven by wealth-based and debt-financed consumption, facilitated by the deregulation of the financial sector. Moreover, these countries exhibited current account deficits. The corresponding surpluses were incurred by countries like Germany and Japan that developed export-led mercantilist regimes, in which net exports compensated for the fall in demand. Financialisation facilitated this extreme growth regime constellation – export-led mercantilist vis-à-vis debt-led private demand (boom) – because the deregulation and liberalization of international capital markets and capital accounts allowed current account imbalances to persist as deficits could be financed over longer periods (Stockhammer 2015).

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) which should sum up to zero, apart from statistical discrepancies, because

[2] Wage-led refers to the demand regime of an economy. This concept is derived from post-Kaleckian demand-driven growth theory. A wage-led economy would see its demand, output and growth rise with an increase in its wage share. Conversely, in a profit-led economy, demand, output and growth are hypothesized to rise when the profit share rises, i.e. the wage share falls. Whether an economy is wage- or profit-led depends on structural features of the economy such as the propensities to consume, the relative size of the demand components and the price sensitivity of its exports. Econometric research has shown that most of the DCEs tend to be wage-led (Onaran & Galanis 2014). However, as the phenomenon of financialisation illustrates, the wage share does not necessarily rise in wage-led economies. Similarly, wage-led economies can exhibit all kinds of growth regimes, i.e. they can be export-led, private demand debt-led or domestic demand-led (Hein et al. 2021; Stockhammer & Kohler 2022).

a positive financial balance of one sector needs a respective negative financial balance of another sector – a creditor needs a debtor and vice versa. Second, the growth contributions of the main demand aggregates (private consumption, public consumption, investment, and net exports) are considered which sum up to growth of the gross domestic product. Analysing these indicators provides information on the main demand sources of growth, how demand is financed and the related deficit dynamics within and between economies. Within this framework, four growth regimes have been distinguished by now: (1) a debt-led private demand (boom) regime, (2) an export-led mercantilist regime, (3) a weakly export-led regime and (4) a domestic demand-led regime (Hein 2019). The characteristics of these regimes are summarized in Table 1.

Table 1: Classification of demand-led growth regimes under financialization

Export-led mercantilist	● positive financial balances of the private sector, and the private household sector, ● negative financial balances of the external sector, ● positive balance of goods and services, ● positive growth contributions of net exports.
Weakly export-led	Either ● positive financial balances of the private sector, ● negative financial balances of the external sector, ● positive balance of goods and services, ● negative growth contributions of net exports. Or ● negative but improving financial balances of domestic sectors, ● positive but declining financial balances of external sector, ● negative but improving net exports, ● positive growth contributions of net exports.
Domestic demand-led	● Positive financial balances of the private household sector and positive or balanced financial balances of the private sector as a whole, ● balanced or positive financial balances of the external sector, ● growth is almost exclusively driven by domestic demand, ● around zero growth contribution of net exports.
Debt-led private demand boom	● negative or close to balance financial balances of the private sector, ● positive financial balances of the external sector, ● significant growth contributions of domestic demand, and private consumption demand in particular, ● negative growth contributions of net exports.
Source: (Dünhaupt & Hein 2019, p. 458).	

Pioneered by Baccaro and Pontusson (2016), CPE scholars within Comparative Capitalism research have taken inspiration from the demand and growth regime approach.[3] Until then, capitalist diversity was mostly studied via the Varieties of Capitalism-framework that builds on New Consensus macroeconomics and focuses on supply-side factors and institutional complementarities (Hall & Soskice 2001). In contrast, the growth regime approach stresses the importance of demand dynamics, the instability of growth regimes and the international interactions between national growth regimes. However, problems remain regarding the operationalization of the various growth regimes. While the PKM approach classifies growth regimes according to the demand components from which growth is derived from and how they are financed (see Table 1), the CPE literature is less consistent in how growth regimes are assessed. Baccaro and 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 80s. In consequence, DCEs 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 Visegréd counties and the Baltic states (Bohle 2018; Bohle & Regan 2021; Regan & Brazys 2018). While all these classifications may describe some reality in the respective country, they hardly form a consistent framework. This is because 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 is a form of finance.

However, growth regime analysis has to go beyond the mere investigation of demand components and sectoral financial balances. Two concepts were developed for this purpose: growth drivers and macroeconomic policy regimes. The growth drivers "are factors that are hypothesized to cause changes in the components of aggregate income" (Kohler & Stockhammer 2021, S. 3). Possible growth drivers are financial factors such as house prices and household debt, fiscal policy, measures of competitiveness, income distribution and commodity prices (Jungmann 2021; Kohler & Stockhammer 2021). The macroeconomic policy regime concept was developed by the PKM models and has been used to assess "the set of monetary, fiscal and wage or income policies, as well as their coordination and interaction, against the institutional background of a specific economy, including the degree of openness or the exchange rate regime" (Hein and Martschin 2021, p. 507). Although these concepts are useful to provide a more elaborated analysis. we suggest that the cross-fertilization of PKE and CPE approaches is especially promising as it allows to shed more light on the political economy underlying the demand and growth regime, the macroeconomic policies and growth drivers.

2.2. Social blocs, and growth strategies

The growth regime approach posits that attaining a certain growth regime requires a socio-political underpinning of that regime. Otherwise put, "growth models do not emerge out of thin air" (Bohle & Regan 2021, S. 77). To analyze the coalition of key actors that underpin a certain growth regime, the concept of a dominant social bloc is employed (Amable 2003, 2018; Amable & Palombarini 2008; Baccaro & Pontusson 2016). The dominant social bloc is defined as "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, p. 240). Therefore, it is the dominant social bloc that shapes the

[3] Baccaro and Pontusson (2016) and other CPE scholars speak of growth models. We treat the terms of growth models and (demand and) growth regimes synonymously here as they both descriptively depict from which demand sources growth is derived from.

institutional configuration compatible with its growth strategy. The composition of the dominant social bloc may encompass cross-class and cross-sectoral alliances and can change over time. Hence, this concept allows for a dynamic understanding of the state and institutions (Amable 2003) - in contrast to the more or less static Varieties of Capitalism-framework.

We suggest that the concept of growth strategy makes it possible to establish links between the two levels of analysis: on the one hand, the more actor-oriented dynamic analysis of CPE and, on the other hand, the more aggregated and medium-run analysis of demand and growth regimes of PKM. We understand the growth strategy as the economic policy project of the dominant social bloc. Thus, the growth strategy may be focused on establishing or continuing a certain growth regime and thereby go together with the respective macroeconomic policies.[4] Hence, the analysis of macroeconomic policy and demand and growth regimes, which are by design ex-post analyses, allows tracking the de-facto implementation of growth strategies, which are formulated ex-ante. In consequence, a dominant social bloc may pursue its growth strategy successfully via macroeconomic policies, or not. Furthermore, growth strategies may encompass aspects beyond the macroeconomic sphere, for example, geopolitical consideration, questions of ownership and political coalition building. Thus, policies that are part of the growth strategy do not necessarily aim at altering the growth regime, but still may affect it.[5]

As the critical International Political Economy (IPE) scholarship maintains, international and national levels should be analyzed "in a relational fashion" (Nölke et al. 2020, p. 22). This research strategy is also relevant for unrevealing the main dynamics of various growth strategies. In this vein, growth strategies are subject to a "dual determination"; (i) "the form of integration into the world division of labour", and (ii) "the internal class structure" (Gülalp 1985). As for the former, changes in growth regimes of DCEs tend to influence the growth regimes of ECEs (Akcay et.al. 2022). Further factors may be global financial cycles and commodity prices shaping the domestic growth regime (Jungmann 2021; Kohler & Stockhammer 2021). More generally, the capacity of the dominant social bloc to realize its growth strategy may be constrained due to the economy's subordinate integration into the global economy.

Along with the external factors, establishing and sustaining a growth strategy also requires involvement of three major social actors. First, the alignment of interests of different social classes or class fractions under the material and moral leadership of the dominant social class or class fractions is crucial for designing a growth strategy. Second, since growth strategies materialize through concrete state economic policies, the interest of the political elites, i.e., competing political parties, and the state managers -state bureaucracy- should also be aligned with the interests of the dominant social class or class fractions. Lastly, social mobilizations, either in the form of mobilization of subaltern classes from below, or of business mobilization from above, are essential features of establishment of a coherent growth strategy.

As for the growth strategies of our two cases, it is helpful to make distinction between two major export-led strategies particularly focusing on the competitiveness policy (Broz & Frieden 2001; Onaran & Stockhammer 2005). The first strategy depends on price competitiveness, in which the competitive exchange rate policy, i.e., declining real exchange rates and real wages in US Dollar or Euro, has a key role. The second strategy, on the other hand, bases on the non-

[4] Yet, along with the macroeconomic policy regime analysis, one also should investigate the mode of macroeconomic orchestration of governments. Here, rule-based vs. discretion-based or politicized vs. depoliticized modes of government become relevant (Burnham 2000, 2014). Finally, various roles of the state, i.e. market-making or market-directing, should be included to the analysis (van Apeldoorn & de Graaff 2022).

[5] To operationalize this concept, we will investigate the economic plans or programmes of governments in our case study sections.

price competitiveness, in which industrial upgrading, diversification, and product quality are major drivers of export. While Turkey's current growth strategy depends on the former, Poland's strategy seems to be closer to the latter one. Even though Kohler and Stockhammer (2021, p. 22) think that the "price competitiveness is overrated", we still maintain that making this distinction is not only significant to distinguish seemingly similar export-led growth regimes from one another, but also it is crucial since the different capital fractions benefit from these two diverse strategies. In this sense, elaboration of growth strategies is noteworthy for unrevealing the social bases of growth regimes.

The producers group literature tends to cluster varying interests of different capital fractions on their targeted market, i.e., export versus domestic market; the sectoral differences, tradable versus non-tradable sectors; or their varying preferences on monetary policy, i.e., interest rate sensitive sectors (Culpepper 2011; Martin 2020; Baccaro & Pontusson 2016). We believe that these conventional research strategies should be calibrated according to the peripheral conditions of ECEs. By incorporating Deniz's (2019) categorization on producer groups, which was developed by reinterpreting Frieden's (1994, 2015) theoretical framework on political economy of exchange rate policy, to our analysis and elaborating it further, we suggest that these two export-led growth strategies are supported by two distinct capital fractions: core good producers (core capitalists) and peripheral goods producers (peripheral capitalists). As you can follow in Table 2, core and peripheral capitalists have divergent interests on monetary and exchange rate policies, industrial upgrading, research and development investments, and overall growth strategy. In Marxian terms, while the relative surplus value production is more important for the core capitalists, production of absolute surplus value is more essential for peripheral capitalists. Linking this distinction to development endeavours of our two cases, by following Ban et al.'s (2021) lead, we would argue that while Poland follows a "high road", Turkey follows a "low road" in development.

