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Introduction: The politics of growth, stagnation, and upgrading in peripheral advanced economies

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Abstract

Comparative Political Economy (CPE) has traditionally paid limited attention to growth trajectories outside the core economies of Northern Europe and the United States—a pattern that persists in the current Growth Models (GMs) debate. This special issue seeks to broaden the geographical, theoretical, and empirical scope of CPE by integrating the concept of peripherality into discussions of GMs. Drawing on insights from Latin American structuralism, dependency theory, and GMs theory, the contributions in this issue address two interrelated dimensions of capitalist development in advanced peripheral economies, which we develop in this introduction: peripheral structure and peripheral agency. By examining the complex interactions between core and peripheral economies, this issue uncovers diverse patterns of peripheral capitalist development and calls for a deeper engagement with peripherality within CPE.

Keywords

comparative political economy, growth models, peripherality, dependency, politics of growth

Introduction

This special issue sets out a research agenda for integrating the concept of peripherality into growth models theory. In doing so, it seeks to broaden the scope of comparative political economy (CPE) beyond its traditional focus on core economies such as the United States, Northern Europe, and Japan. The study of comparative capitalism has long been shaped by this geographical bias, often overlooking other regions and their distinctive capitalist dynamics. While the influence of these core economies in shaping global capitalism is undeniable, this focus has come at the expense of a deeper understanding of peripheral economies.

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CPE has also largely neglected the implications of the coexistence of cores and peripheries—and their interrelations—for shaping different patterns of capitalist development. While recent contributions have begun to correct this bias, providing analyses of the development trajectories of Central and Eastern European peripheries after the fall of communism or examining how the Eurozone crisis has reshaped the growth models of Southern Europe, these efforts remain limited. As a result, there is a continued need to explore how patterns of unequal exchange at the global level shape national political economies.

The papers in this special issue aim to address this gap by engaging three sets of interrelated questions: First, how can we conceptualize the notion of *peripheries* and *peripheralization* within the CPE tradition, particularly in relation to debates on growth models (GMs)[1]? Second, what growth strategies are available to economies occupying peripheral positions, and how are these strategies shaped by different types of constraints? Third, how does *peripherality* affect the politics of growth, stagnation, and upgrading in these economies?

This special issue seeks to address these questions geographically, empirically, and conceptually. Geographically, it expands current research—which has focused primarily on European peripheries such as Hungary, Poland, Ireland and Spain—by including regions and countries elsewhere, such as Chile, Uruguay, Turkey, and Israel that are rarely studied in comparative perspective. Empirically, it explores understudied themes, including the (geo)political limits and opportunities of diverse peripheral development strategies (Carrasco, 2024; Stallings, 2024), city-level growth strategies (Ban et al., 2025), the coalitional political economy of democratic backsliding (Apaydin, 2024), the role of exporting SMEs in export-led growth (Avlijaš et al., 2023), the impact of balance of payments constraints on left-wing growth strategies (Bogliaccini and Madariaga, 2024), the role of trade unions in supporting wage-led growth (Bondy et al., 2024), and the use of minimum wage regulation as a developmentalist tool (Naczyk and Eihmanis, 2023). Conceptually, the issue integrates the Gramscian concept of social blocs (May et al., 2024) with insights from dependency theory, which are further developed in this introduction. In doing so, we join recent efforts to bridge the gap between CPE and International Political Economy (Blyth and Matthijs, 2017).

The exploration of the political economy of peripheral growth in this issue is anchored in two interrelated concepts: *peripheral structures* and *peripheral agency*. In tracing peripheral structures, we argue that deeper engagement with dependency approaches can illuminate the structural constraints imposed by global economic hierarchies. This perspective moves the debate beyond the tendency in the growth models (GM) literature to depict peripheral economies as merely auxiliary to capitalist accumulation in the core (Baccaro et al., 2022: 20). Instead, we understand peripheral growth as a complex phenomenon driven by diverse and overlapping factors—from commodity exports and international tourism to subordinated financialization and participation in foreign-dominated supply chains—each producing distinct political dynamics.

Our contributions highlight two key structural features that distinguish peripheral growth patterns from those of core economies: instability and pro-cyclicality (Schedelik et al., 2021), and hierarchical value extraction. First, although peripheral economies may outgrow core economies during boom periods, their growth is more unstable and pro-cyclical, as it relies on drivers prone to boom-bust cycles (Alami et al., 2023: 1361–1362; Campello and Zucco, 2020; Stockhammer, 2023: 629). Second, due to the hierarchical nature of capitalist development, peripheral economies are subject to various forms of value extraction by the core. Historically, this extraction stemmed mainly from unequal trading and financial terms (Cardoso and Faletto, 1979; Prebisch 1981); today, it also encompasses dynamics such as intellectual property payments, interest rate differentials, and supply chain subordination (Schwartz, 2016; Torres and Ahumada, 2022). When these exploitative dynamics become visible and politically contested, they further destabilize growth coalitions, exacerbating the inherent instability of peripheral growth.

This instability highlights the importance of studying the agency of peripheral economies in shaping their political-economic trajectories. Tracing peripheral agency requires refining the core GM framework by adopting a peripheral perspective. While dependency approaches have significantly advanced our understanding of the structural constraints on peripheral growth, they have paid less attention to how political and economic actors within peripheral economies exercise agency (Alami et al., 2023; Avlijaš and Gartzou-Katsouyanni, 2024; Madariaga and Palestini, 2021). We argue that, although peripheral economies are constrained by structural factors, they still possess agency to navigate these constraints—seeking to maximize the benefits and minimize the costs arising from their subordinated position in the global economy (Bruszt and Greskovits, 2009; Bruszt and Vukov, 2017; Sobczyk, 2023).

