Economic Nationalism as a Challenge to Economic Liberalism?
Lessons from the 19th Century

Eric Helleiner
Trent University

What kind of challenge does economic nationalism pose to economic liberalism in today's global political economy? Conventional wisdom holds that economic nationalism is an outdated ideology in this age of globalization and economic liberalization. But this argument rests on understandings of economic nationalism that are increasingly being called into question by recent scholarship. In this article, I show how the history of economic nationalism in the 19th century provides strong support for two important but potentially controversial arguments made in recent literature about the nature of economic nationalism: (1) that this ideology is most properly defined by its nationalist content rather than as a variant of realism or as an ideology of protectionism, and (2) that it can be associated with a wide range of policy projects, including the endorsement of liberal economic policies. With these two points established through historical analysis, I conclude that economic nationalism should be seen still to be a powerful ideology in the current period, but that its relationship to the policy goals of economic liberals is an ambiguous one, just as it was in the 19th century.

With the collapse of the Marxist political project in the ex–Soviet bloc, many observers have concluded that economic liberalism faces no serious political challenges as a dominant ideology in international economic policymaking. But when economic liberals were last such a central global political force during the 19th century, they faced challenges not just from Marxists but from economic nationalists too. What kind of a challenge does economic nationalism pose to economic liberalism in today's global political economy?

This question is a difficult one to answer because it presumes a clear understanding of the term “economic nationalism.” Although the ideologies of economic liberalism and Marxism are well understood within the field of international political economy (IPE), economic nationalism has received much less attention and has been analytically confused within scholarly literature for most of the 20th century. In the past few years, more serious attention has finally been given to the task of sharpening the analytical concept of economic nationalism. Two important arguments have emerged from this literature. First, a number of scholars have argued that the main fault of traditional definitions of the concept is that they have neglected the nationalist content of the ideology. Second, if this

Author’s note: I am grateful to the Social Sciences and Humanities Research Council of Canada for helping to finance some of the research for this article. For their very helpful comments, I would also like to thank the editors of this journal, three anonymous reviewers, George Crane, James Mayall, and Andreas Pickel.

Published by Blackwell Publishing, 350 Main Street, Malden, MA 02148, USA, and 108 Cowley Road, Oxford OX4 1JF, UK.
content is brought back in to the definition of this ideology, these same scholars argue that economic nationalism can be associated with a wide range of policy projects, including the endorsement of liberal economic policies.\(^1\)

These two arguments are bound to be controversial. In this article, however, I highlight that a close examination of the 19th century history of economic nationalism reinforces the case for seeing economic nationalism in these ways. I begin by examining the views of Friedrich List, the person widely accepted to have been the most important figure in developing the ideology of economic nationalism in that era. Although he is best known today for his advocacy of trade protectionism, I highlight how he chose to define economic nationalism not in these policy terms but rather with reference to the nationalist theoretical content of his ideas. In other words, I show that List endorsed the first argument being made in recent literature.

I then highlight how the second argument is also reinforced by a closer study of other economic nationalist thinkers in the 19th century. The enormous attention given to List’s ideas has steered attention of contemporary IPE scholars away from recognizing the enormous diversity of thought among economic nationalists of that era. I show how thinkers and policymakers who were economic nationalists according to List’s definition often advocated quite different policies than he did. Specifically, I demonstrate that List’s advocacy of infant-industry protection represented only one of at least four distinct strands of economic nationalist policy advice during that period. Two of the others—“macroeconomic activism” and “autarchic economic nationalism”—challenged liberalism in different ways, while a fourth strand of “liberal economic nationalism” actually endorsed liberal policies of free trade and the gold standard.

In the final section of the article, I argue that this analysis of 19th century economic nationalism helps us to think more systematically about the question of what kind of challenge economic nationalism poses to economic liberalism today. Conventional wisdom holds that economic nationalism is an outdated ideology in this age of globalization and economic liberalization. But this assertion usually assumes that the ideology of economic nationalism has a coherent nonliberal policy program which governments no longer endorse. If, instead, we follow List’s lead and define economic nationalism in terms of its nationalist content, then we can conclude that the ideology will remain a powerful one as long as national identities and nationalism more generally endure. At the same time, although economic nationalism remains a potent ideology, I argue that it does not necessarily challenge the policy goals of economic liberals. While some strands may pose such a challenge, liberal economic nationalists have a more ambiguous relationship with economic liberalism. Although they challenge it at a theoretical level, they have played an important role of supporting the shift toward liberal economic policies over the last two decades.

**What Is Economic Nationalism?**

Recent efforts to sharpen the analytical concept of economic nationalism are long overdue within the field of IPE. For most of the 20th century, few efforts were made to develop a detailed scholarly analysis of this concept. As Michael Heilperin (1960:17) notes, the term was first used widely in 20th century scholarship during the interwar years, but its precise meaning was often hard to discern. The term was usually used by liberal economists to describe policies they

---

\(^1\) These two arguments are put forward most prominently in the work of Abdelal (2001), Crane (1998, 1999), and Shulman (2000), as is explained in the first section of this article. Other scholars have also recently contributed to our understanding of economic nationalism in additional important ways that are discussed in the article. See in particular Goff (2000), Harlen (1999), Levi-Faur (1997a,b), Mayall (1990), Pickel (forthcoming), and Winch (1998).
did not like. As Jan Koffman (1990) puts it, it became “everything that did not fit in with the liberal definition of economy and development, usually conjured up in a doctrinaire manner.” Similarly, the author of a prominent 1933 book on the topic noted, “At best economic nationalism is an indefinite term, used by its opponents, more than by its proponents” (Hodgson, quoted in Heilperin, 1960:17, n. 1).

After World War II, serious scholarly efforts to examine the analytical concept of economic nationalism remained rare. During the Cold War, scholars were encouraged to think of the ideological debate on issues of IPE in binary terms, as one between liberalism and Marxism. As a result, the ideology of economic nationalism received little serious academic scrutiny. This is not to say that the term was not widely used in academic literature and in popular discourse. Liberal economists and policymakers continued to use the term as they had during the interwar period to discredit and attack policies with which they disagreed such as tariffs, quotas, subsidies, restrictions on foreign investment, and autarchy (Burnell, 1986:ch.1; Shulman, 2000:367; Pickel, forthcoming). This use of the term was analytically imprecise not just because it was unclear what these policies had in common (except that they were all policies of which economic liberals disapprove). Equally important, it was not entirely clear why many of these policies should be described as “nationalist” ones since they might have been inspired by specific sectoral interests or ideologies such as socialism (Shulman, 2000:367).

In scholarly literature, the phrase “economic nationalism” also began to be used increasingly widely after the early 1970s by international relations scholars who were working within the growing field of IPE. In this literature, the phrase was usually used to describe an economic variant of the ideology of realism that was so prominent in international relations scholarship in the postwar period. In his important work *The Political Economy of International Relations*, Robert Gilpin (1987:31), for example, described economic nationalism in the following way: “Its central idea is that economic activities are and should be subordinate to the goal of state-building and the interests of the state.” Similarly, in his more recent book *Global Political Economy*, Gilpin (2001:14) argues that the analytical core of economic nationalism is the same as that of “state-centric realism”; it “recognizes the anarchic nature of international affairs, the primacy of the state and its interests in international affairs, and the importance of power in interstate relations.” With this formulation, Gilpin and others have depicted economic nationalism as a statist tradition of thought that has its roots in mercantilist doctrines of the 17th and 18th century.

