Crises of Authoritarian Financialization: Monetary Policy in Hungary and Türkiye in the Polycrisis

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Chapter Abstract (250 words)

We identify in this chapter the contradictory objectives of monetary policy under an authoritarian mode of financialization (AF) in Emerging Market Economies (EMEs) where the executive branch intervenes directly in monetary policy, banking supervision and retail banking. We interpret AF as a statist-authoritarian attempt to manage the vulnerabilities of growth strategies under subordinate financialization: following Marxist theories of the state, we argue that instead of providing political-economic stabilization, statist authoritarianism merely internalizes class conflicts within the state apparatus spurring accumulation and legitimation dilemmas for the state. We illustrate two divergent crisis trajectories of AF in Hungary and Türkiye in the 2020-22 period by showing how executive centralization fails to solve the increasingly contradictory objectives of stabilizing sovereign and private debt markets. Instead, we observe enhanced incoherence in monetary policy and a diminishing capacity of AF regimes to shore up rentier social contracts. Although both cases face accumulation and legitimation dilemmas in 2022, we explain the consolidation of inflationary and disinflationary monetary policies with differences in debt profiles, social blocs, and external financing conditions.

Introduction

Emerging market economies (EMEs) were prominent casualties in the 2020-2022 polycrisis: the COVID-19 shock birthed a "liquidity tsunami" in 2020-21 before morphing into a liquidity crisis in 2022 as the Federal Reserve tightened monetary policy after Russia's invasion of Ukraine. Inflation and capital flight destabilized currencies and political orders in EMEs: many tackled financial instability by ramping up political interventions beyond orthodox monetary policy via price controls for instance (Pyrkalo, 2022). Some EMEs however entered the 2020-2022 cycle with already politicized monetary regimes, where the visible hand of the state had presided over the social allocation of money.

In this chapter, we examine the impacts of the 2020-2022 period on central banking and monetary policy under authoritarian financialization (AF) in EMEs: We focus on Hungary and Türkiye, both of which pursued debt-based growth strategies under authoritarian regimes where the executive branch had expanded control over monetary policy, financial supervision, and retail banking before 2020. We distinguish between defensive and offensive forms of financial statecraft in EMEs to explain the conflicting rationales for centralized political control over money: the former seeking to enhance the state's relative financial autonomy under structural subordination in global currency hierarchies, whereas the latter aims to harness credit-based growth as a tool of political pacification and governmentality.

We interpret authoritarian financialization as a state capitalist fix to finance-based growth strategies in EMEs under structural financial subordination. Following critical Marxist state theories (Offe, 1974, Poulantzas, 2014), we argue that instead of delivering financial stability, easing monetary policy transmission, and improving credit conditions, the expansion of centralized executive control over monetary policy and finance internalized political and class conflicts within the state apparatus. These tensions were actualized in Hungary and Türkiye in 2022 as political conflicts between the Central Bank and the executive, torn between the objectives of price stability and fiscal solvency on the one hand, and the financialization of the private sector favored by incumbents on the other. When global credit conditions contracted, expanded political control over the social allocation of money precipitated a dual crisis of accumulation and legitimation, pointing to the limits of authoritarian financialization as a strategy of political and economic stabilization.

Whereas the two countries entered the 2020 COVID-19 period with similar strategies to boost a finance-real estate nexus with low interest rates as a strategy of growth and political cooptation, their policies diverged under the global liquidity squeeze of 2022: When it became impossible to simultaneously manage sovereign and private debt, Hungary prioritized the former and Türkiye the latter. We explain this divergence with differences in debt profiles, social blocs, and external financing conditions.

Literature Review

While multiple operationalizations of financialization in EMEs exist (Karwowski, 2020), we focus here on credit-based growth strategies which target households and non-financial corporations (NFCs). Credit-based accumulation was long treated as an autonomous ideal type, but recent contributions highlighted its key role in both export-led and domestic demand-led growth regimes (Ban and Helgadóttir, 2022), especially in EMEs confronted with the developmental bottlenecks of industrial upgrading (Bonizzi et al., 2022). The state of the art on the relationship between financialization and the state in EMEs is both underdeveloped and contentious (Lapavitsas and Soydan, 2022).

The first generation of a literature on subordinate financialization often reified the view of EME states disempowered by financialization: finance-based growth was described as limiting the sovereignty of EME states occupying a subordinate position in the global currency hierarchy by constraining their monetary policy space and enhancing financial risk for public and private actors alike (Bonizzi et al., 2020, Kaltenbrunner and Painceira, 2018, Alami et al., 2022). Financialization was furthermore viewed

as an externally driven process, which reproduced asymmetries between Core reserve currency economies and a Periphery submitted to external agency.

Both arguments were nuanced as it became apparent that instead of merely eroding statecraft, exposure to global liquidity- and exchange rate volatility actually forced the "*uneven emergence of specific forms of state power in emerging markets in relation to the operations of capitalist finance*" (Alami, 2020). A literature on the Financialization of Housing (FoH) additionally showed that instead of passive rule-takers, EME policymakers played a key role in recycling globally mobile capital by channelling it into domestic real estate sectors in pursuit of growth and political stability (Cordeiro Santos, 2022, Rodrigues et al., 2016, Feng et al., 2021, Garcia and Martinez Lopez, 2021, Ergüven, 2020, Pósfai and Nagy, 2017, Yeşilbağ, 2020, Gagyi and Mikuš, 2022, Fernandez and Aalbers, 2020).

The view of sovereignty-limiting and externally driven financialization was most problematic for a subset of EMEs such as Hungary and Türkiye where centralized political control over monetary policy and finance dramatically increased after the Global Financial Crisis (GFC): re-politicized Central Banks were only the most visible part of this process (Dönmez and Zemandl, 2019, Yağcı, 2018, Sebők, 2018).

One interpretation saw statist interventions as countermovements (Scheiring, 2021) seeking to contain the most destabilizing features of financialization via financial repression and de-financialization (Carney, 2015, Gabor, 2010, Ban and Bohle, 2020). This didn't explain however why credit-driven asset price bubbles boomed in the late 2010s in parallel to an expansion of political control over money in the very same countries. A large literature on statist-neoliberal hybridity debated whether authoritarian statism was meant to sustain neoliberal forms of accumulation (Ban, Scheiring, & Vasile, 2021; Bruff, 2016; Callison & Manfredi, 2020; Tansel, 2017), or if it was neoliberalism which was repurposed to sustain authoritarian-statist political projects (Fabry, 2019, p. 137).

Rather than viewing statist-authoritarian political interventions in monetary policy and credit conditions as eradicating financialization or reproducing it, we analyze them instead as precarious attempts at fulfilling contradictory political and economic objectives. Politically, they use centralized state control over credit as a mode of authoritarian governmentality to stabilize rentier social contracts (Bedirhanoğlu, 2020, Karas, 2021, Büdenbender and Lagna, 2020, Mattioli, 2020, Apaydin and Çoban, 2022b). Economically, they play a comparable role to shadow banking in advanced economies (AEs); Braun and Gabor described how shadow banking in AEs emerged to solve the three problems of financing sovereign debt, enhancing monetary policy transmission and fuelling asset prices as a strategy of growth (Braun and Gabor, 2020). In financially subordinate EMEs without reserve currencies and without deep financial markets, centralized political control over monetary policy and retail banking played a functionally similar role by forcing banks to simultaneously hoard the sovereign and boost lending. Unlike in reserve currency economies however, a trade-off always existed between the sustainability of sovereign and private debt: this tension was only masked by the long global liquidity glut which tapered in 2022.

Theoretical Framework

AF is an authoritarian mode of EME financialization where the executive directly shapes monetary and macro-financial policy by imposing interest rates (Yağcı, 2018), and macroprudential regulations (Piroska, Gorelkina, & Johnson, 2020) to re-politicized Central Banks (Dönmez and Zemandl, 2019), as well as using moral suasion (IMF, 2022a), or outright nationalizing retail banks (Voszka, 2018) compelled to lend both to the public and private sectors. Under AF, the executive develops a "financial vertical" which uses formal and informal instruments to control the entire circuit of money (Mishura and Ageeva, 2020, Karas, 2021).

We observe two rationales for the consolidation of AF: centralized executive control over monetary policy and banking might be pursued to enhance the state's relative financial autonomy from global capital markets and improve monetary policy transmission (Ban and Bohle, 2020, Ban et al., 2021). Conversely, it may also be an instrument to financially starve political opposition forces and engineer

asset price bubbles as a basis for rentier social contracts (Karas, 2021) between an authoritarian regime and households or factions of capital dependent on credit provisioning by the domestic banking sector (Apaydin and Çoban, 2022b).

We adapt the concepts of Defensive Financial Statecraft (DFS) and Offensive Financial Statecraft (OFS) to distinguish these objectives (Armijo and Katada, 2014): DFS targets sovereign debt and foreign capital inflows to contain the risks of exposure to exchange rate and global liquidity volatility while enhancing government control over monetary policy transmission. OFS interventions force lending by financial intermediaries to NFCs and households (Khmelnitskaya, 2014, Karas, 2021, Büdenbender and Lagna, 2020, Yeşilbağ, 2020, Mishura and Ageeva, 2020) (Table 1).

Table 1. Defensive and Offensive Financial Statecraft

	Objectives	Policy Instruments
Defensive Financial Statecraft	*a. Reduce exposure to global capital markets* *b. Build buffers against future financial shocks* *c. Control monetary transmission*	*1. Deleverage debt* *2. Reduce FX % of sovereign and private debt* *3. Reduce non-resident % of sovereign bonds* *4. FX Reserve accumulation* *5. Re-politicize Central Banks* *6. Nationalizations in banking* *7. Macroprudential regulations* *8. Capital controls* *9. Moral suasion & subsidized retail bonds*
Offensive Financial Statecraft	*a. Enhance financialization as a growth strategy* *b. Enhance Ffnancialization to sustain rentier social contracts*	*1. Low interest rates* *2. Subsidized credit to NFCs, SMEs and households* *3. Macroprudential Interventions* *4. Asset purchase programs of corporate equities and bonds* *5. Public guarantees in PPP & blended finance investments*

Crisis Tendencies of Authoritarian Financialization

AF illustrates Marxist theories of the state which expect statist attempts at solving accumulation bottlenecks to produce new crises (Alami and Dixon, 2021; Bedirhanoglu, 2021; Bonefeld, 2014: 2, 91, 157-8; Borchert and Lessenich, 2016: 6; Burnham, 1994; Clarke, 1991; Holloway and Picciotto, 1991; Offe, 1974: 47-49). Transposing the arguments of Poulantzas and Offe to subordinate financialization, we argue that by making the executive the central authority over the social allocation of money, AF internalizes the tension between DFS and OFS objectives within the state, and makes it vulnerable to distributive conflicts between diverse groups (Poulantzas, 2014). Executive centralization spurs

accumulation and legitimation dilemmas for the state (Offe, 1974) when DFS and OFS objectives become incompatible. These contradictions manifest as intra-elite conflicts between the Central Bank and the executive, a degradation of monetary policy transmission, and a trade-off between sovereign debt and domestic lending which pose contradictory but interlinked demands on monetary policy, as the former is a key collateral for the latter (Eichacker, forthcomming, Gabor, 2010).