While this distinction among capital fractions is mostly relevant for productive capital, i.e., the real sector, finance sector's role should be included to have a more comprehensive understanding of internal dynamics of dominant social bloc. Finance sector can take an active initiative in establishment of national capitalism strategy as in the Polish case. It can also take rather a passive role, which has been determined by the general trajectory of growth regime as in the Turkish case. Thus, investigating a specific growth strategy and linking this strategy to corresponding capital fractions' interest are crucial for uncovering the main dynamics of formation and change of growth regimes. This is the case because changing growth regimes, oftentimes corresponds to altering growth strategies due to changes in the balance of power within the dominant social bloc, i.e., between core and peripheral capitalists, financial interests, or large agricultural exporters in some cases.

Regarding the role of labor, as Nölke et al. (2020, p. 28) maintain, in ECEs the popular classes are mostly excluded from decision making processes, investigating the links between different capital fractions and the state institutions is crucial for identifying various "growth alliances" (Abdel-Latif & Schmitz 2010) and their strategies. Yet, this does not mean that one should exclude the role labour from in her analysis. On the contrary, we argue that the enfeeblement of labour's organizational, economic, and political power as a result of implementation of market reforms has been key characteristic of in both Polish and Turkish political economy in the last two decades.

Table 2: Properties of core goods versus those of peripheral goods producers

	Core goods producers	Peripheral goods producers
Sectors	Basic metal, automotive and durable goods, defence, chemical industry, mining, oil refinery, finance and banking	Textiles, clothing, leather, footwear, food, forestry, wood, paper, furniture, and construction
Productivity	Higher productivity level	Lower productivity level
Production structure	Capital-intensive	Labor-intensive
Size of the firms	Large companies organized under an umbrella holding	Small and medium sized companies
Workers' skill degree	Skilled-workers	Unskilled labor
Trade union density	High union density	Very low union density
Wage arrangements	Higher than minimum wage	Minimum wage
Targeted market	Both domestic and export markets	Both domestic and export markets
International integration	More integrated	Less integrated
Use of imported goods in production	Highly import dependent	Varying depends on the sectors
International financial markets	Direct access to financial international markets (the US Dollar or Euro loans)	No access to international markets (only local currency loans)
Competitiveness policy	Non-price competitiveness	Price competitiveness
Monetary policy priorities	Price stability	Competitive exchange rate
Interest rate policy	Higher interest rates	Lower interest rates
State economic policies	Inflation targeting, independent central bank, importance of technocratic bodies, rule-based management, fiscal consolidation, investments in human capital.	Industrial policy, discretion-based policies, central bank independence is not necessarily important.
Growth strategy	Export-led strategy based on non-price competitiveness (high road): Industry 4.0, more value-added products, and green transformation.	Export-led strategy based on price competitiveness (low road): Developmentalism, comprehensive incentive schemes, selective credit allocation.
Source: The authors' own elaboration based on Deniz (2019), Balaban (2022), and Ban et al. (2021).		

Finally, we add the concept of structural crisis to our analysis. It is defined as the amalgamation of crisis of existing growth regime and crisis of the state and politics. Structural crises generally open up a window of opportunity for various social actors to develop their own growth strategies (Poulantzas 2008; Boyer & Saillard 2005; Hay 1999). Typically, periods of structural crises are marked by competing and sometimes contradicting growth strategies that are representing changes in the balance of powers in the dominant social bloc (Hirsch 1978; Amable & Palombarini 2008). In this sense, structural crisis periods are crucial junctures for selection of growth strategies. In these crucial junctures, the alignment between political elites' survival strategies and priorities, as well as the competing growth strategies of various capital fractions, is an essential condition for selection of a specific growth strategy.

Last but not least, uncovering the growth strategies is also important for investigating the causality between growth regime changes and changes in dominant social blocs.[6] It is possible to identify that in some periods, e.g., during the structural crises, a dominant social bloc may bring about a growth strategy that is not compatible with the existing growth regime. Thus, the growth regime may be at odds with the growth strategy. It is also possible to identify that a change in the growth regime of a country may be primarily driven by external factors, as happened in the growth regime shifts in many European countries after the post 2009 crisis. For these cases, changes in the dominant social blocs can be seen as an enabling factor of this growth regime shift. In short, there is no hierarchy on the analytical level in this dual determination of growth strategies. That is to say, the causality between growth regime change and changes in dominant social blocs runs both ways.

3. Growth Regimes in Poland and Turkey

The study of growth regimes stresses the interaction between different national economies. The extreme growth regime constellation before the GFC encompassing export-led mercantilist countries such as Germany with current account surpluses, on the one hand, and debt-led private demand regimes like the US with current account deficits, on the other, illustrates these interactions. This constellation, however, has dissolved in the aftermath of the GFC. Due to the need for private deleveraging, debt-led private demand (boom) regimes ceased to exist among DCEs. Anglo-Saxon private debt-led countries, like the US and the UK, have become domestic demand-led stabilized by public deficits; otherwise put, private demand and deficits have been replaced by public demand and deficits (Hein 2019). On the other hand, formerly private debt-led European economies have become rather export-led at low growth levels as the austerity-oriented policy approach did not allow for public demand stabilization (Hein & Martschin 2020) and led to a decrease in imports (Kohler & Stockhammer 2021). Meanwhile, pre-crisis export-led DCEs continued on their trajectory. Thus, after the crisis, DCEs have overall increased their net exports orientation (Hein et al. 2021, Hein 2019).

The demand for these export-led regimes is provided by, on the one hand, the domestic demand-led regimes in DCEs that run public deficits and, on the other hand, increasingly by ECEs (Akcay et al. 2022). As shown by Akcay et al. (2022), ECEs have overall increased their current account deficits or lowered their surpluses. Therefore, in terms of growth regimes, ECEs have overall not increased their export orientation but have rather become more domestic demand-led, either private debt-led or stabilized by public debt. Turkey is a case in point. Identified as a domestic demand-led regime in the pre-crisis years, it developed a debt-led private demand (boom) regime afterwards. Interestingly, while this kind of regime ceased to exist among DCEs after the crisis, this is not the case for ECEs as the cases of Turkey and South Africa show(Akcay et al. 2022). Poland, on the other hand, fits into the European picture of increased export-led orientation as it shifted from a domestic demand-led regime towards a weakly export-led regime (Hein et al. 2021).

[6] In section 4, we provide a causal mechanism for a growth regime change both for Poland and Turkey.

One caveat of the mentioned studies concerns the periodization that considers the GFC as a breaking point, which was motivated by the changes in growth regimes of DCEs after the crisis. However, this does not imply that different structural breaking points can be ruled out, especially in the case of ECEs, which are particularly exposed to external factors due to their subordinate integration into financial markets and value chains. Therefore, in the following, we will investigate the macroeconomic properties of Poland and Turkey on an annual basis to identify their regimes and breaking points.

3.1. Poland

Remarkably, until the COVID-19 pandemic in 2020, Poland has not seen a year without growth during the investigated period. However, looking at the growth contributions and sectoral financial balances, one can see changes in the demand sources of growth and their financing. In the years before the GFC, Dodig et al. (2016) for 2002-2008, as well as Hein et al. (2021) for 2000-2008 have identified Poland as a domestic demand-led regime. Evidently, until 2008, growth was mostly derived from domestic demand components, notably, investment played a crucial role as a source of growth. At the same time, net exports contributed negatively – most exceptions from that were years of growth slowdowns[7] (Figure 1).

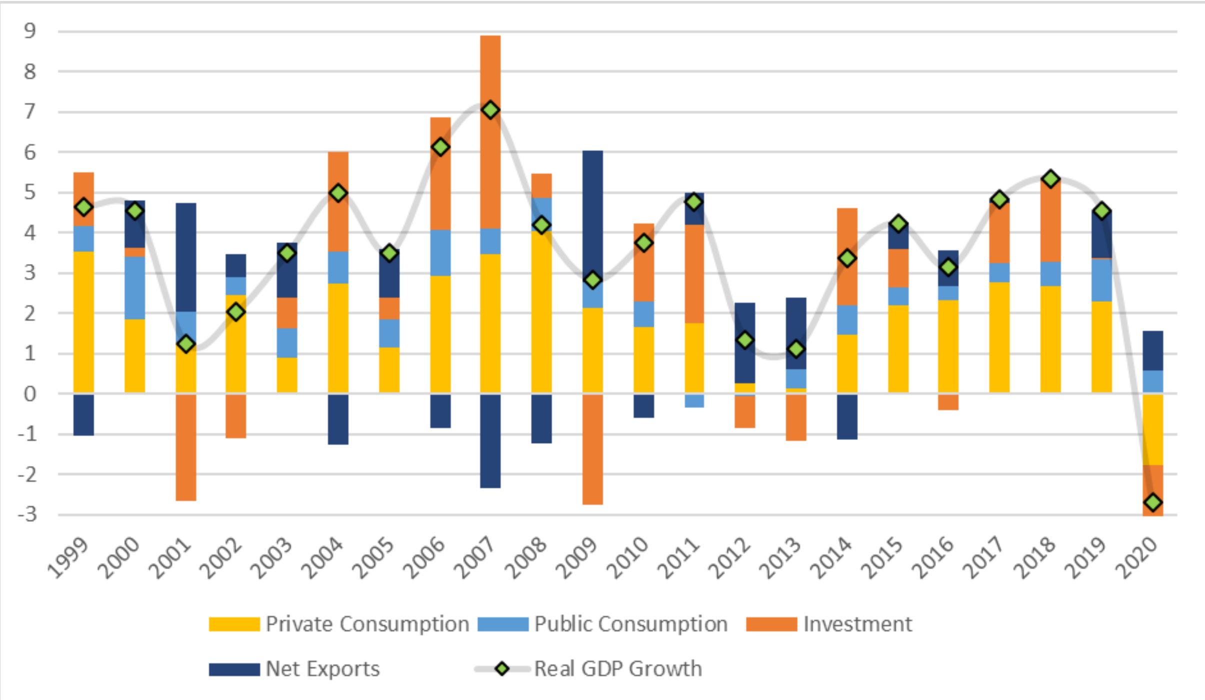

Figure 1: Growth Contributions and Real GDP Growth of Poland in percentage, 1999-2020. Source: World Bank (2022).

Respectively, as can be seen in Figure 2, the financial balance of the external sector is positive – what is equivalent to a Polish current account deficit – throughout the pre-crisis years without a clear trend. The public sectoral financial balance is negative but seems to improve until the GFC of 2007-09. However, what goes unnoticed in the categorization of Poland as domestic

[7] To assess the growth contributions, one is well-advised to handle recession years and those of growth slowdown with caution. Those years are typically marked by a sharp decline in investment, the GDP component that is the most sensitive to the business cycle , and a rise in net exports, due to the fall in imports when income decreases. The year of 2001 is a case in point for that phenomenon.

demand-led are the dynamics of the private sectoral financial balances. Since the start of the period until the GFC, the household sector's financial balance deteriorated and turned negative in 2004, i.e., the households were on average dissaving or accumulating debt. Conversely, the financial balance of the corporate sector exhibits an improving trend and turns positive in 2003. Hence, the analysis of the annual growth contributions and sectoral financial balances of Poland confirms that it was running a domestic demand-led regime before the GFC.