Although this use of the term was more precise than that of many liberal economists, a number of scholars have recently highlighted its problematic nature. In particular, they have noted the absence of “nationalism” in this definition of economic nationalism. George Crane (1998:55) puts it this way: “Economic nationalism’ is, thus, something of a misnomer, as most conventional treatments focus on the state, not the nation. . . . State and nation may overlap in various ways but national identity is not simply an expression of state interest.” Rawi Abdelal (2001:19) makes the same point in critiquing Gilpin’s definition: “there is no nationalism in it. Instead, there is statism—a description of the state as an actor with interests distinct from society.” Whereas realism focuses on state interests and the distribution of power, he argues that economic nationalism should describe a perspective more concerned with the influence of national identities and nationalism on economic policy. Similarly, Stephen Shulman (2000:366)

---

2 Some exceptions were Heilperin (1960), Johnson (1967), Myrdal (1960), Seers (1983), and Burnell (1986).

3 Among the most detailed liberal analyses of economic nationalism were Heilperin (1960), Johnson (1967), and Hieronymi (1980).
argues that Gilpin and others have been wrong to equate economic nationalism with mercantilism since the statist ideology of the latter was quite different from the more modern nationalist ideas that emerged in the 19th century.

These authors have brought much-needed analytical clarity to discussions of the meaning of economic nationalism. By “bringing the nation back in” (to use Crane’s phrase) to discussions of this term, they help us to define it more usefully. Abdelal (2001:33), for example, has suggested that economic nationalism should be defined as “a set of policies that results from a shared national identity, or from the predominance of a specific nationalism in the politics of a state.” Similarly, Crane (1999:215) suggests that economic nationalism should be seen as a “facet of national identity.” Although he wonders whether the term economic nationalism should even be used given its confused history, Shulman (2000:368) reaches a similar conclusion about the need to focus on the economic ideas of those inspired by nationalism and national identities in his recommendations for scholars working in this area: “Instead of identifying nationalists as those who support a particular foreign economy policy, scholars should independently define nationalists, and then examine their foreign policy preferences both theoretically and empirically in the realm of international economic integration.”

Placing national identities and nationalism at the core of a definition of “economic nationalism” helps us to break out of the conceptual muddles of the past. But it also leads to a second argument about the policy prescriptions of economic nationalists that some people may find more difficult to swallow. In 20th century scholarship, economic nationalists were almost always seen as critics of liberal economic policies; indeed, as we have seen, the very definition of “economic nationalism” used by many liberals embodied this point. With this broader conceptualization of economic nationalism, however, the policy prescriptions of economic nationalism are less clear, and may in fact include liberal economic policies.

Shulman (2000), for example, shows how nationalist goals such as the promotion of the unity, identity, and autonomy of a nation might be pursued through a variety of economic policies that may include free trade. He highlights how Ukrainian nationalists see the adoption of liberal economic policies as a way of strengthening a “Western-oriented” national identity that is distinct from Russia. In another example, he shows how minority nationalists—such as Quebec nationalists in Canada—have often supported free trade as a way of reducing their vulnerability to the ruling majority, diminishing the central state’s power, and improving the prospects of achieving a smooth transition to independence. Crane (1998:74) makes a similar case, arguing that “we should expect specific policy prescriptions of economic nationalists to vary with representations of the economic nation... [c]conomic nationalism is expressed in many different forms beyond trade protectionism and industrial policy.” Along with Shulman, he shows how, in an age of increasing economic integration, many nationalist policymakers have come to see more liberal policies as serving to enhance the competitiveness of nationally based industries and to attract increasingly mobile transnational corporations and financial capital. For this reason, he argues that economic globalization has not eliminated economic nationalism as an ideology but rather changed the techniques that nationalists use to achieve the same ends of bolstering power, prestige, or the prosperity of the nation (Shulman, 2000; Crane, 1999; see also Pickel, forthcoming).

The argument that “economic nationalism” could be used to describe endorsement of such a wide variety of policies, including liberal ones, will undoubtedly be controversial for many people. But it follows logically from the first argument that the definition of economic nationalism should be derived from national identities and nationalism. Since national identities are so variable and change-
able across time and place, we should expect the same of the policies that economic nationalists endorse. Is this new approach to the study of economic nationalism, then, simply too controversial to be widely accepted? In the following two sections, I argue that a closer examination of the history of 19th century economic nationalism may help to influence those who are not yet persuaded.

List’s Approach to Defining Economic Nationalism

Skeptics should begin by re-reading the work of Friedrich List. Most historians cite List (1789–1846) as the most important and prominent economic nationalist of the 19th century. If we are looking for a clear definition of economic nationalism, it should be instructive to examine how he defined the school of thought he was developing. In his key book *The National System of Political Economy* written in 1844, List does offer a clear answer. Interestingly, it is very similar to that being put forward by the scholars noted above.

Unfortunately, List’s definition has often been missed in secondary literature. Throughout the 20th century, List was usually best known for his advocacy of infant industry tariff protection. To be sure, one of List’s central objectives was to argue that agricultural countries should actively cultivate the growth of an industrial sector through the use of selective tariffs, and move to free trade only once their industrial sectors were internationally competitive. In a world of free trade, List argued that agricultural exporters would lose out relatively over time to already-industrialized countries. But this policy prescription did not define the core of his distinctive economic nationalist ideology. After all, as Christine Harlen (1999:738) has recently reminded us, his policy recommendations did not in fact differentiate him very strongly from classical liberals such as John Stuart Mill who also accepted the case for infant industry protection. More important from our perspective in this article, List himself also did not choose to identify the core of his ideas in this way. From List’s perspective, the center of his dispute with economic liberals was not a policy issue but a conceptual one. The problem with economic liberals, he argued, was that they evaluated economic policy primarily from the standpoint of individuals and the welfare of humanity as a whole. This “boundless cosmopolitanism” ignored the central importance of nations in economic analysis: “Between each individual and entire humanity, however, stands THE NATION” (List, 1904:141). He argued that this was at the center of his dispute with liberals: “I would indicate, as the distinguishing characteristic of my system, NATIONALITY. On the nature of nationality, as the intermediate interest between those of individualism and of entire humanity, my whole structure is based” (List, 1904:xliii).

The failure of liberals to take nations seriously, List argued, was linked, in turn, to the “dead materialism” of their thought. They were concerned only with “the mere exchangeable value of things without taking into consideration the mental and political, the present and the future interests, and the productive powers of the nation.” Liberals, he argued, saw “individuals as mere producers and consumers, not as citizens of states or members of nations.” Because individuals were in fact citizens and members of nations, the goal of economic policy could not be limited to wealth maximization but must also include the development of a nation’s culture and power. He put the point this way: “As the indi-

---

4 It is well known that his economic ideas were influential in Germany, his country of birth, as well as in the U.S. where he lived for an extended period of time. But his ideas also had impact in many other countries such as Japan, Canada, and India during the 19th century (Morris-Suzuki, 1989:ch. 2; Henley, 1989–90; Gopalakrishnan, 1995:ch. 3). Tribe (1995:44–45) notes that List’s ideas were inspired initially by Alexander Hamilton and Daniel Raymond. Although Hamilton’s work is well known, Raymond’s work is not (see Neill, 1897).

5 There are many good descriptions of List’s ideas. For some recent analyses see Harlen (1999), Levi-Faur (1997a,1997b), Semmel (1995), Winch (1998), and Szporluk (1988).
vidual chiefly obtains by means of the nation and in the nation mental culture, power of production, security, and prosperity, so is the civilisation of the human race only conceivable and possible by means of the civilisation and development of the individual nations” (List, 1904:141).

List was, thus, very clear about how economic nationalism should be defined. The liberal school of political economy, he argued, was a “science that teaches how the entire human race may attain prosperity.” His goal, by contrast, was to develop a “science which limits its teaching to the inquiry of how a given nation can obtain (under existing conditions of the world) prosperity, civilisation and power” (List, 1904:97). At the core of economic nationalism was an ontological point. His was an ideology that started from the standpoint that the world was divided into nations, each of which had distinctive national interests which were defined not just in materialist terms but also in terms of power and the expression of national culture and identities. Although individuals had their own private economic interests, more important from List’s standpoint was their shared interests as members of the same nation. If private and national interests did not coincide, he believed the latter should prevail.