Case Selection

After converging on similar AF models, monetary policy in Türkiye and Hungary diverged during the 2022 polycrisis, illustrating different crisis trajectories. In both countries, financial liberalization in the 1990s resulted in systemic political-economic crises (in 2001 and 2008 respectively). Post-crisis stabilization was undertaken in both countries by nationalist hegemonic parties (AKP and Fidesz) which fused neoliberal and statist elements (Ban et al., 2021): deleveraging combined with FX reserve accumulation and a reliance on banks and households to finance public debt improved financing conditions for the state as interest rates followed a secular decline after AKP's 2001 reforms and Fidesz reforms after 2010 (Figure 1).

<Insert Figure 1 here >

Figure 1 Long-Term Interest Rates

Source: Federal Reserve Economic Data (FRED)

In parallel, real estate bubbles sustained with cheap credit stabilized rentier social contracts between authoritarian governments, crony capital groups in construction and real estate, as well as middle-class homeowners who benefited from inflating housing prices (Adaman et al., 2014, Yeşilbağ, 2020, Karas, 2021, Güngen, forthcomming) (Figure 2).

<Insert Figure 2 here >

Figure 2. Real Estate Bubbles

Source: Federal Reserve Economic Data (FRED)

This second wave of financialization was accompanied by an expansion of executive control over monetary policy, banking authorities, and retail banks which forced banks to simultaneously finance sovereign debt and deepen the financialization of housing.

The Crises of Authoritarian Financialization in Hungary and Türkiye

The global liquidity glut created by Core central banks in 2020-21 convinced Hungary and Türkiye to deepen OFS interventions and boost credit-based growth. During the 2022 liquidity squeeze however, the limits of AF as a strategy of political and economic stabilization became apparent: both countries faced a dual crisis of accumulation and legitimation albeit their monetary policies diverged. Türkiye prioritized private debt and embraced an increasingly coercive cycle of OFS and DFS interventions: It maintained record negative real interest rates even amidst inflation above 180% (Thomas, 2022) to shore up an alliance between AKP and firms in export-oriented industries and construction. The cost was a rapid deterioration of public finances, the proletarianization of households and the dollarization of 54.4% of deposits (Bloomberg, 2022), which in turn compelled the government to impose capital controls and appropriate private FX deposits to contain the pressure on the exchange rate. Hungary by contrast retreated from both OFS and DFS objectives to safeguard the exchange rate and stabilize sovereign bond markets: the Central Bank raised interest rates from 0.6% to 18%, while phasing out subsidized credit instruments for households and corporates. A disinflationary interest coalition prevailed between the state's need to stabilize financing for the sovereign on one hand, and the interests of non-tradable domestic capital factions and households hurt by inflation on the other. We explain this

divergence in monetary policies with differences in debt profiles, social blocs, and external financing conditions.

Debt Profiles

After their respective crises in 2001 and 2008, both AKP and Fidesz deleveraged public debt and relied on domestic banks and households to finance government debt (Figure 3).

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Figure 3. Sovereign Debt

Source: (IMF, 2022c)

However, debt stabilized at a high level in Hungary at 78% of GDP in 2022 compared with Türkiye's 42%: public debt, fiscal deficits and social transfers (Table 2) remained important for pacifying post-Socialist masses excluded from the labor market (Bohle and Greskovits, 2012). Türkiye deleveraged more radically: under IMF-approved fiscal reforms, government debt to GDP declined from 75.5% in 2001 to 42% in 2022 (Figure 3).

Table 2. Debt Profiles

	Hungary	*Türkiye*
Government Debt to GDP	77% (2022)	42% (2022)
Fiscal Deficit to GDP	-6.8% (2021)	-3.51% (2021)
Social Protection Benefits to GDP	18% (2020)	12.8% (2020)
Share of Sovereign Bonds in Bank Assets	21% (2020)	14% (2020)

Sources: European Bank Federation, Eurostat (gov_10dd_edpt1), Eurostat (spr_exp_gdp), (IMF, 2022c)

After the GFC, Hungary attempted to ringfence sovereign debt from global capital markets: under the Central Bank's guidance, bank reserves were channelled into sovereign bonds whose overall share in total bank assets doubled from 10% to 21%, even as they halved in Türkiye from 28% to 14% (IMF, 2022a). The combination of high levels of public debt and a deep sovereign-bank nexus backfired in 2022 when inflation and depreciation hit EMEs: In Hungary, fiscal and monetary consolidation appeared necessary to improve both the state's fiscal solvency but also the portfolio of a nationalized banking sector deeply exposed to the sovereign (Boitan and Marchewka-Bartkowiak, 2021, Deghi et al., 2022, Buljan et al., 2020).

The Composition of Rentier Social Contracts

Periodic capital outflows after 2013 questioned the sustainability of credit-led growth in Türkiye: financialization failed to sustain a broad social bloc and became skewed towards corporates. The share of households in total bank credit to the private sector declined from 33% to 23% between 2012 and 2020 while that of NFCs rose from 46% to 53% (Apaydin and Çoban, 2022a). Conversely, in Hungary the co-optation of middle classes via subsidized credit accelerated: the share of household debt in private sector debt doubled from 17.9% to 41.6% between 2010 and 2021 (MNB, 2022d). Whereas Turkish export-oriented SMEs were a core constituency for AKP (Akcay and Jungmann, 2022, Apaydin and Çoban, 2022a, Buğra and Savaşkan, 2014), Hungarian domestic capital reliant on state-controlled finance were concentrated in import-intensive and non-tradable sectors, while foreign multinationals dominated export sectors (Vakhal, 2020). By 2022, a disinflationary interest coalition prevailed in Hungary between incumbents, non-tradable domestic capital factions, and households hurt by inflation.

In Türkiye, a narrow coalition between incumbents, export-oriented SMEs, and the construction sector maintained loose monetary policy against misgivings by the Central Bank and households facing proletarianization.

External financial conditions

The 2022 global liquidity squeeze accelerated a politicization of transnational capital mobility (Cassetta, 2022, Vaughn, 2019), which affected Hungary and Türkiye differently: Hungary entered a stalemate with the EU Commission over systemic corruption which blocked access to 7.5 billion euros in EU funds. The role of EU transfers in sustaining AF in Hungary by augmenting FX reserves and subsidizing the real estate and construction bubbles (KPMG, 2017) was revealed as blocked transfers put unprecedented pressure on the exchange rate and the sovereign but also depressed the construction sector which was earmarked to receive 61.25% (Government_of_Hungary, 2021). Türkiye also faced capital flight, yet FX reserves nominally increased thanks to swap agreements with China, Korea, Qatar and Saudi Arabia alongside an inflow of $28 billion "net errors and omissions" attributed to Russian capital seeking to evade US sanctions (Ashworth, 2022): politicized foreign capital inflows convinced the Turkish presidency that augmented FX reserves could patch up current account deficits and stabilize the lira without monetary tightening (Sonmez, 2022).

Part I. The Consolidation of Authoritarian Financialization

Hungary

During Hungary's first era of financialization before the GFC, public and private debt served political pacification: deficits and sovereign debt ballooned as social transfers were used to pacify masses excluded from a deindustrializing post-Socialist job market mired in unemployment (Bohle and Greskovits, 2012, Scheiring and Szombati, 2020). FX household debt was a pressure valve (Bohle, 2013, Bohle, 2017) in a wage-repressing, export-oriented growth model with high interest rates (Nölke and Vliegenhart, 2009, Gabor, 2010). In 2008, depreciation (Buchholtz, 2020) pushed FX-indebted households to default. The debt crisis unravelled a Socialist-Liberal coalition, and Fidesz won a two-thirds majority in 2010 by promising deleveraging without austerity. The consolidation of AF under Fidesz can be broken down into two periods (Figure 4): between 2010 and 2015, DFS interventions prioritized the state's relative financial autonomy. After 2015, OFS interventions engineered a real estate bubble which stabilized a rentier social contract.

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Figure 4. Post-GFC Deleveraging

Source: *World Bank [FS.AST.PRVT.GD.ZS]*

After 2010, DFS interventions followed three objectives: deleveraging to improve the state's external financing conditions, domesticating sovereign and household debt by converting FX to forint instruments and enhancing government control over monetary transmission.

Deleveraging was constitutionalized as a budgetary principle in Article 36 of the 2011 Fundamental Law: Between 2009 and 2017, gross external debt was reduced from 150% of GDP to 84.6% (IMF, 2018). Fiscal restraint reassured the EU Commission and ECOFIN which lifted an Excessive Deficit Procedure in 2013 (Ministry_of_National_Economy, 2013): in turn credit rating agencies and foreign investors rallied, easing spreads on credit default swaps (Government_of_Hungary, 2012, Benczúr and Kónya, 2015, Johnson and Barnes, 2015).

The domestication of private debt for FX-indebted households was achieved with a swap scheme between 2011 and 2015 (Beckmann, 2017): The Central Bank (MNB) provided 9.1 billion euros for banks to close their Swiss franc positions (Kolozsi et al., 2015). To domesticate sovereign debt, MNB created a market for local currency bonds by setting a quantitative limit on bank reserves accepted into the three-month deposit policy rate instrument: thus forcing excess reserves into HUF-denominated bonds (Nagy and Kolozsi, 2017, András and Motyovszki, 2016). As fiscal consolidation improved external financing conditions, MNB reduced the base rate from 7% to 0.9% between 2012 and 2016, terminating the pre-GFC sterilization games (Matolcsy and Palotai, 2018). Between 2011 and 2019, the share of non-resident bondholders decreased from 40% to under 25% and FX debt dropped from 48% to 18% (IMF, 2019): foreign bondholders were marginalized as tax-free, subsidized bonds restricted to households financed public debt with domestic savings (Figure 5). The state gained in financial autonomy while middle-class bondholders became a rentier class.