Agency becomes particularly important when, as in the case of the contributions to this special issue, the focus is on advanced peripheral countries. Given the diversity of "dependency situations" (Cardoso and Faletto, 1979), scholars have long recognized that certain peripheral countries are more advanced than others because their economic and social structures more closely resemble those of core economies, and their development dynamics are more deeply embedded in core-centered processes. This, in turn, creates a qualitatively different set of constraints and development opportunities: advanced peripheral economies possess a greater capacity to resist downgrading and, ultimately, to promote internal development paths (Arrighi and Drangel, 1986; Bruszt and Greskovits, 2009; Wallerstein, 1974).

This introduction proceeds as follows. First, we analyze peripheral structures by reviewing the key structural features that characterize peripheral growth models and the constraints they face, bringing growth models theory into dialogue with earlier traditions that have conceptualized peripherality. Second, we explore the main aspects of agency within peripheral growth models, focusing on the political dynamics that shape growth strategies and underpin their legitimation or contestation. We conclude by introducing the articles included in this special issue.

The structure: Dependency and peripheral growth

Peripherality has so far remained a residual category in GMs debates, often framed in terms of the functional role these countries play in enabling the GMs of advanced capitalist economies, rather than as a political-economic reality worth understanding in its own right (Baccaro et al., 2022). While we agree that the relationship between advanced and peripheral economies can be understood functionally—shaping the conditions under which different growth models thrive or stagnate—we also argue that peripherality entails distinct political-economic dynamics that merit exploration on their own terms. As the eminent Argentine economist Raúl Prebisch wrote, "It is not about dispensing with theories of the cores but about recognizing the specificity of peripheral capitalism" (Prebisch, 1981: 31). To identify the dimensions of peripherality most relevant for GMs theory, we draw on influential scholarship, particularly from Latin American structuralist economics and dependency approaches (See Fajardo, 2022).

Three core claims are central to dependency approaches and their analyses of structural peripherality (Madariaga and Palestini, 2021: 7–10). First, the international economy is hierarchically divided into cores and peripheries, whose functional relationship is best characterized as one of dependency. Second, dependency implies that the structures of the periphery emerge and evolve in response to those of the core. Third, these dependency relations are reflected in specific power dynamics and state–society relations within peripheral economies. Taken together, these claims suggest that analyzing growth in peripheral GMs requires scholars to account for the specific ways these economies are inserted into global capitalist dynamics, the subordinate roles they occupy within those dynamics, and the ways this subordination shapes the constitution and distribution of power among domestic actors.

In line with this tradition, we contend that peripherality is both structural and historical (Cardoso and Faletto, 1979). Peripherality refers not only to the shared structural conditions of capitalist development outside the capitalist core but also to the specific political dynamics that underpin these conditions at different stages in the evolution of capitalism as a system. In other words, the opportunities and constraints presented by the international economy give rise to a variety of distinct situations of peripherality (Bruszt and Greskovits, 2009; Cardoso and Faletto, 1979; Kvangraven, 2021): there is no single "peripheral growth model," but rather a diverse range of configurations in which dependency conditions are expressed.

In this introduction and throughout the special issue, we highlight three key and interrelated structural features of peripherality: subordinate insertion into foreign-dominated chains of surplus production, macroeconomic constraints, and structural heterogeneity. In the final section of the introduction, we reflect on how these structural constraints shape the exercise of agency and the political dynamics within peripheral economies.

Peripherality as peripheral insertion in foreign-dominated chains of surplus production

In a globally interconnected economy, peripheral economies must insert themselves into foreign-dominated chains of surplus creation to generate domestic wealth, whether through rent extraction or the production of goods and services (Alami et al., 2023). In the following sections, we provide an overview of the main peripheral growth strategies associated with these growth drivers.

Peripheral integration based on rent-extraction. Rent extraction relies on exploiting sources of value embedded in natural capital or financial transactions. To capture the benefits generated by these rents, peripheral economies must establish relationships with core countries, companies, or individuals willing to pay for access to these resources.

From the perspective of peripheral economies, rents create opportunities for domestic appropriation, thereby enhancing peripheral agency. Rent-derived resources can be redistributed, used to finance state-led development projects, or captured by domestic elites (Prebisch, 1981). However, the exploitation of rents is also associated with significant externalities, including early deindustrialization, persistent underdevelopment, environmental degradation, democratic backsliding and weak statehood (Apaydin, 2024). We identify three sources of rents available to peripheral economies: commodities, natural landscapes, and finance (Burchardt et al., 2021: 211–213).

Exports of commodities such as hydrocarbons (oil and gas), minerals (gold, copper, and iron) or agricultural products (wheat, rice, coffee, and cocoa, soy) serve as a key growth driver for many peripheral economies, yet they remain understudied in the GMs literature (Schedelik et al., 2023: 517; Sierra, 2022).

From a GMs perspective, commodity rents underpin an export-led, commodity price-driven growth strategy centered on the export of (more or less processed) raw materials (Jungmann, 2023) and they can serve as the backbone of industrial upgrading efforts. With the exception of oil, commodity prices are largely demand-driven and follow long cyclical patterns, known as commodity super-cycles, spanning 20 to 70 years (Jungmann, 2023: 359; Prebisch, 1981). The sustained growth of China's raw-material hungry economy has driven prices upward, generating two commodity booms between 2001 and 2013 (Passos and Morlin, 2022: 9–10).