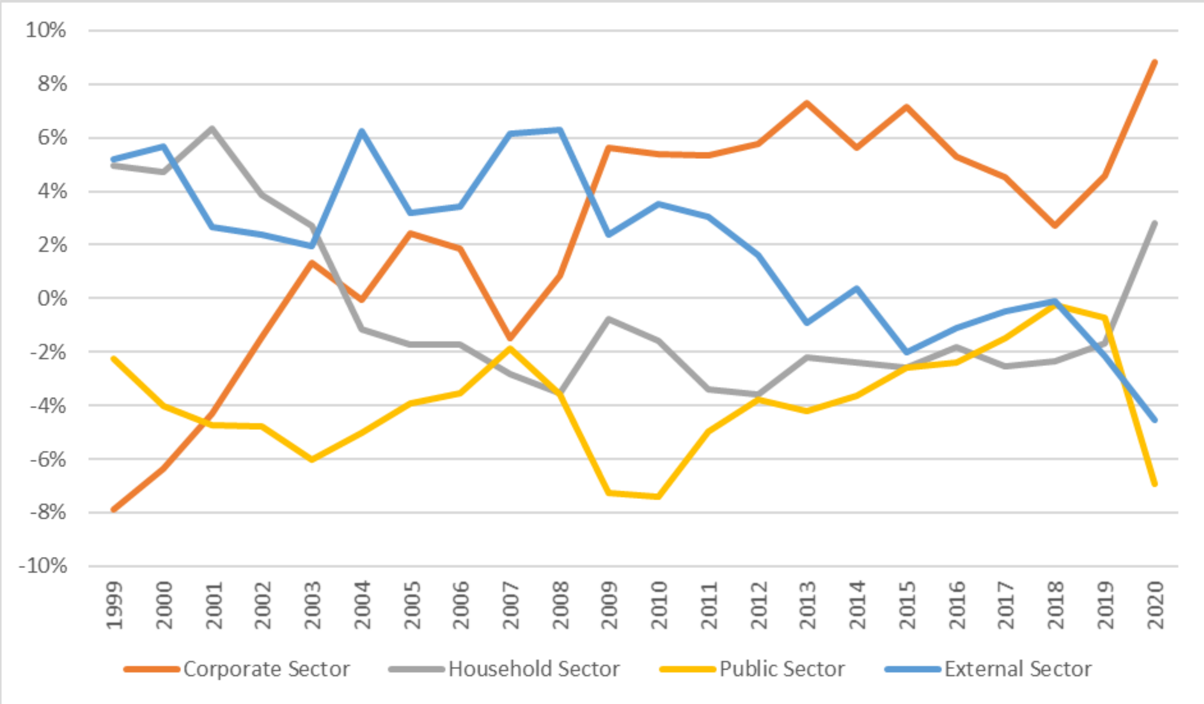

Figure 2: Sectoral Financial Balances Poland, percentage of GDP, 1999-2020. Source: European Commission (2022)

In terms of the sectoral financial balances, the GFC seems indeed to constitute a breaking point for the Polish economy. After the crisis, the financial balance of the corporate sector is constantly positive and that of the household sector negative. On the other hand, the external financial balances show a decreasing trend, thus, the current account of the Polish economy improves during the post-crisis years. At the same time, the public sector deficits fall as well (Figure 2). Dodig et al. (2016) and Hein et al. (2021) characterize the Polish economy due to these financial balance movements as weakly export-led. This categorization is also 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). However, what has to be stressed is that the Polish post-crisis weakly export-led regime is marked by negative household sector financial balances. Hence, households are on average dissaving and incurring new debt. Hence, the improving external position of the Polish economy, illustrated in the decreasing external financial balance, enables the improvement of the public sector's financial position while the private household ones do not improve. Furthermore, the relatively high growth contribution of investment in the post-crisis is also notable.[8]

[8] The negative financial balance of the Polish household sector may also stem from a large number of non-corporate businesses that are attributed to the household sector within the national accounts.

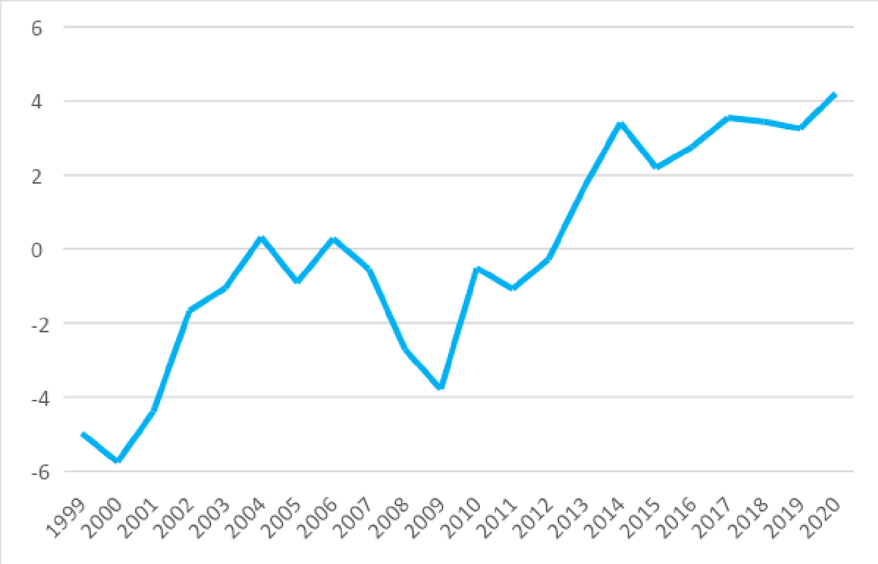

Figure 3: Net Exports as % of GDP, Poland, 1999-2020. Source: World Bank (2022).

Therefore, in sum, looking at the Polish macroeconomic data on an annual basis confirms in essence the regime pattern that has been assigned to it in the literature: domestic demand-led in the years before the GFC and weakly export-led thereafter.

3.2. Turkey

In the years preceding the GFC, Turkey has been identified as domestic demand-led stabilized by public deficits (Dodig et al. 2016; Akcay et al. 2022). In fact, in the years after its crisis in 2001 and until 2008, Turkey's growth stemmed from domestic demand components and at relatively high rates between 5 and 10 percent. Net exports, meanwhile, contributed negatively to Turkey's growth (Figure 4).

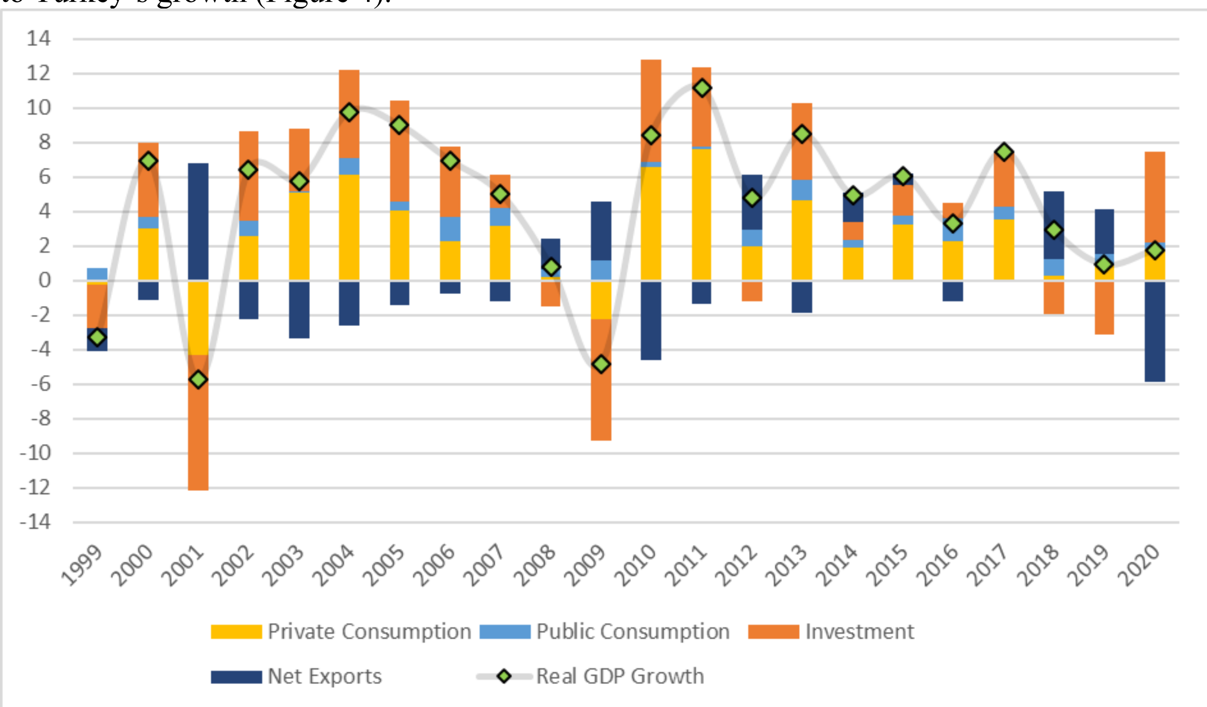

Figure 4: Growth Contributions and Real GDP Growth of Turkey, 1999-2020. Source: World Bank (2022).

As can be seen in Figure 5, the private sector financial balance was during that period between 2002 and 2007 on average positive although on a deteriorating trajectory. The public sector, on the other hand, exhibited negative financial balances throughout the years albeit these have improved since the 2001 crisis. By contrast, the external sector ran positive financial balances, i.e., Turkey incurred current account deficits and its net exports were negative (Figure 6).

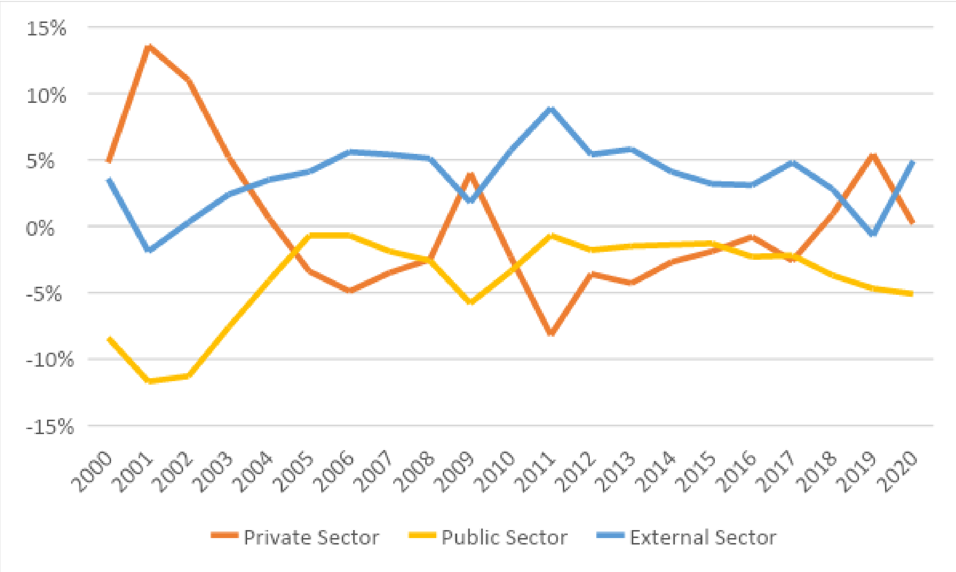

Figure 5: Sectoral Financial Balances Turkey, percentage of GDP, 2000-2020. Source: Own calculations based on IMF (2022).