<Insert Figure 5 here >

Figure 5. Self-Financing

Source: *Eurostat [GOV_10DD_GGD]*

Executive control over monetary transmission targeted the Central Bank and foreign retail banks. In 2013, Orbán nominated his Minister of Economy György Matolcsy as Governor of the Central Bank, cementing government control over monetary policy and launching MNB's mission creep (Sebők, 2018, Dönmez and Zemandl, 2019): MNB incorporated the Financial Supervision Authority in 2013 and acquired the Budapest Stock Exchange in 2015. It also steered the renationalization of retail banking. After the GFC, foreign banks, which had controlled 80% of Hungarian banking assets, were gradually nationalized. The largest transfer saw MNB become the direct owner of Hungary's fifth largest bank MKB bought from Bayern LB in 2014: MNB cleaned the NPL portfolio of MKB before reprivatizing it to Fidesz-aligned oligarchs (Sebők, 2018). By 2017, 50.5% of banking was domestically owned, two-thirds directly by the state (EBF, 2018).

After 2015, an export-competitiveness crisis emerged: current account surpluses began to melt (Figure 6), wages and inflation rose and domestic suppliers to MNC-controlled export sectors lobbied for deregulating labor rights to maintain their profitability (Karas, 2021). The executive responded by restricting labor rights and using its new monetary-financial arsenal to revive lending (Figure 7).

<Insert Figure 6 here >

Figure 6. Hungary's Export Competitiveness Crisis

Source: World Bank [BN.CAB.XOKA.GD.ZS]

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Figure 7. Negative Correlation in Lending and Exports

Source: (MNB, 2022a, MNB, 2022c)

MNB launched the Funding for Growth Program in 2013, offering banks interest-free refinancing for SME lending with a capped premium at 2.5%: by 2016, 40 000 SMEs had benefitted from the scheme (Matolcsy and Palotai, 2018). This was followed with the Market-based Lending Scheme (MLS) in 2016, which offered preferential interest rate swaps (LIRS) to retail banks conditional on increasing SME lending (MNB, 2018). MNB also launched a Family Housing Allowance (CSOK) program in subsidized credit which accounted for 16% of total loan issuance and 57% of residential loans between

2016 and 2018 (Banai et al., 2018). A natalist “prenatal baby support loan” scheme followed in 2019, offering subsidized housing credit for couples promising to deliver future births: this scheme accounted for 17% of household lending by 2021 (MNB, 2022d). MNB’s subsidized lending instruments combined with low base rates fuelled corporate and household lending, and an inflation in real estate prices (see Figure 8).

<Insert Figure 8 here >

Figure 8. The finance-real estate nexus

Source: (KSH, 2022, MNB, 2022d)

This second, authoritarian mode of financialization reduced sovereign debt, the share of FX debt, the role of foreign bondholders and foreign banks. Contrary to previous EME templates, it fuelled credit-based growth with low interest rates (Gabor, 2010). It also reconciled an authoritarian executive governing society through finance with the material interests of private actors: household savings financed government debt against subsidized yields, improving the state’s relative financial autonomy. NFCs and middle-classes enjoyed subsidized credit and assetization via a state-engineered real estate bubble benefitting homeowners and construction firms.

Türkiye (2001-2018)

Following a wave of financial crises, AKP’s 2001 IMF-endorsed restructuring program laid the ground for OFS strategies which consolidated a finance-led ‘jobless’ growth trajectory (Orhangazi and Yeldan, 2021: 462, 467-8, 481-3) as well as a governing strategy to co-opt and discipline subordinated classes, and fuel dispossession and proletarianization (Bahce and Kose, 2016: 8; Bryan et. al., 2009: 461, 470; Karacimen, 2015: 763).

Prior to the GFC, this process was led by bank lending, household debt, and unprecedented issuance of credit cards (Aslan and Dincer, 2018: 147, 149; Karacimen, 2016: 253). After the GFC, the QE programs of Core reserve currency Central Banks provided an uninterrupted supply of capital inflows while contributing to the long-term real appreciation of the lira – which was as high as 70% between 2001 and 2008 (Orhangazi and Yeldan, 2021: 472). Similar to Hungary before the GFC, the relative appreciation of the lira eased external borrowing conditions in the corporate sector, reduced its reliance on domestic borrowing and banks, and expanded its activities in consumer lending- a trend which was reversed in the post-GFC context (Erol, 2019: 729; Yeldan and Unuvar, 2016: 22, 26). The overall impact on the industrial circuit of capital was import-dependency given the low value-added, assembly line character of industrial production, rising current account deficits, de-industrialisation and declining contribution of industrial production to employment (Orhangazi and Yeldan, 2021: 481; Yeldan and Unuvar, 2016: 20-22).

What became distinctive after the GFC was a more direct, government-led expansion of OFS: policies such as domestic credit provision to SMEs, the construction sector and households, attempts to re-politicise central banking as well as politicized public procurement consolidated the nexus of finance, real estate and construction. The construction sector appeared viable to generate employment, growth, and attract foreign direct investment without endangering the IMF stabilisation programme. It experienced unprecedented growth rates between 2010 and 2014 (Erol and Unal, 2015: 18, 23-4, see also Demiralp et. al., 2016; Yesilbag, 2021: 7-8). Gradually, the pattern of export-led accumulation following trade liberalisation in the early 1980s based on lira depreciation shifted towards debt- and construction-led growth during the 2000s.

This period was marked by internal disputes between economic policymakers (cabinet ministers as well as the central bank) and deepening intra-class struggles within the power bloc, namely between the internationalised capital groups, which could finance themselves on global markets and favoured

stricter monetary policy, and export-oriented SMEs which relied on cheap domestic credit (Akcay, 2020; Donmez and Zemandl, 2019; Yağcı, 2018).

The pre-GFC real estate-finance nexus in Türkiye was sustained by the post-2001 macroeconomic recovery, the creation of the housing credit market, the growth of mortgage lending following a 2007 legislation[i] (Aslan and Dincer, 2018: 148-9) and the Mass Housing Administration (TOKI) placed under the office of Prime Ministry after 2003 (Erol, 2019: 728, Tansel, 2019; Yesilbag, 2021). Further 'government-led reregulation' from 2010 to 2014 included urban legislative reform, large scale urban regeneration and infrastructure projects promoting financialisation and housing demand (Erol, 2019: 725, 730, 732). These policies actively reshaped state-capital hybridity (Alami and Dixon, 2021) in the housing and construction sector by creating urban rents and commodification, consolidating financialisation as a strategy to discipline and manufacture consent, while also deepening the indebtedness of non-financial corporations (NFCs) (CBRT, Annual Report 2017: 17-8, 20; 2018: 20-22;) (Figure 2). In March 2022, the combined share of corporate and SME loans within total bank lending was 81% compared to 67% in 2012 whereas the share of consumer loans and credit cards represented only 19% of total loans compared to 33% in 2012 (BRSA, 2019; 2022). The distribution of bank loans to the construction sector also increased dynamically after 2013 (BRSA, Monthly Banking Sector Data, n.d.).

Private capitals blended with the state as construction-sector capital groups engaged in infrastructural "mega-projects" which relied on state support via public-private partnerships (PPPs) and politicized public procurement. TOKI enhanced the financialization of housing by a threefold increase in PPP construction between 2003 and 2013 (Demiralp et. al., 2016; Sonmez, 2014 cited in Bozkurt, 2021: 14; Bugra and Savaskan, 2012; Marschall et. al., 2016; Arslanalp, 2018). However, this trajectory was repeatedly destabilized by global liquidity shocks following policy shifts by reserve currency central banks: the Fed's 2013 taper tantrum spurred new waves of capital outflows and volatility in 2013-14 and 2015-16 (Akcay and Gungen, 2019; Bozkurt, 2021: 26). After a third phase of capital flight in 2018, CBRT responded with DFS interventions: These included an amendment to CBRT law authorising the Bank to obtain any data required to monitor the foreign exchange transactions of real persons and legal entities, regulations to allow export rediscount credit borrowers to make payments in lira equivalent, facilitation of domestic currency based trading through a swap agreement with China, and the centralisation of bank collateral management under CBRT (CBRT Annual Report 2017: xii, 26, 28; Annual Report 2018: 23). These interventions deepened CBRT's involvement in the management and supervision of corporate finances and currency risk. Interest rate hikes led to debt servicing problems and bankruptcies by domestic firms concentrated largely in the construction sector (Erol, 2019: 738). This dynamic turned the currency crisis into a more systemic debt crisis while also making CBRT more complicit and constrained (Akcay and Gungen, 2019). By the end of 2018, the official inflation rate almost doubled within a year and settled at 20.30% (CBRT Annual Report, 2018: 20; Figure 9).

<Insert Figure 9 here >

Figure 9. Inflation in Türkiye

Source: (CBRT, n.d.)

CBRT tackled these challenges after 2018 by enhancing OFS interventions to stabilize credit provisioning for NFCs and continuous policy rate cuts in the second half of 2019 (CBRT Annual Report, 2018: xii, 23-5). It also utilised reserve requirement ratios (RRRs) to keep monetary expansion in check: A crucial regulation introduced in December aimed to channel the loans to 'production-oriented sectors rather than consumption-oriented ones' with the aim of encouraging 'long-term commercial loans that had a strong relation with production and investment, and long-term housing loans that had a weak relation with imports' (CBRT Annual Report, 2019: xii).

Part II. Deepening Authoritarian Financialisation Under COVID19 (2020-21)

Hungary

Green lending and asset purchase programs (APP) launched before the pandemic to deepen financial markets via securitization were reframed under COVID19 as countercyclical policies (MNB, 2019). MNB emulated the low interest rates, APPs, and green lending of Core economies: Instead of convergence with AE templates however, the semi-peripheral features of authoritarian financialization were reinforced. An apparent deepening of financial markets masked a recapitalization of state-dependent crony capital groups tied to the finance-real estate nexus, the concentration of banking assets under state control and the shoring up of the rentier social contract via the financialization of housing.

MNB's monetary policy toolkit to tackle COVID19 contained limited DFS interventions to contain the risk of balooning public and private debt: a loan repayment moratorium was announced for the private sector, and an Asset Purchase Program (APP), under which MNB purchased government securities with long maturities to help finance public debt. By contrast, OFS interventions involved multiple instruments such as low rates, greenwashing the financialization of housing, new subsidized instruments, macroprudential regulations to boost lending and an APP to recapitalize domestic capital groups.

MNB kept base rates under 1% until May 2021 and expanded its mission creep by rebranding itself as a green central bank, mimicking the EIB's transformation into a climate bank (Mazzucato and Penna, 2016, Griffith-Jones and Carreras, 2021). The green mandate empowered MNB to use macroprudential interventions to incentivize "green" retail lending and create new asset classes such as green mortgage-backed bonds.

A Mortgage Funding Adequacy Ratio (MFAR) for green-certified mortgage-backed funds would be weighted at a preferential rate. A "Green Preferential Capital Requirement Program" for retail banks reclassified household loans for energy efficient housing as less risky and conceded lower capital requirements to retail banks. MNB also launched a new Green Home Program in October 2021, offering 0% refinancing for banks to lend at a capped 2.5% to households for the purchase or refurbishing of energy-efficient flats. To support the uptake of green instruments, a Green Mortgage Bond Purchase scheme to buy forint-denominated, fixed-rate "green" mortgage-backed bonds to the tune of HUF 200 billion was announced in 2021 (MNB, 2021a). In continuity with preferential loans to SMEs since 2013, MNB launched the FGS GO! Program under which it provided 0% refinancing loans for banks to lend at capped interest rates to SMEs: between April 2020 and September 2021, 40 655 firms benefited from this subsidized scheme (MNB, 2021b). To support the largest domestic firms, MNB launched in July 2019 an Asset Purchase Program called "Bond Funding for Growth Scheme" with a HUF 300 billion window to purchase bonds issued by NFCs, modelled after the ECB's Corporate Sector Purchase Programme (CSPP) and the 2016 BoE Corporate Bond Purchase Scheme (CBPS) (MNB, 2019). By 2022, over 30% of retail credit was subsidized, while MNB acknowledged the pacifying role of state-driven financialization noting that "*buying a new home without subsidies would currently represent an excessive financial burden for families in Budapest*" (MNB, 2022a). MNB acknowledged that it had created a housing bubble overvalued by at least 18% compared with fundamentals (MNB, 2022a).

The APP spurred one of the largest Central Bank balance sheet expansions in EMEs: between 2020 and 2021, MNB assets grew from 7% to 20% GDP. While MNB purchased up to 5% of government debt, Hungarian QE also involved massive purchases of collateralized bonds issued by NFCs, making it an outlier among EMEs which primarily used APPs to stabilize sovereign bond markets instead of recapitalizing domestic firms (Arena et al., 2021). The APP strengthened the finance-real estate nexus: 35% of the large firms benefitting from the APP were involved in construction and real estate (Figure 10) just as most subsidized SME loans were channelled to the sector (Figure 11).

<Insert Figure 10 here >

Figure 10. The APP and the finance-real estate nexus

Source: own calculations based on MNB and press (see appendix)

<Insert Figure 11 here >

Figure 11. Sectoral Composition of SME Loans

Source: (MNB, 2022d)

The APP also circumvented EU state aid rules which had limited MNB's ability to capitalize crony firms: 50 out of 90 large firms benefitting from the APP were connected to the Prime Minister's inner circle. Multiple recapitalized crony capital groups expanded their foreign corporate and residential real estate portfolios during COVID19 (Kassay, 2022, Kuzmanovic, 2022, HVG, 2020, Mester, 2020). Finally, the APP also created a hitherto inexistent private bond market: Between 2018 and 2022, the corporate bond market grew from 1.5% to 5% of GDP. However, these asset-backed bonds didn't trade on the secondary market and failed to kickstart a broader expansion of securitization (Szekeres, 2021): banks only purchased bonds issued by NFCs because of preferential yields on corresponding deposit accounts stored at the Central Bank. Overall, neither green lending nor the APP delivered the sought-after deep capital markets, but they were effective in shoring up the rentier social contract supported by the finance-real estate nexus.

Türkiye

The transition to the Presidential System of Government (PSG) in 2018 accelerated authoritarian financialisation in Türkiye. The centralization and personification of power represented an authoritarian fix to address global liquidity shocks in 2015-16 and the deepening legitimacy crisis of the AKP regime after 2013 (Akcay, 2018; Akcay, 2020; Araj and Savran, 2021). However, the politicization of economic management dramatically heightened conflicts over monetary policy between the Presidency and CBRT. While this tension had been present since 2001, the shift to PSG after 2018 empowered the Erdogan regime with stronger coercive capabilities to directly dismiss central bank governors and policymakers (Akcay, 2020; Bedirhanoglu, 2021a).

Throughout 2020, CBRT relied on loose monetary policy and macroprudential incentives for lending to weather the pandemic related economic distress (CBRT Annual Report, 2020: xii-xiii, 25, 35). The Bank also initiated an asset purchase programme (APP) accompanying its policy rate cuts from March 2020 to July 2020 (more modest than in Hungary) to offset capital outflows (Arena et. al., 2021: 6, 12; Table 2). These policy choices preserved the OFS objective of pursuing financialisation as a growth strategy while introducing graver inflationary and political risks for the post-GFC power bloc.

Table 3. Macroeconomic fundamentals

Macroeconomic fundamentals	Turkey	Hungary
General government debt (2020)	Low (<50% of GDP)	High (>70% of GDP)
General government fiscal deficit (2019)	High (>5% of GDP)	Low (<5% of GDP)
Local currency government debt (2019)	Low (<20% of GDP)	High (>50% of GDP)
Size of domestic government securities markets	Small	Large
State ownership of the banking sector (2016)	High (>30%)	Low (<30) (increased after 2016)

Inflation rate and expectations	High	Low
Pre-pandemic current account balance (2017-19)	Deficit –(funding through portfolio flows)	Surplus
Foreign reserves (2020)	Below the IMF's reserve adequacy metric (<80%)	Above the IMF's reserve adequacy metric (>100%)
Post-Covid APPs		
Duration	Mar-Jul 2020	May 2020- Dec 2021
Asset type	Government securities	Government securities, mortgage, and corporate bonds
Amount	1.6% of GDP (2020)	7.2% of GDP (by end-June 2021)

Compiled from Arena et. al. (2021: 29-33, 56, 59)

A consequence of incentivizing credit was the sharp rise in domestic demand-driven imports (CBRT Annual Report, 2020: 20; CBRT Financial Stability Report, 2021: 1). This, in turn, increased the indebtedness ratio of the corporate sector from 56% in January 2020 to 69% in August while the previously declining household financial leverage ratio flattened at 36% during the pandemic (CBRT Annual Report, 2020: 36). These dynamics, alongside excessive FX reserves loss (over USD 100 billion in the course of 20 months) brought the economy to the verge of crisis once again (CBRT FSR, 2021: 2; Figure 12).

<Insert Figure 12 here >

Figure 12. NFC Debt Service

Source: (BIS, n.d.)

Consequently, CBRT moved to stem credit by increasing its policy rates between September 2020 and 2021 (Figure 13) and the Covid-era OFS instruments were gradually rolled back after November 2020. The earlier onset of monetary contraction was an element of divergence between Türkiye and other emerging economies and worsened due to the pre-pandemic vulnerabilities of the economy (CBRT Annual Report, 2020: 20).

In response to CBRT's stubborn pursuit of price stability, the President resorted to frequent dismissals of several central bank governors and policymakers in 2020 and 2021 (Al Jazeera, 2021; Guardian, 2020; Michaelson, 2021). A similar battlefield formed between the Turkish Statistical Institute and the executive with respect to the announced official inflation rate which led to the dismissal of the head of the Institute by the President in early 2022 (Pitel, 2022).

The contractionary monetary response of CBRT was countered by the expansionary pressures on credit growth and deepening financialization led by several OFS practices of the executive: the inclusion of new debt instruments as eligible collateral for repo and reverse-repo transactions of banks and intermediary institutions in December 2020 and February 2021, an extension of credit support packages to SMEs, micro and small enterprises (MSEs) in the manufacturing and technology sectors as well as long-term loan support for targeted manufacturing investments in specific regions, financial support programmes for income loss and rent. Additionally, a presidential decree issued in December 2020 introduced significant interest discounts to loans that were extended by one of the main public banks (Halkbank) and the Ministry of Treasury and Finance was tasked with covering the income losses arising from the extension of these loans. In February 2021, the Ministry of Environment and Urbanisation extended credit interest support for urban transformation and construction (CBRT FSR, 2021: 6, 8).

CBRT also started reporting on green finance and bond developments, and their impact on financial stability more substantially from 2021 onwards (CBRT FSR, 2021: 14). Sustainable and green bond issuance by the Turkish banking sector commenced in 2016, and while it is not as developed as in the advanced capitalist economies and in Hungary (World Bank, 2022: 21), the post-Covid era demonstrated a visible upsurge in this regard. CBRT reports that green/sustainable bond issuance has reached a total of USD 2.7 billion in Türkiye since 2016. However, USD 1.75 billion of this total amount has been issued since August 2020 (CBRT FSR, 2021: 17). The degree of attention paid to green finance is discernible in the announcement of the Monetary Policy Committee's decision to 'support sustainable finance initiatives as a long-term policy without prejudice to the main objectives of monetary policy' in October 2021 (CBRT Press Release, 2021; Inflation Report, 2021: 10; CBRT FSR, 2021a: 6).

Part 3. Crises of Authoritarian Financialization (2021-2022)

Hungary

After the GFC, Fidesz proposed two justifications for executive control over monetary policy and credit: the first was to deleverage and domesticate debt, which enhanced the state's relative financial autonomy vis a vis capital markets. The second was to engineer a controlled housing asset price bubble via subsidized loans provided by the re-politicized Central Bank and a renationalized retail banking sector, which benefitted SMEs, crony capital groups and households. The global liquidity squeeze of 2022 undermined both. By late 2021, previous DFS objectives became unsustainable: A political deadlock with the EU Commission over systemic corruption blocked EU transfers. These frozen funds, combined with widening current account deficits and a phase of fiscal populism before general elections in April 2022 destabilized a model which had relied on fiscal restraint and on MNB's stick and carrot approach which had forced bank reserves and savings into forint denominated bonds via the quantitative limit instrument (see part I) and subsidized bonds for households. Anticipating monetary tightening, the Treasury launched its largest ever FX bond auction of $4.25 billion and EUR 1 billion in September 2021. After a decade spent on reducing it, the share of FX debt increased to 23,3% in July 2022 from an absolute low of 15,4% in February 2020. While price controls on energy and food introduced in 2022 failed to stem a 21% core inflation and a collapsing exchange rate (IMF, 2022b), MNB hiked interest rates from 0.6% in 2020 to 18% by October 2022 (Figure 13), ending the era of cheap credit.

Blocked EU transfers were highly salient in reversing DFS objectives: they depleted Central Bank FX reserves and explained a more severe depreciation of the forint compared with regional counterparts (Zsiborás, 2022). They also threatened the finance-real estate nexus: the largest sectoral impact of EU transfers had been in real estate transactions and construction where they accounted for 9% and 4.6% of growth (KPMG, 2017). EU transfers in Hungary thus played a comparable role in sustaining the finance-real estate nexus to foreign portfolio investments in Türkiye.

Fiscal tightening forced the government to phase out the APP and subsidized green lending schemes introduced under COVID19 to prop up financialization. After aggressive rate hikes, year-on-year housing loans dropped by 31% by July 2022 (MNB, 2022b). With the return to orthodox monetarism, the executive sacrificed the real estate bubble it had created to contain inflation and depreciation.

The government and MNB had closely coordinated de-financialization in 2010-2015 and re-financialization in 2015-2020. In the new stagflationary, high interest rate environment however, conflicts erupted over monetary policy. The governor of the Central Bank accused the government of locking in a credit-fuelled construction-driven growth model by "investing in concrete and steel instead of brains", and "a fiscal program composed for two thirds of construction" (Matolcsy, 2021). Conversely, the Orbán-aligned chairman of the Chamber of Commerce attacked MNB for being dovish on inflation (Hornyák, 2022). Far-right opposition party Jobbik blamed both the government and MNB for the forint's depreciation and proposed to constitutionalize a strong exchange rate (MTI, 2022).

Internal conflicts within the state translated into degraded policy coherence: MNB contracted money supply while pretending to leave the base rate untouched. In fact, it made a 18% overnight deposit rate into the new, implicit policy rate, decoupling it from the official 13% base rate which lost its relevance. This mirrored Türkiye where CBRT tightened money supply after 2018 while placating the President's refusal of high policy rates by introducing multiple rates which made monetary policy purposefully less transparent (Yağcı, 2018, Apaydin and Çoban, 2022b).

The priorities of MNB and the government also conflicted regarding the externalities of subsidized lending and shielding indebted households and NFCs: In 2020, the government introduced a temporary interest rate cap on housing loans and mortgages indexed on interbank and MNB base rates: to avoid a wave of defaults, these were extended until December 2022. Capped rates were indexed on the 2021 MNB base rate of 2% and an interbank rate of 2,4% - while they had in fact increased to 18% and 16% respectively by October 2022. In October 2022, the government further extended capped interest rates to SME loans. In March 2022 however, MNB had already warned that the scale of subsidized lending (above 30%) and protections actually hindered monetary policy transmission (MNB, 2022d) given how many interest rates were frozen by fiat.

The conflict-ridden consolidation of an anti-inflationary coalition should be appraised in light of Fidesz' social bloc. Unlike Turkish export-oriented SMEs which are vital for AKP, Hungarian domestic capital is concentrated in import-intensive and non-tradable sectors (Vakhal, 2020): 39% of SMEs rely on imported intermediary goods, while 80% of export value is realized by foreign-owned multinationals (KSH, 2018). Domestic capital is highly sensitive to cost-push inflation (Karas, 2021), and to exchange rate volatility: containing both appeared as a shared concern for domestic capital and for wage earners. In conjunction with structurally high public debt and a deep exposure of the renationalized banking system to the sovereign, austerity and monetary contraction attempted to contain inflation, depreciation, and the degradation of public balance sheets.

Türkiye

As noted earlier, several upheavals splintered the power bloc (Akcay, 2020) between a first-generation bourgeoisie (older, highly internationalized, large financial and holding groups) and a second-generation bourgeoisie (younger, gradually internationalizing, small and medium-scale capital groups in construction and light manufacturing) with opposing demands on interest rate policy (Bozkurt 2021). The state temporarily addressed their conflicts by increasing the repression of societal dissent and resistance, centralising political power in the executive branch, and deepening financial statecraft (e.g. Gezi uprisings in 2013, 2016 coup attempt, and the shift to the presidential system in 2017, 2018 crisis, post-pandemic and the 2021-22 inflation cycle) (Akcay and Jungmann, 2022: 22).

In late 2020 and 2021, the CBRT's tight monetary policy to address high inflation and exchange rate volatility once again conflicted with the government's stimulus policies (CBRT FSR, 2021: 4-9, 21; CBRT MERSP, 2020: 5). CBRT maintained a restrictive monetary policy by preserving its policy rate (which was raised in March 2021 once again) between April and August (CBRT MERP, 2021: 4), used macroprudential instruments (CBRT FSR, 2021: 4-5), and signed three separate swap agreements with the central banks of Korea, China (increasing the limit of the previous agreement), and Qatar (extending the expired swap agreement for three more years) between May and September (CBRT MERP, 2021: 10).

Rapid policy rate cuts, continuously demanded by Erdogan (Deutsche Welle, 2021; Reuters, 2022), reversed these measures in the last four months of 2021 amidst the executive's announcements that Türkiye was adopting a 'Chinese model' of export-oriented growth supported by competitive depreciation (Hurriyet, 2021). This policy rollback resulted in yet another episode of currency crisis and depreciation, dramatic inflation and capital outflows (CBRT Inflation Report, 2022; Figure 9). The latter was exacerbated by the global liquidity squeeze following the Fed's interest rate hikes throughout 2022.

<Insert Figure 13 here >
Figure 13. Monetary Policy Divergence

Source: (BIS, n.d)

As of October 2022, the official inflation rate reached 85.5% in Türiye (CBRT Consumer Prices, n.d.; Figure 9) whereas the independent ENAG report set the same rate at 185.3% (ENAGrup, 2022). Facing a hyperinflationary crisis, the executive counter-intuitively pressured CBRT to reduce its policy rate to 12% in August 2022 (CBRT MPC Press Release, 2022a). The post-2018 shift to PSG has enabled more direct executive interventions in monetary policymaking. The endorsement of loose monetary policy aligned with the short-term interests of export-driven capital groups by facilitating the depreciation of the lira.

The new monetary policy simultaneously alienated the highly internationalized, big capital groups which maintained strong presence in finance/banking sectors as well as higher value-added industrial sectors which favoured a strong lira and high interest rate policy (Akcay and Jungmann, 2022; Bozkurt, 2021: 14-18). Wage earners paid the price of a weak lira in a hyperinflationary context, which enhanced dispossession and further proletarianization (Inanc, 2021).

A low value-added export-driven growth strategy, already mobilised in the previous crisis cycles of the 1980s and 1990s, has deepened the cracks of the social bloc (which includes the power bloc made up of the state and dominant capital groups as well as the subordinated classes), enhancing the accumulation/legitimation dilemma of the Erdogan regime (Akcay and Jungmann, 2022: 22-23). These cracks were visible in criticisms voiced by the representatives of the first-generation bourgeoisie against the new economic policies (TUSIAD, 2022). But representatives of the second-generation bourgeoisie also expressed concerns over high inflation and exchange rate volatility given their impact on the external debt payments and pricing practices (Dunya, 2021; MUSIAD, 2022).

The low interest rate policy accelerated the lira's collapse and produced new and more visibly authoritarian DFS interventions: the government attempted to reverse dollarization with the 'permanent and strengthened liraization' (CBRT MPC Press Release, 2022) and indirect capital controls (Reuters, 2022a; Ahval, 2022) by attempting to appropriate NFC dollar revenues and household dollar deposits to stem the current account deficit and replenish depleting FX reserves needed to support the lira's exchange rate.

Nevertheless, these DFS instruments neither managed to convert large volumes of FX deposits to lira (Kubilay, 2022) nor stopped depreciation and hyperinflation. They also eroded the consent and co-optation of subordinated classes exacerbating the legitimation dilemma of the Erdogan administration despite renewed attempts to pacify low-income households via a vast social housing programme announced in September 2022 (Pitel, 2022a)

The executive attempted to stem inflation and depreciation without a monetary tightening which would have undermined its social bloc: To do so, it forced the introduction of capital controls, tried to appropriate the forex deposits of private actors, and boosted CBRT's FX reserves with international swap agreements. Controversially, it also recycled massive Russian capital inflows attempting to evade US sanctions (Pitel and Samson, 2022). Under these adverse circumstances, state-driven financialization only sustains a radically narrowed power bloc in the eve of 2023 general elections while the cost-of-living crisis amid hyperinflation erodes the societal consent rapidly.

Conclusion

Our intervention contributes to the state of the art in three ways: Firstly, we link the research agendas on monetary policy, financialization and authoritarianism in EMEs without reifying a monocausal link: we don't explain authoritarianism with financialization – instead, we identify the features of a specific, authoritarian statist mode of financialization (AF) in EMEs. We show how exposure to global liquidity-

and exchange rate volatility under subordinate financialization can spur EME states to develop new forms of financial statecraft, which aim to re-govern finance and to govern society through finance (Braun et al., 2018). AF shares with AE modalities of financialization the objectives of sustaining finance-based growth and pacifying society with cheap credit and asset price bubbles (Adkins et al., 2020) and solving the interrelated problems of financing sovereign debt, enhancing monetary policy transmission and fuelling credit-based growth (Braun and Gabor, 2020). Whereas this project is carried out by depoliticized, independent Central Banks in AEs, under AF, the very visible hand of the executive fuels credit-based growth by centralizing political control over the social allocation of money in ways which parallel state monopolies over resource rents.

Secondly, we emphasize that convergence to state-engineered asset price bubbles shouldn't deflect attention from significant variation in external financing conditions, the macroeconomic and political function of sovereign debt in a national economy, as well as the social and sectoral compositions of rentier social contracts enabled by financialization. As monetary policy plays a dual role in managing both sovereign and private debt, these underlying differences are important to explain different policy preferences when AF regimes face zero-sum trade-offs between the external and internal functions of monetary policy.

Thirdly, we point out the crisis-ridden nature of AF as a state capitalist strategy to mitigate the destabilizing impacts of financialization, while harnessing the opportunities of credit-based growth for stabilizing authoritarian regimes. Transposing the arguments of Poulantzas and Offe to financialization, we observe that authoritarian state control over money in EMEs merely internalized distributive conflicts within the state, eroded monetary policy coherence and locked in pathways of coercive escalation instead of delivering macro-financial stability or unlocking new growth models. In an era when financial sovereignty has become a politicized question in many EMEs (Ben Gadha et al., 2021), our study signals the limits of nationalist authoritarian statist strategies to expand the state's relative financial autonomy. The EU's crisis management under COVID19 showed that Core economies and Central Banks have the capacity to stabilize peripheral bond markets (Eichacker, forthcoming): AF fills the void of comparable mechanisms of macro-financial stabilization at a global level.

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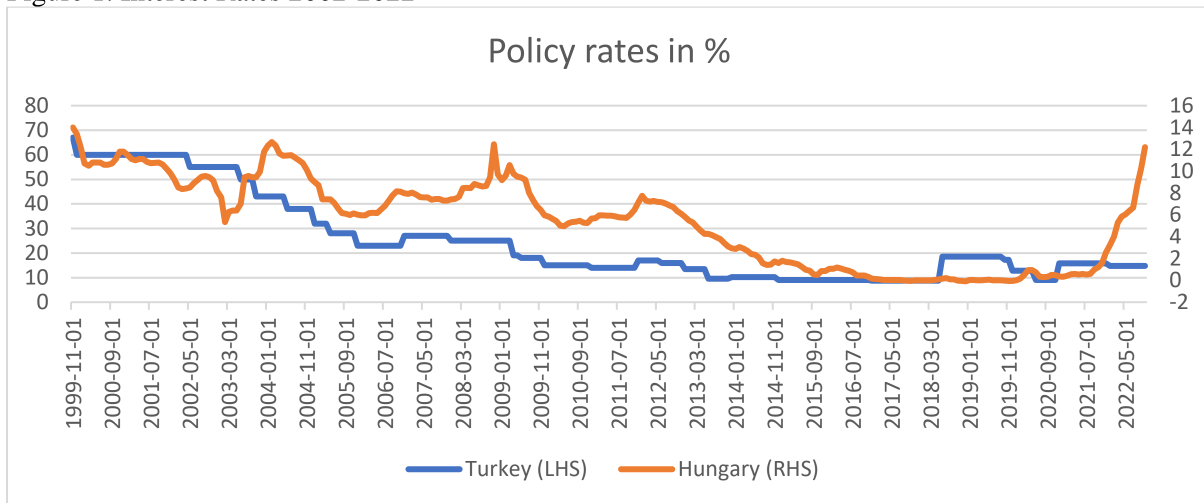
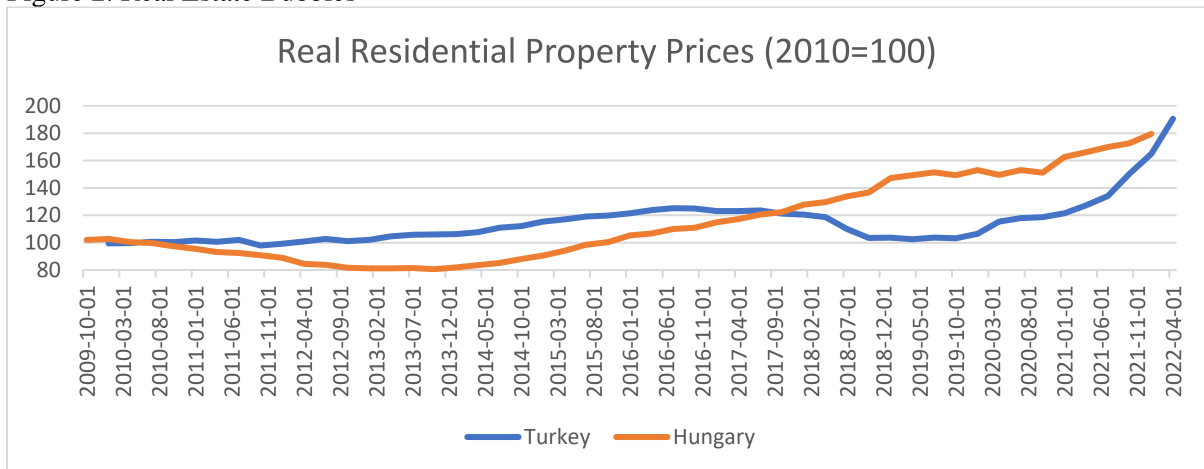
FIGURES:

Figure 1. Interest Rates 2002-2022



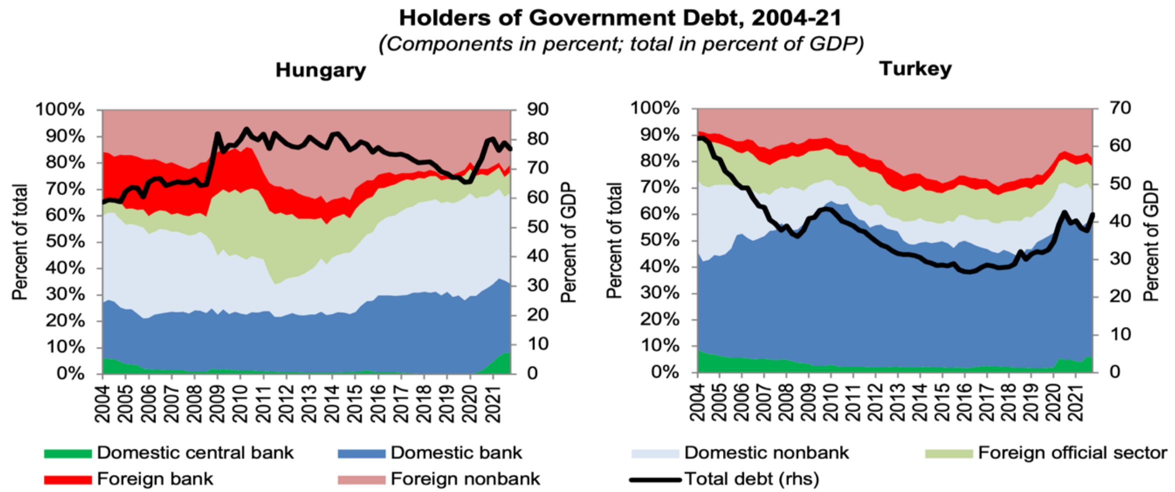
Source: Federal Reserve Economic Data (FRED)

Figure 2. Real Estate Bubbles



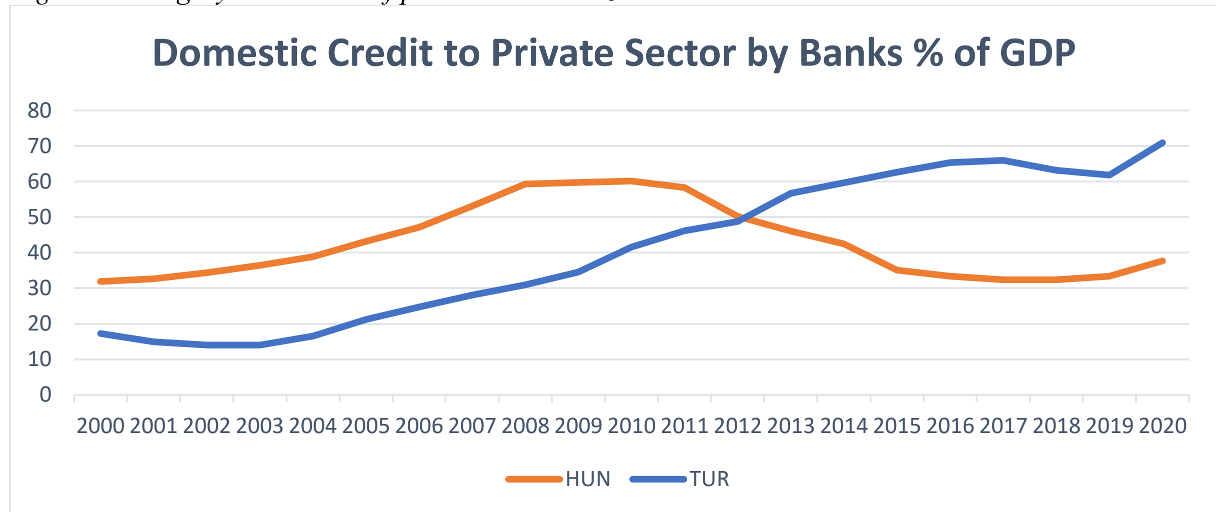
Source: Federal Reserve Economic Data (FRED)