During market upturns, commodity exports generate vital foreign currency inflows, helping to ease balance of payments constraints (see following section). Peripheral governments can leverage these rents to broaden their domestic growth coalitions by boosting consumption—a strategy widely used by the Latin American left during the last commodity boom (Bizberg, 2019; Burchardt et al., 2021; Sierra, 2022; Svampa, 2015). As Holland and Schneider (2017) have argued, this strategy provided a means for reducing poverty in the absence of strong fiscal pacts and with low direct taxation. In this sense, commodity prices play a similar role as property prices in debt-financed consumption-led growth strategies (Schedelik et al., 2023: 530). Moreover, commodity rents can be channeled into industrial policy strategies aimed at diversifying the economy or upgrading positions within commodity value chains (Andreoni and Tregenna, 2020; Lebdioui et al., 2021; Marin et al., 2015).

However, such successes are rare (Carrasco, 2024). In many cases, commodity rents actually reduce the scope for economic upgrading and diversification, contributing instead to the reprimarization of the economy, as currency overvaluation undermines the export competitiveness of non-commodity sectors (Burchardt et al., 2021; Prebisch, 1981). This "Dutch disease" effect is often accompanied by the strengthening of large corporations tied to rent extraction—such as major energy companies or powerful agricultural conglomerates—whose oligopolistic privileges are further entrenched by sustained commodity rents (Burchardt et al., 2021; Passos and Morlin, 2022).

The global structure of commodity markets reveals a second key limitation of commodity rents as a growth engine: they render peripheral growth highly dependent on external—and often volatile—demand (Prebisch, 1981; Stallings, 2024). Because public revenues are heavily influenced by internationally determined commodity prices, fiscal spending in these economies tends to be strongly pro-cyclical, amplifying the effects of downturns and exacerbating the instability of underlying growth coalitions (Bizberg, 2019; Campello and Zucco, 2020; O'Donnell, 2016; Schedelik et al., 2023: 529–531). Moreover, resource extraction and the overexploitation of nonrenewable natural resources impose severe long-term environmental costs, including water scarcity, contamination, soil depletion, and deforestation (Burchardt et al., 2021; Svampa, 2015).

Environmental degradation in the periphery is further accelerated by the exploitation of another key source of rent: natural landscapes. This form of exploitation is closely tied to the tourism sector, which serves as a major growth engine for many peripheral economies and is among the largest global service industries (Clancy, 1998). The natural landscapes of peripheral regions offer opportunities for value extraction similar to those associated with commodity rents—yet they carry comparable risks, including resource depletion, environmental harm, and tendencies toward democratic backsliding (Bianchi, 2018: 94).

As an export-led growth driver, international tourism positively contributes by bringing foreign exchange into peripheral economies, thereby easing current account constraints. Additionally, the tourism sector is one of the largest employers in many of these economies. Enhancing the attractiveness of tourist destinations often requires peripheral states to invest in infrastructure and telecommunications networks, which can have beneficial developmental effects. However, employment in tourism is frequently precarious, as peripheral economies tend to be confined to low value-added activities within the tourism value chain, while (mostly) foreign multinationals dominate high value-added segments such as hotel franchises and airlines (Britton, 1982; Bürgisser and Di Carlo, 2023: 240–241; Clancy, 1998). Moreover, the abundance of alternative tourist destinations fosters intense competition among peripheral economies, limiting opportunities for upgrading and effectively locking these economies into low value-added specialization (Britton, 1982; Bürgisser and Di Carlo, 2023: 252).

Peripheral countries can also stimulate growth by exploiting financial rents, relying on household debt and real estate bubbles to drive domestic demand. Debt-fueled consumption has emerged as a key growth engine across a variety of peripheral economies, including the Baltic republics, Turkey, Slovakia, Brazil, and Chile (Bogliaccini and Madariaga, 2024; Bonizzi et al., 2020: 182).

While financialization is a global dynamic affecting both advanced and peripheral economies, peripheral financialization exhibits distinct features that distinguish it from its core variant (Alami et al., 2023; Bonizzi et al., 2020). Foremost among these is the fact that most financial centers and firms are based in core economies. Peripheral financial markets, lacking control over their own financial systems and suffering from the reduced liquidity premium of their currencies, are generally less attractive to investors (Pataccini, 2022: 650; Apaydin and Çoban, 2023), unless they offer higher interest rates and risk premia. This creates a structural imbalance between core and peripheral financialization, driven by differences in asset quality (Oliveira and De Conti, 2025). Although attracting capital can help ease balance of payments constraints and potentially finance productive investments, the excess profits captured by core financial firms are typically channeled into dividend payments, share buybacks, and managerial bonuses rather than productive development (Bonizzi et al., 2020).

These characteristics make growth strategies based on peripheral financialization highly pro-cyclical and vulnerable to external shocks, as exemplified by the boom-bust cycles experienced by the Baltic republics since their accession to the EU (Bohle, 2018). This pro-cyclicality is further reinforced by the increasing interconnection between commodity markets and financial flows (Akyüz, 2020). Similar to commodity super-cycles, financial pro-cyclicality can bolster political incumbents during boom periods but also precipitate the abrupt destabilization of growth coalitions during downturns.

The lack of control over core financial hubs forces peripheral economies to function primarily as financial intermediaries with limited capacity to shape financial flows (Rothstein, 2024; Torres and Ahumada, 2022). Consequently, their growth patterns become heavily dependent on macroeconomic conditions and monetary policies set by core central banks such as the FED and ECB (Apaydin and Çoban, 2023), as well as the strategic decisions of foreign banking multinationals operating in their markets (Naczyk, 2022; Pataccini, 2022). As these value-extraction dynamics become more visible, they can spark contestation of peripheral financialization, sometimes resulting in measures such as the renationalization of foreign banking groups, as recently seen in Poland (Naczyk, 2022).

