

Karina Jędrzejowska, PhD
Univeristy of Warsaw

<https://doi.org/10.26366/PTE.ZG.2017.107>

Economic Nationalism – Old-new Phenomenon in the Global Economy

Abstract

Although economic nationalism constitutes an important determinant of economic policy of numerous countries, this phenomenon appears to be relatively under-investigated within the political economy. Economic nationalism is primarily associated with economic policies of the late nineteenth and early twentieth century. It also provides an ideological basis for the mercantilist-oriented development strategy of the so called East Asian tigers. In spite of the liberalization of the economic systems, a series of financial crises of the last decades has led to a renaissance of this phenomenon. The purpose of this article is to analyze the concept of economic nationalism as well as its types, and prevalence in the contemporary global economy.

Keywords: economic nationalism, mercantilism, economic policy, interventionism, protectionism, developmental state.

JEL CODE: F52.

Nacjonalizm ekonomiczny: stare-nowe zjawisko w gospodarce światowej

Streszczenie

Chociaż nacjonalizm ekonomiczny stanowi istotny czynnik determinujący realizację polityki gospodarczej wielu państw, zjawisko to wydaje się stosunkowo mało zbadane na gruncie ekonomii politycznej. Nacjonalizm ekonomiczny kojarzy się w pierwszej kolejności z polityką gospodarczą końca XIX i początku XX wieku. Jest to również swoista podstawa ideologiczna dla merkantylistycznej strategii rozwoju tzw. tygrysów azjatyckich. Pomimo liberalizacji systemów gospodarczych, seria kryzysów finansowych ostatnich dekad doprowadziła do swoistego renesansu tego zjawiska. Celem niniejszego artykułu jest analiza pojęcia nacjonalizmu ekonomicznego – w tym rodzajów nacjonalizmu ekonomicznego, jego powiązań z merkantylizmem i przejawów we współczesnej gospodarce światowej.

Słowa kluczowe: nacjonalizm ekonomiczny, merkantylizm, polityka gospodarcza, interwencjonizm, protekcjonizm, *developmental state*.

Introduction

Usually economic nationalism is associated with the economic policy of the late 19th and early 20th century. The term also appears in the second half of the last century in the context of the development strategies of some developing countries, including the so-called Asian tigers, which refer to the principles of mercantilism. However, despite the liberalisation of economic systems, economic nationalism – a phenomenon that until recently has been analysed relatively rarely in the context of the international political economy (*International Political Economy*, IPE) – cannot be considered a relic of a bygone era (Aggarwal 2016, p. 92).

The aim of this article is to present economic nationalism as an ideology and a specific tool of economic policy, foreign economic policy in particular. The motivation to address the topic resulted from a relatively small number of analyses in both Polish and English language literature concerned with economic nationalism and its specific „rebirth” in the last decade. The text is largely descriptive and is based on a review of the literature on the subject. Due to the limitation of the volume of the text, the article does not discuss the subject completely, but only outlines the analyzed issues¹.

In order to achieve the aim of the article the following steps have been taken:

- an attempt was made to define economic nationalism;
- the relations between economic nationalism and mercantilism and selected synonymous concepts were indicated;
- an overview of varieties and selected examples of manifestations of economic nationalism was presented;
- the conclusions of the analysis are presented.

The concept of economic nationalism and literature review

The literature on the subject does not provide an unambiguous definition of economic nationalism. Definitions of economic nationalism differ significantly due to, among other things, the recognition of economic nationalism both as an ideology and as a specific set of economic policy tools (Akhter 2007, pp. 142-150). Among the reasons for this state of affairs one can point to the interdisciplinarity (and diversity of approaches to analysis) of the international political economy and thus problems with the precise classification of particular

¹ The text uses excerpts from the author's earlier studies on economic nationalism (Jędrzejowska 2014; Jędrzejowska 2015).

theoretical trends within the IPE issues. This problem also concerns the realistic paradigm in the international political economy, which economic nationalism and mercantilism synonymous with it are most often identified with (Guzzini 1998, p. 170).