Figure 3. Sovereign Debt



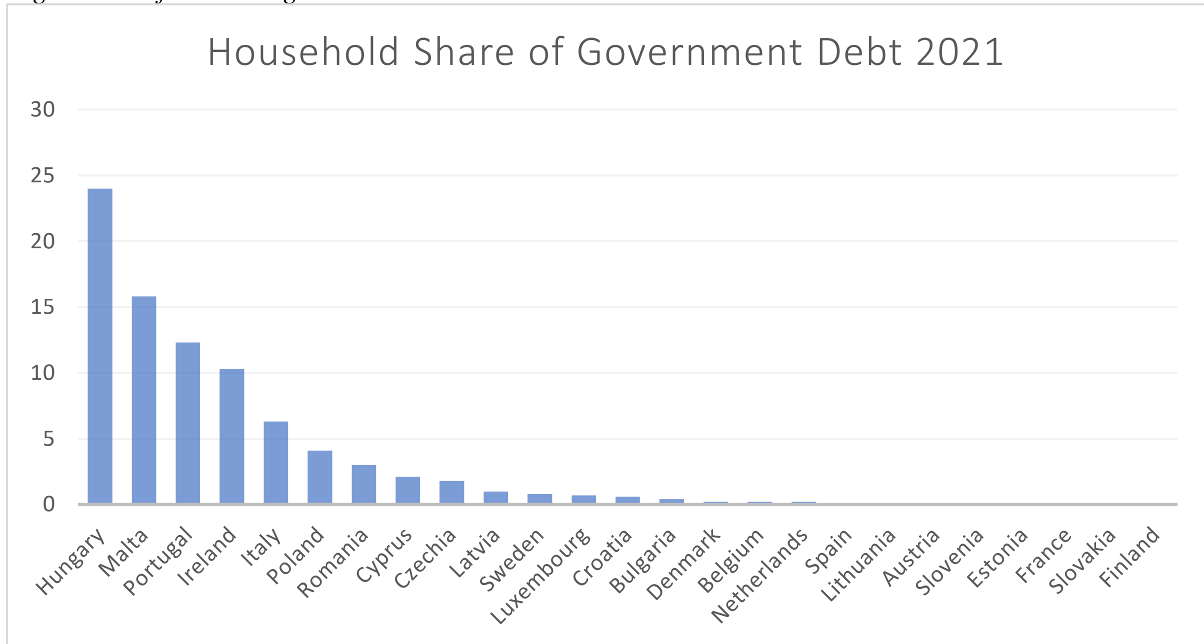
Source: (IMF, 2022)

Figure 4. Hungary's 2 Phases of post-GFC Stabilization



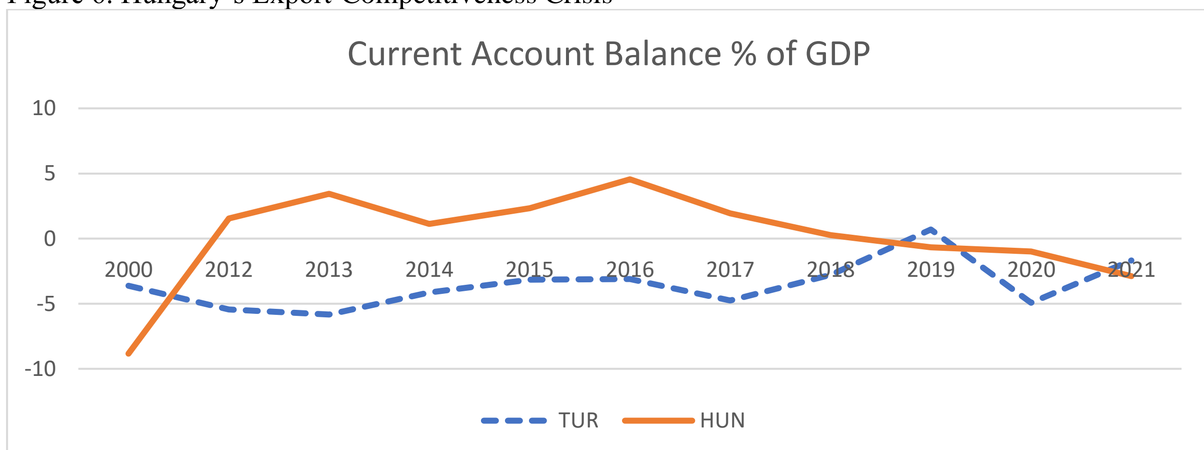
Source: *World Bank*

Figure 5. Self-Financing



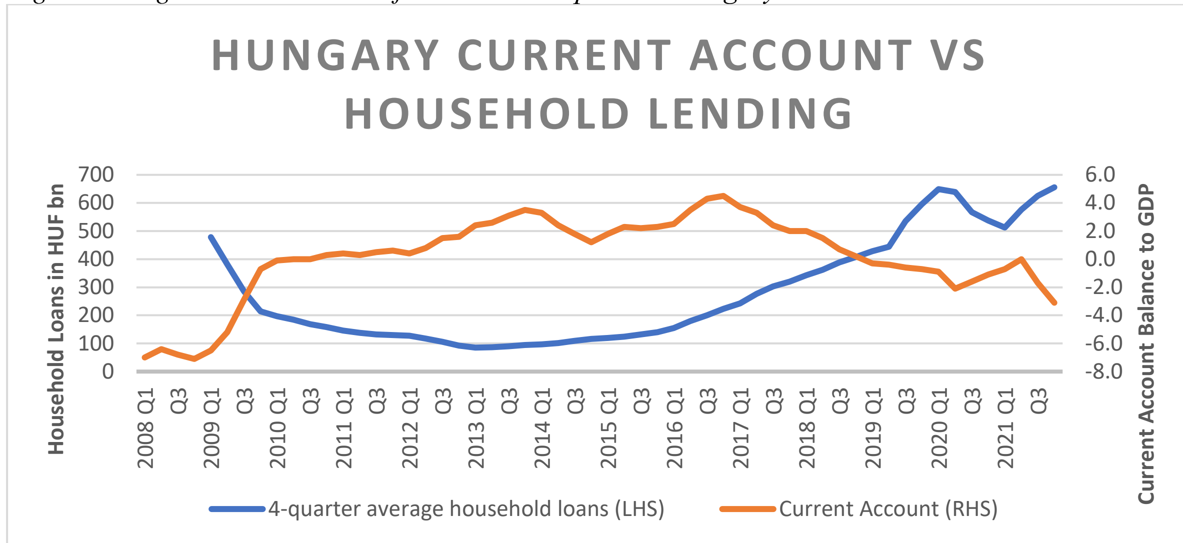
Source: *Eurostat [GOV_10DD_GGD]*

Figure 6. Hungary's Export-Competitiveness Crisis



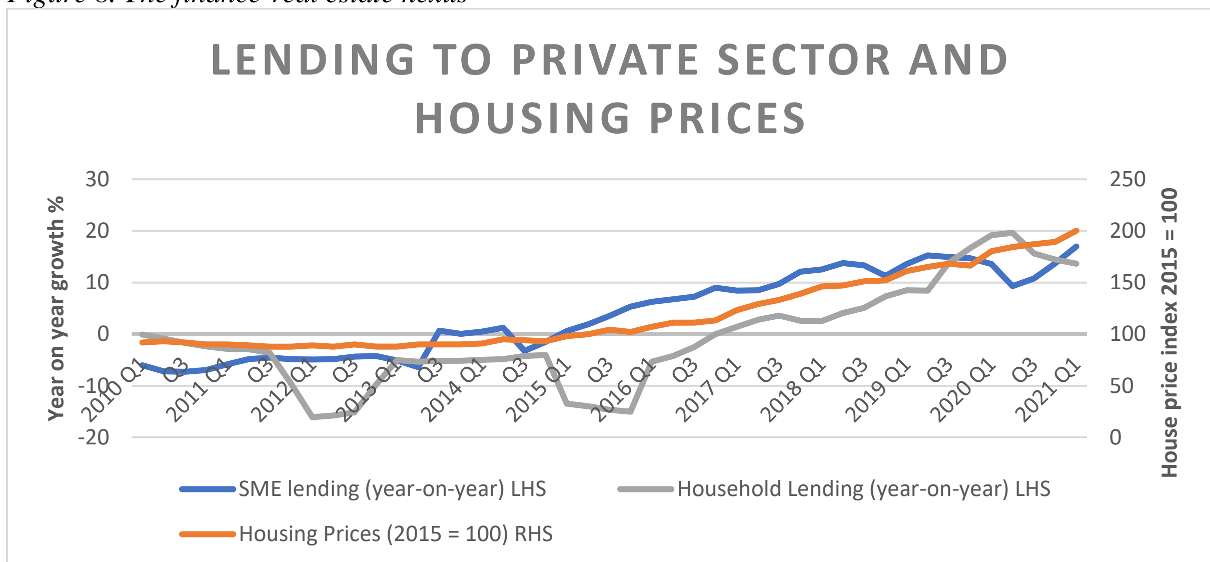
Source: World Bank

Figure 7. Negative Correlation of Credit and Exports in Hungary's Growth Model



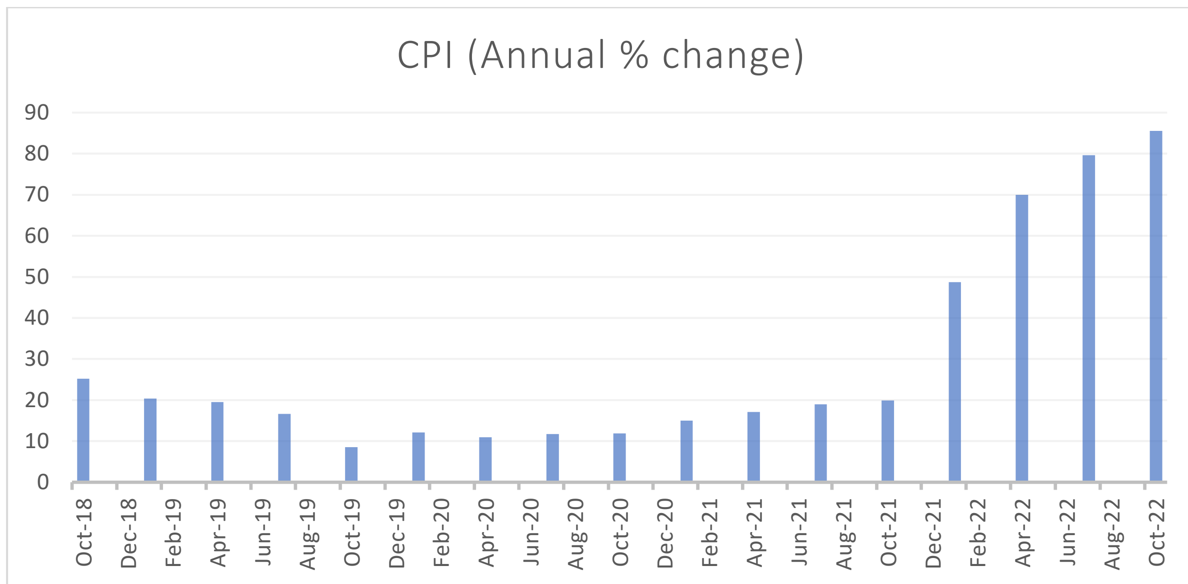
Source: (MNB, 2022a, MNB, 2022b)

