

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

Eric Helleiner

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ABSTRACT

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 Conventional wisdom holds that economic nationalism is an outdated ideology in this age of globalization and the triumph of liberal economic policies. But this argument rests on understandings of economic nationalism that are increasingly being called into question by recent scholarship. In this paper, 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 according to its nationalist content, 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 also from economic nationalists. 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 last 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 nationalism 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 paper, 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 figure who is 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.² 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 gold standard.

In the final section of the paper, I argue that this analysis of the 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 the triumph of liberal economic policies. But this assertion usually assumes that the ideology of "economic nationalism" has a coherent non-liberal policy program which governments no longer endorse. If, instead, we follow List's lead and define economic nationalism in terms of its nationalist content, the ideology can be seen to 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 economic liberalism. 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 towards 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 international political economy. For most of the 20th century, few efforts were made to develop a detailed scholarly analysis of this concept. As 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 did not like. As Kofman (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, G.Hodgson, noted, "At best economic nationalism is an indefinite term, used by its opponents, more than by its proponents" (quoted in Heilperin 1960: 17fn1).

After World War Two, serious scholarly efforts to examine the analytical concept of economic nationalism remained quite rare. During the Cold War, scholars were encouraged to think of the ideological debate on issues of international political economy in binary terms, as one between liberalism and Marxism. As a result, the ideology of economic nationalism received little serious academic scrutiny.³ This is not to say that the term was not widely used in academic literature and in popular discourse. Liberal economists and policymakers, for example, continued to use the term as they had during the interwar period to discredit and attack policies that they disagreed with. It was associated with the endorsement of a wide range of non-liberal policies such as tariffs, quotas, subsidies, restrictions on foreign investment, floating exchange rates and autarchy (Shulman 2000: 367, Pickel 2001).⁴ This use of the term was imprecise one from an analytical point of view not just because it 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 were might have been inspired by ideologies such as socialism or by special sectoral interests (Shulman 2000: 367; Heilperin 1960).

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 new subfield of international political economy. 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 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 had its roots in mercantilist doctrines of the 17th and 18th century (see also Sylvan 1981).

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) has made the same point in arguing that realism and economic nationalism need to be distinguished. 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) has argued that Gilpin and others have been wrong to equate economic nationalism with mercantilism since the statist ideology of the latter that 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 (2000: 31), for example, has suggested that economic nationalism needs to be seen as "a set of policies that results from a shared national identity; it is economic policy that followed the national purpose and direction." Similarly, Crane (1999: 215) suggests that economic nationalism should be seen as "facet of national identity". Although he wonders whether the term economic nationalism should even be used any more 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 the 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 been 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 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...[e]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 both to enhance the competitiveness of nationally-based industries and to attract increasingly mobile transnational corporations and financial capital to their territory. 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 2001).

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 changeable across time and place, we should expect that 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 convince some of those who are not yet persuaded of this approach.

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.⁵ 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*, List does offer a clear answer. Interestingly, it is very similar to that being put forward by the scholars noted above.

Unfortunately, this point has often been missed in secondary literature. Throughout the 20th century, List was usually best known for his advocacy of infant industry tariff protection.⁶ 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 recommendation 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 paper, 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: p.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" (List 1904: 141). Liberals, he argued, saw "individuals as mere producers and consumers, not as citizens of states or members of nations" (p.141). 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 individual 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" (p.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 development 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 emphasising how different List's definition of economic nationalism was from the definitions which came to be used in the 20th century. Liberal economists and policymakers who defined economic nationalism in terms of its specific non-liberal 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 via infant industry tariffs would contribute to national culture by bolstering a country's sense of national glory and greatness (Greenfield 1995, Szporluk 1988, Crane 1998, Mayall 1990: 72).

With his focus on nationalism and national identities, List thus adopted the similar approach to defining economic nationalism as that suggested more recently by scholars such as Abdelal and Crane. 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 to refer to non-liberal policies steered attention away from List's ontology towards his non-liberal 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.

One final 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 quite 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. Indeed, he famously gave the security interests of the British state priority over the objective of wealth maximisation via free trade: in his words, defence was "of much more important than opulence" (Smith 1776: 487).⁷ For these reasons, Earle (1943: 121) joins other analysts in concluding that "Adam Smith did not really repudiate certain fundamentals of mercantilist doctrine" (see also Harlen: 738, Wyatt-Walter 1996, Baldwin 1985: 77-87).

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 systemically in the 19th century, such as David Ricardo, John Stuart Mill or Richard Cobden. In developing his theory of comparative advantage, for example, Ricardo's framework was definitely one of maximising worldwide economic efficiency. He spoke of his goal of promoting "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: 132-4).

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, 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 and 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, 85-6; Hobsbawm 1992: ch.1; RIIA 1939). Ricardo proved his theory of comparative advantage, for example, by allocating a division of labour within an existing framework of national economies.⁸ Recognising 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: 244-5, 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 Hobsbawm (1992: 28, 43) puts it, "liberal economists did not like to, or quite know how to, talk about" the national economy. Nef (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 analysed 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 criticised 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 equalise 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 re-examination of the ideas of List proves very useful in supporting the contemporary argument that economic nationalism should be redefined in a broader light. 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 wide variety of policies, including liberal ones. If we focus exclusively on List to examine economic nationalist thinking in the 19th century, we do not find support for this argument since he drew from his definition of economic nationalism only one clear policy program of infant-industry protection.⁹

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 programmes from that of List.¹⁰ In so doing, I also show how they developed a number of quite different arguments about how economic policy could reinforce nationalist values and national identities, arguments that have often have important echoes in the contemporary world.

1. Macroeconomic Activists: Attwood's Nationalist Critique of the Gold Standard

Although List is known today as the leading 19th century nationalist critic of liberal policies, his critique centered only liberal trade policies. He said very little about the equally important liberal commitment to convertible currencies, and more specifically, to the gold standard. