Sosyoekonomi

2024, Vol. 32(61), 71-95

RESEARCH ARTICLE

ISSN: 1305-5577
DOI: 10.17233/sosyoekonomi.2024.03.05
Date Submitted: 13.11.2023
Date Revised: 28.03.2024
Date Accepted: 11.05.2024

Developing Countries' Deadlock: What Does the Thirlwall's Law Offer Us?[1]

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Gelişmekte Olan Ülkelerin Çıkmazı: Thirlwall Yasası Bize Ne Öneriyor?[2]

Abstract

This study aims to discuss potential alternatives for economic development in developing countries, with contributions from the theoretical background of Thirlwall's law. Developing countries' foreign trade constraints will be highlighted, followed by a comparison of Türkiye's past growth performance with results obtained from Thirlwall's Law equations using balance of payments data. Türkiye's actual growth rates closely resemble the growth forecast of Thirlwall's model, which indicates that post-Keynesian approaches are worth considering to alter the current situation. While providing a perfect solution that could reverse everything for developing countries may be a distant goal, this study aspires to foster a mindset capable of changing the course of events.

Keywords : Post-Keynesian Economics, Thirlwall's Law, Developing Countries.

JEL Classification Codes : B23, B27, O11.

Öz

Bu çalışmada Thirlwall yasasının teorik arka planının katkısıyla gelişmekte olan ülkelerde ekonomik kalkınma için hangi alternatiflere yönelmenin mümkün olacağı tartışılacaktır. Gelişmekte olan ülkelerin dış ticaret alanındaki kısıtlılıkları ortaya koyulduktan sonra Türkiye'nin geçmiş büyüme performansı, Thirlwall Yasası'nda ortaya konan büyüme denklemlerinin ödemeler dengesi verileri kullanılarak elde edilen sonuçlarıyla karşılaştırılacaktır. Thirlwall modelindeki büyüme tahmininin Türkiye'nin gerçekleşen büyüme oranlarına çok yakın sonuç vermesi, mevcut durumun değiştirilmesi için Post-Keynesyen yaklaşımların dikkate alınmaya değer olduklarını göstermektedir. Gelişmekte olan ülkeler için kusursuz biçimde her şeyi tersine çevirebilecek çıkış yolu sunmak uzak bir hedef olsa da çalışmanın sonunda gidişatı değiştirebilecek bir düşünme biçimine kapı aralanabileceği umulmaktadır.

Anahtar Sözcükler : Post-Keynesyen İktisat, Thirlwall Yasası, Gelişmekte Olan Ülkeler.

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[1] *This study is derived from the author's PhD dissertation, "Is There a Way Out for Developing Countries?: Turkey's Unique Circle", supervised by Assoc.Prof. Ferda Dönmez-Atbaşı in Ankara University, Institute of Social Sciences, the Department of Economics.*

[2] *Bu çalışma yazarın Ankara Üniversitesi Sosyal Bilimler Enstitüsü İktisat Anabilim Dalında Doç.Dr. Ferda Dönmez-Atbaşı danışmanlığında tamamladığı "Gelişmekte Olan Ülkeler İçin Bir Çıkış Yolu Var mı?: Türkiye'nin Özgün Sarmalı" adlı doktora tezinden üretilmiştir.*

1. Introduction

Defining a country as undeveloped, underdeveloped, emerging, developing, rising, low-income, periphery, colonial or semi-colonial undoubtedly includes some differences in approach. However, in the end, all of these definitions bring with them the acceptance that those countries are not decision-makers in the functioning of the global economy. According to this understanding, the aforementioned disadvantaged countries are responsible for complying with the process determined by those who possess the power to steer global capital accumulation and strive to emulate them. Throughout the study, the term developing country will be used in a way to remind the primary motivations of these countries that they are constantly trying to get out of their current situation. Therefore, the reason for this preference is not to refer to the bad luck of the countries or to have a distraction as the developed ones use it.

The World Bank classifies the level of development according to per capita income. This classification is not concerned with distribution, and it puts very small island states and countries producing millions of labourers in the same category. On the other hand, mainstream approaches that try to determine the difference between countries based on the distinction between skilled and unskilled labour or whether they can produce technology have also been popularly used. However, in these approaches, the parameters in the production process were taken as data. The distribution problems were pushed to a secondary position based on complex mathematical analyses (Yeldan, 2009: 9). countries' propensity to eagerly embrace any proposal that promises to elevate their ranking stems from the lack of robust alternatives to counteract this approach.

When we read the history of humanity through economics, we can create a narrative of two main parts. The first will be shaped by the struggle to seize power that takes place 'above', while the other will be shaped by the struggle to go up, which takes place 'below'. The actors of the first part will be explained through developed countries, and the second will be presented over developing countries. For this second struggle to be excluded from the first, the gains of that struggle must be satisfactory. For this reason, the honour of participating in the first struggle, which is determined as the 'final goal' for the societies in the second struggle, is of great importance for the continuity of the system. Therefore, if the 'successful examples' that have achieved the goal do not threaten the system, they will be offered to the societies in the second struggle as the 'ideal' form of development.

It is seen that Hume's promise of centuries ago that developed countries could not continue to benefit from the advantages on their own, therefore, that the development process of developing countries was a necessity, is in vain (Selik, 1988: 146). Today, economic development has been made 'rationalised' not by itself in such a fatalistic way but with the promise of being like successful examples if one tries. Examples of successful development are mostly given among Southeast Asian countries, but these success stories are not always conveyed in all their aspects. For example, Japan, which is shown as a successful example with its import substitution, has never been in the developing countries

because it has gone through a strong feudal phase. The fact that its industrialisation took place in the crisis period between the two wars underlines the necessity of ‘special historical conditions’ for development (Başkaya, 2000: 109). Contrary to the 'imitation' model, which states that the formula for development goes through the path travelled by developed countries, the context has completely changed, especially after the Bretton Woods system. It should no longer be expected that Britain's freedom in the 19th century or Japan's authoritarian state understanding at the beginning of the 20th century will be a guide for a developing country (Braudel, 2017: 469). Thus, the solution for economic development must be sought beyond established paradigms of both historical and contemporary contexts. Consequently, particularly for developing countries, considering heterodox perspectives becomes imperative over mainstream viewpoints.

This study will examine some of the 'preferences' imposed by those at the top in countries that want to 'level up' in a world shaped by mainstream understanding, along with the difficulties and dilemmas they bring. The following section aims to understand the Thirlwall Law and make some inferences from this law to respond with a Post Keynesian approach to the search for alternative policies that could get developing countries out of the vicious circle. Subsequently, the significance of the law will be tested through an empirical study using macroeconomic data from Türkiye as a developing country. The final section will outline a general framework concerning the current situation and policy recommendations for developing countries, primarily focusing on Türkiye.

2. Developing Countries’ Deadlock

Many targets are presented to developing countries through international trade, claiming that it will contribute to the development efforts in the dual world system, the main distinction we have outlined above. One of them is the necessity of increasing the terms of trade. The term trade, which can be defined as the ratio of the price of export goods to the cost of imported goods, is calculated for an economy by dividing the export price index by the import price index (Salvatore, 2013: 94). This calculation is also called the net exchange rate of trade.

The terms of trade have been a functional analysis tool, as highlighted in studies dealing with international trade since the classics. Based on Mill's concept of mutual demand, Marshall tried to measure whether countries gain from foreign trade through terms of trade, which has come to the present day by including mutual supply. While the terms of trade calculated as an index value above 100 are considered positive, a deterioration in foreign trade below this value is attributed. For this reason, it is recommended that the terms of trade index above 100 for developing countries, like all countries, be kept, with the thought that it will contribute to their growth.

The terms of trade, which are seen as an important indicator of the structural changes in the economy, growth, welfare increase, and the benefit from trade, have been discussed in different dimensions due to the development efforts of the developing countries and the

search for solutions to the permanent external deficit problems. In the international trade literature, there are two basic approaches that the terms of trade will change in favour and against the developing countries in the long run. In the mainstream theories advocating free trade, it is argued that the terms of trade will change in favour of developing countries, as the price index of raw materials and agricultural products associated with developed countries will remain higher than those related to industrial goods due to productivity differences in mutual trade. In other words, it is thought that developing countries can develop through free trade in terms of trade. However, the views developed on the fact that this did not happen as assumed and best known with the Singer-Prebisch thesis argued that the terms of trade would develop to the detriment of developing countries and maintain underdevelopment in the absence of intervention. These views highlighted the need for raw materials that could affect demand owing to the lack of a sharp distinction in tradable goods, technology, and historical advantages in producing industrial and agricultural products (Chacholiades, 1990: 133-135). The monopolistic powers in the developed also play a significant role in terms of trade against the developing countries. Thanks to these forces, the prices of capital goods have been prevented from falling due to technical progress. While the prices of export goods have decreased in developing countries, income has increased in developing countries (Kazgan, 2000: 276). While the industrialisation effort of the developing countries does not allow the demand for capital goods that they cannot produce or the production of which is limited, it would not be right to expect the ratios defined over the trade of different goods arising from factor endowment to develop in favour.

Since the terms of trade are a measurement independent of the trade volume, it is impossible to be explanatory on its own. The gross value of foreign trade, calculated with the unit indices obtained over the export-import amounts of the tradable goods, has been developed to reduce this weakness. However, this ratio, which can be meaningful when all imports are covered by export revenue, is not widely accepted as a relevant criterion. Because the only income that will increase imports does not originate from exports, it can also be obtained through capital inflows (Hepaktan & Karakayalı, 2009: 187). Again, the ratio of exports to imports, used to explain foreign trade and calculated with total trade figures without including prices, has the same handicaps as the abovementioned indices.

In fact, with the disappearance of the gold standard and the introduction of flexible exchange rates around the world, the primary determinant of the terms of trade has been the value of the countries' currencies. Because when capital flows are not taken into account, although it is possible to create a positive change in terms of trade by increasing export performance, the long-term balance is related to the value of the real exchange rate (Caldentey & Moreno-Brid, 2021: 464). This leads us to the pointlessness of targeting the terms of trade as an index that needs to be improved even though it is data worth watching, at least in terms of developing countries. Therefore, examining another target set before the developing countries, the policy of protecting exchange rates is necessary. However, the fact that the opposite is suggested by institutions such as the IMF, which monitors the continuity of the system, to the developing countries, which often have difficulty paying, also nullifies this goal. In other words, it will suffice to say that keeping the national currency strong

cannot be a realistic goal, given the ongoing outsourcing needs of developing countries. Targeting current account balance, another constraint in front of developing countries makes it very difficult to control exchange rates.

The balance of payments table, in which the current balance is monitored, is a flow variable indicator. In other words, it shows the transactions in the country's accounts in a certain period. If a country does not have sufficient resources for the goods and services it imports, the private or public sector will have to borrow from the outside world. These debts are included in the financial account in the balance of payments regardless of maturity. However, the composition of the debt is extremely important in terms of the mobility of countries. The table in which the accumulation of these liabilities over time is shown as stock is called the international investment position. The difference in the debt stock in this table between the two periods should correspond to the flow values of the payments table. However, since the transactions realised during the period are included in the exchange rate calculation at the end, there are differences between the two values (Somel, 2014: 201-202). Considering that the debt obligation in developing countries is in foreign currency, the international investment position, which shows the debts to be paid in the future at their current level, separated by sectors, instruments, and maturity, is the central place to look.

Another restrictive feature of the global economic system, especially for developing countries, is the imposition of free trade regardless of conditions. The role of free trade, advocated mainly because it eliminates the difficulties arising from the narrowness of the domestic market in the formation and maintenance of development differences between countries, has been discussed throughout history. In his speech to the Brussels Democratic Union in 1848, Marx decided that would be valid for the next 175 years by clearly describing the destructive effects of unrestricted competition within the country that would emerge on the world market on a larger scale: If free traders cannot understand how one country gets more prosperous at the expense of the other, then it is no wonder that the same gentlemen will not be willing to realise that one of the two classes in a country gets more prosperous at the expense of the other (Dowd, 2020: 237).

Regarding the liberalisation of foreign trade only as the expansion of the sphere of influence of capitalism, Marx also revealed the dialectical relationship with protectionism. Just as the demands for free trade gain meaning under protectionist policies, protectionism becomes meaningful for emerging national states to the extent that free trade deepens the process of capital centralisation and concentration. Although the international division of labour cannot be controlled by a plan like the division of labour that emerged in the country, it has always been formed under the dictates of the most advanced and powerful countries of the age, subject to their accumulation needs. Therefore, it should not be thought that the specialisation structures of the countries are based on market forces and the natural tendencies of the countries, free from interventions (Satlıgan, 2014: 106-107).

In the past, while the structure based on Portugal's not producing anything other than agricultural products and England's free trade by producing all industrial products

contributed to the maintenance of the differences between countries, most of today's developed countries realised their industrialisation moves with the protectionist policies they implemented in the same period (Dowd, 2020: 54-56). After the USA successfully applied these policies and sustainably took global leadership, free trade became the central policy supported worldwide. Historical data show that growth and trade are interconnected, not a one-way relationship. The meaningful question of trade policy is not whether to trade but the planning of strategic response and the choice of sectors that will 'win' in growth and technical change. This policy, which international organisations impose in addition to the theory, prevents developing countries from having their fields in foreign trade (Yeldan, 2009: 61-63).

Free trade, which suffered significant damage at the beginning of the 20th century, was tried to be re-established through the institutions created after World War II. However, in the same period, the understanding of 'intervention in the market mechanism', which includes intense public interaction and economic planning, was deemed appropriate for the development of capitalism in developing countries and the sake of 'development' on the condition that it will not touch other institutions of capitalism (Kazgan, 2000:263). With the disappearance of the Bretton Woods System, the free trade 'fetish' became more fanatical, this time with export-oriented growth strategies. The tools used by this mainstream policy, with the primary goal of integrating developing countries into the global economy, have been deregulation in the labour market that has redistributed the income distribution in favour of capital. In this way, it has been argued that profits from export-oriented labour-intensive sectors in developing countries will encourage growth. These practices have been the 'recipe of salvation' for every country in the capitalist camp, with the 'recommendations' of the IMF and the World Bank (Onaran & Stockhammer, 2005: 66).

Despite the positive opinions that foreign investments will increase and it will be possible to reach a strong balance of payments, due to factors contributing to development, such as export-oriented growth strategy, increase in resource use, technology transfer, increase in employment and increase in productivity, export-oriented growth strategy also has adverse effects for developing countries. While this strategy opens countries to the world market and gives them the advantage of creating effective demand, it causes them to become more sensitive to global economic slowdowns (Tang et al., 2015: 229). As a result of countries becoming dependent on foreign demand, countries that cannot create domestic demand experience great difficulties during contraction periods such as the financial crisis in 2008 or the pandemic in 2020.

According to Keynes, engaging in price competition to pursue an export-led growth strategy, as prescribed for developing countries, will create disadvantages in global employment as much as the advantages it brings to the respective country. However, even years later, the harm inflicted upon the world economy by examples of success with this policy is frequently disregarded. Indeed, the perspective of comparative advantages and unrestricted trade can only be valid when employment policies are implemented across all countries to secure domestic demand (Davidson, 2001: 9-11). The export-based growth

strategy is accepted because it has left 'successful stories' behind. However, it should not be thought that embracing the same policies will produce the same results as in East Asian countries with the 'first mover' advantage. Because historical opportunities can occur only once with conditions specific to that period and do not always repeat (Song, 2012: 36). The views that put forward the growth engine as the increase in exports in the 'successful' examples that serve as 'carrots' for the developing countries advocate openness to the outside. If we leave oil-rich countries aside, an increase in imports is inevitable for the supply of raw materials, enabling the industrialisation and production required to develop exports.

There are many studies stating that there is a positive relationship between openness and growth. However, the openness index used in most of them is far from being explanatory. This value, found by dividing a country's total exports and imports by its national income, only shows the size of the foreign trade volume. Moreover, it offers this without even making the import-export distinction. In this state, repetitive studies that will miss all the chronic problems of the developing countries' balance of payments continue to be produced. These data, which show the country's commercial relations with the outside world, must be included in academic studies, but the index to be used must be revised according to the scope of the study.

Studies that examine the relationship between growth and trade through openness, many of which are based on dubious and arbitrary data and cannot pass statistical significance tests, are far from giving satisfactory answers to the questions as follows: Does trade cause rapid growth or, on the contrary, does their trade expand because fast-growing countries tend to have a vibrant economic activity? The parallelism of the increase in exports and imports of growing economies is noticed, but this causality has not been revealed (Yeldan, 2009: 60-61).

Today, with the freedom in capital movements and the power gained by transnational companies, openness has ceased to be a descriptive statistic. Because it is not possible otherwise. The important thing is how it is opened to the outside and how it will be measured. Developing policies based only on the economic size of imports and exports will be insufficient. Proposing free trade without revealing the origin of the difference between the parties to foreign trade and the consequences of this difference eliminates the possibility of removing the deficiency.

In the Golden Age of Capitalism, developing countries were advised by the developed countries to specialise in agricultural products and raw material production in line with the theory of comparative advantage, directing their exports accordingly. In recent periods, this trend has persisted with recommendations for the export of assembly industries, tourism, and basic services. While such specialisation may stimulate economies in the short term, in the long run, it limits development due to both the limitations of nature and the increasing capital and technology dependency of developing countries.

Characterised as dependency theory, this viewpoint asserts that the perpetuation of the division of labour since the 19th century, which kept agricultural product prices low while elevating those of industrial goods, alongside the advocacy for free trade policies, has widened the distance between the two groups of countries. For instance, in the 1960s, Prebisch contended that this chain would break into substitution-based independent capitalist industrialisation. Scholars such as Poulantzas and Vergapoulos similarly argued within the articulation theory framework that the obstacle to developing countries resides within the entrenched system. Theorists like Frank and Wallerstein stated that this system, dating back to the 15th century, has enforced this role on developing countries, making them an integral part of the system, and transitioning to another role within the existing structure is not feasible (Köymen, 2007: 202-204).

According to A.G. Frank (cited in Ersoy, 1991: 26), one of the representatives of the Dependency School, capitalist development has now lost its progressive characteristics. On the contrary, this mode of development generates, perpetuates and reproduces underdevelopment in developing countries. In other words, the development problem in these countries is the product of an exploitative relationship that can be termed as dependency between satellite countries and metropolitan countries. Therefore, the development of developing countries can only occur during periods when they reduce their relations with developed countries.

According to Wallerstein's World Systems Theory (1982: 93-98), being part of the periphery does not imply exclusion from the system. On the contrary, both the periphery and the core are interdependent structures that cannot sustain themselves without each other. For a region to participate in the system as part of the periphery, it must integrate its labour processes into the division of labour of that system along with all production processes and remove all barriers to labour exploitation. The unequal exchange in foreign trade strengthens the centre-periphery relationship by distributing the surplus in favour of the centre and against the periphery. Consequently, most surplus value extracted from peripheral countries flows back to the core.

Emmanuel, who famously asserted, "Wealth begets wealth... Poverty begets poverty," rejects all development policy proposals advocating for industrialisation within a framework of outward-oriented strategy by diversifying exports for developing countries. According to him, the only way out for developing countries lies in a comprehensive internal industrialisation policy encompassing a consistent autarky policy. This is because perpetuating 'unequal exchange' based solely on wage differentials is impossible. Based on trade data, Amin has similarly noted that the products exported by developing countries are predominantly non-specific raw materials, most of which are produced in developed and developing countries. He argues that the source of unequal exchange is wage differentials between countries, which exceed productivity. As long as trade continues with developed countries, this disparity will persist and widen (Satlıgan, 2014: 162-176).

3. Thirlwall's Law

It would not be wrong to say that every developed or developing country aims to contribute to its economic growth with the benefit it tries to obtain from foreign trade. As discussed in the study, many heterodox trade theories that belong to the mainstream have highlighted the 'supply-side' factors that create the difference between countries. One reason for this is that in the old and new growth theories, savings accumulation, knowledge and innovation are included independently of demand. However, demand has an independent role in investments and, therefore, on investments. It seems that this principle of Keynesian economics is forgotten (Stockhammer, 1999: 3). At this point, Post-Keynesian (PK) Economics, which has two different 'demand-oriented' growth approaches put forward by Kaldor and A.P. Thirlwall, comes to the fore (Blecker, 2009: 1).

Fine and Dimakou (2016: 120-123) claim that the followers of Keynes are anti-Keynesian, even pre-Keynes, unlike others; beyond being 'post-Keynesians' or supporters of Keynes and they support this idea with the following five items:

- PK economics comprehends the economy based on systemic structures. The most obvious structure is between capital and labour as a class, which is especially important in distribution relations.
- Monopolistic structures have a relative weight in the economy, and the global economy can be studied by PKs in structural terms. Countries are divided into developed and developing countries according to their different characteristics in production and import-export. Even if they are against the developing countries and the general global demand level, they are advantageous by these structures. Therefore, with the declining terms of trade in developing countries, more emphasis should be placed on the dependence on developed countries for manufacturing and consumption imports, highlighting the loan debts taken to finance them.
- PK economics is theoretically unique, emphasising how it is built with monopolised structures and processes and its distributional effects rather than on effective demand. Since the money supply is considered endogenous, which will enable the amount of supply sufficient to meet the effective demand level, PK economics tends to maintain the bilateral relationship between the real and monetary economy in a way that is completely separated from the mainstream.
- PK theory has been severely inductive in its methodology rather than following a deductive method. Therefore, as a reflection of monopolistic structures in developing countries, in addition to cost-based mark-up pricing, the decrease in terms of trade, which is closely related to the financial system, can be included in the analysis. Using induction for PK economics is pragmatic and provides a break from the repetitively reproduced mainstream. In addition, expectations in PK theory are not based on a rational or adaptive prediction but on radical uncertainties.

- Perhaps most importantly, the PKs hold a strong 'anti-capitalist' position in a broad perspective, from proposing major reforms to the existing system with opposition to neoliberalism to demanding a reformist form of socialism. Accordingly, PKs must regulate the financial system to increase the real wage and support the increase in aggregate demand.

This part of the study will examine the balance-of-payments-constrained growth (BPCG) Model, known as Thirlwall's Law, a demand-side growth model. It will discuss whether this model can create a PK alternative to the developing countries' dilemma.

3.1. Formulation of the Law and Theoretical Discussions

In the neoclassical approach, the differences in the growth rates of the countries are due to the dissimilarity in the supply and productivity of the factors. However, this view, supported by many models, does not include the reason for this dissimilarity. In the Keynesian approach, the demand constraint that governs supply is considered, and in an open economy, the dominant constraint is on the balance of payments. Before a country's production level reaches its short-term growth capacity, if there is an increase in domestic demand and pressure on the balance of payments due to increased imports, demand should be reduced. Nevertheless, since the inability to use this capacity will result in decreased investments, slow technological development and a preference for imported goods, the deterioration in the balance of payments will worsen and start a vicious circle. Foreign demand for goods produced in the country has the potential to increase growth by solving the balance of payments problem before it starts. The growth gap between countries with similar export growth stems from this foreign demand. For this reason, the main factors determining the growth rate differences between countries are the income elasticity of export and import demands (Thirlwall, 1979: 45-46).

Thirlwall (1979: 47-48), in his model called BPCG, shows the balance in the balance of payments as follows, where X represents the amount of exports, M is the amount of imports, P_d is the price of exports in home currency, P_f is the price of imports in foreign currency, E is the exchange rate and t the time:

$$P_{dt}X_t = P_{ft}\, M_t\, E_t \tag{1}$$

This equation will take the form of the following equation in terms of growth values in an economy where the export and import growth rates are equal:

$$p_{dt} + x_t = p_{ft} + m_t + e_t \tag{2}$$

The following equations (3) and (5) can be written for the import and export functions in standard (Keynesian) demand theory and equations (4) and (6) for their growth forms. In these equations:

Ψ is the price elasticity of demand for imports ($\Psi<0$),

Φ is the cross elasticity of demand for import ($\Phi>0$),

π is the income elasticity of demand for import ($\pi>0$),

Y is the domestic income,

η is the price elasticity of demand for exports ($\eta<0$),

δ is the cross elasticity of demand for exports ($\delta>0$),

ε is the income elasticity of demand for exports ($\varepsilon>0$),

Z is the level of world income.

$$M_t = (P_{ft}E_t)\ \Psi P_{dt}\Phi\ Y_t\pi \tag{3}$$

$$m_t = \Psi(p_{ft}) + \Psi(e_t) + \Phi(p_{dt}) + \pi(y_t) \tag{4}$$

$$X_t = \left(\frac{P_{dt}}{E_t}\right)^{\eta} P_{ft}\delta Z_t\ \varepsilon \tag{5}$$

$$x_t = \eta(p_{dt}) - \eta(e_t) + \delta(p_{ft}) + \varepsilon(z_t) \tag{6}$$

When we write and solve equations (4) and (6) in their places in equation (2), the following equation can be reached:

$$y_t = \frac{p_{dt}(1+\eta-\Phi) - p_{ft}(1-\delta+\Psi) - e_t(1+\eta+\Psi) + \varepsilon(z_t)}{\pi} \tag{7}$$

When we consider the signs of the elasticity coefficients, the first term in the numerator of the above equation tells us that domestic inflation will affect the balance of payments constrained growth negatively, and the second term tells us that foreign inflation will affect growth positively. The third term states that devaluation will contribute to economic growth, supporting the Marshall-Lerner condition. While the last term in the numerator indicates that the increase in income in the foreign world will increase domestic growth, it is understood that the growth rate will decrease as the income elasticity of demand for imported goods in the denominator increases. Due to the difficulty of accessing the price elasticity data of all countries, the model will reach the form in equation (8) under the assumption that the cross elasticity of imported and exported goods is equal to the price elasticity of the country ($\Psi = \Phi$ and $\eta = \delta$). Finally, with the assumption ($p_{dt} - p_{ft} - e_t \cong 0$) that the real terms of foreign trade will not change in the long run, it will be possible to express the BPCG as it is in equation (9) (Thirlwall, 1979: 49-50).

$$y_{Bt} = \frac{(1+\eta+\Psi)\ (p_{dt} - p_{ft} - e_t) + \varepsilon(z_t)}{\pi} \tag{8}$$

$$y_{Bt} = \frac{\varepsilon(z_t)}{\pi} = \frac{x_t}{\pi} \tag{9}$$

Expressed in extremely simple equations, BPCG claims to explain complex economic relations very simply. According to the model, Thirlwall's Law states that the current account balance of a country is preserved under the assumption that it is. The real

terms of trade do not change; the growth rate (y_{Bt}) under the balance of payments constraint will equal the ratio of the income elasticity of the growth rate in exports and the demand for imported goods. Accordingly, policies that will increase the export growth rate or decrease the income elasticity of imported goods are needed (Tekgül & Cin, 2013: 335). The model attaches great importance to export performance, as the position of the balance of payments is the main determinant of a country's economic growth. Since the foreign exchange that will meet the import demand, which will increase as a result of growth, is provided with export income, the situation of exports will put a direct limit on the import demand (Hussain, 1999: 104). BPCG also allows important inferences to be made about the real-world functioning of economies, such as demand constraints can be used before supply constraints, income effects outweigh substitution effects, and the growth rate can be changed over income elasticity of import-exports with structural change (Caldentey & Moreno-Brid, 2019: 464).

If Thirlwall's model is evaluated over developing countries, it is seen that the gap with developed countries will widen if development is left to market forces. This is because while the income elasticity of goods that developing countries have historically been exporters is low, the income elasticity of the imported goods is high. This shows that developing countries can achieve economic growth with a lower percentage than the world average under the balance of payments constraint. In addition, since the rapid population growth in developing countries will decrease per capita income, poverty will deepen in these countries (Akalın-Özkan, 2002: 205). Moreover, considering the Singer-Prebisch thesis, which states that the real terms of trade will move against the developing countries in the long run, it becomes inevitable that the difference between the two country groups will increase when the assumption about the terms of trade in the model is relaxed.

The author, who is aware of the low explanatory power of the model in terms of developing countries, has expanded the model by including capital inflows, which he thinks is the reason for the variation in growth rates. Developing countries can overcome the foreign exchange deficits caused by growth under the balance of payments constraint, thanks to capital inflows, and thus maintain simple growth (Thirlwall & Hussain, 1982: 500). On the other hand, since it can be considered as a factor that will facilitate the repayment of the debts taken, the terms of trade should be included in the BPCG developed for developing countries (Tekgül & Cin, 2013: 335-336). In light of this information, Thirlwall and Hussain (1982: 501-504), who included domestic currency capital flows (C_t) in equation (1), revised the model based on the following equation.

$$P_{dt}X_t + C_t = P_{ft}\, M_t\, E_t \tag{10}$$

When writing the above equation in growth form, the shares of export revenue and capital flows used in total payments for imported goods are added to the model as $\frac{E}{R}$ and $\frac{C}{R}$.

$$(\tfrac{E}{R})\,(p_{dt} + x_t) + (\tfrac{C}{R})c_t = p_{ft} + m_t + e_t \tag{11}$$

When we replace the growth rates in equation (11) with the substituting equations ((13) and (15)) which are derived from the equations of import (12) and export (14) without cross elasticity, we get the form in which the capital inflows of the BPCG are also included.

$$M_t = \left(\frac{P_{ft}E_t}{P_{dt}}\right)^{\Psi} Y_t^{\pi} \tag{12}$$

$$m_t = \Psi(p_{ft} + e_t - p_{dt}) + \pi(y_t) \tag{13}$$

$$X_t = \left(\frac{P_{dt}}{P_{ft}E_{t_t}}\right)^{\eta} Z_t^{\varepsilon} \tag{14}$$

$$x_t = \eta(p_{dt} - e_t - p_{ft}) + \varepsilon(z_t) \tag{15}$$

$$y_t = \frac{(\frac{E}{R}\eta+\Psi)(p_{dt} - e_t - p_{ft}) + (p_{dt} - e_t - p_{ft}) + \frac{E}{R}(\varepsilon(z_t)) + \frac{C}{R}(c_t - p_{dt})}{\pi} \tag{16}$$

In the above equation, the first term in the numerator indicates the positive effect of relative prices, the second term shows the terms of trade, and the third term indicates the positive effect of income growth in the outside world on growth, while the last term indicates that growth increases depending on capital inflow. Assuming that the relative prices and, thus, the terms of trade will not change in the long run, it is possible to write the growth model as follows.

$$y_{Bt} *= \frac{(\frac{E}{R}(\varepsilon(z_t)) + \frac{C}{R}(c_t - p_{dt})}{\pi} = \frac{(\frac{E}{R}(x_t) + \frac{C}{R}(c_t - p_{dt})}{\pi} \tag{17}$$

Without capital inflow, equation (17) will become the simple model expressed by equation (9). In addition, if there is a current account imbalance at the beginning and capital flows do not grow to close the deficit, the growth rate will decrease as the sign of the second term turns negative. However, if capital inflows can finance the initial current account deficit, the growth rate will not be lower than the imbalance situation.

Hussain (1999) stated that capital inflows with the potential to increase the country's competitiveness, with foreign capital inflows added to BPCG, can provide much faster economic growth while increasing future constraints such as debt payments and interest. Caldentey and Moreno-Brid (2019) also stated that when capital flows are combined with terms of trade, the dynamics of BPCG will become more complex. Suppose the model is extended in the analysis to allow the interaction of changes in terms of trade with other factors. In that case, the positive effect of the improvement in terms of trade can be partially offset by the appreciation of the real exchange rate and an increase in the import elasticity of demand.

Moreno-Brid (2003) states that while analysing the constraints on the growth rates of developing countries, it is necessary to consider the net interest payments. According to him, the most important constraints on growth are foreign debt interest payments and the relationship between capital and current account balance. For this reason, in Thirlwall's extended model, he added net transfers to the left and net foreign debt interest payments to

the right. Elliott and Rhodd (1999) highlighted the pressure that the foreign debt that the country had to pay in that year would create on the balance of payments and included the variable of external debt service on the right side of the model. Ersoy (2016), on the other hand, added the variable of net earnings from investments and services, which he sees as an additional factor that increases the import capacity of the Turkish economy, even though its share is low, to the left side of the model as it increases the income.

There is no distinction between tradable and non-tradable goods produced in the country or domestic and foreign prices in the BPCG. For this reason, it has been criticised as an 'over-aggregated' model that excludes trade diversion factors. In addition, another criticism is that, with its structure that does not include economies of scale and consumer preferences, it has left out the 'non-price elements' that have been emphasised since the 1990s (Tekgül & Cin, 2013: 329). However, McCombie (2019: 439-441) states that this method reveals the vital importance of non-price competitiveness in evaluating the performance of developing and developing countries in foreign markets. The evidence for the importance of non-price competitiveness highlighted by Thirlwall has also been corroborated by studies that adjust relative price changes to reflect quality changes and play an important role in explaining changes in a country's cumulative export shares. But in general, rates of change in relative prices have little or no effect on the growth of exports and imports. However, Marshall-Lerner conditions are often not met. The constraint on the balance of payments is important to understand why growth rates differ. In other words, according to him, the reason why the BPCG does not discriminate is that the rate of change of relative prices plays a minimal quantitative role in determining export and import growth. According to him, who confirms the model's validity econometrically and shows that the law is not a 'tautology', there is nothing in these tests to prevent income and price elasticity estimates from being statistically insignificant. This would experimentally refute the law; a tautology cannot be disproved.

In the following chapter, we will test to what extent the BPCG reflects the last period of the Turkish economy. We will make some general inferences for Türkiye and developing countries based on the results.

3.2. Testing the Validity of the Law for Türkiye

Quarterly data from the beginning of 2004 to the end of 2019, which we will use at this study stage, were obtained from the Central Bank of the Republic of Türkiye Electronic Data Distribution System (TCMB EVDS). To calculate the income elasticity coefficient of imports (β_1 in the regression) in equations (9) and (17), which will be used to test the Thirlwall (1979) and Thirlwall-Hussain (1982) models, in the first stage, 64 observation values between 2004Q1-2019Q4 were estimated as follows. In this model, 'm' represents the amount of imports, 'y' represents the growth rate of national income and 'rer' represents the growth rate of the real exchange rate.

$$m_t = \beta_0 + \beta_1 y_t + \beta_2\, rer_t$$

The data are used to compare growth rates to the same quarter of the previous year to avoid seasonality. In addition, the real exchange rate data are freed from the trend they contain with the TRAMO/SEATS method (Maravall, 2006). After all this, the model is put into regression with the help of EViews 10 with the following series names.

DM = C + DY + DRER_DT

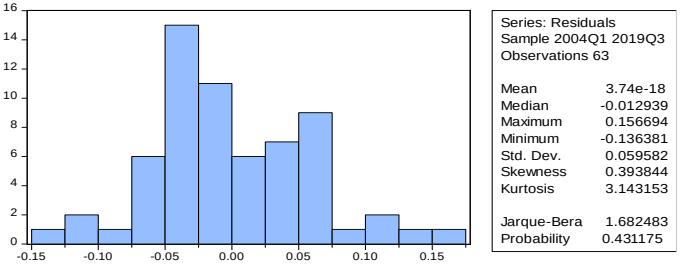
Some tests were conducted on the statistical significance of the coefficient resulting from the regression and the model's predictive power. First of all, to understand whether the variables in the model contain a unit root, the variables were subjected to the two most well-known tests, Augmented Dickey-Fuller (ADF) (Nelson & Plosser, 1982) and Phillips-Perron (PP) (Phillips & Perron, 1988). The most significant result for all variables was found in the model containing only constant terms per our expectations. As can be seen from Table 1, the null hypothesis will be rejected because the test statistics calculated for the model with constant terms are smaller than the MacKinnon (1996) critical values. This means that the series does not contain a unit root regardless of difference; they are stationary. The fact that the series is stationary at level allows us to make direct regression estimations with these variables (Granger & Newbold, 1974).

Table: 1
Unit Root Test Results

	H_0: There is no unit root (in 5% significance level)					
	ADF			**PP**		
Variable	**t value**	**critical value**	**prob.**	**t value**	**critical value**	**prob.**
DM	-5,2549	-2,9092	0,0000	-3,2529	-2,9084	0,0208
DY	-2,9449	-2,9084	0,0459	-3,1643	-2,9084	0,0269

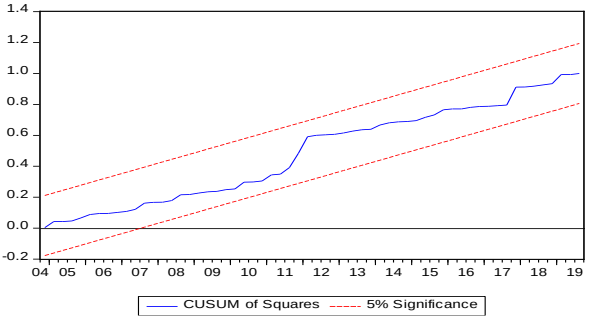
After estimating the regression equation with the least squares method, a histogram was drawn, and the Jarque-Bera (1987) test was applied to determine whether the error terms of the model were usually distributed. As a result of this process, which was performed for 64 data in the first place, it was observed that there was a slight deviation from normality, and this deviation occurred recently. After that, it is possible to say that the null hypothesis of the model, which is re-estimated by removing the last term from the sample, cannot be rejected from the probability value of 0.431175 in Chart 1; that is, the error terms are normally distributed. This is also evident from the histogram image below.

Chart: 1
Histogram and Normality Test



Thirdly, the CUSUM of Squares structural break test, a more sensitive test than CUSUM, is applied to the model, which is used with the cumulative sum of the squares of the error terms. As can be seen from Chart 2, the model does not contain structural breaks, as the square sums of the error terms fluctuate well beyond the 5% confidence interval limits indicated by dashed lines (Brown et al., 1975). In other words, the predicted model satisfies the stability condition. Structural breaks observed between 2016 and 2018 in the initial estimates of the real exchange rate variable seem to have disappeared with the detrendification process.

Chart: 2
Structural Stability Test



Finally, the existence of autocorrelation between consecutive error terms of the model was tested. However, the probability value found as a result of the Lagrange Multiplier (LM) test applied to the model, the results of which are given in Table 2, prevents us from rejecting the existence of autocorrelation (Breusch & Pagan, 1980). However, Chart 3 obtained from the 'Correlogram of Residuals' values shows us that the sequential relationship of the error terms with the 2nd lag is within acceptable limits after the large decrease in the 1st lag. For this reason, it is possible to say that the model does not include autocorrelation.

Table: 2
Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:				
F-statistic	11.76911	Prob. F(1,59)		0.0011
Obs*R-squared	10.47709	Prob. Chi-Square(1)		0.0012
Dependent Variable: RESID Method: Least Squares				
Date: 25/05/23 Time: 18:34 Sample: 2004Q1 2019Q3 Included observations: 63				
Presample missing value lagged residuals set to zero.				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.002243	0.010730	0.209069	0.8351
DY	-0.034024	0.151631	-0.224386	0.8232
DRER_DT	0.109914	0.120564	0.911665	0.3657
RESID(-1)	0.429148	0.125094	3.430614	0.0011
R-squared	0.166303	Mean dependent var		3.74E-18
Adjusted R-squared	0.123912	S.D. dependent var		0.059582
S.E. of regression	0.055768	Akaike info criterion		-2.873832
Sum squared resid	0.183497	Schwarz criterion		-2.737760
Log likelihood	94.52571	Hannan-Quinn criterion.		-2.820314
F-statistic	3.923037	Durbin-Watson stat		1.828681
Prob(F-statistic)	0.012739			

Chart: 3
Autocorrelation Function (ACF)

Table 3 gives the results of the Breusch-Pagan-Godfrey test, which was performed to determine whether the estimated model has a problem of varying variance. As shown below, since the Chi-Square value is more significant than 0.05, the null hypothesis that the variances of the error terms are equal cannot be rejected (Breusch & Pagan, 1979). That is, there is no problem of varying variance in the model.

Table: 3
Heteroscedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey				
F-statistic	1.807930	Prob. F(2,60)		0.1728
Obs*R-squared	3.580856	Prob. Chi-Square(2)		0.1669
Scaled explained SS	3.480417	Prob. Chi-Square(2)		0.1755
Dependent Variable: RESID^2 Method: Least Squares				
Date: 25/05/23 Time: 18:32 Sample: 2004Q1 2019Q3			Included observations: 63	
HAC standard errors and covariance (Bartlett kernel, Newey-West fixed bandwidth= 4.0000)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.002225	0.000536	4.148196	0.0001
DY	0.023966	0.011353	2.111085	0.0389
DRER_DT	0.013384	0.006491	2.061766	0.0436

R-squared	0.056839	Mean dependent var	0.003494
Adjusted R-squared	0.025400	S.D. dependent var	0.005156
S.E. of regression	0.005090	Akaike info criterion	-7.676741
Sum squared resid	0.001554	Schwarz criterion	-7.574687
Log likelihood	244.8174	Hannan-Quinn criterion.	-7.636603
F-statistic	1.807930	Durbin-Watson stat	2.067290
Prob(F-statistic)	0.172813		

The results of the study conducted on 63 observations are given in Table 4, as it not only provides a departure from the limits in the standard distribution and structural break test but also increases the R^2 value. As can be seen from the R^2 value in the table, it has been concluded that it would be appropriate to use the coefficients, all of which are statistically significant, to test the validity of Thirlwall's Law, as can be seen from the probability values obtained from this model, which has a high explanatory power of 80% and again in the same table, which is less than 0.05. The coefficient of 2.074368 value of the DY variable obtained as a result of the regression tells us that a 1% increase in national income will increase the import amount by approximately 2.07%. As a result of a 1% increase in the real exchange rate, there will be a decrease of 0.63% in the amount of imports. In addition, as can be seen, the signs of the variables are consistent with the predictions in the BPCG.

Table: 4
Import Equation Estimation Result

Dependent Variable: DM Method: Least Squares				
Date: 25/05/23 Time: 18:18 Sample: 2004Q1 2019Q3 Included observations: 63				
HAC standard errors and covariance (Bartlett kernel, Newey-West fixed bandwidth= 4.0000)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.060580	0.009343	-6.484164	0.0000
DY	2.074368	0.171852	12.07070	0.0000
DRER_DT	-0.627737	0.107499	-5.839493	0.0000
R-squared	0.802404	Mean dependent var		0.051806
Adjusted R-squared	0.795817	S.D. dependent var		0.134037
S.E. of regression	0.060567	Akaike info criterion		-2.723693
Sum squared resid	0.220100	Schwarz criterion		-2.621639
Log likelihood	88.79633	Hannan-Quinn criterion.		-2.683555
F-statistic	121.8248	Durbin-Watson stat		1.196312
Prob(F-statistic)	0.000000	Wald F-statistic		123.6948
Prob(Wald F-statistic)	0.000000			

For this period in which the share of export income used in import payments was 79% and the share of capital inflows was 21%, the results when we write the value of 2.074368, which represents the income elasticity of imports, and the growth rates of exports, capital inflows and real exchange rates in equations (9) and (17), show that the Thirlwall-Hussain (1982) study is quite accurate from 2004 to 2019.

Table: 5
Türkiye's Average Growth Rates (2004Q1-2019Q4)

Actual Growth (dy)	**BPCG Estimation (dy*)**	**Capital Flow Added BPCG Estimation (dy**)**
%5,37	%3,18	%5,96

When we look at the values in the table above, the original BPCG (dy*) predicted growth with a 2.19% deviation from the country's (dy), while the model with capital inflows (dy**) predicted growth with a very close deviation of 0.59%. The following section will discuss whether this result can be used to find a way out for developing countries in Türkiye.

3.3. Evaluation of the Analysis Results and Policy Recommendations

Thanks to the global media that has developed since the end of the 20th century, with the significant contribution of the internet, the consumption patterns of developing countries are primarily shaped by the influence of developed countries. While this similarity in preference functions increases the consumption propensity in developing countries, it decreases the saving propensity. So much so that, to prevent this situation, even if the import of capital goods replaces the import of consumption goods, it will not be possible for developing countries to gain from foreign trade unless savings equivalent to the amount of these goods are made within the country. Despite the significant differences in the incomes of the two country groups, the similar consumption patterns deepen the problems in the balance of payments in the developing countries, slow down the capital accumulation, and cause income transfer to the developed countries from these countries that export goods with low demand elasticity (Kazgan, 2000: 277).

When we consider together with the assumption that prices are equal in the long run, what Thirlwall's Law proposes as a condition for growth, Developing countries, which do not have a chance to affect world demand, cannot increase their export growth, so they must either reduce the income elasticity of imports or control capital inflows. As mentioned above, it has become challenging in our age to direct consumer behaviour in a way that will change the import demand. Moreover, the fact that most developing countries depend on foreign energy also prevents the decrease in the import income elasticity of this country group. For this reason, controlling the capital movements that developing countries use to finance the current account deficits in the balance of payments seems to be the most likely way of eliminating the domestic savings deficits and supporting growth due to the BPCG.

However, as we have seen above, capital control has become extremely difficult and meaningless today. The reason for this has been the uncontrolled growth of the finance field with the effect of developing technology and subordinating all material processes, including the real economy, to itself. For this reason, it is necessary to increase savings and investments in the country. This should not mean leaving the capital movements entirely under the control of international funds. Ways should be sought to direct capital movements in a way that contributes to growth.

At this point, it is beneficial to heed Keynes' recommendations. According to Keynes, what is needed is a control mechanism that goes beyond central banking activities intervening in financial market problems, extending to potentially banning speculative capital inflows entirely. This way, the primary policy objective would shift from managing crises to preventing them altogether. However, implementing a global central bank policy

akin to Keynes' proposals in the Bretton Woods era is unrealistic, given the current mode of production and financial technologies. Nevertheless, finding a feasible mechanism to prevent inflationary pressures from trade partners is necessary for today's context, as IMF policies managed under the control of developed countries often fail to steer the global market to a safe harbour during crises. Indeed, the instigator of crises in this financially fragile structure is usually these policies themselves. Hence, there is a need to establish a clearing mechanism that compels surplus-generating countries to make payments to mitigate the global effective demand fluctuations caused by fund flows (Davidson, 2001: 15-27). Additionally, while increasing liquid assets to enable international payments, mechanisms should be in place to impede countries from clogging the system, as temporary solutions like the Tobin tax to deter minor currency speculation may not suffice to extinguish significant conflagrations. Substantial boulders are needed to block the system effectively instead of measures that would be swept away like grains of sand in significant upheavals (Davidson, 2001: 31).

Kalecki's structuralist approach, which emphasises adapting economic models to specific historical conditions rather than general assumptions, highlights the impact of capital inflows in developing countries, leading to balance of payments problems by increasing import demand (Blecker, 2001: 117-124). Building on Kalecki's thoughts on foreign trade and examining three models developed to include distributional relationships and mark-up pricing, Blecker (2001: 142-143) argues that these models cannot be an alternative to mainstream understanding because they leave money and finance as external variables. This is because it is impossible to consider the real economy independently of the financial transactions of economic actors within the country. Therefore, contrary to mainstream views, the Post-Keynesian perspective should support his concerns about competitive policies implemented through devaluation negatively affecting income distribution and trade volume.