Figure 8. The finance-real estate nexus



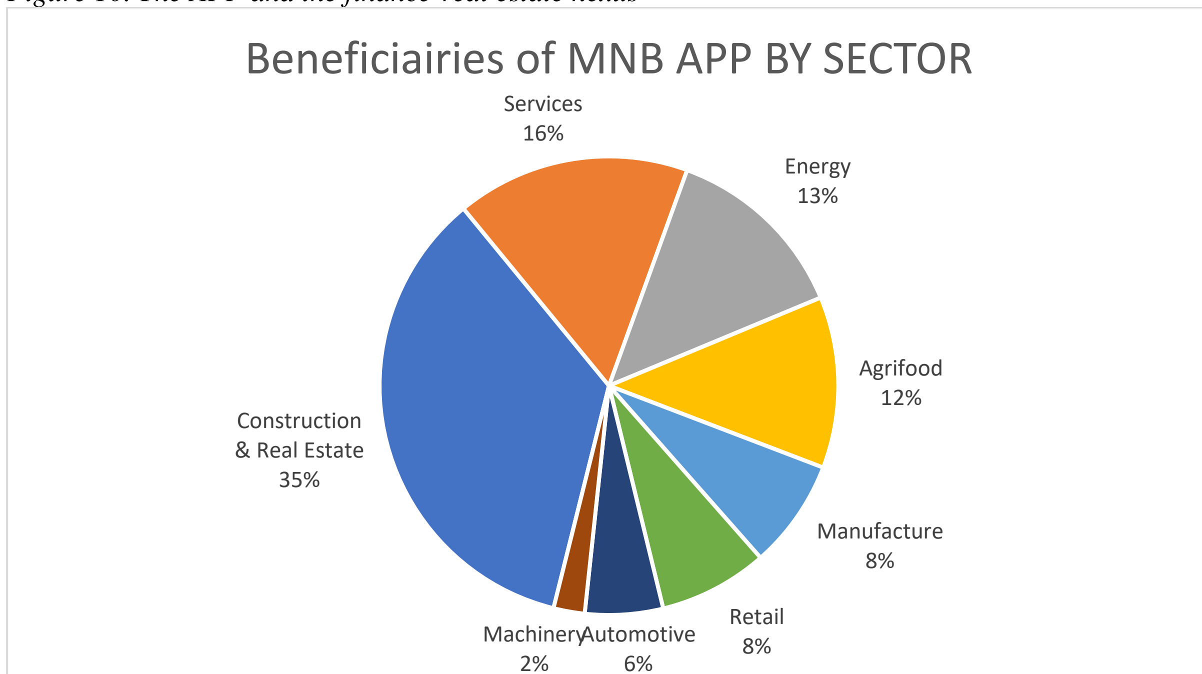
Source: (KSH, 2022, MNB, 2022c)

Figure 9. Consumer Price Index in Türkiye (Annual % change) (2018-2022)



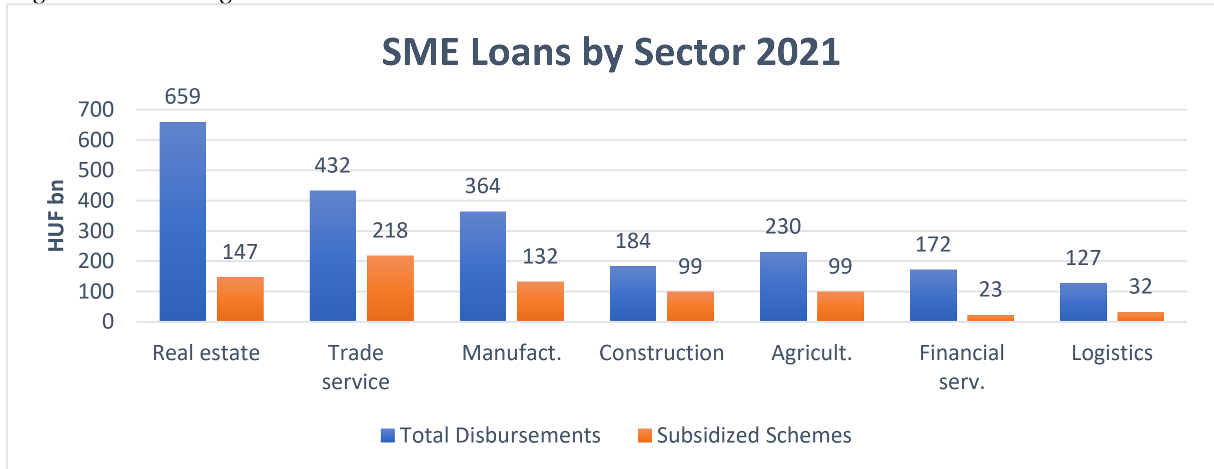
Source: (CBRT, n.d.)

Figure 10. The APP and the finance-real estate nexus



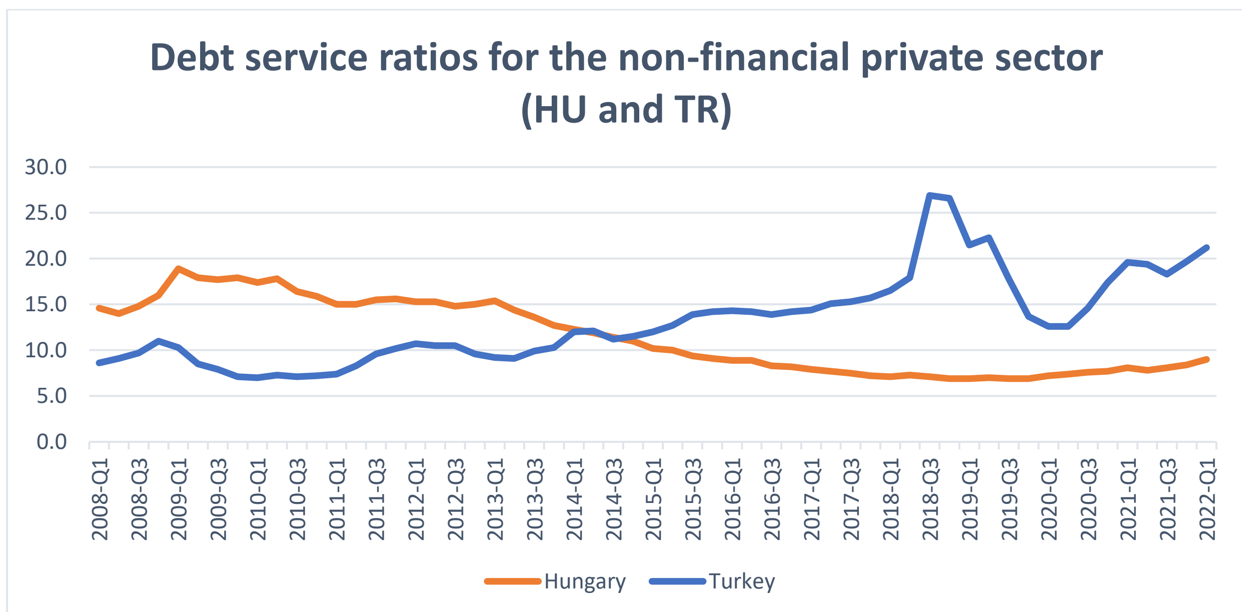
Source: own calculations based on MNB and press (see appendix)

Figure 11. Lending to SMEs



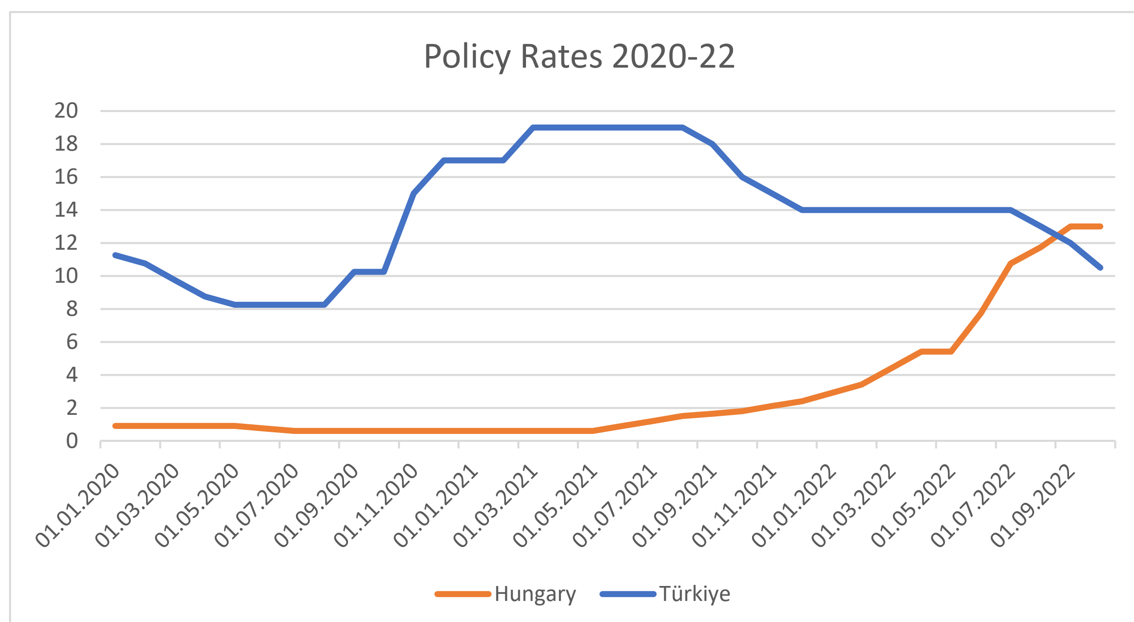
Source: (MNB, 2022c)

Figure 12. Debt service ratios for the non-financial private sector (Hungary and Türkiye)



Source: (BIS, n.d)

Figure 13. CBRT and MNB Policy Rates (2020-2022)



Source : (BIS, n.d.)

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[i] Erol (2019: 738) argues that these measures have contributed to the rapid commodification of housing and a speculative construction boom in the country; however, household and housing consumption financialisation have not accompanied this process to the same degree due to the legal and institutional set up of the mortgage system in the cautious post-2001 policy environment, the high inflation and unemployment rates, and the low income levels. During this period, housing credit market has remained accessible mainly to upper- and middle-class households (ibid.: 732-3; see also Arslanalp, 2018: 26-7).