M. Helperin writes that the term economic nationalism was widely used in the interwar period, but its exact meaning was never clearly defined. The same author stresses that economic nationalism originated in the mercantilist concept of 17th and 18th century, and in the 19th century it unjustifiably became a kind of synonym for protectionism (Heilperin 1960, pp. 16-17).

F. List is usually assumed to be the first theorist of economic nationalism. He opposed the views of the representatives of the liberal school in political economics, who, in his opinion, were looking for an answer to the question of how prosperity could be achieved by all humanity. According to List, the correct question is how a nation can increase its prosperity and power of influence (List 1904, p. 97). In List's opinion, the interest of the nation takes precedence over the good of the individual, and the state has the task of protecting the national economy. Moreover, the state intervenes in economic processes on behalf of the nation and not on its own behalf. However, despite the fact that economic nationalism is sometimes equated with protectionism in the economic policy of states and the pursuit of self-sufficiency, neither List nor many of its contemporaries (e.g. T. Attwood and A. Hamilton) can be regarded as supporters of such a policy. Moreover, these authors clearly indicated that the mechanisms of the world economy should be used to increase the power of the state. J. Fichte and A. Muller opposed these views. On the basis of an analysis of the policy of 19th century Prussia they leaned towards identifying economic nationalism with the aspiration for autarky (Helleiner 2002, pp. 312-317).

Despite extensive literature on economic nationalism in the nineteenth and early twentieth century, the term has been analysed relatively rarely for much of the last century. After World War II, much of the ideological debate within the framework of the international political economy was bifurcated into Marxist and liberal ideologies, and the subject of economic nationalism was hardly taken up. This does not mean that the usage of the term was discontinued. It continued to appear, among other things, in relation to protectionism in trade policy. The term was also used to express criticism of the pursuit of economic autarky typical of the post-war years in Latin America (Jędrzejowska 2014, pp. 127-128). However, usually researchers and politicians referring to economic nationalism did not try to define this concept precisely, and the concept itself became pejorative. As E. Helleiner writes, the liberals used

the term of economic nationalism to describe those actions which were not in line with their assumptions. Thus, any measures that interfered with the liberal vision of the world economy could be regarded as nationalist measures (Helleiner 2002, p. 309).

As A. Pickel points out, the economic nationalism term began to appear more frequently in IPE analyses only at the end of the 1970s, despite the fact that the collapse of the Breton Woods system, the progressive liberalisation of financial markets and the increasing interdependence between states did not create favourable conditions for the development of this ideology (Pickel 2001). Nevertheless, the monograph by O. Heronimi entitled „The New Economic Nationalism” (Heronimi 1980) comes from this period, as well as many of the approaches still used today to define and analyse this phenomenon, especially in the context of the progressing processes of globalisation.

One of the most frequently cited definitions of economic nationalism comes from R. Gilpin's „Political Economy of International Relations” published in 1987. He writes that economic policy should be subordinated to the interests of the state, and economic nationalism is a concept analogous to the state-centric realism (Gilpin 1987). Economic nationalism emphasises the anarchic structure of international relations, in which states are the main actors fighting for the achievements of their goals and power on the international arena (Gilpin 2001, p. 14). Thus, economic nationalism became a peculiar paraphrase of the realistic trend in political economy (Guzzini 1998, p. 118).

Authors such as G. Crane or R. Abdelal question Gilpin's interpretation. In their opinion, economic nationalism should be equated with the influence of national identity and nationalism on economic policy, especially international economic policy. These authors believe that economic nationalism should be defined as actions in the field of economic policy dictated by the desire to promote and protect national identity. At the same time, economic nationalism does not necessarily have to be a policy of the state – nationalistic ideology may also be referred to by private entities, e.g. in promotional campaigns emphasizing the „nationality” of particular products (Abdelal 2005, pp. 25-27).

