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Growth Models, Power Blocs and Authoritarianisms in Turkey and Egypt in the 21st Century

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Abstract

Analysis of the growth patterns in the global South in the 21st century suggests there is room for authoritarian states to search for new growth models. Authoritarian states, such as Turkey and Egypt, benefited from global financial circumstances in the early 21st century and opted for new growth models in the 2010s, suppressing political space further. To explain the changes in growth models amid the strength of reinforced authoritarianisms in these two countries, we employ a hybrid research strategy consisting of critical macroeconomic analysis and a critical political economy approach, tying growth model changes to conflicts within the power bloc. Peripheral goods producers gained the upper hand in Turkey in this period, while a military takeover in Egypt was followed by the promotion of exports and new investments in the mid-to-late 2010s. We contend that power bloc reconfigurations and the rise of new growth strategies led to the change in Turkey's growth model during the Covid-19 pandemic and the quasi-shift in Egypt's growth model in the late 2010s.

Key words: Comparative political economy, growth models, growth strategies, Turkey, Egypt

JEL codes: B52, E65, E66, F43, O43, P52

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1. Introduction

Contrary to the widespread expectation that when faced with deep economic crises and brewing social discontent, authoritarianisms are less likely to maintain their strength, authoritarian states in Turkey and Egypt rejuvenated themselves in times of distress. Analysis of the growth patterns in many countries in the global South suggests there is room for authoritarian states to search for new growth models in the last decade. The new growth strategies in both Turkey and Egypt in the 2010s can be directly linked to the reconfiguration of power blocs. Though previous accumulation strategies were sticky in both countries, they ultimately transitioned (or were about to transition) to a new growth model in the late 2010s and during the Covid-19 pandemic.

This study elaborates on Turkey and Egypt's growth models in the 21st century. Despite significant differences regarding export capacity and macroeconomic indicators, political economic developments converge in various aspects in these two countries and the authoritarianisms maintained their strength while increasingly suppressing the political space in mid-to-late 2010s. We employ a hybrid research strategy consisting of critical macroeconomic analysis and a critical political economy approach to explain the continuities and ruptures in the growth models of both countries. Regarding the former, we evaluate the components of growth in these countries in the 21st century following Hein (2012), Hein and Martschin (2020, 2021) and Akcay et al. (2022) to explain the main trajectory of the macroeconomic structures in both cases. Regarding the latter, we rely on the critical political economy tradition and benefit from a critical reading of the state debate in the late 20th century. We argue that the power bloc concept (Poulantzas 2000) helps explain the political economy of growth models and their changes.

Such a combination of research agendas can better illustrate the resilience of authoritarian regimes in adapting themselves to global financial circumstances and the reinvigorating accumulation strategies of capital groups and fractions, which are later presented as the collective interest of both these capital groups and societies. During the 2010s, economic growth in Turkey and Egypt continued to rely mainly on private consumption. Despite the stickiness of their growth models, these countries found it harder to continue domestic demand-oriented and debt-led growth patterns during the late 2010s, paving the way for the shift seen in recent years. We argue that this shift in Turkey's growth model during the Covid-19 pandemic and quasi-shift in Egypt in the late 2010s followed a power bloc reconfiguration and promotion of a new growth strategy in both countries in the mid-to-late 2010s. These changes can only be explained through a balanced perspective that considers the domestic struggles and reconfiguration of power blocs amid changing global financial circumstances and the subordinated integration of these economies into global capitalism.

To analyze the recent rise of new growth models in these two countries, we use both macroeconomic databases and the secondary literature. The following section engages with the comparative capitalisms literature and locates our study in the latest research stream that emerged from the Growth Model Perspective (GMP) (Baccaro and Pontusson 2016; Baccaro et al. 2022). The third section presents an analysis of the politics of macroeconomic policy in Turkey and Egypt in the 21st century. The fourth section describes the macroeconomic structure based on our investigation of the components of economic growth in the two cases, dividing the 21st century into three subperiods (2003-08, 2009-13 and 2014-19). The fifth section discusses the authoritarian macroeconomic management in terms of changes within power blocs, while the conclusion relates this appraisal to the need to advance the GMP and a political economy investigation of authoritarianism.

2. Theoretical frameworks for divergent growth models

Comparative political economy has always been concerned with economic growth and variegated performance of economic geographies. After World War II, the Japanese miracle and the success of *Model Deutschland* indicated that competitors were being formed in the global economy, triggering comparisons of different strategies of capital accumulation amid the postwar recovery. The French Regulation School and its American counterpart, Social Structure of Accumulation theory initiated an overall research agenda regarding the rise and later crises of post-War accumulation regimes (Agglieta 2015; Boyer 1990; Boyer and Saillard 2005; McDonough et al. 2021). Both approaches investigate the main dynamics that generate stability in the inherently unstable and contradictory capitalist mode of production. This research agenda is concerned with the main roles of the state in particular accumulation regimes like Fordism and post-Fordism, the power balance between capital and labor, and the institutional structures that moderate the tensions among different classes, class fractions and sectoral interests in developed capitalist economies (DCEs).

The literature on integration of the global South economies into the post-1945 global economy was shaped predominantly by modernization theory and development economics. Competing growth models, specifically import substitution versus export-led industrialization strategies were central to this research agenda. This literature also included the political economy of development and industrialization strategies, providing room for analysis of the power blocs in the post-colonial era. In many global South countries, these comprised local industrialists, state managers and multinational companies (Evans 1979). The implementation of indicative planning (Lewis 1966) as part of an import-substituting industrialization strategy (Hirschmann 1968) was of particular significance. However, both the structuralist Economic Commission for Latin America and dependency school scholars criticized the modernization school's optimistic promises about newly emerging countries catching up and provided a more realistic account of dependent development in the industrialization trajectories of emerging capitalist economies (ECEs) (Kvangraven 2020). Although the sources of economic growth and growth coalitions have always been key topics within the field of the political economy of development, their significance was eclipsed by the neoliberal turn of the early 1980s and the hyper-globalism of the 1990s. Then in the late 20th century, the mainstream globalization perspective changed the tone of scholarly discussion in both development studies and comparative politics. Many political economy scholars strengthened their expectation that various forms of market intervention would be replaced by minimal state intervention due to free capital mobility. In contrast, the Varieties of Capitalism (VoC) approach emphasized the path-dependency and legacy of institutional settings, suggesting that the differences between significant capitalism models would persist (Bruff et al. 2015).