The notion that easy access to foreign capital eliminates balance of payments constraints disregards the challenges of foreign debt accumulation and the pressure exerted on interest rates due to dependency on capital inflows. It is essential to consider that capital inflows cannot consistently finance current account deficits. In cases where current account deficits cannot be funded with regular capital inflows, the production level must be regulated to ensure the import-export balance. This is because low interest rates that stimulate domestic investment can only be sustained with a healthy balance of payments (McCombie & Thirlwall, 2001: 82).

In addition, devaluation, a frequently used method to gain advantages in foreign trade, is ineffective on real variables in countries with either very high or very low import dependency; it only affects prices. Moreover, when companies do not anticipate continuous price increases, their efforts to increase exports may fall short. Furthermore, the flexible exchange rate system makes it challenging to maintain a competitive level of depreciation in the long term. Additionally, this depreciation and the inflation it may generate due to its impact on the value of imported goods could further devalue the domestic currency, creating

a cycle. At this point, directing tariff and quota revenues obtained through import controls into the economy as tax cuts domestically could be a solution to alleviate the inflationary pressure in the economy (McCombie & Thirlwall, 2001: 77-80).

Developing countries often resort to inflationary policies to generate compulsory savings. Instead of suppressing consumption with monetary policy in this way, savings should be increased by implementing effective fiscal policies (Nurkse, 1952: 268-269). However, although developing countries are disadvantaged due to the chronic lack of capital to use monetary policy tools effectively and find ways to benefit from the developments in financial technologies, the negative aspects mentioned above should also be sought. Akyüz (2008: 28), who says it is not easy to directly or indirectly control capital flows with financial regulations, similarly states that monetary policy aimed at stabilising exchange rate and price stability should be used harmoniously with fiscal policy. According to him, the possibility of making such interventions is much more limited in countries that are structurally lacking in savings, are in current account deficit, are in a foreign exchange bottleneck and have excessive dependence on foreign capital due to the high level of external debt of the public and private sectors. Such countries are more vulnerable to the 'whims' of international capital and need fundamental changes more than financial regulations or circular macroeconomic policies. Therefore, for harmonising the policies to be implemented, the planning approach, which is now forgotten or even seen as 'inconvenient', should be brought to the agenda again. This approach is especially important for developing countries trying to escape their current situation. When policies that conflict with each other are implemented, it is possible to miss out on the benefits gained from these policies separately.

In addition, the very close growth estimation result from the expanded model we used in the empirical study indicates that Türkiye financed its economic expansion with capital inflows, like many developing countries. These results, consistent with the theory, have opened the door for a panel data study to cover other developing countries in the future and perhaps to divide these countries into groups among themselves.

4. Conclusion and Discussion

Foreign trade, which Marx (2015: 242) considers a factor that can prevent the tendency of the rate of profit to decrease to the extent that it cheapens the constant capital or labour power, has a vital role in capitalism. Foreign trade fulfils this function best in developing countries where it can exploit more intensively. The first way that comes to mind is undoubtedly colonialism. Although the 'vertical' growth of an economy by increasing the exploitation within itself and the 'horizontal' growth of that economy by increasing the exploitation of the weaker societies may seem like two different processes at first glance, the first type of growth requires and forces the other (Dowd, 2020: 22). Most of today's developed countries have reached their present position at the expense of their past colonies. Most countries described as developing countries today were partially or wholly colonial in the past; the main problem at that time was not development but the contribution that the coloniser would receive from these countries (Kazgan, 2000: 264). The only difference

between the forms of exploitation from centuries ago and today is that the consumption habits in which people are fascinated but trapped and lost do not require colonisation or other archaic violence to subdue them (Dowd, 2020: 23). This has primarily been made possible by financialisation in the neoliberal era. Currently, significant challenges to the development efforts of developing countries stem from this new form of exploitation, which has evolved with the assistance of financialisation.

According to Yeldan (2009: 271-272), many examples of temporary or permanent growth have shown that comparative advantages are not a static, given feature but something that needs to be created. According to him, economies need not be driven forever with existing resource equipment. It is possible to make comparative advantages 'dynamic' by applying the right policies in the long term. Besides, the functioning of the global economy clearly shows us that trade forms are not governed by comparative advantages in competitive markets but by opportunities for absolute superiority that emerge with the decisions of transnational companies that determine the form of 'vertical integration of global production networks'. These companies benefited the most from the financialisation period mentioned above, which facilitated the establishment of domination.

Much like supply-oriented approaches that ignore demand, mainstream trade theories overlook the impact of trade on monetary mechanisms through the balance of payments. In these models, where the demand element is excluded, and total demand is assumed to be equal to total supply, they are essentially closed economy models. However, in static comparative advantage, although supply and demand are equalised through the balance of payments, especially in developing countries, the sector where a benefit is gained cannot absorb all the labour from the disadvantaged sector, inevitably leading to a demand gap. Of course, supply-side factors are also important. While most factors driving economic growth tend to be demand-oriented, the relative income elasticities that define the supply characteristics of goods are crucial. Although demand is driven by export performance and balance of payments positioning, which contribute to domestic production growth, it is crucial to recognise the impact of supply-side factors such as investment in new technology, research and development efforts, and human capital investment. These factors determine the income elasticity of demand for exports, influencing the pace at which a country's exports will increase in response to rising global demand. Consequently, institutionalising a planner approach is necessary to ensure the coordinated execution of macroeconomic policies (McCombie & Thirlwall, 2001: 41).

International trade, the basic paradigms of which have been changed from time to time by the sovereigns since mercantilism, ensures that the development efforts of developing countries, which are surrounded by the constraints we have listed in the study, are controlled. A permanent salvation cannot be achieved through the familiar prescriptions put forward by the rule makers of the system from this deadlock. Although there may not be an alternative way out, this exit is evident in which direction should be sought. It can well be said that the time has come for developing countries to leave aside the mainstream theories that derive their influence not from their explanatory power but from being the

dominant ideology, to listen to the 'contrary' voices and to forge their path (Dönmez Atbaşı & Öziş, 2019: 595). Without denying their historical position, countries must reject the roles given by those who pushed them to that position and choose their sustainable strategies. This proposal does not imply retreating behind national borders, which has increasingly lost relevance in today's interconnected world. The plan selected must be highly versatile to succeed in the complex economic landscape of the present day. Therefore, it would be appropriate to consider the Post-Keynesian policy recommendations included in the study. Thirlwall's Law, a model that encompasses the constraints of developing countries in foreign trade, explains Türkiye's recent growth and further supports this argument. Undoubtedly, empirical studies beyond the evaluation and findings presented in this study would be highly beneficial in finding a way forward for Türkiye and other developing countries.

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