In Polish literature, the term economic nationalism is used, among others, by J. Kofman. Similarly to the aforementioned A. Pickel, he defines economic nationalism as an ideology and political actions, the aim of which is for the state to achieve economic strength ensuring political independence. He writes that economic nationalism is characterised by the state's desire to maintain (or regain) control over the natural resources of a given state and the

formulation of economic policy priorities on the basis of a system of values, referring to the category of national needs (Kofman 1992; Pickel 2001, p. 11).

Economic nationalism and mercantilism and related concepts

One of the problems hindering the analysis and definition of economic nationalism is the existence of several synonymous concepts. These include protectionism, interventionism and mercantilism. It is relatively common for economic nationalism to be regarded as a kind of ideological basis for protectionist activities and state intervention in economic processes. Thus, protectionism in trade policy can be interpreted as a manifestation (effect) of economic nationalism or as a tool for implementing nationalist policies (Nakano 2004, pp. 211-212).

It is significant that the measure of economic nationalism is sometimes taken as the degree of state interventionism in a given system measured by the scope of its regulation and e.g. the relation between the volume of production of private and state entities, or the level of openness of a given economic system (Tanzi 2006, p. 12). This is due to the fact that the factors that make up economic nationalism, such as common identity, social welfare or the strength of the (national) state, are difficult to quantify (Gonzalez 2010).

Mercantilism is very often identified with economic nationalism. Economic nationalism and mercantilism are sometimes treated as synonymous concepts (e.g. R. Gilpin). However, there is a fundamental difference between these concepts. Economic nationalism has a social basis, while mercantilism is statist in nature. Mercantilism (like interventionism and protectionism) can be considered to be a tool of economic policy pursued in the spirit of economic nationalism. Essentially, mercantilist measures are aimed at protecting the internal market from external actors. However, the aim is to increase the wealth and power of the state (nation). Mercantilist countries have in the past achieved the status of world powers, e.g. the United Kingdom and the United States. Also the policies of many countries after the Second World War, including Japan, South Korea, Singapore, Taiwan or now China or India, were in line with the assumptions of mercantilism or economic nationalism in the List (Wong 2004, p. 348).

The close link between economic nationalism and interventionism, protectionism and mercantilism is particularly evident in the context of the development of the East Asian countries mentioned above. After the Second World War, the economic policy of these countries showed actions that could be classified as mercantilist or nationalist. In particular, the policies of Japan, South Korea, Singapore, China and Taiwan were in line with the

principles of mercantilism, and the authorities of these countries referred to national identity and the protection of national interest in order to justify protectionist actions. Moreover, the economies of these countries were (and still are to a large extent) characterised by a specific system of close links between the private sector and the government, which pursued policies aimed at achieving broadly understood economic development. Such a system, in which private ownership is accompanied by far-reaching state interventionism and economic planning, is referred to as planned capitalism, state capitalism or (much more often) developmental capitalism. The latter term is a reference to developmental state – a term defining a specific development strategy and social and economic system (Jędrzejowska 2015; Dicken 2007).

The term developmental state was used for the first time in 1982 by Ch. Johnson in a study devoted to the reconstruction of the Japanese economy after the destruction of the Second World War (Önis 1991, p. 111). Developmental stability is usually defined as a state for whose authorities economic development is an overarching objective, the implementation of which is ensured by the use of appropriate tools, primarily of a protectionist nature. A characteristic feature of this model is the central role of the state in economic processes. The state defines broad social and economic objectives within a clearly defined development strategy, usually based on industrialization. This system is accompanied by a banking-oriented and usually partially nationalised financial system and strong bureaucratisation. Production is often dominated by state-supported industrial cartels. Industrialisation is based on a combination of import substitution and export promotion. Because of that D. Rodrik defines the strategy for the development of Asian tigers as neo-commercialism (Rodrik 2013). In the case of East Asian countries, and South Korea in particular, these activities were accompanied by the promotion of national brands and support for the sense of national interest and preservation of national identity (Jędrzejowska 2015, p. 140).