As a firm-centered and institutionalist way of accounting for capitalist diversity, VoC paid particular attention to firm-level decision-making and market coordination (Hall and Soskice, 2001). This first generation of VoC studies insisted on two major institutional configurations, labelled as liberal market economies (e.g. the US and the UK) and coordinated market economies (e.g. Germany and Japan). The value of the VoC objection was its emphasis on divergence, although first generation VoC research fell short of accounting for different accumulation strategies. More problematically VoC's ideal type methodology resulted in models of capitalism discussion that sometimes mistook abstraction for reality (Hay 2020). In critical conversation with the VoC approach, the later studies expanded the typologies to account for a diversity that could not fit into just two varieties. For example, Amable (2003) added Asian, Scandinavian and Mediterranean types based on an analysis of their wage-labor nexus, social protection mechanisms, and education policies. The VoC research agenda also expanded towards the European periphery by establishing the category of dependent market economies (e.g. Central and Eastern European Countries) (Nölke and Vliegenthart 2009). It is debatable however whether this research in the 2000s provided us with the necessary tools to explain the dynamism in terms of current models of capitalism and their adaptation to the financialization of global accumulation. In both the first and second waves of VoC research, the typologies were quickly pinned down so that the experiences of different economic regions were discussed in terms of pre-constructed types (Jessop 2011).

In recent years, many scholars have investigated the challenge to global governance of countries like Brazil, Russia, India, China and South Africa (BRICS) while various historical materialist and critical institutionalist studies have problematized the changing growth patterns and dynamics in emerging economies (Nölke and Claar 2013; Schneider 2013; Schedelik et al., 2020; Akcay et al. 2022; Stockhammer 2022a). This growing comparative capitalisms research agenda, which can be seen as part of the third wave, attempts to overcome the earlier preoccupation with global North countries and present a more dynamic analysis of accumulation strategies and accompanying regulatory frameworks.

One significant pillar of the third wave, sometimes labelled as the Growth Model Perspective (GMP), has opened new avenues for further collaborations among critical schools of political economy. Baccaro and Pontusson (2016) criticized the first-generation VoC framework for its reliance on neoclassical macroeconomic assumptions, particularly the New Keynesian policy framework and suggested using a post-Keynesian macroeconomic analysis that foregrounds demand formation dynamics in macroeconomic analysis. Based on this insight, Baccaro et al. (2022: 23) argue that as Fordist growth models declined, the declining labor share dampened domestic demand so that "exports or debt have replaced real wages" as the main driver of demand formation and thus economic growth. The emphasis on post-Keynesian macroeconomic analysis within this context is congruent with heterodox research on financialization processes and the diverging paths of growth models (Stockhammer 2022b). Financialization in various economies led to similar changes regarding labor's share in the economy (Akyüz 2018) and the slowdown of capital investments (Stockhammer 2004). As increased shareholder power imposed short-termisim on corporations, financialisation led to declining real investment in capital stock (Hein 2012).

The negative impact on real investment in capital stock was accompanied by increased levels of household borrowing in some countries. Against this background, "some countries relied on debt-led soaring private consumption", while some others preferred "mercantilist export-led strategies" (Hein 2012: 3) as the driver of GDP growth. By looking at growth contributions of the main demand aggregates and at financial balances of the main macroeconomic sectors, it is possible to refer to various sub-types in the growth models research. For example, Akçay et al. (2022) discuss four different sub-types: (1) a debt-led private demand (boom) regime, (2) a domestic demand-led regime, (3) a weakly export-led regime and (4) an export-led mercantilist regime. The post-Keynesian contributions to GMP further elaborated the analysis of changes in growth models before and after the 2008-09 global financial crisis for DCEs (Hein and Martschin 2020) and ECEs (Akcay et al. 2022). This research agenda has been further expanded by investigating different growth drivers (Kohler and Stockhammer 2021). In the present study, we follow this research agenda, paying particular attention to competing strategies and the unstable compromise among different capital fractions. Indeed, the social aspects of growth models have been the primary focus of the GMP research stream. To elaborate on the social pillars of growth models, Amable and Palombarini (2009: 138) introduced the concept of the "dominant social bloc". They used it as a variable for explaining systemic crises, since these are the constellations in which "political actors [could not] find any strategies to aggregate a social bloc that could become dominant". Hassel and Palier (2020) presented the concept of "growth strategy" as an important means to understand changes in growth models. Similarly, Akcay and Jungmann (2022) suggested that growth strategies should be analyzed to uncover the competing strategies of different capital fractions or sectoral interests. They also argued that the crises in capital accumulation intensified the competition among various growth strategies. Finally, Baccaro et al. (2022) used the concept of "dominant growth coalitions" as the key social component of any growth model.

In the present study, we prefer to use the concept of the power bloc, since it specifically focuses on relations among the hegemonic capital fraction, other capital fractions, sectoral interests, political elites and unelected officials, such as the bureaucracy. In Poulantzian terms, the power bloc denotes the unification of different fractions of capital and social groups, whereby some class fractions impose their leadership on others. The strategies of the hegemonic fraction determine the "unstable equilibrium of compromise" (Poulantzas 1975) within the power bloc. In addition, if the leadership of the hegemonic fraction within the power bloc deteriorates, then this might end in a reconfiguration that encourages the emergence of a new growth strategy.