Peripheral integration based on insertion in foreign-dominated value chains. Beyond rent exploitation, peripheral economies also produce internationally traded goods and services and integrate into foreign-dominated supply chains. This favors the development of export-led strategies primarily focused on attracting foreign direct investment (FDI) (Bohle and Regan, 2021), a process Cardoso and Faletto (1979) labelled "dependent-associated development." The opportunities and constraints of this growth strategy are shaped by the hierarchical relationship between peripheral economies and foreign multinationals (Nölke and Vliegenthart, 2009; Schneider, 2013).

The extensive literature on global value chains (GVCs) highlights several benefits for peripheral economies that integrate into these networks, including increased tax revenues, stable and relatively well-paid employment opportunities, knowledge spillovers, and relief from current account constraints (Reurink and Garcia-Bernardo, 2021: 1275). In fact, FDI attraction has sometimes succeeded in generating robust economic growth, as exemplified by the EU's Eastern member states (Ban and Adascalitei, 2022).

However, significant structural constraints accompany this strategy. Peripheral economies often face limited opportunities to upgrade production beyond medium value-added activities. While R&D activities tend to cluster in advanced countries' innovative cities or regions, where multinationals can access a large pool of local talent (Reurink and Garcia-Bernardo, 2021: 1282), peripheral economies remain confined to lower value-added segments of supply chains. Consequently, value-chains reinforce the structural heterogeneity between core and periphery (Gereffi, 2017), aligning with the polarizing tendencies of capitalism identified by dependency approaches (Kvangraven, 2021; Madariaga and Palestini, 2021).

Integration into GVCs can also exacerbate wage inequalities between multinational employees and the rest of the workforce, while generous tax incentives used to attract FDI reduce public revenues, thereby limiting resources available for redistribution (Nölke and Vliegenthart, 2009: 696–697).

The division of labor within GVCs results in value extraction from the periphery to the core. Although peripheral economies fiercely compete to attract non-core activities—further compressing their profit margins, as demonstrated by the subsidy wars of the early 2000s in Eastern Europe (Bohle, 2018: 243)—core countries and corporations capture a disproportionate share of profits. This dynamic is particularly pronounced when considering the value extracted by large corporations based in the US, Japan, and Europe's economic core through legally protected intangible rents such as intellectual property rights (Durand and Milberg, 2020; Schwartz, 2016).

Peripherality as structural macroeconomic constraints

The subordinate incorporation of peripheral economies into global value chains and financial circuits generates two key macroeconomic constraints. First, following the well-known Prebisch–Singer hypothesis (Prebisch, 1981; Stockhammer, 2023: 635), underdeveloped production structures characterized by limited technological sophistication and knowledge content make it difficult for peripheral economies to earn sufficient foreign exchange through trade, as their imports tend to be of higher value than their exports. Second, reliance on foreign financial flows and the global norms governing them results in weak domestic currencies and heightened vulnerability to cross-border financial transactions. These features directly impact both the balance of payments and the capacity to borrow externally via government bond markets.

The balance of payments (BOP) constraint has long been a central concern within the Latin American structuralist tradition, known as "*restricción externa*" (Ocampo, 2020; Prebisch, 1981). Thirlwall's (Thirlwall, 2004) classic formulation posits that persistent current account deficits can only be financed by surpluses in the financial account. Consequently, the equilibrium between domestic and foreign demand imposes a ceiling on a country's long-term growth prospects. In peripheral economies, structurally disadvantaged by value extraction from core countries, the ability to enhance the external competitiveness of exports is limited. This structural weakness manifests as a chronic tendency to run current account deficits that must be financed through volatile financial inflows (Stockhammer, 2023: 633–634). The resultant macroeconomic constraints severely restrict policy space in peripheral economies and increase their exposure to exchange rate shocks, inflationary spirals, and the depletion of foreign exchange reserves, with profound effects on both economic growth and democratic stability (See Bogliaccini and Madariaga, 2024).

Temporary relief from the BOP constraint can come from supranational mechanisms—such as supranational monetary integration—or from the "benevolent" intervention of a global hegemon, exemplified by the favorable loans and military protection extended by the US to Korea and Japan (Amsden, 2001; Kvangraven, 2021). However, such support is rare and requires substantial, sustained commitment from the hegemon. Similarly, while exploitation of rents from commodities, natural landscapes, or finance (discussed earlier) can ease the current account constraint through capital inflows denominated in core currencies, these strategies tend to produce boom-bust cycles that fuel chronic political instability and reinforce peripheral dependency (See Campello and Zucco, 2020).

The constraint on sovereign borrowing stems from the international currency hierarchy, which privileges core economies due to their dominant role in global production networks and capital chains, thereby increasing foreign demand for their sovereign debt (Bonizzi et al., 2020: 177–178). Peripheral economies, situated lower in this currency hierarchy, face restricted access to borrowing in their own currency on international markets. This forces them to pay higher interest rates on sovereign debt and to accumulate costly foreign currency reserves (Kvangraven, 2021: 86).[2]

In practice, peripheral countries must offer higher yields to compensate investors for currency risk and elevated political and market risk. This results in persistent yield spreads between peripheral and core government bonds—a de facto interest rate penalty that shrinks fiscal space and represents yet another mechanism of value extraction by the core (see Oliveira and De Conti, 2025). Moreover, this increases external vulnerability by amplifying the pro-cyclicality of capital flows, as peripheral sovereign bonds are perceived as high-risk investments (Alami et al., 2023; Campello and Zucco, 2020) and by heightening dependence on the monetary policies set by core central banks such as the FED and the ECB (Apaydin and Çoban, 2023: 1050–1051). As a result, macroeconomic policy in peripheral economies often prioritizes managing short-term financial flows over pursuing long-term developmental objectives (Ocampo, 2020).