Varieties and manifestations of economic nationalism

Regardless of whether it is understood as a specific ideology or more as a tool of economic policy, it is difficult to conclude that there is one specific set of actions considered nationalistic. The practice of nationalistic economic policy may show significant differences depending on the state, its position on the international arena, or the specificity of its political and economic system, including the way of perceiving the role of the state in the process of

social and economic development. Thus, it can be assumed that there is not one, but many economic nationalisms (Jędrzejowska).

A. Singh points to the relationship between the intensification of protectionist and nationalist measures and the condition of the world economy. In his opinion, a long-term economic slowdown leads to an increase in the scale of nationalistic behaviour, while a fast growth rate favours the opening up of economies. Moreover, in the conditions of the global economic slowdown, reference to economic nationalism (or rather protectionism) may bring positive effects, e.g. by preventing uncontrolled outflow and inflow of capital (Singh 2010, pp. 21-22).

B. Clift and C. Woll are distinguished by two types of economic nationalism: 1) classic protectionism and 2) liberal economic nationalism. In this classification, it is noteworthy that state interventionism is not the determining factor of economic nationalism – elements of protectionism may also be present in regimes considered liberal. Economic protectionism may be interpreted as actions aimed at limiting the presence of foreign entities on the market of a given country, while interventionism refers rather to market support, which may also mean providing incentives for foreign entities (Jędrzejowska 2014, p. 132; Clift & Woll 2012, p. 310).

B.J. Cohen's classification, dating back to the 1990s, points to three varieties of economic nationalism. These are 1) hostile economic nationalism (malign economic nationalism), which can be compared to classic protectionism; 2) „kind” of economic nationalism (benigneconomic nationalism), which tries to reconcile the interests of states with the protection of the international order; and 3) liberal economic nationalism (liberaleconomic nationalism), which assumes the liberalisation of the economic system in order to maximise state profits. Cohen points out that a state pursuing a policy based on hostile economic nationalism will pursue its objectives with all available means, even at the expense of other participants in the national systems. This kind of action will not be taken by „friendly” nationalists, who will seek compromise in the international space. This compromise will be justified by the recognition that the stability of the international system is in the interest of individual states. Liberal nationalism and „benevolent” nationalism distinguish in this respect a different approach to the regulation of both the national and international system. In liberal terms, the emphasis is on striving for liberalisation and deregulation, while „benevolent” nationalism is based on widely understood regulations. It can be said here that a specific manifestation of the latter is the pursuit of greater regulation of

the international financial system (including international capital flows) after a series of recent crises (Jędrzejowska 2014, pp. 133-132; Cohen 1991, p. 47).

Analyzing the economic nationalism of East Asian countries, A.P. D'Costa distinguishes between defensive and aggressive economic nationalism. According to these authors, an example of defensive economic nationalism is China (and earlier Japan or South Korea), which restricts (and controls) the presence of foreign entities in key sectors of the economy. In practice, this means that the policy of protectionism is a peculiar manifestation of defensive economic nationalism. In turn, aggressive nationalism means expansion through the acquisition of new markets. In practice, this means above all intensive promotion of exports and expansion of zones of influence, which in the case of China, for example, leads to the conclusion that both defensive and aggressive nationalism are visible in China's policy (Jędrzejowska 2014, p. 132; D'Costa 2012). A similar distinction is applied by the already mentioned J. Kofman, who writes about economic nationalism turned „to the outside” – against other states and economic nationalism turned „to the inside”, aimed at protecting national markets against foreign entities (Kofman 1992).

Defensive economic nationalism can be seen, for example, in the actions of many European Union (EU) countries, as well as the EU as a whole. Protection of the labour market or issues related to the opening up of the market to agricultural products from outside the EU, which can be seen, for example, in negotiations on the Transatlantic Trade and Investment Partnership (TTIP) (Jędrzejowska 2014, p. 134). In the context of defensive nationalism, one can also point to actions taken by many countries after the Asian crisis of 1997. The main objective of the actions taken was to prevent crises harmful to national economies. Thus, many East Asian countries began to strive to expand their foreign exchange reserves necessary to defend national currencies (Singh 2010, p. 22). At the same time, in the context of East Asia, elements of the use of national currencies and manipulation of the exchange rate to defend the interests of the state can be pointed out. These actions are sometimes referred to as currency mercantilism or, as F.A. wrote in 1937. Hayek – Currency Nationalism (Hayek 1937).