Our emphasis on power blocs and policymaking processes allows for analyses of authoritarianisms that benefit from and are also shaped by specific growth models. For example, financialization curtails democratic procedures since the dominance of financial logic eliminates alternatives and shapes our perceptions of what is feasible. This type of economic transformation is accompanied by decision-making power shifting back to narrower circles (Nölke 2020). These are not necessarily financial experts, but accomplices in reinforcing the lack of democratic control over the financial sector. Such economic transformation contributes to authoritarianisms in various ways. As Apaydın and Çoban (2022) show, for example, the crisis of dependent financialization in Turkey has further fueled authoritarian macroeconomic management. A hegemonic capital fraction can use financialization of the state to maintain a specific power bloc configuration while simultaneously suppressing labor organizations. They do so by increasing the influence of financial logic and accumulation strategies in policymaking and state activities (Karwowski 2019), and through the internalization of economic standards in policymaking so as to manage the assets and liabilities of the state as a multi-purpose fund (Schwan et al. 2020).

More significantly, some growth models may be more strongly supported by certain groups within the power bloc because they increase the chances of certain capital fractions pursuing "differential accumulation" (Nitzan and Bichler 2009). This is a crucial insight to explain the stickiness of growth models despite economic turbulence and evident signs of economic problems before turning points. Nevertheless, we do not suggest a one-to-one correspondence between specific growth models and forms of authoritarianism or power bloc configurations. Yet again, the policy space provided by domestic demand-led growth is not only conducive to financial deepening but can also be used in various countries to help manage tensions among capital fractions, thereby sustaining the unstable compromise. Similar growth patterns in Egypt and Turkey, accompanied by loose global financial circumstances provided the terrain on which the power blocs were shaped in these two countries in the early 2000s. Some of the seeds of the reconfiguration of these power blocs were sown during the 2008-09 international financial crisis and its aftermath. These transformations can be grasped by analyzing both the growth models, their changes, and the reconfigurations of the power blocs that depend on specific authoritarian crystallizations.

3. Politics of macroeconomic policymaking

Changes in the political regimes of several global South countries after 2000 further weakened the already limited public sphere and narrowed the space for political negotiations. Some of these states were already outright authoritarian or troubled democracies characterized by overpowerful executives and persistent human rights violations. Turkey and Egypt are two such authoritarian cases, characterized by deepening neoliberal reform and opening processes during the early 21st century. In both countries, there has been a dramatic shift in the politics of macroeconomic policymaking in the last decade. The macroeconomic management and policy processes in the 2010s were different from the early 2000s, still, a new growth strategy took shape in the late 2010s in Egypt and it is valid to suggest that a new growth model emerged during the Covid-19 pandemic in Turkey. This time lag can be explained by examining reconfigurations of the power bloc and the crystallization of new growth strategies.

During the 1990s, Turkey's economy suffered from crisis cycles. Due to political turbulence, IMF-recommended macroeconomic regulations were not completely adopted, leading to the biggest financial crisis in Turkey's history in 2001. The new regulatory institutions of the post-2001 crisis framework attempted to depoliticize economic management to prevent political parties from interfering in economic decisions regarding critical sectors. Crucially, this included making the Central Bank (CB) independent and preventing the Treasury from using CB funds (Akçay, 2009). During the early 21st century, the banking sector's restructuring also reshaped financialization against the background of the new global financial cycle. Meanwhile, the first Justice and Development Party (JDP) government (2002-07) increased tax revenues and social expenditure despite high primary budget surpluses that were an integral part of the IMF program, which lasted until 2008. Like other major global South countries, Turkey's economic growth suffered a setback during the 2008-09 international financial crisis, although renewed capital flows in 2010-11 resulted in record growth rates. Until 2013-14, relatively low interest rates stimulated household borrowing, thereby sustaining the political support for JDP from low-income groups despite stagnating real wages (Akçay 2018; Güngen 2018, 2021; Karaçimen 2015).

During the 2000s, the Turkish state based its institutionalized tools to support capital accumulation on adopting international best practices in monetary and fiscal policy to enable financial deepening. This inevitably benefited internationally competitive capital groups. The technocratic approach to monetary and fiscal policy suffered its first blow during the 2008-09 international financial crisis. The government's primary responses were to reinforce securitization, widen incentive programs and liberalize borrowing in foreign exchange loans. From 2009 onwards, Turkish corporations started to borrow heavily in foreign currencies, with Turkish banks serving as intermediary institutions (Becker 2016; Akçay and Güngen 2022; Orhangazi and Yeldan 2021). During the 2010s, the government's short-term response to boost capital accumulation was to implement mega infrastructure projects and provide comprehensive support for the construction sector. As evidenced in the government's extensive use of public financial institutions, countercyclical lending became a more prominent tool of crisis management.

After 2013, Turkey's boom-bust cycles became more frequent. The government's discretionary policymaking in the second half of the 2010s can be explained by the renewed economic bottleneck and the slow drift towards economic crisis. Against the backdrop of a secular decline in annual growth rates, there were brief high economic growth episodes due to the state-sponsored credit expansion of the 2010s. It also became increasingly evident that higher interest rates (relative to the 2010-2013 period) would undermine the capacity of the political alliance built by the JDP's leader Erdoğan and the new ruling elite. It would also destroy the social base of the bloc that the JDP had built during the early 2000s. More specifically, heavily indebted households and small and medium-scale enterprises all required lower rates, whereas big business groups favored price stability and orthodox monetary policies. Having tried to boost investor confidence when the two-year state of emergency ended in July 2018, the government implemented the transition to a presidential regime amid geopolitical tensions alongside the Turkish lira's collapse and a credit crunch in August 2018. While Turkey had already been increasingly at risk of economic crisis since 2013, the costs of the notorious credit-led accumulation strategy pursued by successive JDP governments were only fully revealed by a combination of several factors, most notably the global financial tightening of 2018 (Akçay and Güngen 2022). During both 2019 and the Covid-19 pandemic, the Erdoğan regime attempted to buy more time with the same old formula, namely using public banks to extend supportive loans, mainly to SMEs, providing support for the construction sector and attempting to hold down interest rates to stimulate growth despite ongoing turbulence.