Peripherality as structural heterogeneity

Structural heterogeneity refers to the segmentation within peripheral economies into sectors with sharply differing productivity levels. This division typically features a small number of large, highly productive, and internationally integrated firms alongside a multitude of smaller, domestically focused firms characterized by medium to very low productivity (see Cimoli, 2005; Pinto, 1970; Sturm and Nohlen, 1982). The former usually operate in sectors of comparative advantage, are capital-intensive, and employ a relatively small share of highly educated workers. In contrast, the latter struggle to compete with foreign firms, often producing low-quality goods and services relying on a low-skill, low-wage workforce, frequently marked by labor informality and underemployment.

Economically, this results in a limited capacity within peripheral economies to absorb or generate new technologies and innovations. Moreover, productivity gains achieved in the more advanced sectors rarely translate to less productive ones, exacerbating inequality gaps. Politically, this heterogeneity means that the primary divisions among leading economic actors are not strictly sectoral, but rather hinge on firm size and productivity levels.

In structurally heterogeneous peripheral GMs, cross-class coalitions organized along sectoral lines are less significant in shaping social blocs than alliances among large multinational corporations, major domestic firms, and diversified business groups with superior productive capacities and privileged access to political decision-making (Schneider, 2013). These dominant actors do not primarily seek to preserve any particular growth driver per se but aim to maintain overall favorable conditions for profit accumulation—such as low costs through minimal regulation, low taxation, and capital mobility. The fact that domestic capital often consolidates into diversified business groups operating across multiple sectors implies that the same core actors can simultaneously benefit from export booms (through control of commodity production or manufacturing suppliers) and from domestic demand growth (via monopolies in consumer goods, public utilities, and retail). This explains why peripheral economies' growth drivers are frequently described as "mixed" and why they tend to shift over time (see Baccaro and Hadziabdic, 2024).

Consequently, domestic policies tend to lack coherence when viewed through the lens of any single growth model and instead reflect the shifting interests of powerful firms and business groups. This highlights the importance of analyzing state-society relations and the multiple channels through which business influences politics, rather than deriving policy preferences solely from sectoral divides (Bogliaccini and Madariaga, 2024; Fairfield, 2015).

On the labor side, widespread informality creates a formal/informal cleavage within the working class, generating diverse welfare preferences and opening avenues for clientelistic ties with political parties (Garay, 2016; Kitschelt and Wilkinson, 2009). In this context, growth coalitions are more fluid, and welfare redistributive policies become central to building winning coalitions—unlike in many core growth models where such policies are often secondary (Dooley, 2023).

We argue that the polarizing tendencies of capitalist development and the emergence of internal cores and peripheries increasingly produce similar dynamics in advanced economies. For example, the growing wealth disparities between major metropolitan areas and rural regions in the wake of the "knowledge economy" transition, alongside the political conflicts and rejection of prevailing growth strategies that this fuels, illustrate this point (Frey,, 2019; Regan and Blyth, 2025). Engaging with structural heterogeneity thus offers valuable insights into how internal peripheralization processes can shape growth dynamics even within core economies.

The agency: How politics and industrial policy reshape peripherality

A key argument advanced in this special issue is that the structural constraints inherent to peripheral growth models (GMs) have significant implications for the coalitional politics of peripheral growth, shaping and limiting actors' agency in distinctive ways. While the macroeconomic dimensions of growth model theory have been well developed, its political dimension remains comparatively thin and under-theorized, having been drawn largely from close analyses of paradigmatic "core" cases (see Baccaro, et al., 2022; Baccaro and Pontusson, 2019; Hopkin and Voss, 2022).

The contributions in this special issue advance our understanding of the politics of peripheral growth by focusing on how peripherality influences political agency, the formation and dissolution of growth coalitions, and the strategies available to economic and political actors to navigate or overcome structural constraints through various development policies. In the following subsections, we provide an overview of the key ways in which we believe the politics of peripheral growth challenges or refines some of the central assumptions of the core-centered growth model literature.

The (in)stability of dominant growth coalitions

While the GMs approach rejects the "equilibrium bias" of the varieties of capitalism (VoC) framework by embracing the inherent instability of capitalist accumulation (Baccaro and Bulfone, 2022: 11; Nölke et al., 2022), it nonetheless carries an implicit assumption that in core economies, dominant growth coalitions and the strategies they pursue tend to remain relatively stable over time, as long as the growth model "performs" as expected. In such cases, moments of coalitional re-configuration are relatively rare and typically confined to periods of major crisis.

By contrast, an analysis of the political dynamics underpinning peripheral growth models reveals the inherently temporary, unstable, and fragile nature of their growth coalitions. We argue that this relative coalitional instability—marked by recurrent cycles of coalition broadening (cf. Bondy and

Maggor, 2024) and narrowing—is a defining feature of peripheral growth models, stemming directly from the procyclicality and volatility of their underlying growth drivers.

As the papers in this special issue (Apaydin, 2024) and in the broader literature (Ban and Adascalitei, 2022; Scheiring, 2021) highlight, international volatility makes it significantly more difficult to maintain cohesive growth coalitions in peripheral economies. Conflicts are more likely to emerge—both within elites and between elites and the broader electorate. For example, while periods of financial expansion or booms in commodities, tourism, or housing can facilitate the broadening and temporary stabilization of growth coalitions, extending material benefits to larger segments of the workforce or electorate, these periods are often punctuated by sudden and sometimes "violent" stops—such as financial or sovereign debt crises, or the abrupt end of commodity booms. Such reversals lead to coalition narrowing, the erosion of political consensus, and heightened contestation and instability.

Taking the inherent potential for coalitional instability seriously pushes us to broaden the range of actors we consider significant in peripheral growth models, as well as to expand the variety of mechanisms that can be employed to achieve socio-political stabilization—two key points we examine next.

