The Periphery in the Present International Crisis: Uneven Development, Uneven Impact and Different Responses[1]

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Abstract

The present crisis has started in the core economies – particularly the USA and UK – and has affected all of the periphery. However, the impact of the crisis on the periphery has been very uneven. While China still recorded strong growth, some East European economies collapsed. The very uneven impact of the crisis has its roots in differing pre-crisis models of accumulation and different forms of insertion into the international economy. The article will highlight the links between pre-crisis models of accumulation, transmission channels of crisis and crisis processes in the periphery. After providing a theoretical framework on models of accumulation, it will analyse three development models and the impact of the present crisis on them: dependent financialisation (Eastern Europe/Turkey), raw material export-orientation (Sub-Saharan Africa, Middle East), export industrialisation (China), raw material exports plus inward looking industrialisation (Argentina/Brazil). Thus, the focus will be primarily on the partially industrialised semi-periphery.

Keywords: *Dependent Financialisation, Crisis Models of Accumulation, Export Industralisation, In-ward Industralisation, Uneven Development*

Models of Accumulation

In order to analyse the impact of the present crisis on peripheral economies, it is necessary to have a theoretical approach of a medium degree of abstraction. The theory of regulation which originally emerged in France in the 1970s[2] provides such a framework. Regulationist economists developed medium-range concepts of accumulation. These concepts originally were developed in view of analysing capitalist development in core economies. Therefore, it is necessary to modify these concepts in order to deal with the specifics of capitalist development in the periphery. First of all

[1] The article is based on my keynote speech at the 11th METU Conference on International Relations in Ankara, 13-15 June, 2012. I am very thankful for the invitation to the conference and the vivid discussion.

[2] Joachim Becker, *Akkumulation, Regulation, Territorium: Zur kritischen Rekonstruktion der französischen Regulationstheorie* (Marburg: Metropolis, 2002); Bob Jessop and Ngai-Ling Sum, *Beyond the Regulation Approach: Putting Capitalist Economies in their Place* (Cheltenham: Edward Elgar, 2006).

there is the question, how capitalist and non-capitalist modes of production are articulated in (semi)peripheral social formations. In the realm of a capitalist mode of production, there is the question what are the fundamental traits of an accumulation process. In a partially modified concept, three analytical axes of accumulation can be identified:

- Productive/financialised accumulation,
- Extensive/intensive accumulation,
- Introverted/extraverted accumulation.

The first distinction between productive/financialised accumulation is the basic one. Investment can be geared primarily towards productive or towards financial activities. In his historical study on hegemonic powers, Arrighi[3] pointed out that, in the case of an exhaustion of a productive regime of accumulation, capital looks for highly flexible and liquid forms of investment and shows a reorientation towards financial investment. This goes often hand in hand with a search for new geographical sites of investment as well. In such a situation, the semi-periphery might look very attractive for capitals from the core economies because interest rates are usually higher in the semi-periphery than in the core. Through capital export from the core economies, semi-peripheral economies might be drawn into financialised forms of accumulation. It depends, however, on the domestic constellation in which way the capital inflows are utilised – for productive investment or for increased imports and financial placements. Though tendencies of financialisation might internally emerge in the semi-periphery, strong financialisation usually is strongly induced from abroad.

Financialisation might take two different forms. It might be based on "ficticious capital"[4] – i.e. shares, derivatives etc. – or on interest-bearing capital (credits). In the core economies, particularly the Anglo-Saxon countries, financialisation based on ficticious capital is particularly important. Ficticious capital forms a second circuit which is linked with the circuit of productive capital through the mass of profits. Dividends and interest rates of ficticious capital are constituted by profits which are produced in the circuit of productive capital. Therefore, the two circuits of capital are only autonomous, but not independent of each other. In a stagnating productive economy, capital is increasingly invested in shares, derivatives etc. The increasing flows of capital into the financial sphere lead to increasing prices of financial assets. In this ascendant phase of financialisation, huge profits can be made by buying cheaply and selling more dearly. Thus, profits are

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[3] Giovanni Arrighi, *The Long Twentieth Century: Money, Power, and the Origin of Our Times* (New York: Verso, 1994), p. 221.

[4] Karl Marx, *Das Kapital: Kritik der politischen Ökonomie*. Vol.3 MEW 25 (Berlin: Dietz, 1979), pp. 482-510.

based to a significant extent of financial asset inflation. This type of valorisation of (ficticious) capital can be characterised as pseudo-valorisation. Financial groups pressurise the state to liberalise the financial markets and channel extra funds, i.e. through the privatisation of pensions, into the financial markets. While financial groups favour strong asset price inflation, they want low inflation for general goods and argue in favour of restrictive monetary policies. The result is a bifurcation of the price system – with low general and high financial asset price inflation[5]. This is the first disproportion that emerges. The second disproportion is between the growth of asset prices and the growth of profits. Asset prices tend to grow faster than profits. At a certain point, financial investors perceive this disproportion and start to divest. The bubble busts and the crisis starts. The present crisis of the core economies, particularly in the Anglo-Saxon countries, has followed these lines. A widespread financial crisis in the core has consequence for the (semi-)periphery as well because capital is withdrawn on a massive scale.

Though much of the debate on financialisation has focused on this form of financialisation, it is neither the only one nor, for the semi-periphery, the main one[6]. In semi-peripheral countries, credits usually are the main vehicle of financialisation. Interest rates tend to be higher in the periphery in order to compensate higher perceived risks and to contain capital flight. Higher interest rates – and particularly high spread between interest rates of deposits and credits – are a major source of profits for banks. If interests are extremely high – as it was the case in the 1990s in Turkey and for decades in Brazil – the state with his taxation monopoly is often the only relevant borrower that is left. Firms and private households cannot afford these interest rates. In such a constellation, financialisation is state- or budget-centred, and fiscal crises are a recurrent phenomenon. If interest rates are not so exorbitant, it is possible to integrate other actors into the financialisation process as well. While, in the past, financialisation was socially mainly confined to the bourgeoisie and the upper middle strata, it has been a characteristic of the most recent phase of financialisation that lower middle strata and workers have been integrated into financialisation as well[7]. There have been two main venues for that – consumption and housing credits on the one hand and the privatisation of old-age pensions.

In (semi-)peripheral countries, a significant share of the credits might

[5] John Bellamy Foster and Fred Magdoff, *The Great Financial Crisis: Causes and Consequences* (New York: Monthy Review Press, 2009), p. 16.