Until the mid-2010s, Turkey's authoritarian economic policy making was characterized by internationalization and depoliticization (Akçay 2021). In the last couple of years, however, state managers have abandoned international policy discussions, which they cited on various occasions in the 2000s. The significant commitment of the Erdoğan administration has been to maintain the core of the power bloc, which the JDP helped cement in the early 21st century. Its current crisis management priorities have been supporting labor-intensive sectors, using state capacity to bail out troubled corporations and small- and medium-scale enterprises, and maintaining the networks that feed on state capacity. One of the primary crisis management measures has been providing credit with below-market interest rates. This use of incentives and financial support have even been described as evidence of the emergence of state capitalism (Öniş 2019) or neoliberal statism (Tuğal 2022).

Egypt's economy changed significantly during the 1990s, with long-lasting effects in the early 21st century, mainly due to liberalization reforms. The key elements were restructuring the agriculture sector toward export-oriented goods and partly or wholly privatizing over half of public sector companies (Hanieh 2011). Combined with a wage squeeze and reduced tax rates for corporations, the market reforms further strengthened a few large conglomerates with strong ties to the Mubarak regime at the turn of the century. While the military sector maintained a privileged position in the power bloc in the early 2000s, a more internationalized faction had gained the upper hand, and gradually sidelined the military during the 1990s (Joya 2020) while pushing further for financial sector reforms and new privatizations from 2003 onwards. Like many other global South economies, Egypt recorded high growth rates in 2006-08, and became a poster child within the international financial community (Roccu 2020).

After 2011, however, GDP and economic activity both suffered while a contraction in remittances during the 2008-09 global financial crisis and a food prices hike was followed by the adverse effects of the Eurozone crisis. From the early 2000s to 2011, policies enacted to support capital accumulation included sweeping reforms that would eventually help financial deepening in Egypt. Two fundamental pillars of the accumulation strategy were opening up new sectors that had previously been under public control to rising Egyptian capital and providing easier access to international capital. Despite taking a more subordinated position within the power bloc, Egypt's military still controlled vast parts of the country's industry. However, the accumulation strategy of the 1990s and 2000s did not work as expected, leading to substantial social discontent that paved the way for a political revolution, following popular mobilization in 2011. The Muslim Brotherhood's brief rule ended with the ousting of President Morsi in 2013. It was followed by a new regime backed by the military, with support and aid from Gulf countries, such as Saudi Arabia and the United Arab Emirates.

Egypt's macroeconomic problems increased during 2011-2013. Amid chronic balance of payments problems and reduced international investment, reserves fell dramatically. The new military-backed regime of General Abdelfattah al-Sisi, established after the 2013 takeover, was later forced into an IMF agreement by its patrons, who provided cheap credit and military aid up until 2015. In its attempt to relaunch the economy, the regime adopted conspiracy rhetoric and imposed harsh austerity measures while expanding the military's reach into civilian sectors by enabling partnerships with the private sector. Meanwhile, public debt jumped dramatically due to the Sisi regime's easy access to new credit under the IMF agreement (Adly 2021). Faced by falling FDI since 2016, the regime has promulgated new investment laws and strived to lure investors (Joya 2020).

Much like Turkey, Egypt's macroeconomic policy making in the early 21st century has been characterized by strategies of internationalization. Since 2016, the authoritarian state has relied on an austerity program along with an increased economic role for the military. As the military recovered its dominant position in the power bloc, subordinating Egypt's previously rising capital groups, the Sisi regime has expanded foreign borrowing and increased partnerships with multinational corporations. Two significant elements of the government's developmentalism are its reliance on mega infrastructure projects and extractivism to kickstart the economy. However, these moves towards investment and export-led growth only emerged after several years. That is, although the dynamics within the power bloc changed dramatically from the Mubarak to Sisi regimes (Roccu 2020), the decisive change towards new investment projects and a new growth strategy happened gradually rather than abruptly.

4. Growth models in Turkey and Egypt in the 21st Century

Based on the theoretical framework summarized above, we investigate growth models and their changes in Turkey and Egypt between 2003 and 2019. We divide this period into three to show transitions in the aftermath of the global financial crisis (Table 1). The periodization starts with 2003, as it marks the beginning of the JDP's tenure in Turkey and a new reform period in Egypt. The interim period in both countries begins in 2009 and ends in 2013, the year of a political crisis in Turkey with the first signs of falling capital inflows and the military takeover in Egypt. The last sub-period starts in 2014 and ends in 2019, as it is still too early to discuss the Covid-19 pandemic era beginning in 2020. To present the relative contribution of growth components in a simplified way, we give their shares in growth in Table 2.

Table 1: Growth in GDP and Components of GDP in Turkey and Egypt 2003-2019

	Turkey			Egypt		
	2003-2008	2009-2013	2014-2019	2003-2008	2009-2013	2014-2019
Real GDP Growth	6.23	5.62	4.29	5.47	3.20	4.45
Domestic demand	7.31	5.77	3.07	5.73	3.95	5.01
Private consumption	3.50	3.75	2.04	3.59	3.83	2.48
Public consumption	0.70	0.72	0.74	0.28	0.43	0.52
Investment	3.10	1.30	0.29	1.86	(-)0.31	2.00
Net exports	(-)1.06	(-)0.17	1.18	(-)0.82	(-)0.42	0.04
Net exports as a percentage of GDP	(-)3.62	(-)2.93	0.01	(-)5.65	(-)7.58	(-)10.89

Source: World Bank Database, reference year 2010. Each percentage represents average annual growth in GDP and its components in the respective periods. Data were extracted on May 24, 2021, and November 1, 2021.