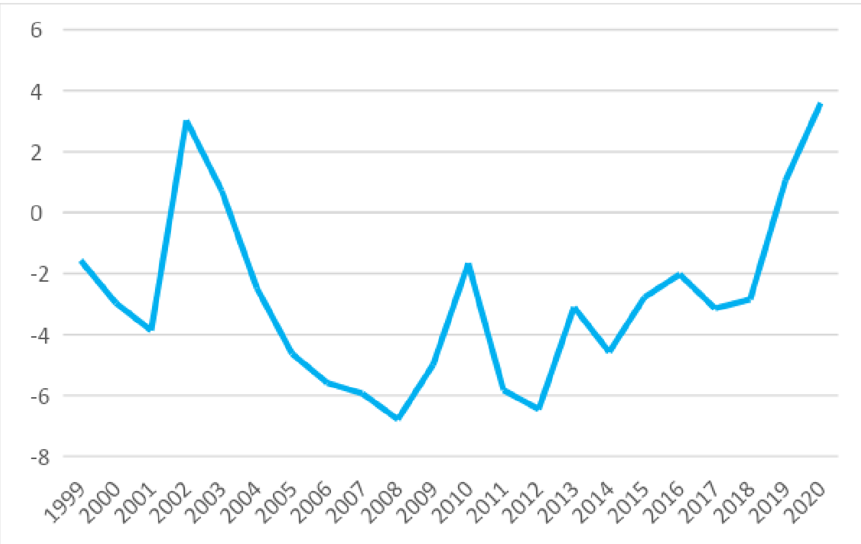

Figure 6: Net Exports of Turkey, percentage of GDP, 1999-2020. Source: World Bank (2022).

In the post-crisis years, Turkey has been found to have followed a debt-led private demand (boom) regime (Dodig et al. 2016; Akcay et al. 2022) that is marked by domestic demand as a main source of growth while the private sector exhibits negative or close to balance financial balances, i.e., several households and corporations are net debtors. Looking at Turkey's post-crisis performance in Figure 4 it is evident that growth was very unstable during that process impeding the classification. We maintain that the post- GFC years of Turkey can be split into a recovery phase from 2010-2013 and the years from 2014 onwards. During the recovery phase of 2010-2013 Turkey ran a debt-led private demand (boom) regime that 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. The succeeding years are harder to characterize due to the instability of the Turkish economy and its growth regime and the stagnation it finds itself in since 2018. However, the years after 2014 show indications that Turkey is developing a weakly export-led regime.

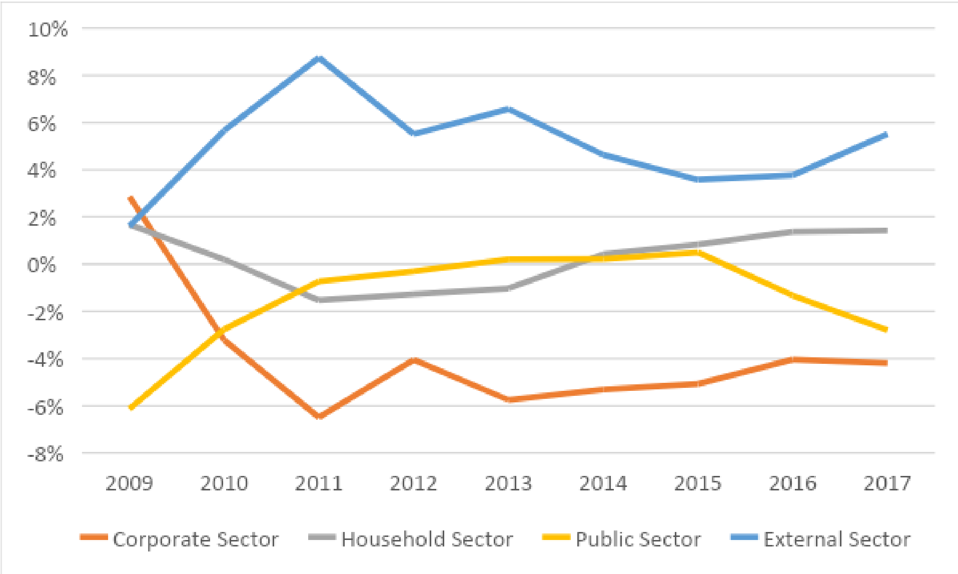

Figure 7: Sectoral Financial Balances Turkey with a disaggregated private sector, percentage of GDP, 2009-2017. Source: European Commission (2022).

During the years of 2010 until 2013, the growth contributions mirrored those before the GFC. With the exception of the recessive year of 2012, growth was entirely driven by domestic demand, investment, and private consumption in particular, while net exports contributed negatively (Figure 4) and were negative (Figure 6). What changed with respect to the pre-crisis years are the sectoral financial balances: As can be seen in Figure 7 that features the disaggregated financial balances of the private sector, the household and the corporate sector, thus also the private sector as a whole, were running negative financial balances. Hence, households and corporations were overall running down assets and incurring new debt. Meanwhile, the external sector was running a surplus, i.e., the Turkish economy exhibited a current account deficit. Furthermore, the public sector’s financial balance was also negative, however, slightly improving. This debt-led private demand (boom) regime came to a halt after the 2013 taper tantrum that led to cessation of capital flows to Turkey (Akcay and Güngen 2022). From 2014 onwards, growth in Turkey was at lower levels than the years before. Moreover, the structure of its growth changed. In terms of growth contributions, net exports contributed more frequently to growth or were rather balanced (Figure 4) while their share of GDP improved (Figure 6). For the sectoral financial balances, we see the household and the corporate sector improving their balances while that of the external sector declined (Figure 5 and 7). These characteristics indicate that, following the 2013 taper tantrum, Turkey developed a weakly export-led regime.

4. Political Economy of Growth Regimes in Poland and Turkey

In this section, we put our theoretical framework into the historical context of two countries and provide a more elaborated analysis of social underpinnings of specific demand and growth regimes and their shifts. As illustrated in Figure 8 and 9, we suggest that in both cases changes in international financial and economic conditions facilitated changes in the growth regime. Yet, the external factors manifested differently in the two cases. Poland's growth regime shifted towards a weakly export-led one after the Eurozone crisis and was followed by a shift in the dominant social bloc. This shift came with a new growth strategy and respective changes in macroeconomic policies.

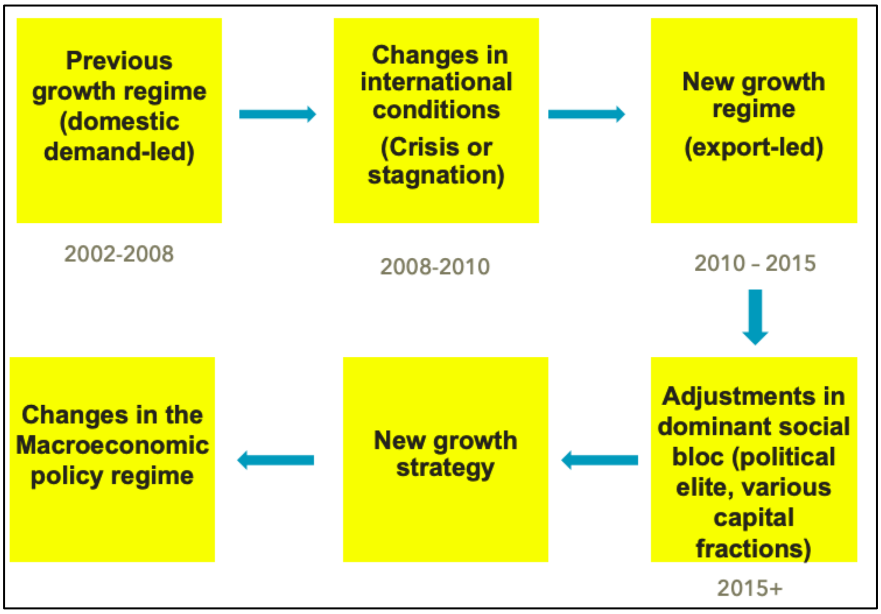

Figure 8: Mechanism of change within the Polish growth regime, dominant social bloc, growth strategy and macroeconomic policy regimes.

In Turkey, the debt-led private demand regime came to an end with the taper tantrum, i.e., a change in the international financial conditions. As a result, the political elites' interests grew increasingly at odds with those of the core capitalists, while the weight of peripheral capitalists' interests within the dominant social bloc increased. The new dominant social bloc purposefully facilitated the change to the new, export-led growth regime. Thus, while in Turkey's case the aim of the growth strategy has been to change the existing growth regime, in Polish case its aim has been to consolidate the current growth regime.

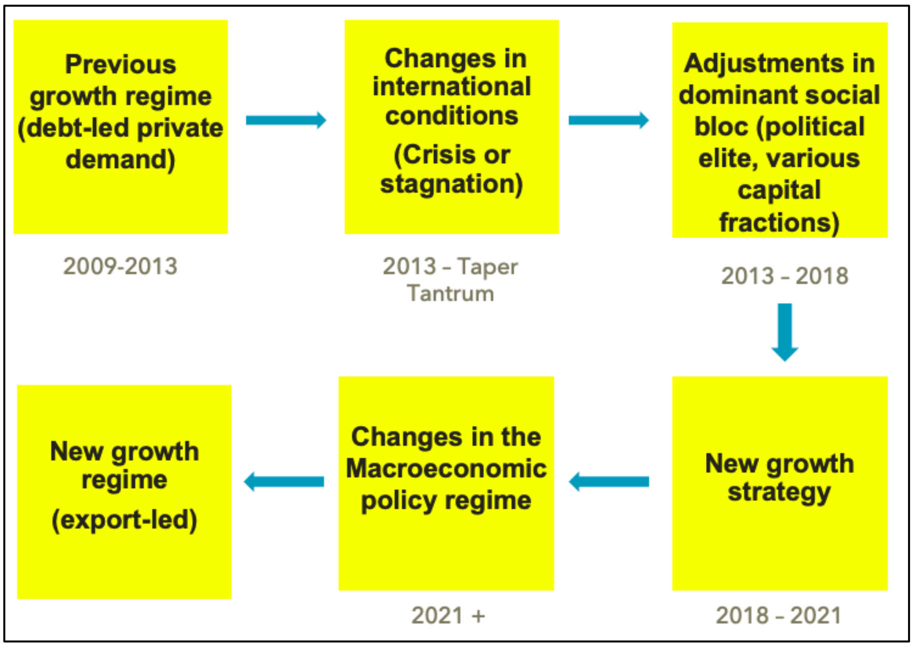

Figure 9: Mechanism of change within the Turkish growth regime, dominant social bloc, growth strategy and macroeconomic policy regimes.