[6] Joachim Becker, Johannes Jäger, Bernhard Leubolt and Rudy Weissenbacher, "Peripheral Financialisation and Vulnerability to Crisis: A Regulationist Perspective", *Competition and Change* (Vol. 14, No.3-4, 2010), pp. 225-247; Ali Rıza Güngen, "Finansallaşma: Sorumlu Bir Kavram ve Verimli Bir Araştırma Gündem", *Praksis* (No. 22, 2010), pp. 85-108.

[7] Costas Lapavitsas, "Financialised Capitalism: Crisis and Financial Expropriation", *Historical Materialism* (Vol. 17, No.2, 2009), pp. 114-148.

denominated in foreign currency. Since banks often finance domestic credits expansion through external credits, they are eager to provide credits in foreign currency. They shift the exchange rate risk to the debtors. The debtors are interested in foreign exchange credits because interest rates tend to be lower than for credits in domestic currency. However, they usually do not have incomes in foreign currency. Therefore, a currency depreciation/devaluation has massive consequences for them because their debt is revaluated and debt service becomes a much heavier load in the domestic currency. Banks and the indebted middle class perceive maintaining exchange rate stability as the absolute top priority in economic policy-making. However, the exchange rate becomes usually overvalued and is not sustainable in the longer run. In semi-dollarised and semi-euroised economies, an exchange rate crisis usually turns into a banking crisis[8].

In respect to the productive circuit of capital, there is the question how surplus is produced. A first distinction concerns the production of absolute or relative surplus value, i.e. prolongation of the working day or enhancing productivity. In his distinction between primarily extensive and intensive accumulation, Aglietta[9] refers primarily to the question whether there is a strong link between the capital goods and consumer goods industry (intensive accumulation) or not (extensive accumulation). A first point that needs to be taken into account for the (periphery) is that pure raw material production (for capital and consumer goods industries) often plays a very prominent role. A second pertinent point for the periphery is that the capital goods industry usually is not strongly developed. In his regulationist analysis of the Brazilian development trajectory, Faria[10] defines the beginning of building up a capital goods industry as the moment when the transition towards a primarily intensive accumulation begins. An absence of capital goods industry implies structural import dependence in this key sector. This is a characteristic of most (semi)peripheral economies.

This relates to the third analytical distinction: introverted vs. extraverted development. The accumulation process can be basically orientated towards the domestic market, as it was the case with the larger core economies during post-war fordism. Alternatively, accumulation can be extraverted. However, it makes a decisive difference whether extraversion is characterised by export-orientation or import-dependence. A mixture of both

[8] Joachim Becker, "Dollarisation in Latin America and Euroisation in Eastern Europe: Parallels and Differences", in Joachim Becker and Rudy Weissenbacher (eds.), *Dollarization, Euroization and Financial Instability: Central and Eastern Europe between Stagnation and Financial Crisis?* (Marburg: Metropolis, 2007), pp. 226-243.
[9] Michel Aglietta, *Régulation et Crises du Capitalisme. L"Expérience des États-Unis* (Paris : Calman Lévy, 1982), p. 60.
[10] Luiz Augusto Estrella Faria, "Fordismo periférico, fordismo tropical y posfordismo: el camino brasileño de acumulación y crisis", *Ciclos* (Vol. 6, No.10, 1996), pp. 73-101.

is possible as well (e.g. import of goods and money capital, but export of productive capital). In the case of export-orientation, the exporting economy might exercise a certain influence on the importing economy, particularly in the case of foreign direct investment. Therefore, this is usually a characteristic of "dominant economies" whereas import-dependent economies can usually be classified as "dominated economies"[11]. The external constraint – expressed in the recurrent lack of foreign exchange – is usually a recurrent structural limitation of accumulation in the (semi-) periphery.[12] Boratav[13] points out that recently a key core economy (the US) economy exhibits traits of a peripheral economy (high dependence on goods and money capital imports) whereas a key semi-peripheral economy (China) displays traits of a core economy (strong export of goods and money capital). This constellation seems to indicate a fundamental shift in the international division of labour.

In order to analyse a historical model of accumulation, it is necessary to take into account these three basic dimensions of accumulation. They are relevant for the transmission of the crisis from core to (semi-)peripheral economies as well. If an economy is highly financialised the main transmission channel will be the financial channel. For an economy which is characterised primarily by productive accumulation (especially in the internationalised sectors), the main transmission channel will be the export channel.[14]

Heavily Hit: Dependent Financialisation

Since the 1970s, overliquidity and expansive financialisation strategies of the core economies have drawn numerous countries of the semi-periphery at least temporarily into financialisation. In a number of countries, financialisation based on external credits and overvalued exchange rates has been the predominant trait of models of accumulation. Such strategies were particularly prevalent in Latin America in the late 1970s/early 1980s (especially in the military dictatorships in Cono Sur) and in the 1990s. Due to the recurrent severe crises and rising social inequality and discontent, these models were abandoned at least in key aspects about a decade ago. In the European periphery, including Turkey, models of accumulation primarily based on dependent financialisation have proved to be more durable. In the

[11] Michel Beaud, *Le système national/mondial hiérarchisé. Une nouvelle lecture du capitalisme mondial* (Paris: La découverte, 1987) pp. 76.

[12] Fuat Ercan, ""Sermayeyi Haritalandırmaya Yönelik Kavramsal Düzenekler "" *Praksis* (Vol.1, No.19, 2009), p. 35.

[13] Korkut Boratav, "Ulularası Krizin Düşündürdükleri" , *Praksis* (Vol.3, No.21, 2009), p. 10.

[14] Joachim Becker and Karin Küblböck, "Die Finanzkrise und die Peripherie" in Thomas Sauer, Silke Ötsch and Peter Wahl (eds.), *Das Casino schließen! Analysen und Alternativen zum Finanzmarktkapitalismus* (Hamburg: VSA, 2009), pp. 72-83.

then new Mediterranean EU member states Greece, Spain and Portugal, accession to the EU and liberalising external trade led to a first wave of deindustrialisation. At times, especially in Spain, overvalued exchange rates aggravated the deindustrialisation processes. Though EU regional and cohesion policies gained importance, promoting industrialisation in the EU periphery has not been part of them. Accession to EU reduced the industrial policy options. Capital shifted its focus increasingly towards real estate, tourism and other service activities. Most visibly in Spain, financialisation based on credit and real estate development started already in the 1980s.[15] In Portugal and Greece, the shift was a bit more gradual.