It is worth emphasizing how different List’s definition of economic nationalism was from the definitions that came to be used in the 20th century. Liberal economists and policymakers who defined economic nationalism in terms of its specific nonliberal policy recommendations should take note that we do not find List taking this approach. When describing the core of his ideology, List preferred to stress his nationalist ontology, rather than his specific advocacy of tariffs. International relations scholars should also observe that List did not describe his ideology in the statist or realist manner. His was a nationalist objective of serving the interests of the nation as a collective community. In addition to strengthening the national community’s wealth and power, he hoped industrialization would bolster a country’s sense of national glory and identity (Szporluk, 1988; Crane, 1998; Mayall, 1990:72).

With his focus on nationalism and national identities, List thus adopted a similar approach to defining economic nationalism as that suggested more recently by scholars such as Abdelal and Crane.6 Indeed, when reading List’s clear definition of his own perspective, one is quickly faced with the question of why 20th century scholars did not follow his lead and define economic nationalism in this way. As I have suggested above, it may be that the polemical use of the term in the interwar period by liberals steered attention away from List’s ontology toward his nonliberal policy recommendations. From this point onwards, List became more closely associated with the latter than the former. Whatever the cause, this neglect of List’s core ideas meant that 20th century scholars missed a clear way of defining economic nationalism and distinguishing it from economic liberalism.

Another comment must be made, however, regarding the distinction List drew between his ideas and those of classical economic liberalism. It is unfortunate that List focused much of his attack on what he called the “Smithian” school because Adam Smith was far from the cosmopolitan thinker that List suggested. Smith’s views on international issues were in fact underdeveloped and not at all typical of the cosmopolitan economic liberals who followed him. As many analysts have noted, Smith examined economic policy primarily from the standpoint of state interests (Harlen, 1999:738; Wyatt-Walter, 1996; Baldwin, 1985:77–87). Indeed, he famously gave the security interests of the British state priority over the objective of wealth maximization via free trade: in his words, defense was “of much more importance than opulence” (Smith, 1776:487).

6 These two scholars each briefly acknowledge the importance of List’s general ideas (e.g., Abdelal, 2001:32–33; Crane, 1998:69–70). They are much more inclined than List was to emphasize the constructed and contested nature of national identities.
List's argument that classical economic liberals had a cosmopolitan mindset was, however, more accurate when we examine the thinkers who developed the international dimensions of economic liberalism more systematically in the 19th century, such as David Ricardo, John Stuart Mill, or Richard Cobden. In developing his theory of comparative advantage, for example, Ricardo was definitely driven by the goal of maximizing worldwide economic efficiency. He wrote of his desire to promote “the happiness of mankind” and celebrated how free trade would ensure that the “pursuit of individual advantage is admirably connected with the universal good of the whole . . . the universal society of nations throughout the civilised world” (Ricardo, 1817:132–134).

Even more striking was the fact that economic liberals such as Mill and Cobden saw free trade primarily as a tool to strengthen a peaceful cosmopolitan world society. Free trade would foster peace, they argued, by creating ties of interdependence and spreading “civilization.” Indeed, Mill and Cobden viewed this cosmopolitan political case for free trade as ultimately much more important than Ricardo’s economic case. As Mill (1848:581) put it, “the economical benefits of commerce are surpassed in importance by those of its effects which are intellectual and moral.” Free trade was, in his words, “the principal guarantee of the peace of the world” (Mill, 1848:581) which would contribute to “uninterrupted progress of the ideas, the institutions, and the character of the human race” (Mill, 1848:582). Similarly, Cobden argued that free trade “will act on the moral world as the principle of gravitation in the universe, drawing men together, thrusting aside any antagonism of race, and creed, and language, and uniting us in the bonds of eternal peace” (quoted in Cain, 1979:24). The passion with which these economic liberals pursued a peaceful cosmopolitan world society suggests that List was wrong to accuse liberals of a “dead materialism.” But he was right to argue that the non-materialist values they endorse were not nationalist but cosmopolitan ones.

This is not to say that 19th century economic liberals ignored the nation. As many scholars of nationalism have noted, economic liberals of that era often implicitly accepted the nation and assumed the national economy as a given in their analyses (Mayall, 1990:76, 85–86; Hobsbawm, 1992:ch.1; Royal Institute of International Affairs, 1939). Ricardo proved his theory of comparative advantage, for example, by allocating a division of labor within a framework of national economies. Recognizing the existence of nations, however, was not the same as arguing that the economy should be designed above all primarily to serve nationalist goals. To be sure, economic liberals often defended liberal policies on “national interest” grounds when engaged in public debates (Hayes, 1931:244–245; Hobsbawm, 1992:28). But they usually avoided choosing between the national interest and the interests of humanity and the individual by arguing that all three would be served simultaneously by self-regulating markets. Moreover, their “national interest” arguments seemed more pragmatic than principled. Whereas the nation and national economy were a central preoccupation in List’s writings, they received little sustained analysis in the writings of economic liberals. As Eric Hobsbawm (1992:28, 43) puts it, “liberal economists did not like to, or quite know how to, talk about” the national economy. Stephen Neff (1990:41), too, argues that “it could make no sense [for 19th century economic liberals] even to think in terms of national economic development, because the nation-state, from this perspective, was simply not a ‘natural’ economic unit.” To the extent that the nation was analyzed seriously by economic liberals, the constant assumption was that it was “second-best to world unity” (Hobsbawm, 1992:31).

Before finishing this discussion of the distinction between List and 19th century economic liberals, we must note a final ironic point. Although List criticized liberals for their cosmopolitanism, he did in fact endorse their long-term goal of a universal society in which there existed free trade and a state of perpetual peace. His goal was not just to promote a nation’s economic development but
also to “prepare it for admission into the universal society of the future” (List, 1904:142). But he made clear that this universal society could only be built on the basis of strong and equal nations. Since a system of protectionism was the only way to equalize power among nations, he argued that this economic program, rather than free trade, was “the most efficient means of furthering the final unions of nations” (List, 1904:103). More importantly, he critiqued economic liberals for arguing that this cosmopolitan goal could be realistically achieved in the near future; economic liberalism, he argued, “has assumed as being actually in existence a state of things which has not yet come into existence” (List, 1904:102). For this reason, he felt justified in arguing that the goal of political economy should be to focus on nationalist interests and objectives.

Three Other Strands of 19th Century Economic Nationalism

I have argued, then, that a reexamination of the ideas of List proves very useful in supporting the contemporary argument that economic nationalism should be redefined in a broader manner. List’s ideas are, however, less helpful in supporting the second argument made by contemporary scholars. As we have seen, those promoting a broader definition of economic nationalism have made the argument that this definition allows us to see that economic nationalism can be compatible with the endorsement of a wide variety of policies, including liberal ones. If we focus exclusively on List to examine economic nationalism in the 19th century, we do not find support for this argument since his thought is usually identified with only the one clear policy program of infant-industry protection.7

In this section, however, I argue that the prominence of List’s ideas has unfortunately led contemporary scholars to overlook the wide diversity of policy programmes of 19th century thinkers and policymakers who ascribed to List’s definition of economic nationalism. Recognizing this diversity within the 19th century economic nationalist school of thought—which included nationalists who supported liberal policies—reinforces the validity of the second argument made today. From its very origins, economic nationalism has been a very eclectic ideology in its policy prescriptions. To make this point, I highlight three neglected strands of economic nationalism which advanced quite different policy programs from that of List.8 In so doing, I also show how they developed a number of different arguments about how economic policy could reinforce nationalist values and national identities, arguments that often have important echoes in the contemporary world.