However, economic nationalism does not have to be contrary to the desire to integrate with the world market and markets in the region. Thus, economic nationalism is currently far from promoting the idea of a closed economy. Opening the economy and integration with the world economy may lead to an increase in prosperity and thus serve national interests. For example, striving to defend one's own economies after the Asian crisis has contributed to the

intensification of the reform of the global financial system management system (e.g. through the creation of the Financial Stability Forum²) (Jędrzejowska 2015). Some nationalist measures can be implemented in a liberalised market. Moreover, some countries, by promoting the liberalisation and deregulation of markets, may impose rules of the game on other entities that are beneficial to them. Again, the practice of East Asian countries, which are trying to adapt existing regulations to their needs, is becoming significant. In the case of China, this takes the form of a rather selective approach to obligations arising from membership of international organisations, in particular the World Trade Organisation (WTO)³.

Finally, it is worth mentioning that today (and especially after the subprime crisis of 2008) economic nationalism is also considered in the context of economic patriotism. The distinction between the two concepts again brings difficulties. It can be pointed out that economic patriotism refers primarily to the promotion of specific groups or entities due to the fact that they originate in a given country. Elements of such activities can be found, among others, in the United States („Buy American”) or India („Make in India”). According to B. Cliftai C. Economic vollpatriotism is almost identical to economic nationalism in the List approach and means, among other things, that economic choices of citizens should take into account the welfare of their homeland (Clift&Woll2012, p. 308).

Summary

Many problems in today's world economy have their roots in actions that can be considered as manifestations of economic nationalism. Apart from the issues indicated in the text related to the control of the movement of capital and labour, or trade in agricultural products, these include currency wars, problems related to the renegotiation of the foreign debt of developing countries or prolonged negotiations at the WTO. In particular, the financial crises of the last two decades have led many countries to apply interventionist and protectionist measures.

Although in recent years there has been a relatively frequent assertion of a kind of renaissance of economic nationalism, it is difficult to say that this phenomenon has ever disappeared from the world economy and the economic practices of individual countries. Both

² Financial Stability Forum, FSF. Currently the Financial Stability Board (FSB).

³ More examples of nationalistic practices in foreign economic policy of countries: Pickel 2001, pp. 21-34; Jędrzejowska 2015, Kofman 1992; Bucheli& Decker 2012.

developing and highly developed countries have used and used protectionist tools, often referring more or less explicitly to the need to protect the national identity of individual states.

There is no indication that economic nationalism – regardless of which approach – will disappear from the international sphere in the near future. On the contrary, it seems that references to nationalist ideology and the pursuit of economic policy in the spirit of mercantilism will become more and more frequent. This is also related to the general increase in nationalist attitudes in many countries, as evidenced, for example, by the results of the recent presidential elections in the United States. At the same time, economic nationalism does not seem to be a significant obstacle to the progress of globalisation and integration processes in the world economy. On the contrary, many countries (e.g. China) use the mechanisms of the international financial and trade system to promote their own economies.

References

Abdelal R. (2005), *Nationalism and International Political Economy in Eurasia*, w: Helleiner E. & Pickel A. (red.), *Economic Nationalism in a Globalising World*, Cornell University Press, Ithaca and London.

Aggarwal S. (2016), *Economic Nationalism and Its Future Prospects: An Opinion*, „International Journal of Humanities and Social Sciences”, Vol. 6, No. 1.

Akhter S. (2007), *Globalization, Expectations Model of Economic Nationalism, and Consumer Behavior*, „Journal of Consumer Marketing”, Vol. 24, No. 3.