With entry of these countries into the euro zone, dependent financialisation gained pace. Interest rates decreased significantly what stimulated credit growth, particularly in Spain. Whereas financial activities, real estate and import business were stimulated by entry into the euro zone, productive sectors suffered. The euro norm cemented divergent development patterns in the EU. Mediterranean countries became increasingly reliant on imports of goods and capital. In the pre-crisis years, current account deficits hovered around 10% of the GDP in Portugal and Spain and reached almost 15% in Greece.[16] External debt exploded, reaching between 165% of the GDP (Spain) and 232% of the GDP (Portugal) in 2010.[17] The other side of the coin was an increasing current account surplus in core countries like Germany which promoted its export through extremely restrictive wage and social policies. Banks from the core countries financed the increasing current account deficits and the credit boom in Southern Europe. This was clearly not a sustainable division in the longer run.

In Eastern Europe, financialisation started later than in Southern Europe. Though in some cases, there were some early beginnings already in the early in 1990s, financialisation only got into full swing with the beginning of the accession negotiations with the EU and particularly after EU accession. While in the Visegrád countries (Czech Republic, Hungary, Poland, Slovakia) and Slovenia, the accumulation model rested on the two pillars of credit-based financialisation and export-orientated industrialisation, dependent financialisation became the pre-dominant trait of accumulation in the Baltic countries and Southeastern Europe.[18] In this second group of East European countries, the monetary regime was a central pillar for sustaining the

[15] Isidro López, Emmanuel Rodríguez, *Fin de ciclo: Financiarización, territorio y sociedad de propietarios en la onda larga del capitalismo hispano (1959-2010)* (Madrid: Traficante de sueños, 2010), p. 161.
[16] Annina Kaltenbrunner, "Strukturelle Ungleichgewichte und Austerität: Gibt es eine Zukunft für periphere Länder in der Eurozone?" *Kurswechsel* (No. 1, 2012), p. 116.
[17] Hrvatska Narodna Banka, *Financijska Stabilnost* (Vol. 4, No.7, 2011), p. 13.
[18] Joachim Becker, "Krisenmuster und Anti-Krisen-Politiken in Osteuropa", *Wirtschaft und Gesellschaft* (Vol. 36, No. 4, 2010), pp. 519-542.

financialised accumulation. The currencies were usually overvalued and often had a fixed nominal exchange rate with the euro, at times as part of currency boards. Interest rates were usually higher than in the core EU. West European banks totally dominated the banking systems. Credits significantly outgrew deposits. The banks tended to provide domestic credits predominantly in foreign exchange, particularly in the Baltic countries.[19] The high reliance on external refinancing and the high degree of informal euroisation constituted two Achilles heels of dependent financialisation in the Baltic countries and Southeastern Europe.

Like in Southern Europe, the overvaluation of the exchange rates had a detrimental effect on manufacturing. The East European countries had already suffered from severe deindustrialisation in the early transformation phase of the early 1990s. The weakness of the manufacturing sector has been deepened by the overvaluation policies, particularly in the Baltic countries and in large parts of former Yugoslavia. Current account deficits rose very quickly, transcending 30% in Montenegro and 20% in Latvia and Bulgaria in the pre-crisis years.[20] The external debt exploded. In 2008, it surpassed 120% of the GDP in Latvia, Estonia and Hungary.[21] Thus, it was not as high as in Southern Europe because financialisation started later. However, the current account deficits tended to be even worse than in Southern Europe. These models of accumulation were clearly not sustainable in the longer run.

Since export industrialisation efforts encountered serious limits, the Turkish government changed the policies of external opening decisively in 1989 by liberalising international capital flows. This opened the way towards financialisation. High interest rates were to attract international capital flows. As far as possible, exchange rate policies were orientated towards overvalued exchange rates. In the 1990s, Turkish financialisation was focused on the state.[22] After the 2001 crisis, the AKP government modified the model. Financialisation has increasingly based on rising private household debts. Concomitantly, real estate has become more and more of a key sector of the growth model.[23] Industrial demand has been partially

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[19] Cf. Janis Berzins, "Neoliberalism, the Devlopment of Underdevelopment and the Latvian Disease", *Sprectrum: Journal of Global Studies* (Vol. 2, No.3, 2010), pp. 46-66.
[20] Joachim Becker, op.cit.in note 18, p. 524.
[21] Vasily Astrov and Josef Pöschl, "MOEL im Sog der Krise", *Wifo-Monatsberichte* (Vol. 82, No.5, 2009), p. 355.
[22] Erinç Yeldan, *Küreselleşme Sürecinde Türkiye Ekonomisi* (İstanbul: İletişim, 2004); Özgür Öztürk, "Kriz ve Türkiye"nin "Kalkınma" Perspektifi", *İktisat Dergisi* (No. 519, 2011), p. 86.
[23] Joachim Becker, "Neo-liberalism"s new cloth: national conservatism in Hungary and Turkey", *Sendika.org*. Accesed on 14 April 2012, www.sendika.org/english/yazi.php?yazi_no=44311 ; Nuray Ergüneş, "Finansallaşma Döneminde Geç Kapitalistleşen Ülkelerin Stratejileri: Türkiye Örneği", *Praksis* (Vol. 1, No.22, 2010), p.144; Household debt figures in Naki Bakır, "Ailelerin kredi borcu yüzde 29,4 arttı", *Dünya* (Vol. 13, No.4, 2012), p. 4.

sustained by debt financed consumption as well. However, overvalued exchange rates favoured imports, and industrial production has been highly dependent on imported inputs, particularly intermediary goods. Thus, increased demand usually implied rapidly increasing imports. As Yılmaz and Tezcan[24] point out, the phases of overvalued exchange rates had a negative influence on the export performance of industrial companies. Differently from the peripheral EU countries, Turkish governments continued to pursue industrial policies. The Turkish trade balance was not as disastrous as the Greek one. While Greek exports covered only 28.6% of imports in 2008, this ratio was 63.8% in Turkey[25]. Nevertheless, the Turkish model suffered from similar weaknesses as the financialised accumulation models of Southern and Eastern European EU member states: high reliance on capital imports and structural current account deficits. Without the presumed EU security net, the Turkish economy was exposed to more volatile capital flows before the present crisis. It already suffered from severe crises in 1994, 1999 and 2001.