4.1. Poland:

During the early 2000s, Poland was presented by international institutions as a shining example among post-communist Central and Eastern European countries of the neoliberal model in terms of economic growth, political stability, and democratic consolidation (World Bank 2017). Yet, it became one of the leading countries of the "democratic backsliding" after 2015 when the nationalist conservative right-populist party PiS came to power. The predominant view in the literature overlooks the political economy aspects and focuses on the culture-based explanations for this turn (Markowski 2016; 2019; Tworzecki 2019). In this study, we argue that the political polarization strategy of PiS, as a typical feature of right-populism, should be seen as an ideological justification tool and a discursive strategy of the rising new dominant social bloc in Poland during the 2010s. Investigating the roots of rising less-democratic ways of government led us to analyze more structural dynamics, i.e., growth regimes, and their socio-political underpinning.

From this perspective, one should observe that the period of "democratic backsliding" was also accompanied by a shift in the demand and growth regime from domestic demand-led to a weakly export-led one. Shifts in demand and growth regimes may have various reasons: for example, changing macroeconomic conditions in terms of international growth regimes (Hein et al., 2021), distributional and financial factors (Akcay et al., 2022, Kohler and Stockhammer, 2021) but these shifts may also be the result of domestic power struggles among various social classes, class fractions and interest groups over the country's growth strategy. Hence, we argue that the change in the Polish dominant social bloc that aims at establishing a "national capitalism" has been one of the enabling factors for the growth regime shift in Poland.[9] Thus,

[9] We use the concept of national capitalism in a similar way to Ban et al.'s (2021) concept of "national neoliberalism". Since development of domestically owned companies and establishment of "national" capitalism is a common feature in both Polish and Turkish case, we prefer to use this term to explain the main growth strategies of dominant social blocs in the two countries. We opted for national "capitalism" instead of "neoliberalism" because we argue that some of the policy implications of pursued growth strategies, e.g. monetary policy in Turkey, clearly go beyond the neoliberal framework.

the apparent democratic backlash has been a political component of the national capitalism-project. In this vein, the decline of organizational and institutional power of labor and its political representatives has been one of the noteworthy developments in the balance of power among social classes. This enfeeblement of labor was one of the consequences of the market reforms that have been implemented in three waves in Poland during the post-1989 period.

4.1.1. Market reforms and their limits

The current dominant social bloc, consisted of core capitalists, conservative-nationalist political elite and blue colour workers has emerged as a reaction to the three waves of market reforms in the post-1989 period. The first wave of market reforms was marked by the "shock therapy" program, the transition from a planned to a market economy, consisted of the trio of economic liberalization, macroeconomic stability, and privatization (Sachs 1992, p. 5). The immediate result of this experiment was "an unprecedented peacetime disaster" (King 2002, p. 5).[10] The shock therapy failed to reduce inflation, Poland's most urgent problem at that time. The failure of the first wave of market reforms led the then dominant social bloc, consisting of state managers and newly developed national capitalists, to take a more gradual route contrary to the initial aim (Murrell 1993; Berg and Blanchard 1994, King 2002).

The second wave of market reforms came with the European Union (EU) membership process in the early 2000s. These reforms, supported by the EU membership award, aimed to complete the transition period left unfinished by the first wave (Appel & Orenstein 2016, p. 320). Opening up strategic sectors such as coal, shipbuilding, and steel to competition, and making the labor market flexible were the main reform areas (Shields 2011, p. 90; Cook 2010). Bohle and Greskovits (2006, p. 10) point out that the market reforms targeted important sectors of socialist heavy industry such as mining, energy, iron and steel and heavy machinery. More importantly, during the liquidation of these sectors, the most dynamic and powerful sections of the organized working class were also eliminated. Bohle and Greskovits (2006, p. 12) underline that the EU membership process replaced the conditionality practice in the structural adjustment and stability programs of the IMF and the World Bank in the previous period.

Politically, one of the most important political consequences of the second wave reforms was the decline of social democracy in Poland. This was not an isolated incident, rather it was part of the common trajectory of social democracy in Europe during the neoliberal era (Berman & Snegovaya 2019). The disappearance of the capacity of the left-wing politics to organize the social discontent created by the market reforms has completely opened up this space to the nationalist conservative right-wing politics (Snegovaya 2021). Therefore, the political consequence of the second wave reforms was the rise of PiS as a nationalist right alternative, with its close ties to the Catholic Church and its strong anti-communism and conservatism, against the Civic Platform (PO) party, which represents an urban, center-right, liberal, and secular economic and political interests (Pienkos 2006, p. 218).

The third wave of market reforms took place between 2007-2015 during the period of coalition governments led by PO. Although there was no recession in Poland during the GFC, the economy slowed down and the PO government had to take fiscal measures that were not at all popular in the eyes of the public. Increasing the retirement age to 67 was disapproved by 90% of the society, according to surveys (Szczerbiak, 2017, p. 406). Similarly, narrowing the coverage of the social security system in order to protect the competitiveness of companies was also a significant part of the third wave of market reforms (Maciejewska et al. 2016).

[10] While support for market reforms was at 45% in 1989, this rate fell below 20% within two years as a result of the economic and social devastation (Hunter & Ryan 2008, p. 195).

In short, the transition to capitalism and market reforms have left almost half of the Polish population out of productive jobs, and a growing proportion of new recruits are hired on precarious, limited-term contracts (Rae 2015 p. 180). The dependent market economy model after 1989 deepened inequalities among workers. The wage differentials in the labor markets between educated and highly skilled workers, and low-educated and unskilled increased even more (Brzeziński 2017). Thus, the radical shrinkage in the capacity of the working class to act collectively, and the increasing feeling of weakness made workers open to right-wing populist nationalist propaganda (Zuk 2017). Enfeeblement of labor, thus, has been a key result of the market reforms.

4.1.2. New growth strategy

The most important impact of the GFC on the dominant social bloc of Poland was increasing awareness of the Polish economic and political elites on the dependent nature of the Poland to developments in the global economy. The "dependent market economy" model followed in Poland after 1989 was based on the increase in foreign capital investments thanks to the advantage of relatively well-educated and cheap labour (Nölke & Vliegenthart 2009; Drahokoupil 2008). Yet, post-2008 period this model has been gradually replaced by a new developmental policy agenda, based more on economic nationalism, state intervention, and populist socio-economic policies (Appel and Orenstein 2016, p. 160; Bluhm & Varga 2020).

In addition to the state managers and the political elite, the business community in Poland emerged as an active subject of this process. According to Naczyk (2014, p. 5), the mobilization of the local business elite lies behind the rise of "economic patriotism" that prioritizes the domestic bourgeoisie after the 2008 crisis. However, a comprehensive nationalization initiative was not on the agenda, rather an effort to reduce the presence of foreign capital in the Polish economy is the target of the new growth strategy (Naczyk 2014, p. 18). In a more recent study, Naczyk (2021) develops this argument by backing it up with empirical evidence that the driving force behind the paradigm shift in Poland was the mobilization of local company executives of Polish subsidiaries of multinational firms in the financial sector. The main motivation of these company managers was to have wider management autonomy and to progress further in their careers because they realized that during the 2008 crisis the multinational companies made their investment decisions by considering the priorities of their countries of origin (Foy 2016, p. 2). Then, these top executives started to convince the state managers and different political parties that the state should actively support the development of domestic companies (Naczyk 2021).

These demands of top managers of Poland-based subsidiaries of foreign multinationals after the 2008 crisis were partially taken into account by the PO administration, but the realization of these demands took place during the PiS governments, especially after 2015. The Polish then Minister of Finance and Development, Mateusz Morawiecki, argued that increasing the share of domestic ownership, especially in the banking system, is a positive development, and that it can improve the control of credit policy (Rohac 2017). Paweł Borys, chairman of the Polish Development Fund, indicated three reasons for the policy of reducing the weight of foreigners in the banking system. According to Borys, foreign banks, whose share in the Polish banking system reached 70% in 2008, cut lending in Poland when the crisis broke out, and normally healthy firms suffered due to this credit collapse. Second, the high foreign capital presence in the banking sector reduces the effectiveness of the monetary policy implemented by the central bank. Lastly, he stated that foreign banks were turning to risky loans that bring more fee, i.e., especially foreign currency loans to households, which created major problems after the devaluation of the domestic currency during the crisis period (Shotter 2019, p. 2-3).

The PiS government was convinced that foreign multinationals, who control critical sectors such as banking, retail, and telecom in Poland, undermine the domestic economy by transferring their profits and dividends to their origin countries. The “re-Polanisation” strategy, therefore, aimed to put an end to this dependent development model. According to Morawiecki, as a result of the policies followed in the post-1989 period, Poland fell into the "dependent development trap" (Foy, 2016: 1). Morawiecki also pointed out that the invisible hand of the market has weakened Poland for a long time, and that the state will be more active in their time (Foy 2016, p. 4).

The "Responsible Development Plan", which was announced by the Ministry of Investment and Development (2016), was the of the main policy documents of PiS's new growth strategy aimed at establishing some sort of "national capitalism". The plan starts with the assessment that the past growth model is unsustainable (p. 6). According to Minister of Development Morawiecki (2016), as a result of the dependent market economy model followed by Poland, key sectors of the economy such as banking, and manufacturing industry have become controlled by foreign capital. Moreover, this ownership structure does not encourage an innovative production. The plan emphasizes that the previous growth regime also distorts the justice in income distribution; “less than 5% of Poles have 25% of all income”, while “40% of the lowest paid workers receive only 25% of the total income” (p. 10).

The plan sees a lack of domestic capital as one of the main problems of the economy. Accordingly, two thirds of foreign trade, 50% of industrial output and 65% of the banking sector are under the control of foreign capital (p. 12). The Plan determines the target of "re-industrialization" as the first priority in order to change the model and announced that this target would be realized with domestic capital, not foreign capital (Kozarzewski 2019). In short, after 2015, the PiS government has embarked on the construction of a model of "national capitalism" with the focus of national bourgeoisie. In line with the growth strategy, a new regulation brought a radical change in the management of state enterprises. Contrary to privatization, the aim of a state as a strong player in the market established, i.e., the state should purse longer-term goals, expand its existence as an investor and property owner in certain strategic sectors (Kozarzewski 2018). As a result, some of the large state enterprises that were previously privatized were taken under public control again (Kozarzewski and Baatowski 2016). In 2019, the PiS government's re-nationalization strategy had already been extensively implemented, particularly in the banking sector, where the share of domestic capital in the banking sector exceeded foreign capital in 2017 for the first time since 1999, reaching 54.1% in 2018 (EBF 2019).