Table 2: Relative contributions to GDP growth in Turkey and Egypt (2003-2019)

	Turkey			Egypt		
	2003-2008	2009-2013	2014-2019	2003-2008	2009-2013	2014-2019
Private consumption	0.56	0.67	0.48	0.66	1.19	0.56
Public consumption	0.11	0.13	0.17	0.05	0.13	0.12
Investment	0.50	0.23	0.07	0.34	(-)0.10	0.45
Net exports	(-)0.17	(-)0.03	0.28	(-)0.15	(-)0.13	0.00

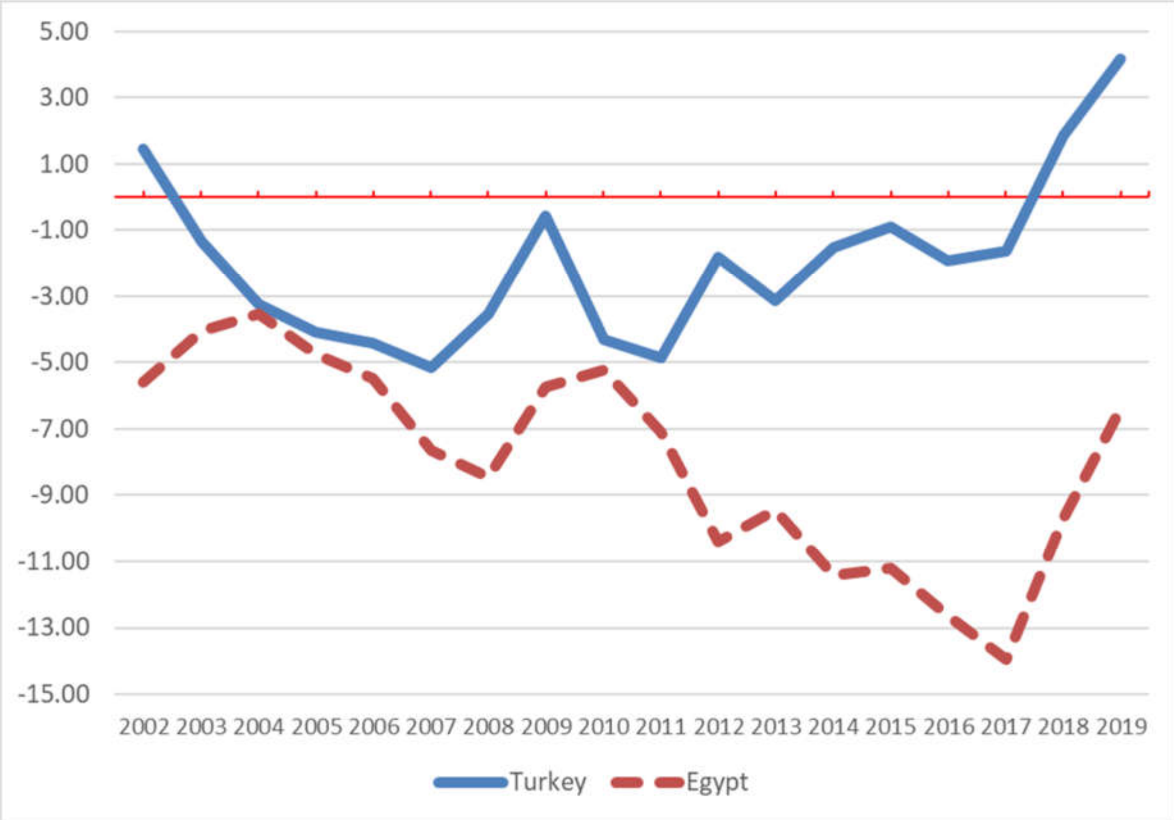
Source: World Bank Database. In principle, the relative contributions sum to 1. We used gross capital formation data to calculate the contribution of investment. Both over/underestimating World Bank and change in inventories might result in the sum either not reaching or exceeding 1 for Egypt. This does not change the overarching role of private consumption in each period.

In all three periods, the most significant contributor to growth in Turkey is private consumption. In the early 21st century, the power bloc comprised both core goods producers and peripheral goods producers under the hegemony of the former. Productivity of labor and, to use the Marxian terms, relative surplus value production is more significant for the core goods producers, who are concentrated in sectors such as metal, automotive and durable goods, chemical industry, mining, and oil refining (but also including finance and banking due to conglomerate structures in Turkey). Peripheral goods producers, on the other hand, have a lower productivity level, prefer competitive exchange rates, and tend to be smaller scale than core goods producers (Akçay and Jungmann 2022). Only after the model started to fail did tensions within the power bloc come to the fore, with peripheral good producers gaining more ground.

A comparison of different sub-periods indicates a significant difference regarding the share of investment and net exports. Following the 2001 crisis, FDI into Turkey jumped in the first period along with a dramatic increase in the household debt/GDP ratio (Akçay and Güngen, 2022). This indicates that the growth model in the early 2000s was domestic demand-led, significantly financed by FDI. In the last period, there has been a substantial jump in the share of net exports. Therefore, the mid- to late 2010s can be characterized as debt-based / domestic demand-led with a twist, namely a weak but growing export orientation (see Graph 1).