The models of dependent financialisation proved to be extremely vulnerable in the most recent global crisis. This time, it was not only the Turkish economy that was heavily hit. The crisis spread to the dependent financialised economies through the financial channel. It hit the very heart of the highly financialised economies – the financial sector. With capital inflows rapidly diminishing or reverting into outflows, the dependent financialised economies entered into recession. The Baltic countries with their particularly high pre-crisis current account deficits and their high degree of informal euroisation were very early and very drastically affected.[26] The Latvian GDP declined by more than 20% during the recession. In 2009 alone, its GDP declined by 18%.[27] Estonia and Lithuania fared only a bit better. Domestic demand had been buoyed by credits and plummeted. The other highly informally euroised and financialised East European economies rapidly followed suit. Their recession was usually stronger than the EU average (e.g. 2009 GDP change Romania -7.1%, Hungaria -6.3%, Bulgaria -5.0% and - outside the EU – Croatia -5.8%).[28] Unemployment soared. With the collapse of the real estate bubbles, the construction industry contracted very sharply. Manufacturing was negatively affected by plummeting domestic demand and

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[24] Ferimah Yusufi Yılmaz and Nuray Tezcan, "Sanayileşme Sürecinde Krizlerle Dönüşen Sektörler: Türkiye Örneği – ISO 500 Büyük Sanayi Kuruluşu", *İktisat Dergisi* (No. 519, 2011), p. 119.

[25] Vassilis K. Foutsas, "Insight Greece: The Origins of the Present Crisis", *Insight Turkey* (Vol. 14, No.2, 2012), p. 33; Mustafa Sönmez, *Teğet"in Yıkımı... Dünya"da ve Türkiye"de Küresel Krizin 2009 Enkazı ve Gelecek* (Istanbul: Yordam, 2010), p. 61.

[26] Menbere T. Workie et al., *Vývoj e perspektívy svetovej ekonomiky :Globálna finančná a hospodárska kríza. Pričiny – náklady – východiská* (Bratislava: Ekonomický ústav SAV, 2009), pp. 88.

[27] Becker, op.cit. in note 18, p.525; Sebastian Leitner, "Baltikum: Ein neoliberales Transformationsmodell fordert seine Opfer", *Kurswechsel* (No.1, 2010), pp. 47-54.

[28] Becker, op.cit. in note 18, p. 526.

declining export demand. In countries with a flexible exchange rate (like Hungary and Romania), the currency depreciated considerable in autumn 2008. The depreciation immediately put the middle strata that had incurred euro or Swiss franc debts as well as the banks under pressure. Governments of countries with fixed exchange rate regimes feared that their fixed exchange rate regimes or currency boards might collapse.

The Hungarian government was the first one in the EU to apply for an IMF/EU programme. Inside the EU, Latvia and Romania rapidly followed suit. Outside the EU, Serbia and Bosnia and Herzegovina applied as well for IMF programmes. The basic design of the programmes was similar in all cases: very restrictive fiscal, social and wage policies. The programmes were to bring down imports and to reduce the current account deficits and the need for capital imports. All this was to be achieved without currency devaluation because the Western banks did not want to see their assets in the region being devalued. Both Western banks and the indebted middle strata were scared about the increase of the debt burden which a depreciation of the national currency would imply for the foreign exchange debtors. Therefore, the programmes" basic aim – to avoid currency devaluation – was shared by a significant sector of the population. However, there were some protests, particularly in Romania, against the social consequences of the programmes.[29]

The programmes achieved a short term improvement of the current accounts. However, the structural deficits of the productive sectors were not tackled at all. With even slight economic recovery, the current account deficits tended to deteriorate again. The strong recessions aggravated the debt problems. Thus, the regressive adjustment programmes have not even alleviated the structural problems of the peripheral East European economies.

In the Mediterranean euro zone countries, the immediate impact of the crisis was not as sharp as in Eastern Europe. The euro zone membership provided some protection against the volatility of the capital flows in the beginning. Economic policies were not as pro-cyclical as in Eastern Europe. The contraction of the economy was much less pronounced than in the rest of the EU. In 2009, the GDP declined by only 0.5% in Greece, by 2.0% in Portugal and by 3.2% in Spain[30] which had experienced the strongest credit-led real estate and construction boom in Southern Europe. Since exports were not very important for these South European economies, export

[29] Ibid., p. 526.
[30] OECD, *OECD Economic Outlook* (Vol. 1, No. 91, 2012), Statistical Annex Tab. 2, Accessed on 11 August 2012, www.oecd.org/statistics/.

contraction did not matter too much. And they still had access to international capital markets.

Beginning in early 2010, this started to change. Greece was the first country to feel the pressure. Later on, Portugal and Spain faced escalating interest rates and an increasing unwillingness to refinance loans. Greece was the most vulnerable of the three countries. It had the highest current account deficit and the highest ratio public debt/GDP in the region. Its reputation had been tarnished by reports that the data on public deficits had been grossly manipulated. The governments of core EU countries, particularly the German government, reacted relatively slowly to the unfolding Greek crisis. When the German government agreed to support credits for Greece in the end, it insisted on sharp restrictive policies in Greece and on involving the IMF in the programme. For the German government, it was out of question to even discuss German neo-mercantilist policies and the German current account surplus which was just the other side of the coin of the South European current account deficits.

The programme for Greece and later for Portugal followed basically the same lines as earlier EU/IMF agreements with Hungary, Latvia and Romania: restrictive fiscal policies, wage cuts, massive reductions in social spending (particularly pensions) – plus privatisations which were not much of a topic in Eastern Europe because little was left for privatisation there.[31] The most recent programme for Spain has so far been confined to the financial sector and is linked with lesser direct conditionalities. However, the general economic policies follow the same lines in Spain as in Greece or Portugal.

The programmes have produced prolonged and deepened recession. The Greek economy has shrunk every year since 2009. In 2011, the Greek economy contracted by 5.4%.[32] In Spain and Greece, the unemployment rate is above 20%. In spite of the recession, the current account deficit has only slowly declined in Greece. The recession has aggravated the debt problems in these three Mediterranean euro zone countries. Even social liberal economists who advocate some liberal reforms perceive the austerity policies in Greece as counterproductive.[33] For Western banks, the programmes have at least in so far worked as they bought time for them to

[31] Maria Karamessini, "Sovereign debt crisis: an opportunity to complete the neoliberal project and dismantle the Greek employment model", in Steffen Lehndorff (ed.), *A triumph of failed ideas: European models of capitalism in the crisis* (Brussels: ETUI, 2012), p. 167; Joachim Becker and Johannes Jäger, "Integration in Crisis: a Regulationist Perspective on the Interaction of European Varieties of Capitalism", *Competition and Change* (Vol. 16, No.3, 2012), p. 180.
[32] OECD, op.cit. in note 30.
[33] Dimitris Tsahouras, "The Political Origins of the Greek Crisis: Domestic Failures and the EU Factor", *Insight Turkey* (Vol. 14, No.2, 2012), pp. 83-98.

disengage from the region. Thus, partial debt relieve for Greece did not hit West European banks too hard.