Social assistance programs are an important component of the new strategy of the nationalist conservative power of PiS (Zuk and Toporowski 2020). The “Family 500+” program, which was one of the striking election promises of PiS, was designed to provide unconditional assistance to families with two or more children, regardless of their income (500 Zloty, approximately 90 Euros). One of the results of the program was the decrease in women's participation in employment. This is partly a result in line with PiS's conservative political project (Shields 2019). On the other hand, the separation of women from the labor market helps to decrease unemployment (Magda et al. 2018, p. 7). The active use of 3.78 million families from the program as of 2017 demonstrates the coverage and scope. In addition to the “Family 500+” program, in the field of social policy, the retirement age was reduced to 65 for men and 60 for women (Toplišek 2019, p. 8). Therefore, the introduction of this new social assistance programs can be seen as a powerful tool of the growth strategy with the aim of incorporating subaltern classes to the PiS-led dominant social bloc.

In short, Poland's new strategy, thus, has emerged as an alignment of interests between core capitalists and the political elite on the build a national capitalism 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 and Flis, 2018). This new strategy is also an authoritarian state-building project, in which the rule of law is eroded, the executive's weight on the legislature and patriarchal pressure against women and LGBTI + individuals and communities has increased, and media freedom has become restricted (Korycki 2017; Shields 2019).

4.2. Turkey

In the 2000s, Turkey under the new "moderate Islamist" AKP government was also presented by Western capitals as a shining example of neoliberal market reforms and improvements in democratization (New York Times 2004). Despite the fact that Turkey's encounter with neoliberal market reforms dated back to 1980, it was only during the early 2000s that the implementation of comprehensive privatization programmes, the establishment of central bank independence and independent regulatory agencies took place (Akcay 2009). Yet, the Turkish case, similar to the Polish one, has been one of the prominent cases of "democratic backsliding" during the 2010s. One of the most common explanations for Turkey's authoritarian turn was the rise of populist discourses and the AKP's strategy of "culture-wars" against the opposition. Yet, we argue that, like in Poland's case, current authoritarianization has been shaped by the nationalist-conservative reaction to the crisis of neoliberal market reforms (Altinors & Akcay, 2022).

Like Poland, Turkey pursued a domestic demand-led regime before the GFC, as we have shown in Section 3. After the crisis, the regime became private debt-led until the taper tantrum in 2013 when the US Fed's announcement of tapering its quantitative easing programme led to capital outflows from ECEs, including Turkey. Since then, a development towards a more export-led regime is observable albeit at unstable growth levels. We argue that changes in the composition of the dominant social bloc have been the main driver for the formulation of a new growth strategy leaning towards export-led growth.

4.2.1. 2001 IMF Programme and crisis of neoliberal market reforms

The 2001 crisis was a turning point for Turkey's political economy. On the one hand, it paved the way for the elimination of established parties and opened the political space for the new political Islamist party, AKP, in the 2002 election. On the other hand, it facilitated the full-scaled implementation of the IMF programme with important market reforms. While the IMF programme provided the content for economic policies, Turkey's EU membership negotiations set the agenda for the state restructuring and establishment of a technocratic management machine in the early 2000s. These two anchors, IMF and EU, along with the introduction of an inflation targeting regime with high interest rates complemented with fiscal austerity attracted capital inflows to Turkey during the 2000s.

Continuous relatively high growth rates supported by capital inflows allowed the establishment of a dominant social bloc consisting of core capitalists (see Table 2), political elite, and the poor. Core capitalists consist of large business groups that have access to international loan markets, produce relatively high technological goods that require a substantial amount of import, and are thus interested in price stability. The main cement of this dominant social bloc was the maintenance of a strong national currency, TL.

On the one hand, the policies that brought a strong TL have been beneficial for the core capitalists since they guaranteed price stability; on the other hand, these policies were useful for the lower classes since cheaper loans became available for them for the first time in Turkey's history. The political elite was successful in containing possible reactions against the implementation of privatizations by increasing social assistance programs (Akcay 2018). Similar to Poland's case, enfeeblement of labor and its political representatives has been one of the key results of market reforms. While trade union density in Turkey decreased from 29.1 per cent in 2001 to 6.3 per cent in 2015,[11] a new labor regime created more precarious work conditions and stagnant real wages.

Yet, there have been internal contradictions of the IMF programme-led economic policies. While an over-valued national currency boosted imports, cheap imports undermined existing production structures in both manufacturing and agriculture sectors. These two factors resulted in "premature deindustrialization" (Rodrik, 2015), a persistent high current account deficit, and high unemployment. Thus, the domestic demand-led growth regime was depending on the continuation of capital inflows, which led to an over-valuation of the national currency, and further increased the current account deficit (Orghangazi & Yeldan 2021). This growth regime not only increased Turkey's dependency on capital inflows, but also made Turkey more vulnerable to global financial cycles' ups and downs (Akcay & Güngen 2022).

4.2.2. Search for alternative growth strategies

2013 was another turning point for Turkey's political economy. In the post-2013 period, which has been characterized by the contraction phase of global financial cycle, slowing growth rates undermined the previous dominant social bloc, which consisted of both core capitalists, and the political elite, the AKP. Stagnant economic performance began to threaten the sustainability of the social and financial-inclusion mechanisms, which were the main factors that had brought about political stability in the 2000s. More importantly, the economic slowdown diminished the AKP's coalition-forming capacity among the core and peripheral capitalists. (Akcay 2018) Thus, there has been a restructuring in dominant social bloc between 2013 and 2018.

These five years, the period between 2013 and 2015, were particularly challenging for the ruling party due to two main reasons: (i) the Gezi Park uprising, one on the largest social mobilization in Turkey's history, emerged against the government's urban gentrification plan in Taksim square of Istanbul, shattered AKP's legitimacy among secular liberals; (ii) internal conflicts within the ruling bloc erupted when a fraction of Islamist community organized within the security forces, media and educational institutions launched an attacked against the AKP government and its leader Erdoğan. Thus, the post-2013 period, then, has been marked by the structural crisis, consisting of a crisis of the growth regime and a crisis of the state (Akcay 2021a). Since Turkey's domestic demand-led regime has been depending on capital inflows, the contraction phase of global financial cycle swept away the material conditions of previous growth regime in the post-2013 period. In the post-2013 period, the central bank was forced to offer higher interest rates in order to attract capital inflows, thus sustain the previous growth model. This necessity triggered an adjustment mechanism in the dominant social bloc. Higher interest rate was one of the key demands of core capitalists. Yet, offering higher interests potentially would have dampened investments, resulted in collapse in loan expansion, increased unemployment, and eventually undermined political support for the AKP. Thus, the political elite started to a new quest on alternative growth strategies, since its political survival interests have increasing been at odds with the core capitalists' demands. This initiative also coupled

[11] OECD, *Employment Outlook 2017*, accessed June 22, 2017, www.keepeek.com/Digital-Asset-Management/oecd/employment/oecd-employment-outlook-2017_empl_outlook-2017-en#page15.

with the peripheral capitalists' (see Table 2) increasing weight in the dominant social bloc (Bekmen 2014; Bozkurt 2021).

This structural crisis situation resulted in an election setback for the AKP in 2015, when the party lost its majority in the parliament for the first time since 2002. While the crisis of the growth regime continued, the political crisis intensified in 2016 with a failed coup attempt. This multiple crisis led the AKP to pursue non-democratic ways to stay in power, and eventually led to a change in the political regime from the parliamentary to the presidential one in 2018. We argue that increasing weight of peripheral capitalists in the dominant social bloc led to contradictory macroeconomic tendencies, i.e., coexistence of more developmental and orthodox orientations.

The government faced a serious monetary policy dilemma during this period. It needed to offer higher interest rates to control inflation. Yet, mass-based financialization required low interest rates, which depend on uninterrupted capital inflows. Despite the fact that drying capital inflows created a huge pressure on the policy makers to raise interest rates, the government's constant anxiety on the continuation of economic growth forced AKP to turn away from the orthodox monetary policy framework, and to look for alternative growth strategies of establishing the "national capitalism", similar to PiS of Poland. The 2018 currency crisis was an important catalyst on this quest.

The period between 2018 and 2021 was a transition period to implement the new growth strategy (see Figure 9). 2018 currency crisis and Pandemic shock were two significant events in this period. Following the August 2018 currency crisis, the AKP was forced to raise interest rates dramatically (6.5 %) in September 2018, which was followed a credit collapse and recession. Yet, Fed's "U-turn" on the US monetary policy and its decrease in interest rates created a huge policy space for Turkey's central bank, who was able to reduce interest rates 12 % in 2019. (Akcay & Güngen 2022)

Turkish policymakers followed an interesting road as a response to Pandemic-related economic slowdown. Instead of using fiscal measures, and public spendings, the main tool for intervening the economic slowdown was providing cheap loans via declining the interest rates. One may ask why then did policymakers use central bank reserves very actively at the beginning of the Pandemic, if they had opted for competitive exchange rate policy? The answer lies in the crucial role of foreign currency reserves. Reserve management of central bank may allow policymakers "to simultaneously control interest rates and exchange rates" (Ocampo 2016: 222), at least for a short period of time. Thus, active reserve management gave an opportunity to mute monetary dilemma of policymakers. That said, policymakers were able to lower interest rates in order to stimulate economic recovery, while they were preventing national currency to depreciate rapidly and thus create further inflation, even eventually trigger balance of payment crisis. Yet, this option was only available for a short period of time. "Pandemic loans" at a super-lower interest rates resulted in a huge increase in house prices and fuelled further dollarization of bank deposits. When central bank reserves dropped to a crucial level, the policymakers forced to increase interest rates dramatically in October 2020 (Akcay 2021b).

Despite recurring zigzags on the growth strategy between 2013 and 2021, one can observe that economic policies have been conducted more and more in line with the demands on the peripheral capitalists' interests (Akcay 2021b). Perhaps one of the key signs for rising power of peripheral capitalists in the dominant social bloc was appointment of Nurettin Nabati, who was a member of the Independent Industrialists and Businessmen Association (MÜSİAD) Board of Directors and still a member of MÜSİAD's High Advisory Board, as the Minister of Treasury and Finance of Turkey in 2021 (HBN, 2022). Since the MÜSİAD is the main institutional representation body of the peripheral capitalists, and the appointment of one of their significant members to the Ministry of Treasury and Finance brought a huge leverage to this group.

On the contrary, 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 by arguing that "policies that are designed based on the logic of competitive exchange rates, higher exports and more current account surplus do not adequately match today's understanding of development". He also maintained that "now, the era of gaining competitive advantage in exports with cheap TL and cheap labor has left its place to creating high added value with highly qualified workforce and technology". (Turan 2022).