Macroeconomic Activists: Attwood’s Nationalist Critique of the Gold Standard

Although List is known today as the leading 19th century nationalist opponent of liberal policies, his critique centered on liberal trade policies. He was less concerned with the monetary program of liberals: their commitment to convertible currencies, especially the gold standard. Economic liberals traditionally supported the gold standard for a simple reason. It was the monetary order that

---

7 As I note below, this view of List’s thought is in fact inaccurate. His analysis of British policy implied that free trade was also a policy of economic nationalism when it was pursued by a dominant economic power. He also did not think that the idea of infant-industry protection was relevant for countries such as India and others in what he called the “torrid zone” of the world, countries that he argued were destined to be colonized.

8 This list is not meant to be exhaustive. An example of another strand of economic nationalism is provided by Szporluk (1988:159–160) who highlights how 19th century economic nationalism in the multi-ethnic states of East Central Europe also took the form of voluntaristic cooperative savings associations and consumers associations, as well as land ownership rules. Roberts (1998) also provides a fascinating analysis of the rise of a kind of economic nationalism in 18th century Japan that was focused on the economic policy of the various “domains” of Tokugawa, Japan.
seemed most closely associated with their cosmopolitan laissez-faire principles. In its ideal form, the gold standard would maintain international equilibrium, discipline government policy, and foster international trade and finance by providing a common monetary standard. And it would accomplish these goals automatically through market forces with a minimum of discretionary government involvement in the monetary sector. Underlying their preference that governments should not actively manage money was an assumption that money was neutral in its effects on aggregate employment and production levels.

Many economic nationalists in the 19th century believed that the gold standard posed a much more serious threat to nationalist values than the free trade policies that so concerned List. Interestingly, the most sophisticated nationalist critic of liberal monetary preferences during the 19th century came from Britain, the country where the commitment to the gold standard was strongest. The critic was Thomas Attwood (1783–1856), a middle-class banker and politician from Birmingham who was the leading political opponent of Britain’s return to the gold standard in 1819 and remained its central opponent for the next 25 years. Like List, Attwood believed that the objective of political economy should be to determine how his nation could obtain, in List’s words, “prosperity, civilisation and power.” His biographer, David Moss (1990:249), writes of his “fervent nationalism” and summarizes his views in the following way: “National pride needed to be gratified and a nation’s ideas to be exalted. Only on this highest plane, he claimed, could individual selfishness be submerged in social character, providing the stimulus for the development of human life.”

Attwood’s critique of the gold standard stemmed from these nationalist values. One of his arguments in favor of an inconvertible currency was that it would serve the country better in wartime by strengthening national identities. Foreign invasions, he observed, usually produced a currency crisis when a country was on the gold standard because there was a domestic flight to gold. No such panic would occur, he argued, if the country had an inconvertible currency; indeed, such a currency might cultivate national loyalty because it ensured that “every man’s interest would be bound up in that of his country” (Attwood, 1826:32).

His primary objective, however, was to promote national prosperity. Whereas List saw the advancement of national prosperity linked to his broader goals of augmenting national power and glory, Attwood was more interested in ensuring national economic welfare for its own sake. His monetary ideas were driven by his desire to ensure full employment in the nation, an objective that stemmed from his strong concern for the well-being of the middle and working classes. Attwood’s had in fact played the leading role in establishing the Birmingham Political Union, an organization that was central in bringing about the 1832 Reform Act which granted the vote to the male middle classes. He was then elected a Member of Parliament (MP) for Birmingham and soon became a leading figure in the Chartist movement that sought to extend the electoral franchise to the male working classes as well, presenting its petition with over one million signatures to Parliament in 1839. As his biographer makes clear, Attwood saw political and monetary reform as inextricably linked. Only a more inclusive political order would bring about monetary policies that served the nation more effectively (Moss, 1981).

Attwood’s specific economic analysis and that of his “Birmingham school” of political economy had a modern tone in their endorsement of national macroeconomic management. Attwood believed generally in free markets, but during a depression or period of high unemployment, he felt that the government could provide “some kind of artificial stimulus” to production by expanding the money supply, or depreciating the currency (Attwood, 1816:44). In contrast to classical liberals, he argued that unemployment or low levels of national income could have a monetary origin because some prices did not adjust to clear markets
as flexibly as classical liberals assumed. Attwood went further to argue that the government could also stimulate a depressed economy through deficit spending and he developed what appeared to be a primitive concept of the Keynesian multiplier. Indeed, like Keynes, he placed great faith in the role that wise monetary management and active fiscal policy could play in ridding his country of boom and bust cycles. Moreover, he linked the case for this kind of national planning to the fact that England was the first country to have created a market-based economy that was national in scope (Attwood, 1826:37–38). In this context, he argued that the active management of money to serve the nation had become an absolute necessity: “It [money] alone supports and maintains all the great processes of production, distribution, and consumption; it feeds the hungry and clothes the naked, and breaks open prison doors, and saves families from ruin” (Attwood, 1843:17).

His commitment to activist national macroeconomic planning led him to reject the external discipline of the gold standard and support the creation of an inconvertible currency. As he put it in 1826, only an inconvertible paper note is “self-existent, self-dependent, liable to no foreign actions, entirely under our own control; contracting, expanding, or remaining fixed, according as the wants and exigencies of the community may require” (Attwood, 1826:34). To his liberal critics, he pointed to many countries that had prospered when they adopted inconvertible currencies, including his own country during the period of the Napoleonic wars. In response to those who said inconvertible money would suffer the inflationary fate of the French revolutionary assignats, he also made clear a key difference between Britain’s political situation and that in France during the revolution: “Assignats . . . have been generally issued, not for the purpose of circulating medium, but for the sole purpose of enabling tyrannical governments to get possession of their property of their subjects.... [The currency he advocated would] be sanctioned by the British Parliament, which is, in fact, the British nation” (quoted in Moss, 1981:31).

The ideas that Attwood put forward were echoed by nationalists in other countries during the 19th century, although usually with less economic sophistication. Among the best known exponents of an inconvertible currency during the 19th century was an American economic nationalist, Henry Carey. Like Attwood, Carey generally supported free markets domestically, but he supported an inconvertible national currency because it would allow the money supply to expand more freely to promote domestic economic growth. In Canada, similar ideas came from a prominent Ontario businessman and politician, Isaac Buchanan. A strong nationalist, he favored an inconvertible national currency on the grounds that money “should be something capable of being expanded permanently to the extent which the wisdom of Parliament sees to be required for the full employment of the people, and the development of productive resources of the country” (Buchanan, 1879). Like Attwood, some of Buchanan’s nationalist supporters also argued that this kind of currency would cultivate national loyalty:

If a man has $1000 in paper money, the value of which exists only in the country of its creation, while it may not be worth ten cents outside that country, he has an incentive to support its institutions, in addition to his patriotism, because he knows if the country goes down his money will be valueless. But the man with a $1000 of gold in the bank, which he knows will be taken in any part of the world, can readily withdraw it and leave his country if it should get into difficulty; he is not obliged to fight its battles. (Mr. Wallace, quoted in O’Hanly, 1882:12)

What was the impact of these ideas on government policy during the 19th century? In Britain, Attwood was unsuccessful in convincing the government to leave the gold standard, although his demands generated enough popular sup-
port to worry the elite seriously. Carey’s push for an inconvertible currency in the U.S. also found strong support among farmers and labor, although when the currency was made inconvertible during the civil war period and some inconvertible “greenbacks” were issued by the state, the main motivation was the pressures of war finance (Sharkey, 1959; Nugent, 1968:24). Similarly, Buchanan’s movement in Canada found “very considerable success among the masses” (Shortt, 1986:712) and was able to prompt the government to lower the specie reserve backing for its notes in 1880, but the country’s governing elite refused to go further and issue an inconvertible currency.