A critical approach to previous comparative capitalisms literature indicates that the growth model analyses should address the models that do not easily fit into typologies. In addition, while domestic demand predominates, changes in other contributors can be significant as with Egypt in the early 2000s. Indeed, growth in Egypt has been mainly driven by domestic demand since the 1990s. However, the increasing share of investment since 2014 suggests that the new, military-backed regime has partly succeeded in attracting investment and reorganizing the economy. Following the coup and the establishment of the new regime in 2013, the military has become the dominant capital fraction in the power bloc. The military has found new ways of cooperating with private capital groups and presents itself as committed to providing stable growth framed by international financial institutions. Meanwhile, partnerships with the private sector in land development, extractivist industries and manufacturing are making an impact on economic growth and net exports.

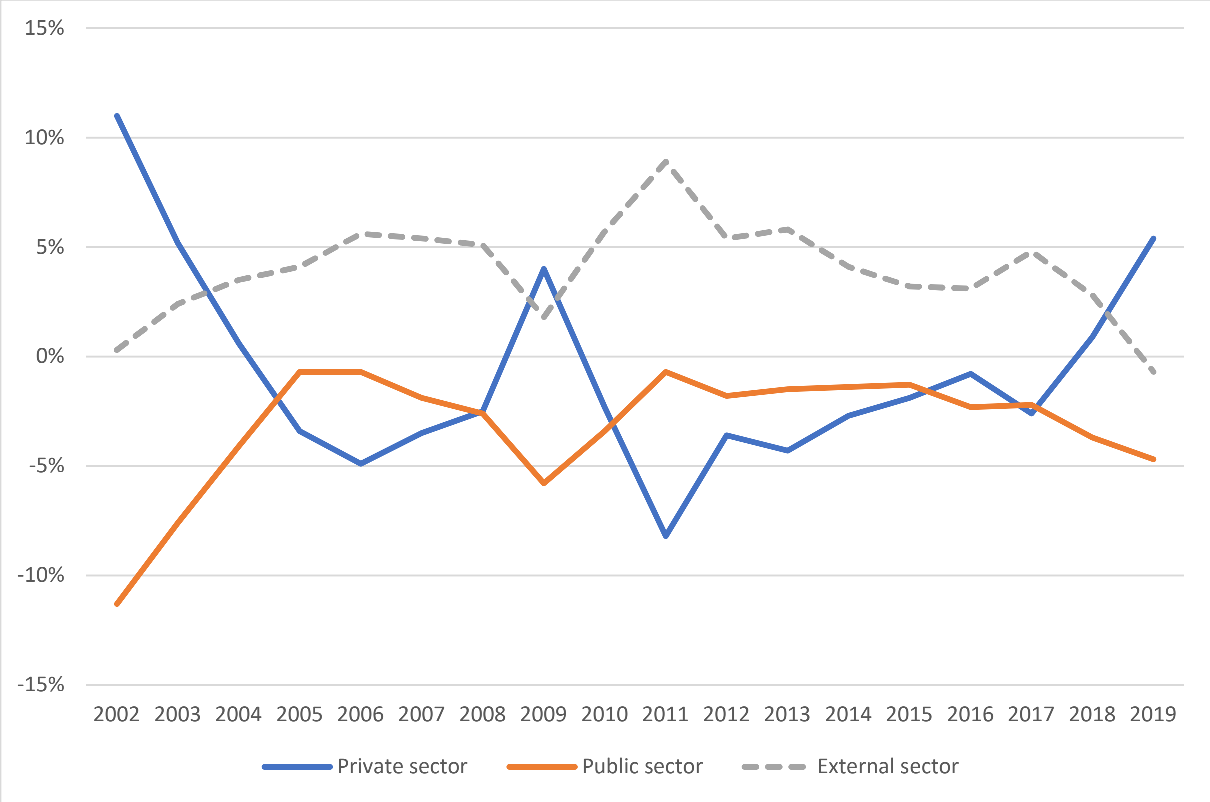
Graph 1: Net exports as a share of GDP in Turkey and Egypt (2002-2019)



Source: World Bank (Based on GDP constant 2010 USD).

The analysis of components of growth should be complemented with a discussion on sectoral financial balances. Consistent and decomposed sectoral financial balance data (i.e. data disaggregating the private sector into households and non-financial corporations) for both countries that cover the last two decades are missing. Below we present sectoral financial balances for Turkey and Egypt for three main sectors. The data for sectoral financial balances in Turkey show that Turkish economy consistently ran current account deficits, financed by capital inflows (which declined relative to the previous years). The chronic current account deficits are reflected in the external sector financial balance as a surplus. Although the public sector financial balance was mainly negative in the post-2009 period, it improved after 2009 until the late 2010s. The disaggregated data covering the period from 2009 to 2017 reveals that both the household and private sectors incurred new debts in the aftermath of 2008-09. In the post-2013 period, however, household debt growth stopped due to changing financial circumstances (see also Akçay and Jungmann, 2022).

Graph 2: Sectoral Financial Balances, Turkey (2001-2019)