The conditions attached to the debt cut severely limit the future space for manoeuvre of Greek governments. There have been increasing protests against the austerity policies. These protests have been strongest in Greece. Unemployed or precariously employed, but often well educated youth has been one of the main forces in the protests in the Mediterranean countries.[34] However, trade unions, especially in the public sector, have taken action as well. In Greece, some sectors of the self-employed whose interests are encroached by the liberalisation measures mobilised strongly against the structural adjustment policies, too.

In Greece, a debate on whether to leave the euro zone has started. Parts of the left hope to regain policy space for progressive and transformative changes by leaving the euro zone.[35] Other sections fear the short-term dislocation which an exit from the euro zone might produce. The Greek left is heavily divided on the issue[36]. The majority of the strongest Greek left party and main opposition force, Syriza, is opposed to leaving the euro zone and tries to find allies for changed EU policies. In Germany and some other core EU countries, significant sectors of the governments seem to be increasingly inclined to squeeze Greece out of the euro zone.[37] The core-periphery rift clearly puts the cohesion of the EU into question. In the EU periphery – and the EU as a whole – neoliberal policies have been radicalised and politics have been systematically de-parliamentarised. In EU periphery, not even basic contours of a new development have so far emerged.

Outflows of "hot money" which started in the third quarter of 2008 impacted negatively on the Turkish economy – like in the earlier crises of the financialised model of accumulation. The Turkish economy contracted sharply, especially at the beginning of 2009. Like in the South and East European countries, the contraction was particularly strong in the construction sector. GDP declined by 4.7% in 2009.[38] The AKP government took some mildly anti-cyclical measures.[39] Though the Turkish lira

[34] Foti Benlisoy, *21. Yüzyılın İlk Devrimci Dalgası. Fransa ve Yunanistan"dan Arap Devrimi, "The Occupy" Hareketleri ve Kürt Isyanına* (İstanbul: Agora, 2012), pp. 58.
[35] Costas Lavavitsas, "Default and Exit from the Euro-Zone: A Radical Left Strategy" in Leo Panitch, Greg Albo and Vivek Chibber (eds.), *The Crisis and the Left: Socialist Register 2012* (London: Merlin Press, 2011), pp. 288-297.
[36] Stathis Kouvelakis, „The Greek Cauldron", *New Left Review* (No.72, 2011), p. 29.
[37] Cf. Joachim Becker, "Towards "Kerneuropa"?", *Sendika.org* . Accessed on 4 July 2012, www.sendika.org/english/yazi.php?yazi_no=46174.
[38] Sönmez, op.cit. in note 25, p. 40.
[39] Ibid., pp. 46; Bağımsız Sosyal Bilimciler, *Türkiye"de ve Dünyada Ekonomik Bunalım, 2008-2009* (İstanbul: Yordam, 2009), p. 155.

depreciated, the impact on the banking sectors was still quite limited because the share of foreign exchange credits is presently less than in countries like Hungary or Romania.

The further development has been in so far different from the South and East European countries as capital flows returned relatively rapidly to Turkey.[40] Turkey was perceived as part of the "emerging markets" by financial conglomerates and has offered relatively high interest rates. This has permitted the AKP government to continue with the development strategy that is centred on financialised accumulation. Fuelled by credits, domestic demand has increased again. The Turkish economy displayed high growth rates in 2010 and 2011. However, this growth has relied heavily on rapidly increasing domestic and external private debt. In 2011, private household debt has increased 29.4%.[41] Though the level of private household debt is not yet very high by international standards, its growth rate is. The Turkish financialisation model has increasingly adopted the features of the South and Eastern European pre-growth model[42]. The current account deficit increased to 10% in 2011 what is not sustainable, as Korkut Boratav pointed out.[43] With the exacerbation of the EU crisis and declining capital inflows, Turkish growth slowed down in 2012. Though the AKP government tackles some of the structural weaknesses of the manufacturing sector, especially the dependence on intermediary goods imports, structural vulnerabilities of the Turkish model of accumulation – reliance on external finance, increasing private household debt – have rather been deepened.

Accumulation Based on Raw Material Exports and Financialisation: Russia and the Arab Oil Exporters

Russia is a very peculiar case of accumulation: Oil and gas exports have assured a considerable surplus of the current account. Nevertheless, the financial sector continued to rely on considerable external refinancing in the pre-crisis years. Thus, this element of external vulnerability continued to exist in spite of the disastrous experience of dependent financialisation in the 1990s which had resulted in the 1998 crisis. As a consequence of the crisis, the Russian currency was devaluated what permitted a recuperation of manufacturing production in the following years. The Russian economy was two-fold hit by the global crisis in 2008 and 2009: the oil and gas price plummeted and the financial sector faced massive refinancing problems. Thus, the economy was hit through both channels. The recession was very

[40] Bağımsız Sosyal Bilimciler, *Derinleşen Küresel Kriz ve Türkiye"ye Yansımaları: Ücretli Emek ve Sermaye* (İstanbul: Yordam, 2011), p. 229.
[41] Bakır, op.cit. in note 23, p.4.
[42] Korkut Boratav, *Bir Krizin Kısa Hikâyesi* (Ankara: Arkadaş, 2011), p. 124.
[43] Korkut Boratav, ""2011"de Milli Gelir", *Bir Gün* (10 April 2012), p. 5.

strong in 2009 – the GDP declined by 7.9%[44]. However, the funds accumulated in the pre-crisis years permitted the government to re-stabilise the ailing banking sector and to finance some stimulating measures for the productive economy.[45] With the recuperation of the oil and gas prices, the Russian economy started to grow again.

The model of accumulation of the Gulf states is built on oil exports and insertion into the international financial circuits. In 2008 and 2009, their economies were hit both by the decline of oil prices and the temporary turmoil in the financial markets. As Adam Hanieh points out, "GCC countries pursued a strategy that aimed chiefly at supporting the position of the large Gulf conglomerates. As prices turned upwards in the second half of 2009, governments directed surpluses to assist these conglomerates and state entities."[46] The efforts of the core governments to restart financial asset inflation proved to be favourable for the Gulf states as well. Due to their unique class (and state revenue) structure, the governments had also much space for manoeuvre to take compensatory measures in the social expenditure sphere.