Bucheli M & S. Decker (2012), *Economic Nationalism in Latin America and Africa in the Twentieth Century: A Comparison*, paper prepared for: Business History Conference, Philadelphia, online:
http://www.worldbhc.org/files/full%20program/A2_B2_DeckerBucheli2014EconomicnationalismLAandAfrica.pdf (dostęp: 20.01.2017).

Clift B. & C. Woll (2012), *Economic patriotism: reinventing control over open markets*, „Journal of European Public Policy”, Vol. 19, No. 3.

Cohen B.J., *Crossing Frontiers: Explorations in International Political Economy*, Boulder.

D’Costa A.P. (red.) (2012), *Globalization and Economic Nationalism in Asia*, Oxford University Press.

Dicken P. (2007), *Global Shift. Mapping the Changing Contours of the World Economy*, 5th Edition, Sage Publications, London.

Gilpin R. (1987), *The Political Economy of International Relations*, Princeton University Press.

Gilpin R. (2001), *Global Political Economy: Understanding the International Economic Order*, Princeton University Press.

Gonzalez E.T. (2010), *Between Economic Nationalism and Economic Liberalism: An Alternative View*, online: <http://www.aer.ph/wp/wp-content/pdf/2012/invest/NationalismF.pdf> (dostęp: 20.12.2016).

Guzzini S. (1998), *Realism in International Relations and International Political Economy. The Continuing Story of a Death Foretold*, Routledge, London and New York.

Hayek F.A. (1937), *Monetary Nationalism and International Stability*, reprint: Martino Publishing 2012.

Heilperin M.A. (1960), *Studies in economic nationalism*, Ludwig von Mises Institute.

Helleiner E. (2002), *Economic nationalism as a challenge to economic liberalism? Lessons from the 19th century*, „International studies quarterly”, Vol. 46.

Heronymi O. (1980), *The New Economic Nationalism*, Greenwood Publishing.

Jędrzejowska K. (2014), *Merkantylizm i nacjonalizm ekonomiczny: perspektywa realistyczna w międzynarodowej ekonomii politycznej*, w: Haliżak E., Czaputowicz J. (red.), *Teoria realizmu w nauce o stosunkach międzynarodowych*, PTSM & Wydawnictwo Rambler, Warszawa.

Jędrzejowska K. (2015), *Merkantylizm i nacjonalizm ekonomiczny w polityce gospodarczej wschodnioazjatyckich rynków wschodzących*, w: Wydymus S., Maciejewski M. (red.), *Liberalizacja i protekcjonizm we współczesnym handlu międzynarodowym*, CeDeWu, Warszawa.

Kofman J. (1992), *Nacjonalizm gospodarczy – szansa czy bariera rozwoju*, PWN, Warszawa.

List F. (1904), *The National System of Political Economy*, reprint from 1841.

Nakano T. (2004), *Theorising Economic Nationalism*, „Nations and Nationalism”, Vol. 10, No. 3.

Önis Z. (1991), *The Logic of the Developmental State*, „Comparative Politics”, Vol. 24, No. 1.

Pickel A. (2001), *Explaining (with) Economic Nationalism*, TIPEC Working Paper 02/1.

Rodrik D. (2013), *The battle is renewed: state capitalism, mercantilism, and liberalism*, Dani Rodrik's weblog, January 09, 2013, online:
http://rodrik.typepad.com/dani_rodriks_weblog/2013/01/the-battle-is-renewed-state-capitalism-mercantilism-and-liberalism.html (dostęp: 20.12.2016).

Singh A. (2010), *Globalisation, openness and economic nationalism: Conceptual issues and Asian practice*, Centre for Business Research, University of Cambridge Working paper No. 404, June.

Tanzi V. (2006), *Gospodarcza rola państwa w XXI wieku*, „Materiały i studia”, Zeszyt nr 204, NBP.

Wong J. (2004), *The Adaptive Developmental State in East Asia*, „Journal of East Asian Studies”, Vol. 4.