If “macroeconomic activists” were not entirely successful in influencing government policy during the 19th century, they would become much more so during the 20th century. Barry Eichengreen (1992) suggests that the expansion of the electoral franchise played a key role in their changing fortunes. Without political pressure from the masses during the 19th century, governments could endure the domestic economic fluctuations—such as unemployment and decreased wages and prices—that could come with maintaining a fixed exchange rate. When the electoral franchise widened in the early 20th century, these domestic fluctuations became politically unacceptable and governments turned to more domestically oriented, activist monetary policy. Indeed, as I have noted, advocates of inconvertible currencies such as Attwood recognized the link between their goal of monetary reform and the need to push for the new nationalist concept of popular sovereignty.9

Autarchic Economic Nationalism: The Ideas of Fichte and Muller

Although the term “economic nationalism” is often associated with autarchic economic policies, it is important to be clear that neither List nor Attwood (nor their various followers) advocated such a policy. The protective tariffs that List advocated were very selective and designed simply to enhance the competitiveness of a country’s industry within an integrated world economy. Similarly, although Attwood did hope that an inconvertible currency would encourage Britain’s financial and manufacturing interests to focus more on the domestic market, he did not oppose his country’s continuing involvement in the global economy. Indeed, he argued that British exports would increase if its domestic market was strengthened because British consumers would buy more imports which, in turn, would increase the purchasing power of foreign countries. In making this argument, Attwood implicitly assumed Britain’s continued dominance of the world economy (Checkland, 1948:11).

There was, however, another strand of 19th century economic nationalism that did advocate autarchy. The first to pursue this line of thought was Johann Fichte (1762–1814), one of the early prominent nationalist theorists.10 Although he is better known for his philosophical and political writings, Fichte himself considered his best work to have been an economic treatise published in 1800 titled The Closed Commercial State (Hayes, 1931:265). In this book, Fichte suggested that the most appropriate nationalist economic policy was one that promoted national economic self-sufficiency (although the international flows of ideas and

---

9 It was thus particularly discouraging to him when his allies in the movement for political reform opposed his monetary ideas primarily because of their fear of the inflationary consequences of an inconvertible currency. Just after presenting the Chartist petition to Parliament, he learned that leading members of that movement had signed a placard publicly rejecting his monetary ideas, a move that devastated him and encouraged him to withdraw from public life (Moss, 1990:287).

10 Although Fichte was a strong nationalist, he was similar to List in that he endorsed the long-term goal of building a universal state involving all humanity. Indeed, he argued that his closed national economies would contribute to this goal by reducing the prospects for war. Both free trade and mercantilist practices, he argued, would undermine world peace by encouraging international commercial rivalries (Baldwin, 1985:87; Hayes, 1931:264).
culture would continue to be encouraged). His primary rationale for this policy was that it would allow the state to serve the economic needs of all citizens, but his domestic economic goals were much more ambitious than those of Attwood, Carey, or Buchanan. Where they generally favored free markets, Fichte advocated a very interventionist state that provided for the economic needs of its people directly. He envisioned not just macroeconomic planning but also a high level of microeconomic planning which included guarantees of work and strict regulations over wages and prices.

To support this centrally planned economy, Fichte argued that it was necessary to have an autarchic national economy. Like Attwood, he argued that an inconvertible currency was necessary to allow the state to better control domestic price levels. But he went further, arguing that it was necessary to discourage foreign trade altogether because shifts in foreign trade could produce domestic economic dislocations that, in turn, would disrupt national plans (Roll, 1939:217). To achieve a “closed” economy, Fichte advocated not just an inconvertible currency but also the use of rigid exchange controls. All economic contact between citizens and foreigners would be controlled through the state, and all gold and silver would be abolished from domestic circulation because, in his words, “[a]ll the possibility of world trade depends upon is the possession of means of exchange that are accepted throughout the world” (quoted in Heilperin, 1960:92).

Fichte developed his ideas in the context of a practical policy problem in Prussia. Although mercantilist policies had been discredited, support for liberal policies in Prussia had also been undermined by an economic crisis that had followed their introduction after the mid-1780s (Engelbrecht, 1968:76–77). Addressed to the Prussian Minister of the time, Fichte’s book was designed to set out a new third policy option. As Carleton Hayes (1931:265) points out, this option was clearly inspired by the economic policies of the early years of the French revolution which had included initiatives such as the issuing of assignats, the state control of grain, the fixing of prices, the relative economic self-reliance, and the virtual nationalization of industry by the Jacobins.

If Fichte’s ideas were closely related to “Jacobin nationalism,” a second nationalist argument in favor of autarchy came from a thinker associated with the romanticist movement in the early 19th century. For the romanticists, nationalism was less about “popular sovereignty” than about a deep mystical and emotional faith in one’s nation as an eternal community with a common descent and shared destiny. For the most part, their focus was on culture and history not economics. One prominent exception, however, was Adam Muller (1779–1829), a conservative Prussian who acquired considerable influence as a critic of liberal economics in Metternich’s Austria as well as in Europe as a whole in the early 19th century.

As Roll notes (1939:223), Muller believed that “[t]he state’s duty is to awaken national pride, the feeling of ‘oneness’ with the national state in the economic sphere.” He saw liberal economic policies as conflicting with this goal. Muller believed that free trade destroyed national cohesion and encouraged citizens to think of themselves as citizens of the world. He advocated protectionism and economic self-sufficiency on the grounds that the “spiritual” bonds of citizens should limit the division of labor (Victor, 1964:29). As Hans Freyer puts it, Muller’s view was that a market was “not exclusively a meeting place for the exchange of commodities into money-equivalents, but also an outlet for relations among humans. . . . [While for Adam Smith] the human being was essentially an individual, [for Muller] he is basically a citizen” (quoted in Kahan, 1967). To reinforce his goal of national autarchy, Muller also advocated an inconvertible national paper currency. Indeed, he analyzed money in a similar sociological manner as he had trade. To him, money served not just economic functions but also the social function of linking citizens to each other (Victor, 1964:30). As a
result, he opposed metallic forms of money because their cosmopolitan nature destroyed “the links which should tie each individual indissolubly to his own national state” (Roll, 1939:224). And he hoped that an inconvertible national currency could act, in his words, as an expression of the “inner spiritual unity” of the nation (quoted in Priebam, 1983:212).

Muller made little contribution to formal economics but, as Joseph Schumpeter (1954:99) notes, he can be seen as an early pioneer in economic sociology. In particular, he broke new ground by analyzing the ways in which the economy could strengthen national identities. In this way, he developed a different kind of economic nationalism than the other thinkers we have analyzed. Although Attwood and Buchanan hinted at a similar point in some of their writings, the bulk of their attention was focused on serving the economic goals of the nation. As we have seen, this was true also of Fichte. Even List, the most famous economic nationalist, had little to say about the sociological question of how economy could foster national identities beyond his general point that industrialization would contribute to national glory.

What is particularly interesting about Muller’s ideas is that they in fact spoke directly to the political side of the liberal case for free trade. Recall that, for liberals such as Cobden and Mill, the case for free trade was above all a political one; international economic integration would foster a sense of cosmopolitan human solidarity. Interestingly, Muller accepted this causal argument about the link between economic change and transformations in identity (as did many others such as Karl Marx). He simply disagreed with the cosmopolitan liberal goal.