Raw Material Exporters: Severe Crisis

In Sub-Saharan Africa and, to a lesser extent, in Latin America, there are a number of economies which are strongly orientated towards raw material exports. In these countries, the raw material sector usually is the major source of state revenues. In the immediate pre-crisis years, international financialisation had an impact on raw material prices as well. Financial placements related to the raw materials drove prices upwards.[47] The bursting of the financial bubble led to temporarily plummeting prices, and the economic recession in the core economies had a dampening effect both on prices and traded quantities of raw materials. As Hugon points out, it was particularly the mineral exporting countries that suffered from the crisis in Africa.[48] The oil-exporting countries tended to be a bit better off than the mineral exporting countries because their currency reserves and trade surplus was higher. Thus, the decline of exports did not immediately have a massive impact on the import capacity. Nevertheless, the reliance of state

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[44] Josef Pöschl, "Erholungstendenzen in den MOEL", *Wifo-Monatsberichte* (Vol. 83, No.5, 2010), p. 428.
[45] Agnieszka Dziwulska, "Russland in der Krise", *Kurswechsel* (No.1, 2010), pp. 55-66.
[46] Adam Hanieh, "Finance, Oil and the Arab uprisings: the global crisis and the Gulf states", in Leo Panitch, Greg Albo and Vivek Chibber (eds.), *The Crisis and the Left: Socialist Register 2012* (London: Merlin Press, 2011), p. 188.
[47] UNCTAD/Arbeiterkammer Wien, *Price formation in financialised commodity markets: the role of information* (New York/Geneva: UNCTAD, 2011).
[48] Philippe Hugon, ""Afrique: crise mondiale et crises structurelles internes", in Philippe Hugon and Pierre Salama (eds.), *Les Suds dans la crises* (Paris : Revue Tiers Monde, Hors-Série, 2010), p. 174.

finance on the oil sector implied immediate massive negative effects on the budget. Therefore, fiscal policies tended to be pro-cyclical.[49] This tendency was not confined to Africa, but could be observed in Latin America as well. In that sub-continent, Venezuela was one of the countries that were hardest hit by the crisis. The left-wing Venezuelan government applied (mildly) pro-cyclical fiscal policies. An overdue currency devaluation deepened the recession.[50] Thus, the crisis laid bare the vulnerabilities of a progressive transformation project (with very significant social achievements) that is highly dependent on raw material export revenues.

Export industrialisation: Limits of a Model

It was not only the raw material export models, but also the export industrialisation models that were massively affected by declining exports. This model is particularly prevalent in Eastern and Southeastern Asia. China, as the major economic and political power in the region, has followed this model as well. As a consequence of the 1997/98 regional crisis, the East Asian countries accentuated their export orientation. Preventing overvaluations of their currencies has been one the key lessons of the crisis. They built up huge currency reserves which were to serve as a buffer in a new crisis situation.[51]

China has gradually grown into the centre of the export-orientated regional division of labour. The Chinese model of accumulation became even more export-orientated after 2002.[52] Until 2008, the export share in the GDP had grown to about 40%[53] what is quite exceptional for a country of China's size. Wage growth was very low in China. As Hung underlines, from the late 1990s onwards total wages declined as a share of GDP, in tandem with a fall in private consumption.[54] Indeed, the private consumption share in the 1990s and the first decade of the 2000s was considerably lower in China than in the other East Asian economies.[55] Exports and high investment were the main drivers of Chinese growth. It was especially the Coastal regions that

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[49] Ibid., p. 174.

[50] Joachim Becker, "Lateinamerika und die globale Krise: Verwundbarkeiten, Dynamiken, Gegenstrategien", in Ivan Lesay and Bernhard Leubolt (eds.), *Lateinamerika nach der Krise: Entwicklungsmodelle und Verteilungsfragen* (Vienna/Berlin: Lit-Verlag, 2012), p. 47.

[51] Anton Brender and Florence Pisani, *La crise de la finance globalisée* (Paris : La découverte, 2009), p. 58.

[52] Cf. Stefan Schmalz and Matthias Ebenau, *Auf dem Sprung: Brasilien, Indien und China: Zur gesellschaftlichen Transformation in der Krise* (Berlin: Karl Dietz, 2011), p. 135.

[53] Ho-Fung Hung, "Sinomania: global crisis, China"s crisis?", in Leo Panitch, Greg Albo and Vivek Chibber (eds.) *The Crisis and the Left: Socialist Register 2012* (London: Merlin Press, 2011), p. 228.

[54] Hung Ho-Fung, "America"s Head Servant? The PRC"s Dilemma in the Global Crisis", *New Left Review* (No.60, 2009), p. 18.

[55] Ibid., p. 8, fig. 2.

gained from the growth model. Hung underlines that cadres who had made their career in the costal regions and in trade and finance administrations held the majority of seats in the Politbureau of the Communist Party which is still the main decision making centre.[56]

Exports towards the US where domestic consumption was increasingly credit-financed grew particularly rapidly. In the pre-crisis era, the USA accounted for almost a third of Chinese exports (including those via Hong Kong). The Chinese current account surplus with the US grew from 49.7 bn US$ at the time of the East Asian crisis 1997/98 to 268 bn US$ in 2008.[57] As a consequence, China accumulated enormous financial assets (mainly state bonds) in the USA. Chinese capital export to the US allowed the strong growth of exports towards the other side of the Pacific Ocean. As Hung points out, the Chinese "export-led and private consumption repressing growth model" rendered the country extremely dependent on goods and capital exports towards the USA.[58]

The bursting of the financial bubble and the resulting recession of the US economy hit the Chinese export sector hard. Exports took a massive dive in late 2008 and much of 2009. In the first semester alone, exports declined by 20%.[59] The GDP growth slowed down from more than 10% in the first two quarters of 2008 to 6.3% in the last quarter of 2010 and to 6.1% in the first quarter of 2010, before beginning to accelerate again.[60] Though the main direct effect of the decline of exports was felt in the coastal provinces as the hub of export industries, there were ripple effects through the massive lay-offs of internal migrant workers on the provinces of the interior as well. Whereas the effects of the crisis on Chinese exports were significant, the financial channel did not play a significant role in the spreading of the crisis to China since China's capital flows are still tightly controlled.[61] Due to the Chinese investment in US state bonds, US financial market and exchange rate policies turned into a major preoccupation for the Chinese government. It took a more active role in debates on the international financial system than before.