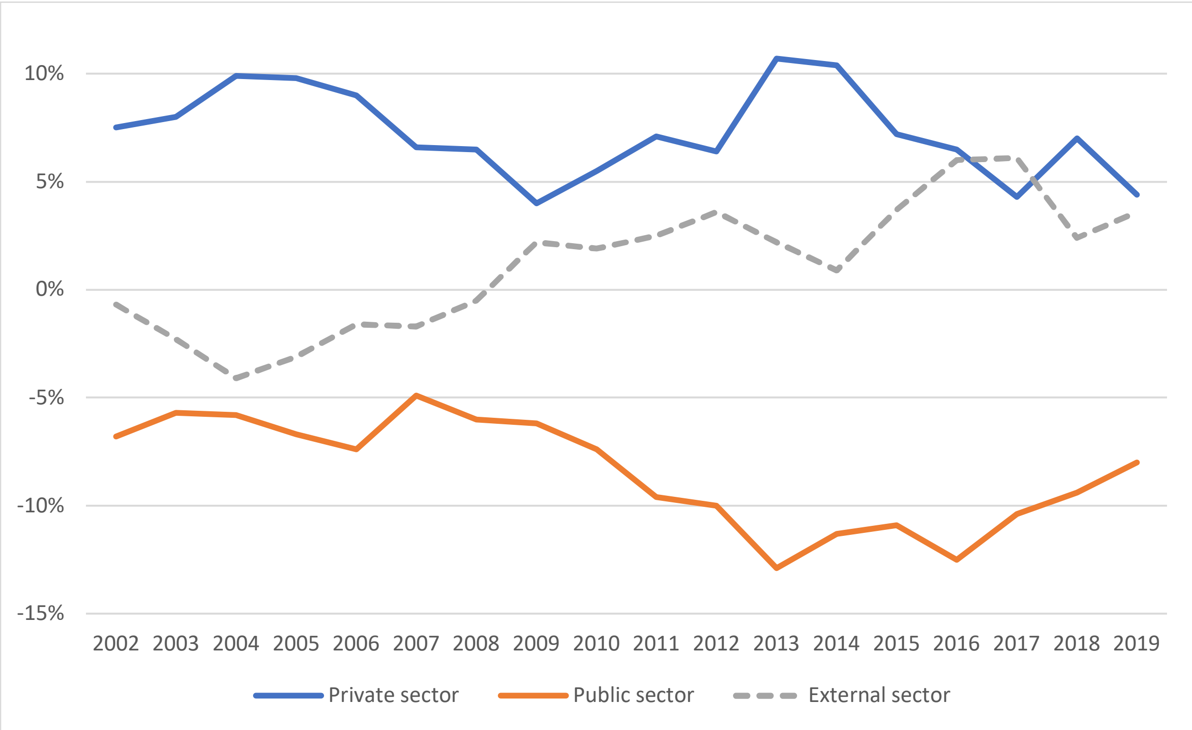


Source: IMF.

The financial balance data and macroeconomic indicators (such as the current account deficit) suggest that the debt-led private demand growth model faced a significant blow after the 2013 taper tantrum (Akcay and Güngen, 2022). The lower capital inflows to Turkey paved the way for lower growth rates and boosted the search for alternative growth strategies in the ruling circles. Another crucial change in the post-2013 period was the gradual improvement in the corporate sector and household balances. As a result, the sectoral financial balance of the external sector declined slightly in the post-2013 period (Graph 2). In addition to the data on growth components, these changes in the financial balances suggest a gradual shift emerging in the late 2010s. Although there were several attempts at a new industrial policy and diversifying exports in the previous years, it was only in the late 2010s that a new export-led growth strategy came to the fore (Graph 1).

Despite the lack of disaggregated sectoral balance data for Egypt, we used the current account and public sector balances and derived the private sector balance from these two, to present financial sectoral balances for three main sectors. Chronic current account deficits in the aftermath of 2007 followed a brief period of current account surpluses from 2003 onwards (Graph 3). One of Egypt's most significant economic problems in the early-to-mid 2010s was the dramatic increase in public debt, the growth of which, as a ratio to GDP, stopped in the late 2010s, following IMF surveillance (IMF, 2021). the macroeconomic indicators can be used to portray Egypt's search for a new growth model. The household sector did not incur high levels of debt during the initial opening years (2003-07) and household debt levels as a ratio to GDP declined slightly in both the second (2009-13) and third sub-periods (2014-19), with increases during the Covid-19 pandemic.

Graph 3: Sectoral Financial Balances, Egypt (2001-2019)



Source: IMF

Both the macroeconomic data, financial sectoral balances and the political and economic developments suggest that the 2008-09 international financial crisis and the subsequent developments (from lower tourism revenues to decreased exports and political uncertainty) provided a turning point for Egypt's domestic demand-led growth model. Economic actors faced the limits of the growth model in the early 2010s. The financial balance of the external sector increased dramatically in the early to mid-2010s. Moreover, chronic public sector deficits were not sustainable despite contributions from regional powers such as Saudi Arabia following the military takeover in 2013. Therefore, 2013-15 served as another turning point since the public sector deficits and appreciated currency forced the acceptance of an austerity program coupled with a market-determined exchange rate system in 2016.The IMF (2021: 4) characterizes economic growth in Egypt in the 2010s as private consumption-led because of the minimal contribution by investment and exports. However, since the mid-2010s, the public sector balance has been gradually improving, and the contributions of investment to GDP are increasing (Graph 3 and Table 2). Hence, the Egyptian growth was accompanied by the gradual crystallization of a growth strategy in the mid-2010s and shift to a weakly export-led model.

5. Growth models and power blocs in Turkey and Egypt

The data analyzed here help portray the changing reconfiguration of power blocs. The growing contribution of exports in Turkey's economy and investment in Egypt's reflect the new strategies implemented in the late 2010s, which provide new venues and advantages for some fractions within the power bloc. In Turkey, this includes domestic-oriented capital and new exporters operating on smaller scales than Turkey's already internationalized, large-scale capital. In Egypt, both the military and private capital benefit from partnerships, although these benefits accrue more to the military (see Table 3).

An analysis of growth models provides a concise summary of the turning points and the accumulation strategies. To overcome an over-reliance on national accounts data and strict categories, investigations should include qualitative insights into power blocs and social support mechanisms. This works best when complemented with explanations of the forms of reintegration into the global economy (Egypt), the impact of changing global financial conditions and the uses of state financial capacity to navigate volatile capital flows (Turkey).