What was the political influence of Fichte’s and Muller’s ideas? Fichte’s 1800 book had little impact on policy when it was written; Prussian policymakers were uninterested in his advice. Muller’s ideas did receive more of a hearing in Metternich’s Austria where they were used to justify Austria’s inconvertible currency of the time (Bell, 1953:307; Roll, 1939:216–224). For most of the 19th century, however, both Fichte’s and Muller’s thinking fell well outside of the mainstream economics of the day.

Not until the collapse of the world economy in the 1930s did the idea of autarchy receive significant political attention. Muller’s writings, for example, were briefly resurrected by the Nazis as part of their search for more nationalist approaches to political economy (Roll, 1939:217). Fichte’s line of argument, too, suddenly reappeared in the writings of no less an authority than John Maynard Keynes. In his famous 1933 article “National Self-Sufficiency,” Keynes makes no reference to Fichte’s ideas. But as Michael Heilperin (1960) notes, Keynes’s case for economic autarchy (but with a continuing free flow of ideas) is remarkably similar. His central point was that national economic planning required a degree of autarchy to be effective. ¹¹ This is also a theme picked up in Gunnar Myrdal’s (1960) later writings about the link between the modern welfare state and economic nationalism.

Liberal Economic Nationalism: A Neglected Perspective

Each of the economic nationalists examined so far shared the belief that liberal economic policies—such as free trade or the gold standard—were not compatible with nationalist values. But not all 19th century nationalists agreed with them. Indeed, this point should be obvious from the fact that nationalism triumphed in the same period that these liberal economic policies spread and became entrenched within the international economic order. Many advocates of economic liberal policies during the 19th century were in fact nationalists who

¹¹ He also resurrected Fichte’s case that autarchy would bring international peace (see note 10).
believed that these policies would strengthen national identities, the prosperity of the nation and/or the power of their nation-state. Here, then, we encounter a final strand of 19th century economic nationalism, what we might call “liberal economic nationalism.”

List’s own analysis of British free trade policies in fact acknowledged this strand of economic nationalism. After all, he argued that British policymakers were supporting free trade not because it would benefit the economic welfare of humanity and promote world peace, but because it would give their country “a world-manufacturing monopoly” that would bolster British wealth and international power (quoted in Semmel, 1993:66). As he put it, their support for international free trade was “one of the most extraordinary of first-rate political manoeuvres that have ever been played upon the credulity of the world” (quoted in Semmel, 1993:65). As Bernard Semmel notes, the debate that led up to the repeal of the Corn Laws in 1846 highlighted that there was some truth in this claim. One British MP, Joseph Hume, for example, argued in favor of free trade in corn as far back as 1829 on the grounds that the policy would “render all the world a tributary to us.” Another British supporter of the move, T. B. Macaulay, argued in 1842 that it would help Britain “supply the whole world with manufacturers, and have almost a monopoly of the trade of the world.” Even Prime Minister Robert Peel in 1846 argued that the move would help Britain maintain its economic “pre-eminence” (quotes from Semmel, 1993:72).

In a detailed study, Frank Trentmann (1998) has recently highlighted how British support for free trade in the 19th century also had some other nationalist roots that List did not identify. Trentmann shows that most of the political support for free trade came from domestic groups who had either no understanding or little interest of the kind of liberal trade theory put forward by Ricardo. Instead, to them, free trade deserved their support because it was associated with moral-political values such as liberty, free exchange, and national progress which they associated with British national identity. As Trentmann (1998:231) puts it,

---

[1] The free trade vision was sustained by a contrast between British progress and civilization and foreign reaction and backwardness. ... In the close connection between national identity and free trade, political economy moulded collective consciousness through a diametric opposition between idealized British virtues and traditions and “false” and degenerate foreign cultures.

---

Outside of Britain, free trade policies were also sometimes endorsed for nationalist reasons. Hayes (1931:158–160, 245), for example, highlights how many nationalists were attracted to liberal economic policies because English liberals had supported their cause and because economic liberals had been strong opponents of colonialism. Similarly, James Mayall (1990:75) highlights that many nationalists who endorsed liberal constitutionalism saw free trade as linked to their ideal of a world organized on the basis of popular sovereignty. Carlos Diaz-Alejandro (1983:289) notes how this association was reinforced among many nationalist leaders of Latin American independence in the early 19th century because trade restrictions were associated with oppressive Spanish colonial rule: “To the patriotic intellectuals it was clear at that point that the less enlightened a despot and the greater the degree of political tyranny, the more trade restrictions one would find. Arrogant and often ignorant Iberian bureaucrats had more to do with the popularity of such an idea than the writings of the peripheral Scot.” Stephen Topik also observes how some Latin American policymakers in the 19th century favored liberal economic policies on the nationalist grounds that they “offered both the possibility of growth in poor, sparsely populated agricultural countries
and a vehicle for nation-building in states still struggling to assert their sovereignty domestically and internationally” (Topik, 1988:141).

Support for the gold standard in the 19th century also very often had strong nationalist roots. For “late developers,” adopting the gold standard was a way to attract international investment by creating a more credible and stable standard of value. Many nationalist policymakers also saw joining the gold standard as a source of national prestige and a way to emulate the monetary system of the world’s leading economic power, the United Kingdom (Milward, 1996; Gallarotti, 1995). Similarly, Yeager (1984:657) notes that nationalists in countries such as Russia and Austria-Hungary that were not yet on the gold standard in the 19th century often saw their country’s fluctuating exchange rate “as a symbol of disorder and backwardness, whereas being on the gold standard—the modern monetary system—was the mark of a civilized country.” The eventual decision of these countries to adopt the gold standard, he argues, was often driven by this nationalist concern.

The gold standard also sometimes was supported by nationalists because of its role in consolidating national unity. The case of Germany’s adoption of the gold standard soon after unification in the 1870s provides one example. At the time of unification, the domestic monetary system was very chaotic because of the various silver standards in use across the country. The attraction of adopting the gold standard for Bismarck and other German nationalists was that it would enable a dramatically new and national coherent monetary order to be created for the first time, thus fostering the process of national unification. In Walter Nugent’s (1968:63–64) words, “[m]onetary liberalism was therefore much more nationalistic in Germany than it was in England. . . . To the architects of German unification, gold monometallism was a means to an end.”

In many other countries, nationalists supported the gold standard because it helped foster national monetary unity in other ways. Before the introduction of the gold standard, coinage systems were often very chaotic because the value of “full-weight” silver and gold coins fluctuated vis-à-vis each other and because foreign coins circulated widely within each country. When the gold standard was adopted in the 19th century, most countries transformed their silver coins into a modern “fiduciary” coinage managed closely by the state for the first time. For nationalists, this transformation was attractive not only because it helped to create a more unified and nationally integrated monetary order. It also usually ended the domestic circulation of foreign coins, which nationalists often saw as a humiliating infringement on the sovereignty of their nation (Helleiner, forthcoming).

Another way that the introduction of the gold standard fostered nationalist values was that it increasingly came to be associated with the monopolization of the country’s banknotes by a national central bank.12 For nationalists, this change created a more uniform national paper currency and gave monetary authorities a tool to influence more effectively the nation’s internal economy and its economic relations with the outside world (since the gold reserves of the country came under centralized control). Contrary to the liberal vision, Marcello De Cecco (1984:ii) thus notes that the adoption of the gold standard “was in most cases a giant step towards dirigisme.” In addition, it should not be forgotten that the new banknote monopoly could be used by nationalists in symbolic ways for strengthening national identities. Policymakers recognized that nationalist images

---

12 The association between the gold standard and note issue consolidation became increasingly common after the UK’s 1844 Bank Act granted the Bank of England monopoly note issue as part of an effort to make its gold standard operate more smoothly. It then grew very strong after World War I when the 1920 Brussels financial conference called for the creation of central banks with monopoly note issues in all countries who had not yet created them as part of the effort to restore the international gold standard in that era.
on notes were particularly effective tools of propaganda because they were among
the most mass produced objects in the world and were encountered so regularly
in the context of daily routines (especially in an age when the use of money was
becoming increasingly pervasive). For this reason, detailed images of national
landscapes, important events, and personalities in the history of the nation, and
portrayals of the everyday life of citizens and the economic progress of the
nation, increasingly appeared on national banknotes in the 19th century (Helle-
leiner, 1998).