Despite the criticisms of the core capitalists, the non-price competitiveness option was not a newly discovered theme in Turkish political economy. Even before peripheral capitalists' weight in dominant social bloc increased substantially, Deputy Prime Minister Mehmet Şimşek was announcing that "as a strategy, we should consider producing like a small China, this is our approach, but Turkey is trying to live like a small America" (Dünya Gazetesi, 2016). The government's new growth strategy depends on increasing exports, employment, and growth, became sharper during the COVID-19 crisis. For these goals, policymakers initiated a new competitive exchange rate policy (see Figure A4) that aimed at incentivizing exports via real wage suppression and thus permanently solving Turkey's current account deficit problem. Based on this strategy, Turkey's central bank decreased interest rates between September and December of 2021, which triggered skyrocketing inflation in the following months. Treasury and Finance Minister of Turkey, Nurettin Nabati, recently explained this new path of AKP government:

> "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)

Despite internal contradictions of this strategy, the policymakers seem determined to implement it since it constitutes a new common denominator between the political elite and peripheral capitalists, particularly exporters. Thus, Turkey's new orientation towards establishing an export-led growth regime emerged as a response to the crisis of the previous growth regime. The recent shift in the dominant social bloc, which was reflected as the new policy orientation of government towards implementing an export-led model, further reinforced Turkey's mode of integration to the global economy, i.e., the peripheral capitalists benefited more than core capitalists (Kılıçaslan et al. 2021).

5. *Conclusion*

This paper aims to engage with the recent and innovative literature on growth regimes on two grounds. First, we bring together the PKM analysis, which provides a systematic framework for Large-N comparisons, and the critical comparative economy perspective, which aims to understand the main societal dynamics of establishment and changes of growth regimes. Moreover, we suggest that growth strategy might be an appropriate analytical tool to link these two frameworks. After elaborating this framework, we analyze Poland's and Turkey's demand

and growth regimes and their respective shifts between 1999 and 2020. Our main findings are the following:

Both countries had a domestic demand-led regimes between 1999 and 2008. Poland switched to a weakly export-led regime between 2009 and 2020 while Turkey switched to a private debt-led regime until the taper tantrum in 2013. Since then, there have been attempts to develop a more export-led demand and growth regime.

In both countries, external factors like GFC or global financial cycles triggered national economic stagnations or crises, which had great impacts on demand and growth regimes. Following the external shocks, there has been a restructuring in the dominant social blocs of both countries.

In Poland, as a reaction to the GFC, the business mobilization (from above) pushed the political elite to pursue a new growth strategy, which includes establishment of a “national capitalism” based on upgrading domestic industrial production, increasing shares of domestic capital groups in crucial sectors like finance and insurance, reducing the vulnerability of the economy to external shocks, and increasing social security via introduction of new conservative welfare state measures. Thus, alignment of interest of core capitalists, political elite, and blue-collar workers on establishing a “national capitalism” brought about the dominant social bloc in the late 2010s. This has also constituted the societal base of the new weakly export-led growth regime in the post-2008 period in Poland.

In Turkey, the main demand and growth regime became unsustainable after 2013 as a result of the global financial cycle shifting from expansion to contraction. The crisis of the previous growth regime led to a restructuring in the dominant social bloc, in which core capitalists’ privileged position has been undermined while peripheral capitalists’ weight has increased. In the post-2013 period, while the political elite’s survival strategy led it to pursue more authoritarian ways to govern, its interests started to be at odds with that of the core capitalists, since the latter’s demands of austerity measures (including rising interest rates to stabilize TL) would undermine the former’s political support. Thus, the interest of political elite, state bureaucracy, and peripheral capitalists, aligned on the new export-led growth strategy based on constant devaluation of TL as a strategic goal of monetary policy.

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Appendix

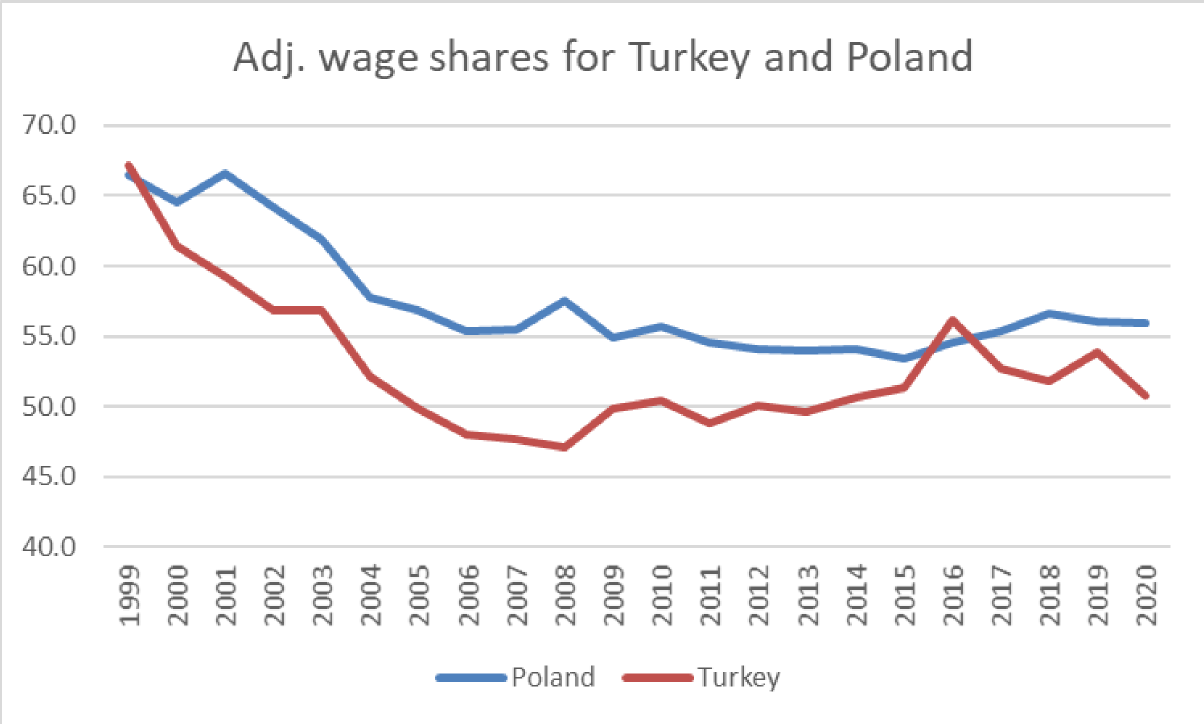

Figure A1: Adjusted wage shares for Turkey and Poland in % of GDP, 1999-2020. Source: AMECO Database.

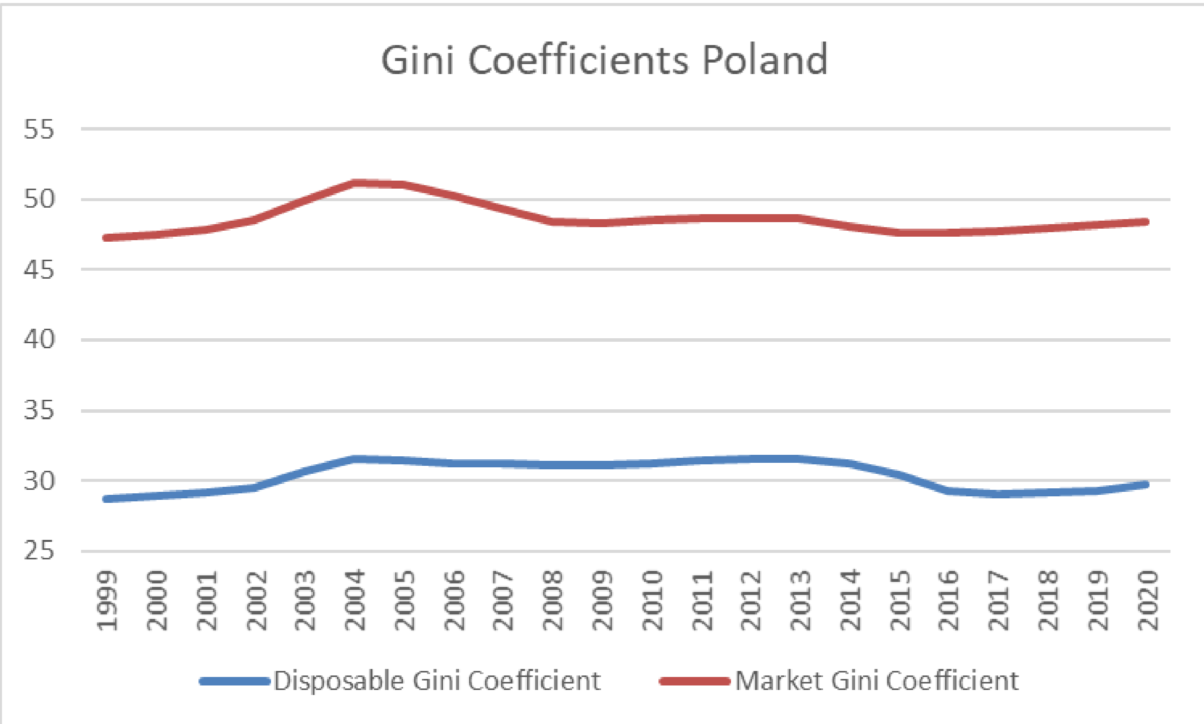

Figure A2: Disposable and Market Gini Coefficients for Poland, 1999-2020. Higher Ginis imply a higher degree of unequal income distribution. Source: The standardized world income inequality database (SWIID)

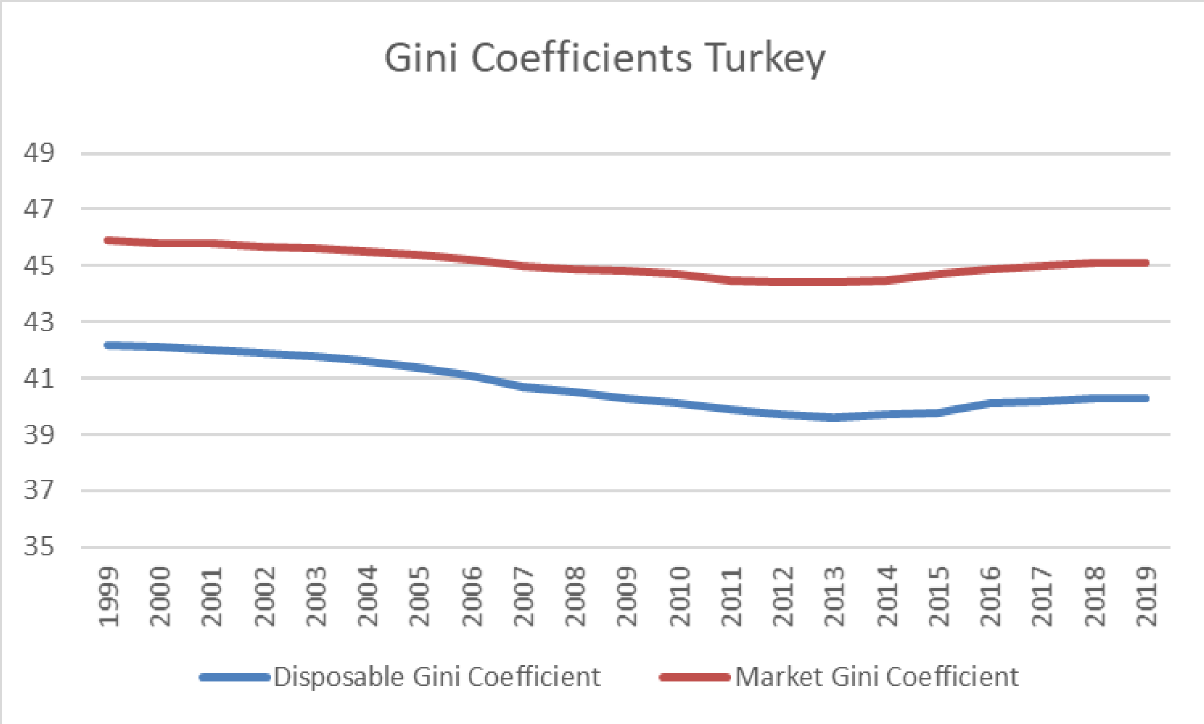

Figure A3: Disposable and Market Gini Coefficients for Turkey, 1999-2020. Higher Ginis imply a higher degree of unequal income distribution. Source: The standardized world income inequality database (SWIID)