Looking beyond foreign capital. A broader outlook on the role of business actors in growth coalitions

The GMs literature conventionally assumes that in peripheral economies—whether centered on manufacturing, finance, or high-value-added services—foreign multinationals are the "key actors" in dominant growth coalitions, shaping policy through "quiet politics" bargains with domestic technocratic elites (Bohle and Regan, 2021; Schneider, 2013). However, this view underestimates the potential agency of domestic capital and the implications it has for coalition formation and growth strategies.

The centrality of large, foreign-controlled firms in peripheral coalitions can create deep cleavages within the capitalist class, fueling coalitional instability. Segments of the domestic bourgeoisie concentrated in low-productivity, labor-intensive sectors often find themselves excluded or only marginally integrated into the supply chains dominated by foreign-controlled multinationals. Even segments of domestic capital that benefit more directly from integration into FDI-controlled value chains—the so-called "compradors"—may grow frustrated by their limited managerial autonomy or the constrained opportunities for upgrading domestic firms that result from dependent incorporation (Naczyk, 2022). These structural imbalances polarize capital and generate tensions over growth strategies and macroeconomic policy.

As seen, for example, in Hungary (Sebők and Simons, 2022) or Poland (Naczyk, 2022) such tensions can lead segments of the national bourgeoisie to "politicize dependency" (Bohle and Greskovits, 2019), pushing back against transnational capital and demanding recalibrations in growth strategies that better serve domestic business interests. These dynamics often trigger political instability; enable the rise of "challenger" parties allied with the national bourgeoisie, and produce reconfigurations of the dominant coalition and its preferred growth strategies.

The outcomes of such reconfigurations can vary: they may result in a shift toward greater "developmentalism" and a focus on upgrading the domestic economy (see also Madariaga, 2020; Naczyk and Eihmanis, 2023), or they may reinforce patterns of patronage, clientelism, and rent-seeking that secure the profitability of both multinationals and domestic capital while keeping labor marginalized, as seen in Hungary (Bohle and Greskovits, 2019). As Dooley's study of Ireland shows (Dooley, 2023), even when the "fundamentals" of the growth model remain intact, segments of the domestic business class can still successfully impose their policy preferences at key political junctures.

Thus, while domestic capital may not always represent the "key firms in key sectors," factoring in its role is crucial for understanding the nuances of policy dynamics and the adaptation of growth strategies in peripheral contexts.

Looking beyond partisan-electoral politics: The varied mechanisms of socio-political stabilization in peripheral economies

Another key assumption of the GM approach is that the legitimation and sociopolitical stabilization of a growth model depends on political parties (Hopkin and Voss, 2022). Parties forge electoral coalitions aligned with the policies that sustain a GM over time, offering various forms of "compensatory" or legitimizing measures that broaden the coalition while leaving the core principles of the growth strategy intact. This process presumes the existence of structured political competition, programmatically coherent parties, and democratic institutions capable of mediating social conflicts and managing distributive tensions.

However, these conditions often do not hold in advanced peripheral economies, where political parties are frequently weakly institutionalized, lacking both programmatic coherence and organizational depth—two cornerstones of the core GM framework. Rather than policy-based appeals, electoral competition is often shaped by clientelism, patronage, or personalistic leadership (Kitschelt and Wilkinson, 2009; Morgan, 2011).

In such settings, political support may be sustained through dense personal, ethnic, or familial networks, alongside practices such as nepotism, corruption, and pork-barreling (Muñoz, 2018; Oliveros, 2021). While often viewed as deviations from democratic norms, these mechanisms can play a central role in consolidating and maintaining specific growth strategies. Indeed, the core elements of a growth model—whether export-led, FDI-driven, or reliant on natural resource rents—may remain stable despite apparent political volatility precisely because informal mechanisms ensure continuity across formal policy shifts. As Nölke et al. (2022) observe, in highly unequal societies such as Brazil and India, entrenched elite networks help sustain growth coalitions regardless of changes in government.

The nature of interactions between the state and organized interests also differs in many advanced peripheral economies. As May et al., 2024 argue in this issue, in some peripheral contexts, the state plays a more direct and strategic role in shaping social relations than the GM framework typically suggests. Civil society may be fragmented or subordinated, and industrial relations actors—especially trade unions—tend to be weaker than in core democracies. Reflecting the structural heterogeneity of these economies, union density is often low, informal labor sectors are large, and employer interests are concentrated in a small number of large, multi-sectoral business groups and foreign multinationals (Schneider, 2013).

Traditional corporatist mechanisms of interest intermediation are often marginal or only intermittently activated, depending on macroeconomic conditions and external market pressures (Tassinari, 2025). Business associations play varying roles in collective policymaking, while trade unions often participate in political coalitions through personalistic or partisan channels rather than through formal institutional mechanisms. In some cases, relationships between party leaders and union elites substitute for autonomous worker representation, incorporating segments of the workforce into dominant coalitions through selective patronage or co-optation rather than programmatic class representation.

The fragmentation of civil society in many peripheral economies frequently grants the state wide discretion in shaping growth models—whether through direct ties with key firms, especially multinationals, or through authoritarian state-society linkages. In Hungary, for example, scholars have documented how the Orbán government has stabilized a hybrid growth model by maintaining tight control over foreign investors and domestic institutions while using autocratic measures to suppress opposition (Bohle and Greskovits, 2019; Bohle and Regan, 2021; Scheiring, 2021).