The Chinese government immediately took counter-measures announcing a 586 bn US$ stimulus package (including both government spending and targeted loans from state-owned banks). Contrary to the highly financialised economies, support for the financial sector did not play a

[56] Ibid., p. 13.
[57] Schmalz and Ebenau, op.cit. in note 52, p. 137.
[58] Hung, op.cit. in note 53, p. 9.
[59] Thomas Heberer, "Zur gegenwärtigen politischen und sozialen Lage in China", *Das Argument* (Vol. 54, No.296, 2012), p. 121.
[60] Schmalz and Ebenau, op.cit. in note 52, p. 146.
[61] Ibid., p. 143.

role in the Chinese programme. It was mainly targeted at the productive sectors with bulk of the programme being destined for infrastructural investment (including rural areas and environmental investments), at times for branches with already existing overcapacity (like the cement and steel industries). A significant emphasis was based on investments in the Western provinces with the aim of reducing the regional differences. Only about 20% of the expenditure was destined for social purposes and sustaining consumption.[62]

The stimulus did re-stimulate growth. However, a real estate bubble was stimulated as well and private household indebtedness increased significantly. Between 2007 and 2011, private sector credit increased from 107% of GDP to 127% of GDP.[63] Thus, the stimulus package has increased financial vulnerabilities in China. The structural bias of the stimulus programme was rather conservative. As Hung emphasises, it did "little to rebalance the Chinese economy via promoting domestic consumption and hence reducing China's export dependence."[64] This is, however, a crucial question for China's further development. Due to the universalised austerity policies in the core economies, import demand in some key markets for Chinese exports will at most be slack. The dampening effect of continuing crisis and austerity in the core economies on Chinese growth performance has already become visible in the first semester of 2012. It is questionable that the export-led growth model can be continued on the past lines.

A few measures that favour rebalancing the Chinese economy have been taken so far or are at least planned. The Chinese Labour Law was amended in 2008 strengthening labour rights. Recently, there were a number of strikes in major companies that achieved major wage increases. The state tolerated these wage increases. However, attempts of striking workers to establish more authentic representations were usually side-stepped.[65] Thus, the government clearly wants controlled change of labour relations – without autonomous trade unions. Workers have so far not been able to challenge this policy decisively. A further element of controlled change and consciously reducing social tensions is the gradual development of a social security system.[66] Expanding social security would be conducive for a more inward-looking model of accumulation as well. However, there

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[62] Ibid., p. 147; Hung, op.cit. in note 53, p. 224.
[63] Stefan Wagstyl and John Paul Rathbone, "Emerging markets face debt hangover", *Financial Times* (6 July 2012), p. 2.
[64] Hung, op.cit. in note 53, p. 226.
[65] Anita Chan and Kaxton Siu, "Die Entwicklung des Klassenbewusstseins chinesischer Wanderarbeiterinnen und Wanderarbeiter 1980-2010", *Das Argument* (Vol. 54, No. 296, 2012), pp. 191-205.
[66] Heberer, op.cit. in note 59, p. 123.

seems to be significant resistance against a more inward-looking model from well entrenched and powerful export interests.

The other East Asian export-oriented economies which are closely linked to China face similar (though not identical) dilemmas as China. The export-orientated models have reached a limit.

Raw material exports and inward-looking industrialisation

The military dictatorships of the Latin American Cono Sur were the pioneers of dependent financialisation in the late 1970s. They suffered from the first severe financial crisis already in the early 1980s. The 1980s were a lost decade for them. In the early 1990s, enormous capital amounts started to flow into the region again, and a second cycle of dependent financialisation started. Contrary to the 1970s, Brazil which is the major economic power in South America joined the league of countries banking on dependent financialisation this time. Due to internal contradictions of the model – weakening of the productive structure, structurally deepening current account deficit, increasing dependence on capital imports – the countries suffered again from a severe crisis between 1999 and 2002. The crisis was particularly severe in the semi-dollarised economies (Argentina, Uruguay).[67]

This time, the crisis led to a change in the predominant development strategies. In Argentina, there ensued an intense political struggle over the way out of the crisis. The main contested point was the monetary regime: Mainly West European-owned service sector monopolies, the Central Bank, liberal think-tanks and sectors of the Peronist party defended a deepening of the dollarization whereas huge Argentinian conglomerates, the so-called grupos económicos, trade unions and other sectors of the Peronist party favoured an end to the currency board and a devaluation of the peso.[68] The second option prevailed. The exit from the currency board, the devaluation of currency and the re-pesification of the economy proved to be highly complicated. In early 2002, the monetary system was in complete disarray. A massive recession ensued. In order to gain budgetary spaces to deal with soaring unemployment and massive street demonstrations, the government declared a moratorium on most of the external debt. Later, it achieved a significant debt reduction in international negotiations.[69] In Brazil, the exit

[67] Joachim Becker, "Crisis financieras en las noventa y sus salidas: Argentina, Brasil y Uruguay en comparación", *Indicadores Econômicos FEE* (Vol. 37, No.4, 2010), pp. 121-141.

[68] Ana Castellani and Martín Schorr, "Argentina: convertibilidad, crisis de acumulación y disputas en el interior del bloque de poder económico", *Cuadernos del Cendes* (Vol. 21, No.57, tercera época, 2004), pp. 55-81.

[69] Rubén Lo Vuolo, "Canje de deuda y salida del default en Argentina: Los problemas de la estrategia financiera elegida", *Ciepp. Série Análisis de Coyuntura* (No.7, 2005).

from the model of dependent financialisation was more gradual and less complete. Whereas, the real was devaluated already in early 1999, another key aspect of the financialised accumulation – the extremely high interest rates – remained place for many years. This new model of financialisation was not dependent on huge capital inflows anymore because the devaluation turned the current account into a surplus again. Therefore, it can rather be characterised as domestic financialisation. However, the government of Luiz Inácio Lula da Silva of the Partido dos Trabalhadores started to consciously strengthen the productive sectors and, thus, changed gradually the balance between financialised and predominantly productive interests.

The post-2002 policies of Argentina and Brazil share a number of features. In both cases, initial currency devaluation was crucial. The devaluation benefitted export sectors (though the Argentinian government seriously taxed the extra-profits). Raw material exports were buoyed by increasing international prices. This translated into a partial reprimarisation of exports though industrial exports showed a strong performance as well.[70] Devaluation favoured inward-looking industry as well because it provided a certain shelter against external competition. In Brazil, the PT-led governments re-established industrial policies. In both countries, in a more systematic way Brazil, the governments pursued expansionary wage policies and increased social expenditure what stimulated domestic demand. They pushed for a reformalisation of labour. In Brazil, the tendency towards an improvement of the quantity and quality of employment already started with the devaluation in 1999, but was deepened by the more inwards-looking and more labour-friendly PT-led governments.[71]

Whereas the Argentinean government maintained a stable nominal exchange rate (inter alia through a mild form of capital controls), high interest rates coupled with a flexible exchange rate regime led to a gradual appreciation of the exchange rate in Brazil. The Brazilian current account deficit worsened and the appreciation put the Brazilian manufacturing industry under pressure.[72] Nevertheless, the Argentinean and Brazilian economies were much less vulnerable to crisis at the end of first decade of the 21st century than at its beginning.