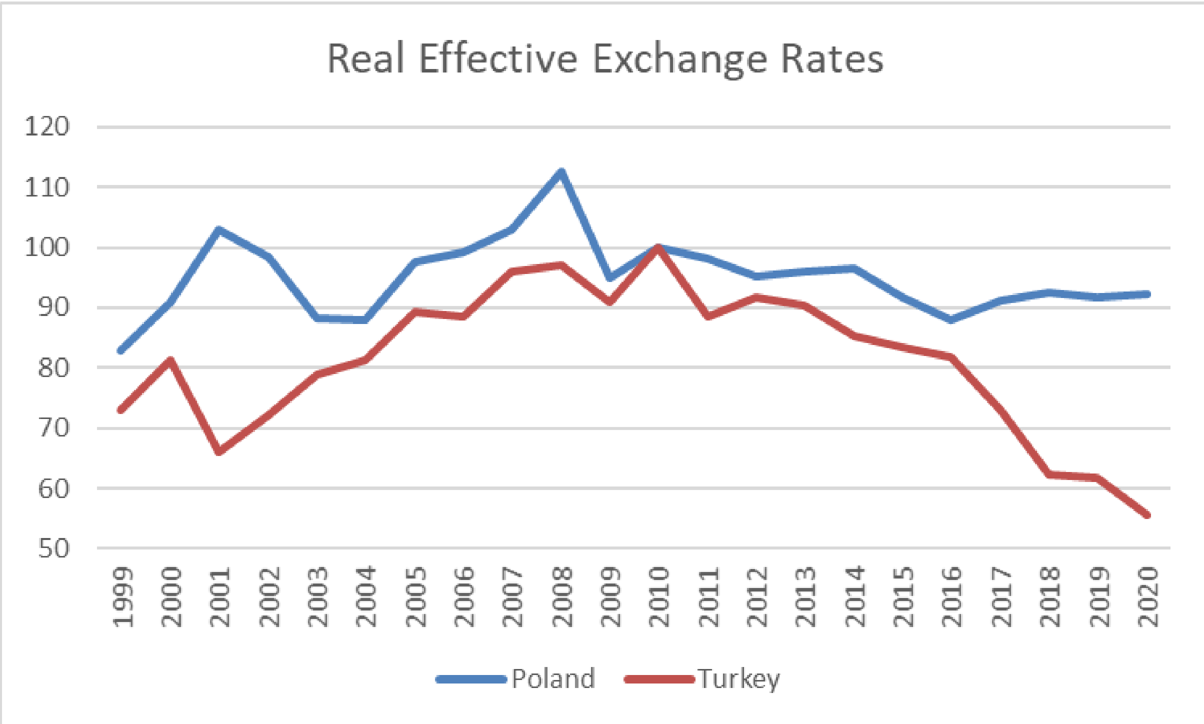

Figure A4: Real effective exchange rates of Turkey and Poland, 100 = 2010, 1999-2020. Real effective exchange rates are used as a proxy of price competitiveness. Here, increases in the rates imply real appreciation and thus a loss in price competitiveness. Source: Bank for International Settlements.

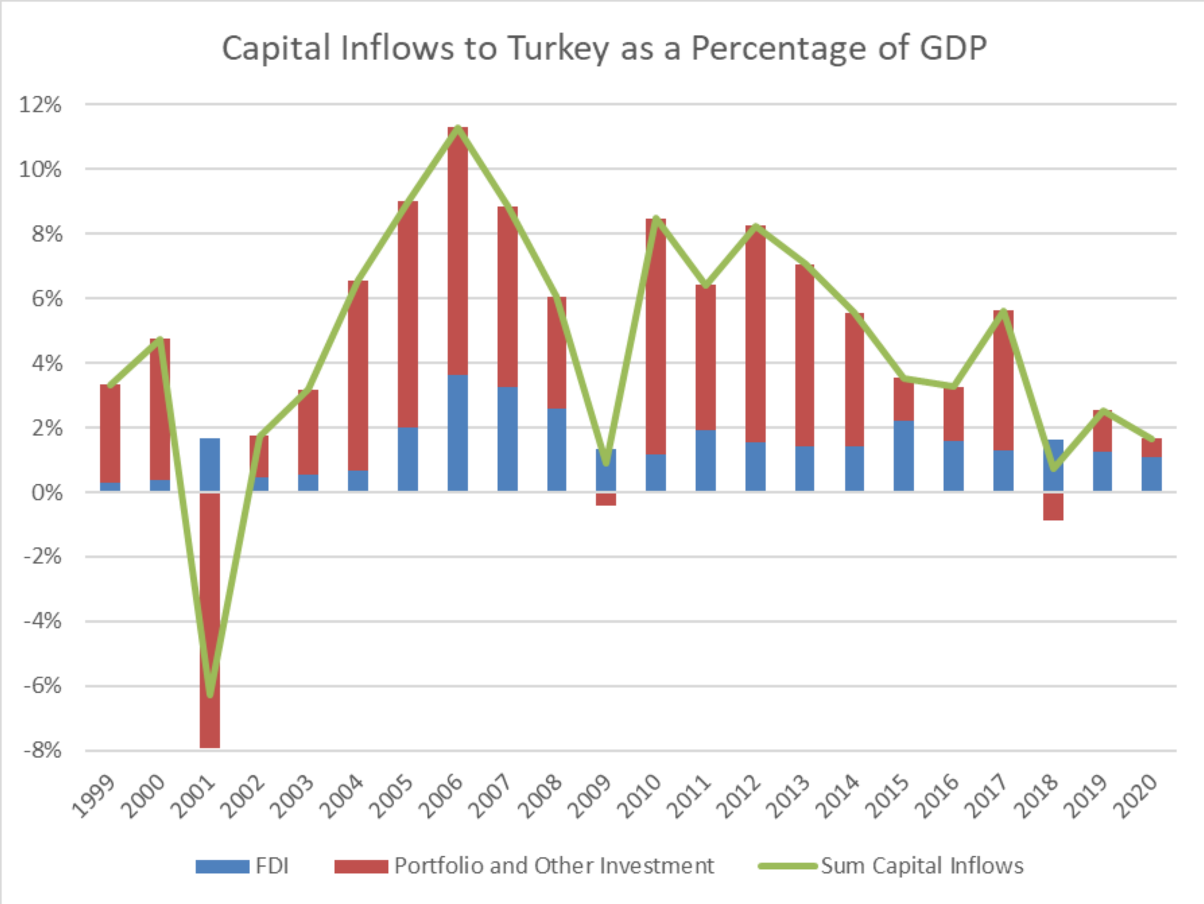

Figure A5: Capital Inflows to Turkey as Percentage of GDP, 1999-2020. Source: Central Bank of the Republic of Turkey, Electronic Data Delivery System.

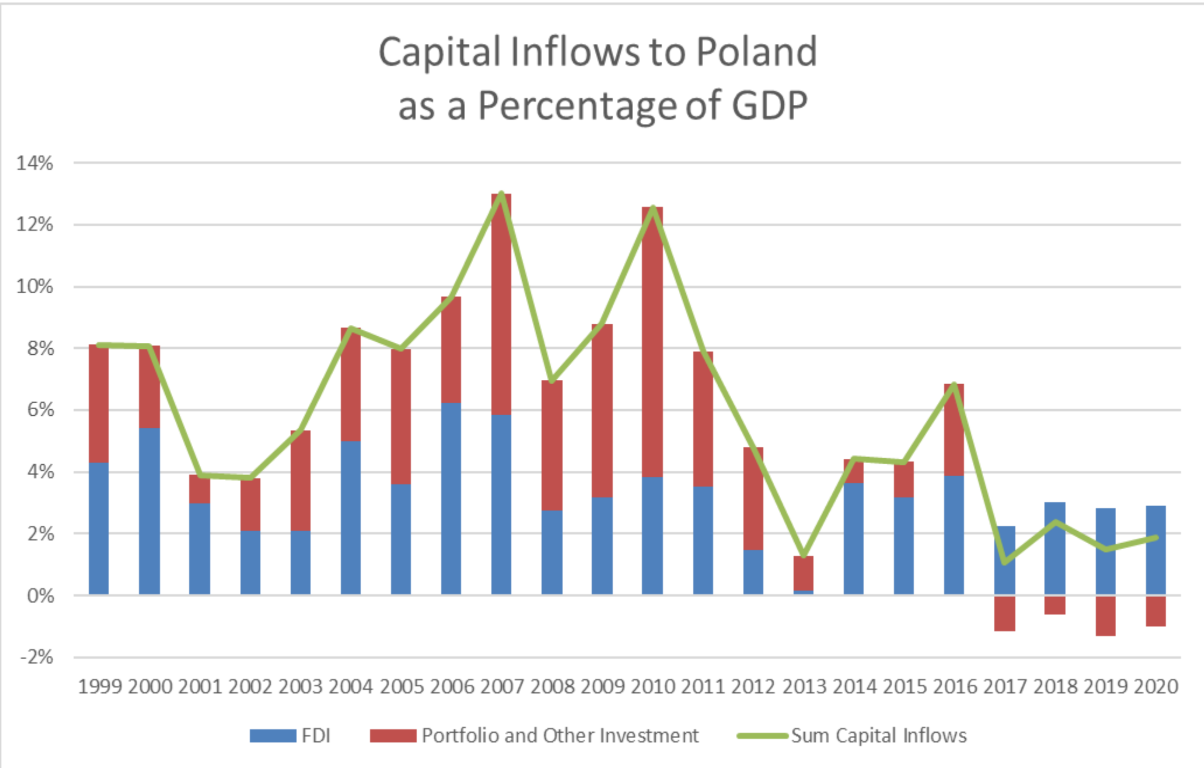

Figure A6: Capital Inflows to Poland as Percentage of GDP, 1999-2020. Source: National Bank of Poland.

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