In parts of the Arab world, patrimonial and authoritarian arrangements dominate (Schlumberger, 2008), minimizing the need for societal consensus and instead relying on coercion, domination, and even military repression. Similarly, the case of Turkey (Apaydin, 2024) illustrates how authoritarian repression can function as a tool for socio-political stabilization during periods of growth model transition in peripheral dependent economies (for Latin America, see O'Donnell, 1988). When the costs of redistribution exceed those of repression, governments may opt for authoritarian measures to contain unrest and discontent fueled by deepening socio-economic inequality.

This raises an important point that should be more explicitly incorporated into GM theorizing: namely, the need to account for the diverse modalities of consensus-building, stabilization, and elite coalition management beyond the confines of democratic electoral politics. The stabilization of a growth model need not rely solely on hegemony—understood as the consent or tacit acceptance of the majority—but can also rest on domination or repression (see May et al., 2024). In other words, the socio-political reproduction of a growth model may not require active mass participation or ideological buy-in but can instead be secured through coercive means.

While this point is developed in this special issue in relation to peripheral growth models, it also offers insights relevant to core economies—especially in times of systemic capitalist crisis, geopolitical instability, and democratic backsliding. Mechanisms such as patronage, rent-seeking, and selective repression should be theorized not as mere pathologies but as integral components of how growth models are politically embedded in particular contexts. At one extreme is outright authoritarianism; at the other, liberal pluralism. Between these poles lies a spectrum of hybrid arrangements for maintaining dominant growth coalitions.

Political agency in peripheral growth models: Beyond structural determinism

The contributions to this special issue offer a more nuanced understanding of political and economic agency in peripheral GMs and how such agency interacts with macroeconomic constraints. One key insight is that the fluidity and weaker institutionalization of party systems and industrial relations in peripheral contexts can open space for more "disruptive" political actors than the core GM framework typically assumes. Charismatic leaders, anti-system parties, and populist challengers frequently emerge in response to societal discontent with existing growth trajectories. While these actors sometimes destabilize established coalitions, they can also reshape them into new forms.

In some cases, these dynamics grant actors representing excluded constituencies—such as left-wing, working-class-oriented parties—greater influence, especially when they ally with social movements or labor unions (De Gaspi and Da Silva, 2024). Several contributions (Bogliaccini and Madariaga, 2024; Bondy et al., 2024; Naczyk and Eihmanis, 2023) highlight how party-labor linkages can shape growth strategies, influencing whether partisan governments prioritize labor interests and wage-driven growth over debt- or export-led models. Together, these studies underscore that labor politics can play a more consequential role in shaping growth trajectories than the GM framework typically acknowledges.

However, the political agency of left parties and labor movements is not without constraints. As Bondy, Maggor, and Tassinari (Bondy et al., 2024), argue in this issue, labor's influence in peripheral GMs is often fragile and contingent. This fragility stems not only from the weak organizational capacity of unions and their politicized alliances but also from the volatile macroeconomic conditions these economies face. Labor's inclusion in growth coalitions frequently depends on temporary factors—such as commodity booms, capital inflows, or permissive macroeconomic governance by supranational institutions—that momentarily ease external constraints on redistributive policies. As these conditions shift, so too do the coalitions that support efforts to "rebalance" growth models, underscoring the instability and dynamic interplay between political and economic forces.

A second key insight concerns the role of the state and industrial policy in shaping development trajectories and facilitating transitions beyond peripheral dependence. While the core GM framework often assumes limited state autonomy, focusing on alignment with dominant sectoral interests, peripheral economies frequently exhibit a more active and developmentalist state. Successful development in these contexts requires strategic state action to navigate structural constraints and foster long-term upgrading—an element underappreciated in conventional GM analyses (Bulfone, 2023). Historically, state-led economic adjustment, whether through developmentalism or import-substitution industrialization (ISI), has been central to constructing growth coalitions and shaping developmental trajectories, sometimes even under authoritarian governance (O'Donnell, 1988).

While state capacity is increasingly recognized as crucial in advanced economies amid the green transition (Ban and Hasselbalch, 2025; Meckling and Nahm, 2022), it has long played a pivotal role in peripheral contexts, where developmentalist strategies have helped loosen structural constraints (Amsden, 2001). Cases such as Korea, Ireland, and Israel demonstrate how strategic state intervention can reshape growth models by altering the key drivers of economic expansion.

While successful industrial policy depends crucially on state capacity (Amsden, 2001; Haggard, 2018), this can often be a problematic element in peripheral economies, as Carrasco (2024) argues in this issue. Ban et al. (2025) highlight that industrial policy can also operate at the local or municipal level, with the central challenge being how to scale successful local initiatives to the national level. At the same time, it is important to acknowledge that upgrading strategies do not necessarily arise from state developmentalism, but can also be driven by the autonomous agency of domestic SMEs in semi-peripheral contexts (see Avlijaš and Gartzou-Katsouyanni, 2024; Avlijaš et al., 2023 in this Special Issue).

Taken together, these studies suggest that a closer appreciation of the politics of industrial policy—both from above (state-led) and from below (firm- or sector-driven)—can offer valuable insights for the broader GM debate.

Overview of the papers in the special issue

The papers in this special issue examine the political-economic constraints stemming from peripheral structures, alongside the possibilities for peripheral agency, using a primarily qualitative lens complemented by descriptive analyses of growth, export, and trade data.

Stallings (2024) adopts a long-term IPE perspective to trace the evolution of dominant growth drivers in Latin America. Using a combination of trade and macroeconomic data, Stallings shows that growth drivers in peripheral economies are largely influenced by the shifting demands of global hegemons. Since the early 2000s, the rise of China, alongside the historical dominance of the US, has led to two distinct growth strategies: integrating into US-dominated production chains or meeting China's demand for raw materials through commodity exports. Stallings assesses both strategies, highlighting their potential and inherent structural constraints.