Although economic liberals saw the gold standard in primarily economic and
cosmopolitan terms, nationalists thus saw it in a more domestic and political
manner as useful for their goals of consolidating national economic unity, bol-
stering the state’s ability to promote national economic development, and strengthen-
ing a collective national identity. These various features of the gold standard
help us to understand why the gold standard had particular appeal in an era of
nation-building and nationalism (Helleiner, 1999). They also help to explain the
way in which the international gold standard emerged in a rather decentralized
and diffused fashion. Since a key goal in joining the gold standard was an
inward-looking nationalist and political one, policymakers often had little sense
that they were also creating what came later to be seen as an organized “inter-
national economic regime.”

The Enduring but Ambiguous Influence of Economic Nationalism
Let us return to the question posed at the start of this article: what kind of
challenge does economic nationalism pose to economic liberalism in today’s
global political economy? The historical analysis presented in this article suggests
that the answer may be more complicated than some assume. Conventional
wisdom asserts that the trend of globalization and economic liberalization over
the last two decades has undermined the ideology of economic nationalism. But
this assertion usually assumes that the ideology of “economic nationalism” has a
coherent nonliberal policy program which governments no longer endorse. In
fact, as we have seen, economic liberals found themselves confronting many
distinct strands of economic nationalism in the 19th century, some of which
endorsed liberal policies.

What these distinct strands had in common was the ideological core of eco-
nomic nationalism identified by List: the commitment to examine how economic
policy could be used to help a given nation obtain “prosperity, civilisation and
power.” But they drew different policy prescriptions from this same commitment.
For List and his followers, the key policy project was infant industry protection-
ism because they believed free trade would undermine the national wealth,
power, and prestige of poorer countries that had not yet industrialized. For
Attwood, it was more important to attack liberal monetary policies since he felt
that the gold standard would erode national loyalty in times of war and under-
mine the ability of the state to serve the domestic economic needs of the nation.
Both Fichte and Muller went much further in critiquing liberal policies, arguing
in favor of autarchy on the grounds that it could best serve domestic economic
needs (Fichte) or bolster collective national identities (Muller).

At the same time, however, other economic nationalists believed that liberal
economic policies would in fact serve nationalist goals. In some contexts, the
adoption of free trade or the gold standard were seen by nationalists as tools to
bolster national economic development and national power in various ways.
These policies also garnered nationalist support because they were associated
with national prestige or were linked to political projects designed to strengthen
nascent national identities or reflect existing ones. In these instances, economic
nationalists did not pose a political challenge to economic liberals at all. Instead,
they were important political allies in the project of introducing policies of free trade and/or the gold standard, despite the fact that economic nationalists were endorsing these policies for the “wrong” reasons from an economic liberal standpoint.

How does this analysis help us examine the current relevance of economic nationalism? First, it suggests that we should be skeptical of arguments stating that the ideology of economic nationalism is outdated. If we embrace List’s definition of economic nationalism, we can see that it is an ideology stemming from national identities and nationalist sentiment. As long as these endure, the ideology will remain a powerful one in economic affairs, even if the specific policy projects it endorses change in different contexts (e.g., Crane, 1998, 1999; Pickel, forthcoming).

Indeed, its continuing influence is well evidenced by the fact that even most economic liberals in the contemporary age have put forward their views within the framework of what we might call a “banal” economic nationalist discourse.13 To be sure, the central intellectual figure behind the current revival of economic liberalism in the 1980s and 1990s, Friedrich Hayek, maintained the individualistic and cosmopolitan orientation of his 19th century predecessors. Indeed, he was much more hostile to nationalism and even to the concept of national economies than most of them.14 But his followers have still often sold liberal economic policies politically during the last two decades primarily on the grounds that they will benefit the nation’s GNP, the nation’s trade balance, the nation’s level of unemployment, the nation’s productivity, the nation’s savings rate, and so on. They have done this because the dominant discourse of our age remains a deeply embedded nationalist one, one that evaluates economic ideas primarily according to their impact on the nation rather than humanity as a whole (Reich, 1991:3–4; Levi-Faur, 1997b:171; Pickel, forthcoming).

If economic nationalism (defined in List’s way) remains an important force, what kind of challenge does it pose to economic liberalism in the contemporary age? The 19th century experience suggests that this question is very difficult to answer definitively in one way or the other. As we have seen, the policy content of economic nationalism was very diverse in that era with some economic nationalists challenging liberal economic policies, while others supported and reinforced such policies. This diversity stemmed partly from the fact that each economic nationalist placed emphasis on different nationalist values such as the promotion of national prosperity, the quest for national power, or the promotion of national identities and culture. The differences could also be rooted in the different contexts in which economic nationalists found themselves. List, for example, suggested that the structural position of countries in the world economy should influence nationalist preferences dramatically; free trade policies might serve nationalist goals in industrialized Britain, while undermining them in poorer agricultural countries (although some nationalists in 19th century Latin America disagreed with this assessment, as noted above). Similarly, the specific content of national identities in different countries influenced how nationalist values translated into economic preferences. We have seen, for example, how the nature of British national identities in the 19th century encouraged many citizens in that country to see free trade as a reflection of national moral-political values. Elsewhere, however, this association did not have the same resonance.

---

13 Billig (1995:6) uses the phrase “banal nationalism” to refer to the “collection of ideological habits (including habits of practice and belief) which reproduce established nations as nations.”

14 One of his first works was a strong attack on “monetary nationalism” (Hayek, 1937). More recently, in critiquing the need for national currency, he wrote: “There is indeed little reason why . . . territories that happen to be under the same government should form distinct national economic areas” (Hayek, 1990:114). For a discussion of the roots of Hayek’s thought in this area, see Helleiner (1999).
The lesson to be drawn from this history is that there will be many economic nationalist policy projects in the contemporary age, some of which will challenge economic liberalism and some of which will not. In the first category, we can find many economic nationalists with a similar policy project as List in the contemporary age. Although Listian protectionist policies have been abandoned in many poorer parts of the world over the last two decades (and the rules of the World Trade Organization restrict states’ freedom of action in trade policy to some extent), they continue to be applied in various ways in regions such as East Asia or India for the reasons List suggested (Amsden, 2000; Woo-Cumings, 1999). Equally important, many Northern governments also protect and subsidize “strategic” economic sectors with similar rationales in mind (e.g., Fong, 2000; Nester, 1998).

Attwood’s endorsement of “macroeconomic activism” also remains a powerful nationalist policy project in the current age. Economic liberals have had some success in minimizing discretionary national macroeconomic management through initiatives such as the push for currency unions (Western Europe), the introduction of currency boards (e.g., Estonia, Bulgaria), and the establishment of constitutional constraints on fiscal spending and the activity of central banks in many countries. But these successes have been far from universal and we are a long way from returning to the 19th century liberal world in the realm of macroeconomic policy. In many countries, national governments continue to alter their spending patterns and manipulate interest rates and exchange rates for the nationalist reasons that Attwood suggested. Indeed, much of modern national political discourse assumes this kind of national macroeconomic management to be a central task of national government. In many poorer countries, governments also still maintain capital controls that are designed to protect their ability to conduct an independent national macroeconomic policy designed to serve domestic needs. Even governments that had dismantled these controls have then reintroduced them during financial crises for this very reason, as in the case of Malaysia in 1998 and Argentina in late 2001.