Table 3: Growth models and power blocs in Turkey and Egypt (2003-2019)

	Turkey	**Egypt**
Growth model	• Domestic demand-led regime (until 2008-09) and debt-led private demand and growth regime (post-2009) • Export-led growth strategy emergent in the last sub-period (2014-19) • Support for appreciated domestic currency in the first two sub-periods, increased export contribution in the last sub-period	• Domestic demand-led regime (fiscal consolidation attempts in 2005-08 and from 2016 onward) • Search for a new growth strategy in the last sub-period (2014-19) • Currency depreciation and export increases in the last sub-period, increased investment in the last sub-period
Power bloc	• Reconfiguration within the power bloc in the mid-2010s • Peripheral goods producers and would-be exporters gaining ground in the last sub-period • Crisis management and contradictory macroeconomic policy to maintain the widest bloc possible	• Reconfiguration within the power bloc in post-2013 period • Military as dominant fraction (post-2013), IMF-monitoring of the economy (post-2016) • Austerity and credit dependency creating tensions in the last sub-period

Power blocs in both Turkey and Egypt have a long history of authoritarian management of labor power (Erol and Şahin 2022). In Turkey, authoritarian statecraft in the early 2000s maintained disciplinary labor regulations and technocratic decision-making (Bozkurt-Güngen 2018), although tensions between different capital groups became more visible in the last period. A more discretionary form of policymaking prevailed (symbolized by the state of emergency and decisions taken under the new presidential regime after the 2018 transition) (Altınörs and Akçay, 2022).

Turkey witnessed a gear change in authoritarianism in the 2010s, culminating in the formation of a super presidential system following the coup attempt and the subsequent two years of state of emergency rule (2016-18). Amid this background, the peripheral goods producers and capital groups with organic connections to the ruling circles gained further ground. They initiated a new growth strategy as debt-led growth was facing significant challenges. In other words, although Erdogan's administration implemented controversial monetary and fiscal policies to maintain the bloc's unity (Akçay and Jungmann, 2022), worsening global financial conditions prevented the different capital groups within the same bloc from maintaining their harmonious co-existence. Instead, capital groups benefiting from domestic credit channels and incentives have gradually gained ground and supported export growth.

In Egypt, despite the political revolution accompanied by the biggest protests in the country's history, authoritarianism prevailed after the 2011-13 interregnum. The military offshoots and capital groups with close ties to regime patrons gained the upper hand in the mid-2010s. The Sisi administration launched plans to increase investment levels dramatically. *Planning for 2030* emphasizes the role of the private sector, while the military foresees new partnerships with international capital (Joya 2020). As the country's largest employer, Egypt's military, with its material interests and critical role in economic life, is committed to maintaining its position within the power bloc. This, however, requires new steps to attract direct investment and initiate partnerships with Egypt's private sector. The internal structure of the power bloc changed following the 2011-13 period. The current collaboration between the military (as the dominant fraction in the power bloc), private capital, Gulf capital and international investors may produce a different growth model, signs of which are evident in the new growth strategy of the late 2010s.

This snapshot of the growth models in Turkey and Egypt in the early 21st century has three inter-related implications. First, a narrow focus on national accounts and associated comparative studies that rely on strict categories and an ideal-type methodology may provide less than they promise because they are unable to portray the dynamism within the growth models. Second, the debt-led private demand and growth model in Turkey and domestic demand-led regime in Egypt were maintained until the last couple of years despite all the challenges following the international financial crisis, Eurozone crisis, and severe currency depreciation. Arguably, a new growth strategy will pave the way for a new growth model in Egypt in the 2020s and has already resulted in a dramatic shift in Turkey during the Covid-19 pandemic. These moves to a new growth model required the crystallization of a growth strategy and the reconfiguration of power bloc, and several years of struggle to reshape state intervention amid changing global financial circumstances. We do not claim that the growth models will remain intact, regardless of turbulence; rather, we suggest that intermediary categories are needed to discuss these shifts in detail. This leads to the third implication: the debt-led private demand growth models were significantly transformed in both countries due to financial volatility, reconfigurations within the power blocs and each country's way of navigating the crises. That is, a GMP perspective can help to understand the dynamics and characteristics of growth if the growth model is analyzed in tandem with global financial circumstances and struggles within and against the power bloc.

6. Conclusion

Turkey and Egypt are two tumultuous countries in the East Mediterranean region. Our analysis showed that despite the economic turbulence, their growth models are not easily replaced. Despite the uneasiness, the authoritarian regimes in both countries had ample leeway in facing the economic challenges, ultimately opting for a new growth strategy and pushing for a new growth model. It is still too early to discuss the results and ramifications of new growth models or whether u-turns will ensue in both cases. What is certain is that the shifts we have presented were precipitated by power bloc reconfigurations, which came after economic volatilities and a series of political struggles in both countries.

The debt-led demand and growth models of the early 21st century did not yield equitable growth in Turkey and Egypt, nor did they mitigate the income inequality tormenting these societies. However, domestic demand-led growth or debt-led private demand growth models can maintain authoritarian statecraft and ease tensions within power blocs depending on global financial circumstances, geostrategic struggles and levels of social discontent. That is, temporality and the accumulated impacts of policy decisions matter. Future research is required to trace the impact of refugees and credit campaigns on labor markets and new exporters in Turkey. The same holds for Egypt. Whether the military-led investment plans will change the social fabric or lead to a new growth model, signs of which are more evident in recent years, can only be answered in the medium to long term.

The GMP provides a clear picture of the political-economic oscillations by focusing on the growth components and changes in sectoral financial balances. It also provides a clear warning against overly hasty characterizations, which suggest the emergence of state capitalism in Turkey before the political regime changed, and a variety of developmentalism in Egypt following the military takeover. In both countries, the change in the growth model took place gradually. It necessitated the maturation of a growth strategy shaping the horizon of policymakers and some capital groups, which also shows the need for intermediary categories in GMP analyses, such as growth strategy, and supporting the economic narrative with political analysis to elaborate on the power bloc reconfiguration. Such a scholarly endeavour would contribute to an exploration of authoritarian consolidation dynamics not only in Turkey and Egypt but other global South countries.

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