May et al. (2024) refine the theorization of peripheral political agency by critically reassessing the use of "social blocs" in Growth Model analysis. Revisiting the original Gramscian framework, they argue that mainstream applications often mis-apply concepts rooted in Western state-society relations to advanced peripheral economies. Drawing on Gramsci's notion of "historic blocs," they emphasize the need to distinguish between hegemonic (civil society-based) and dominative (state-based) forms of power and propose that the stabilization of growth models in peripheral contexts relies less on ideological consensus and more on domination, cooptation, or clientelism.

Apaydin (2024) explores the political repercussions of growth volatility in Turkey. She argues that following the 2008 Global Financial Crisis, Erdoğan's government transitioned from a domestic demand-led to an export-driven, profit-led growth regime—anchored in peripheral financialization and extractivism—by reducing the size of the growth coalition and opting for political repression over redistribution. Using process tracing, macroeconomic data, and comparative reflections on Hungary and Spain, Apaydin demonstrates how unequal integration into foreign-dominated value chains, coupled with economic volatility, can accelerate democratic backsliding.

Bogliaccini and Madariaga (2024) examine how left-leaning governments in peripheral economies manage growth and distributional strategies under balance of payments (BoP) constraints. Focusing on Chile and Uruguay, they argue that different institutional settings and societal linkages allowed for different growth and distributional strategies: Chile pursued a debt-led model, reinforced by technocratic macroeconomic management and weak links with organized labor, while Uruguay pursued a wage-led strategy, anchored in neo-corporatist wage bargaining and greater labor inclusion. The authors draw on Latin American structuralism and post-Keynesian economics to show that while the BoP shapes external constraints, political agency-mediated by party-labor linkages and institutional frameworks-can produce different outcomes.

Dooley (2023) investigates the politics of austerity in Ireland, a formerly peripheral economy, following the global financial crisis. Challenging the conventional view that growth models are primarily shaped by narrow, dominant coalitions and macroeconomic or industrial policies, Dooley underscores the significant role of subordinate business actors in influencing government policy. Ireland's trajectory also highlights how "secondary" redistributive policies—that is, privatization, collective bargaining—are decisive in influencing wealth distribution and political competition, despite having a limited effect on the dominant growth strategy.

Naczyk and Eihmanis (2023) analyze how similar right-wing populist parties in Poland and Hungary have differently employed minimum wage regulation as a tool of economic intervention. Through a comparative historical analysis, they demonstrate that in Poland, right-wing populists used minimum wage increases as a developmental tool, pressuring domestic SMEs to pursue industrial upgrading. In contrast, Orbán's Hungary offsets minimum wage hikes with cuts to employer contributions, preserving business margins. By unpacking the politics of developmentalism—or its absence—the authors trace long-standing relationships between populist parties, trade unions, and employer associations.

Bondy and Maggor (2024) contribute to the understanding of peripheral agency by showing that wage-boosting policies are possible even in export-oriented advanced peripheral economies. Focusing on Israel, Poland, and Spain in the aftermath of the global financial crisis, they argue that under conditions of political instability and temporary relaxation of macroeconomic constraints, governments included organized labor in growth coalitions through political exchange. This took place through different channels-electoral, corporatist, or hybrid-and enabled wage increases and more generous social transfers that boosted domestic demand. The authors show how labor's political agency and state-labor bargaining can reshape growth strategies even in contexts usually considered structurally hostile to labor.

Carrasco (2024) reviews the limitations of development strategies based on resource extraction by comparing various policy failures in sectoral policies, with a focus on the lithium sector. Using Chile and shadow cases from Argentina and Bolivia, Carrasco draws on interviews with policymakers to demonstrate that industrial upgrading in extractive industries requires a combination of state political, administrative, and regulatory capacity—elements that are difficult to achieve, even in otherwise successful development trajectories like Chile's.

Avlijas et al. (2023) emphasize the underappreciated role of domestic SMEs in supporting peripheral export-led growth strategies. Through a combination of descriptive statistics and interviews with owners and managers, the authors reveal that the export performance of domestic SMEs has been essential in Serbia's transition from a demand-led to an export-driven growth model, despite limited success in attracting FDI. Their findings call for expanding the literature on peripheral export-led growth to consider factors beyond FDI as drivers of export expansion.

Ban et al. (2025) investigate urban-level industrial policy strategies as a means of driving local economic upgrading, focusing on three medium-sized Central-East European cities in Poland, Hungary, and Romania. By combining descriptive statistics with semi-structured interviews, they demonstrate that, under certain conditions, peripheral municipalities can successfully attract FDI in high-value, high-tech sectors, moving beyond their traditional manufacturing bases. This study underscores the importance of the subnational level to better understand and trace the drivers of structural heterogeneity.

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Notes

1. There are at least four variants traditions that converge in current discussions on the political economy of growth models. The CPE variant growth model literature, originating with Baccaro and Pontusson (Baccaro and Pontusson, 2016) and recently refined in Baccaro, Blyth and Pontusson (Baccaro et al., 2022); the post-Keynesian literature variant with key contributions by Stockhammer and co-authors; the French regulation school (Boyer and Saillard, 2002; Amable and Palombarini, 2009); and the work on growth strategies by Hassel and Palier (Hassel and Palier, 2021). Contributors to this special issue take different perspectives and sometimes combine them. Similarly, in unpacking the politics of growth models, they draw on Gramscian concepts like the notion of social blocs (Amable and Palombarini, 2009), or on the idea of dominant growth coalitions and the underlying political exchanges (Baccaro et al., 2022; Hopkin and Voss, 2022).
2. The exceptions being peripheral economies part of the EMU (Baccaro and Bulfone, 2022) and large emergent economies whose currency is higher in the global hierarchy due to the size of their domestic market (Alami et al., 2023: 1373).

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