The autarchic strand of economic nationalism represented by Fichte’s and Muller’s ideas finds much less support in the current age. With the collapse of central planning in almost all parts of the world, Fichte’s rationale for rigid autarchy has lost political support. Muller’s argument that autarchy is necessary to preserve national identities also would appear rather extreme to most contemporary economic nationalists. At the same time, however, his underlying point that international economic interactions can undermine national social bonds and culture would strike a chord with many nationalists today. Indeed, as Patricia Goff (2000) has recently highlighted, protectionist sentiments toward “cultural industries” in particular remain strong in this age of economic globalization for precisely this reason. It is also worth noting that some contemporary nationalists favor a degree of autarchy on grounds that neither Fichte nor Muller addressed: that it can help insulate the nation from foreign political manipulation and bolster national strategic autonomy (e.g., Buchanan, 1998).

In exploring strands of contemporary economic nationalism that are critical of liberal policies, we should not restrict ourselves to these three groups identified in the 19th century. For example, in his well-known book The Work of Nations, Robert Reich (1991) argues that economic nationalists must turn away from the protectionist policies of the past in the context of today’s globalized economy and endorse a new activist role for the state that centers on large public investments in education and infrastructure. Those employing a conventional definition of economic nationalism might see his book as a rejection of “economic nationalism.” But he explicitly identifies his argument in a tradition of economic nationalist thought dating back to List, arguing simply that changing conditions in the world require new policy tools to achieve the same nationalist
purposes. In other words, he strongly supports the point made in this article that the core of economic nationalism is best defined by its nationalist content rather than its specific policy prescriptions (see also Levi-Faur, 1997a).

As in the 19th century, signs of the continuing strength of economic nationalism can be found not just among critics of liberal economic policies but also among supporters. As noted in the first section of this article, Crane and Shulman have provided a number of examples where contemporary policymakers have supported liberal economic policies for nationalist reasons. Two brief further examples that have parallels in the 19th century can reinforce their point. The first is the enthusiasm of the U.S. for promoting trade and investment liberalization abroad over the past two decades. Its actions have been driven partly by economic liberal ideology, but U.S. policymakers have also adopted this policy stance for other reasons including the one that List saw in British support for free trade in the 19th century: liberal policies have been seen as a way to bolster U.S. prosperity and power in an age when U.S. businesses are often the most efficient in the world (e.g., Rothkopf, 1998).

The other example comes from the monetary realm. The introduction of currency boards presents a particularly interesting case in which liberal economic policies often have nationalist roots today. By reintroducing the kind of discipline associated with the classical gold standard, currency boards are usually seen as dramatic repudiation of nationalist approaches to economic policy. But frequently they have been introduced for nationalist reasons such as attracting foreign investment, re-cultivating pride in the national currency, expelling foreign currencies in a context of widespread “dollarization,” and reestablishing a degree of state control over the monetary system. Politically astute economic liberals have in fact recognized the potential nationalist appeal of currency boards in these respects (Helleiner, 1999).

Conclusion

In this article, I have argued that the only way to evaluate the significance of economic nationalism today is by answering the prior question of “what is economic nationalism?” Throughout most of the 20th century, the ideology has received relatively little serious academic attention and has been analytically confused in scholarly literature. In the last few years, however, there has been new interest in sharpening the meaning of economic nationalism. This recent literature has made two important points. First, the ideology of economic nationalism should be defined by its nationalist content rather than by its endorsement of specific economic policies or as an economic strand of realism. Second, by “bringing the nation back in” to the definition of the ideology, we can see more clearly that economic nationalists can have a variety of policy goals which may even include support for liberal economic policies.

These arguments will obviously be controversial among those who have used the phrase in other ways. In this article, however, I have suggested that the history of economic nationalism in the 19th century provides strong support for them. To begin with, I have shown that the definition proposed in recent literature is not a new suggestion but rather one very similar to that made by Friedrich List, a figure recognized by all scholars as the most important figure in developing the ideology of economic nationalism in that age. Much of the traditional literature which discussed List’s ideas has missed this point because it inherited the misleading notion that economic nationalism was best described according to its endorsement of nonliberal policy. This notion encouraged scholars to identify the core of List’s economic nationalism as his case for infant industry protectionism instead of his nationalist ontology.
I have also shown that a close examination of 19th century economic nationalism supports the idea that this ideology can lead to a wide variety of policy initiatives, including support for liberal economic policies. The enormous focus on List has often obscured the diverse range of thinkers and policymakers in the 19th century who fit within his definition of economic nationalism. These figures often drew different links than List had between nationalist goals and economic policies, and some supported the two central liberal initiatives of the 19th century, the introduction of free trade and the gold standard.

If current efforts to sharpen the analytical concept of economic nationalism are thus supported by a study of 19th century economic nationalism, what are the implications for an evaluation of economic nationalism’s potential to challenge economic liberalism today? One implication is that it is misleading to see this era of globalization and economic liberalization as necessarily signaling the defeat of economic nationalism. The ideology as defined by List will retain a powerful place in today’s global political economy as long as national identities and nationalism more generally remain powerful.

The second implication, however, is that the enduring strength of economic nationalism does not necessarily pose a challenge to economic liberalism. To be sure, some strands of contemporary economic nationalism advocate nonliberal policies that certainly pose an important challenge to the goals of economic liberals, just as they did in the 19th century. But many economic nationalists today support liberal economic policies. Although they disagree with economic liberals when explaining the reasons for their support, these “liberal economic nationalists” have worked alongside economic liberals in promoting the emergence of a much more liberal world economy in the last two decades, just as their predecessors did in the 19th century. The enduring strength of economic nationalism is thus apparent not just in the continued support of infant-industry protection or macroeconomic activism in many parts of the world today. It is also evident in the triumph of liberal economic policies themselves. The growing adoption of liberal economic policies in the contemporary age, in other words, should not be confused with the hegemony of economic liberalism as an ideology. Only when the nationalist impulse more generally has been defeated could such hegemony emerge.

Let me conclude with a final word about the implication of this argument for future research on economic nationalism. If economic nationalism can be associated with any kind of economic policy (and even liberals use nationalist appeals), some might conclude that the term is increasingly a meaningless one and that research on this topic has reached a dead end. I reach a different conclusion. After a century of rather muddied definitions of economic nationalism, I think researchers are finally bringing a degree of clarity to discussions of the term. This approach does not preclude IPE scholars from continuing to refer to infant-industry protection or autarchic policies as inspired by an ideology of “economic nationalism.” It simply asks them to recognize that these are only particular strands of a broader ideology whose core content is best defined by its nationalist ontology instead of its specific policy prescriptions.

The future research agenda for those interested in the study of economic nationalism is now also suddenly more promising than it has been in many years. By returning the meaning of economic nationalism to List’s original definition, researchers are finally refocusing attention on the important core problematic that he identified: in what ways do national identities and nationalism influence economic policy and processes? Despite the resurgence of interest in both the study of nationalism and that of political economy over the past two decades, this question has received surprisingly little attention. Those calling for a new approach to the study of economic nationalism are setting out to address this hole in academic literature. Their agenda is not to arrive at a definitive single answer to
the question of economic nationalism’s contemporary or past significance. In fact, they start from the assumption that there can be no such answer. Instead, the goal is to explore the diverse and complex ways that national identities and nationalism shape economic life. Whereas past research on economic nationalism was often conceptually muddled, here is a research agenda with enormous potential to contribute to leading debates relating to comparative political economy, constructivist international relations, and the study of nationalism. Research on economic nationalism, then, far from reaching a dead end, appears to be poised for an important renewal.

References