The financial impact of the present crisis on the two economies has so far been limited though some Brazilian companies suffered from severe

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[70] Julio Sevares, ""Argentina y Brasil: diferente macroeconomia, pero la misma vulnerabilidad", *Nueva Sociedad* (No.219, 2009), pp. 31-44 ; Pierre Salama, "Forces et faiblesses de l"Argentine, du Brésil et du Mexique", in Philippe Hugon and Pierre Salama (eds.), *Les Suds dans la crise* (Paris: Revue Tiers Monde, Hors-Série, 2010), p. 101.

[71] Cf. Marcio Pochmann, *O emprego no desenvolvimento da nação* (São Paulo: Boitempo, 2008); José Dari Krein and Anselmo Luis dos Santos, "La formalización del trabajo en Brasil. El crecimiento económico y los efectos de las políticas laborales", *Nueva Sociedad* (No.239, 2012), pp. 90-101.

[72] Sevares, op.cit. in note 70, pp. 31-44.

losses from currency speculation.[73] The decline of exports (and investment), however, had a significant impact.[74] The decline of exports to the US and EU was partially compensated by exports to China. In 2009, the GDP declined by 0.6% in Brazil whereas Argentina recorded a small growth of 0.9%.[75]

Both governments adopted mild anti-cyclical policies. The Brazilian government sustained its investment programme, continued its policy of increasing the minimum wage (and social expenditure indexed on the minimum wage) and expanded credit provision by public banks. The interest rate has been more decisively reduced than in the past. In so far, the crisis has favoured de-financialisation. In Argentina, the government likewise continued investment policies and expansionary social policies.[76] Due to the recuperation of exports and sustained domestic demand, the GDP recovered temporarily.

The crisis, however, revealed continuing vulnerabilities of the Brazilian and Argentinean models of accumulation. In both cases, this vulnerability is linked to the international economic relations and the monetary regime. In Brazil, the crisis brought first a severe depreciation, then again appreciation of the currency. The high exchange rate volatility, particularly the currency appreciations, has a negative effect on the economic development. The phases of strong appreciation lead to an erosion of the industrial base. Though the Brazilian government has strengthened the instruments of capital control, these measures have so far been proved to be insufficient to deal with exchange rate instability.[77] From 2007 to early 2011, the surplus on the trade balance declined whereas the income balance has worsened considerably due to the extremely high profit remittances.[78] The question is whether the Brazilian government is willing to impose more stringent controls on capital flows, profit remittances and to take a more restrictive stance towards foreign direct investment.

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[73] Becker , op.cit. in note 50, p. 42; Maryse Farhi and Marcos Antonio Macedo Cintra, "Crisis financiera internacional: contagio y respuestas regulatiorias", *Nueva Sociedad* (No.224, 2009), pp. 104-127.

[74] Cf. José Antonio Ocampo, "La crisis económica internacional: impacto e implicaciones para América Latina", *Nueva Sociedad* (No.224, 2009), pp. 48-66.

[75] Comisión Económica para América Latina y el Caribe, *Estudio económico de América Latina y el Caribe, 2010-2011* (Santiago de Chile: Cepal, 2011), p.71.

[76] Cf. Luiz Augusto Estrella Faria, "Política econômcia e crescimento no Brasil do Lula", *Indicadores Econômicos FEE* (Vol. 37, No.4, 2010), pp. 163-187; Aloizio Mercadante, *Brasil, a construção retomada* (São Paulo: Editora Terceiro Nome, 2010), p. 120; Joachim Becker, op.cit. in note 50, p. 42.

[77] Cf. Andreas Novy, "Widersprüche des brasilianischen Entwicklungsstaats", in Ivan Lesay and Bernhard Leubolt, *Lateinamerika nach der Krise: Entwicklungsmodelle und Verteilungsfragen* (Vienna/Berlin: Lit-Verlag, 2012), p. 124.

[78] Augusto Pinho de Bem, Bruno Paim, "Aspectos das economias mundial e brasileira em 2011", *Ensaios FEE* (Vol. 39, No.4, 2012), p. 16.

In Argentina, the vulnerability takes a partially similar form. Social conflicts have produced a relative high rate of inflation. With the nominal exchange rate being stable, this high rate of inflation had led de facto to a real appreciation of the Argentinean peso. This has had detrimental effects of the current account and on industry. In addition, expansionary policies have been hampered by the absence of a "full monetary sovereignty" as Curia calls it.[79] There is massive capital flight – thus a covert form of dollarisation. The government has adopted foreign exchange controls. However, the controls hamper at times production because imported intermediary goods are not readily available. Measures to protect the Argentinean industry have led to trade conflicts with other Mercosur member states, particularly with Brazil. In Argentina, the question is whether the government will be able to deal with the political challenge of capital flight in an administratively coherent way. Both governments might face a period of much more depressed exports than in the past years. This would make further changes in the model of accumulation necessary.

Conclusion

The model of dependent financialisation has proved to be the most vulnerable and hardest hit by the crisis. When capital inflows dry up, it collapses. Turkey has been one of the few countries to continue with this model after the first phase of the crisis. However, the Turkish economic recovery rests on very shaky foundations. High reliance on capital imports and increasing private household debt are the two Achilles heels of the Turkish economy. A very narrow export specialisation, especially in the field of mineral exports, has proved to be very vulnerable to crisis as well. Models of export industrialisation have fared generally better, but have reached limits. The rather inward-looking models of accumulation relying on a serious industrial base have proved to be relatively resilient to crisis. However, even these countries suffer from a serious external constraint.

In the countries mainly characterised by dependent financialisation in the pre-crisis years, economic policies have tended to be pro-cyclical and heavily so. Neo-liberal policies have been deepened. International financial organisations and – in Europe – the European Commission and the European Central Bank have been central promoters of the regressive policies. In so far as stabilising the exchange rate has been a key target of these policies, indebted middle strata have supported at least a central plank of austerity policies. In addition, the space for manoeuvre has been limited in the European periphery by the fact that it is an inner periphery. The autonomy of the peripheral states in Europe is quite limited.

[79] Eduardo Luis Curia, *El modelo de desarrollo en Argentina: los riesgos de una dinámica pendular* (Buenos Aires: Fondo de Cultura Económica de Argentina, 2011), p. 225.

In the relatively industrialised countries of the semi-periphery, there have been adopted at least some counter-cyclical policies. At times, social policies have been expanded. The basic tenets of the export-industrialisation model in China and of the raw material export plus inward-industrialisation model in Brazil and Argentina have so far not yet been modified. However, the economic sustainability of the export side of both models is in question due to the continuing crisis in the core countries. As in the 1930s, it might become a necessity to adopt more inward-looking strategies in the periphery. Whether these strategies will be more progressive than in the 1930s depends on the progressive parties and social pressures from below. For parts of the periphery, the crisis might be a chance.

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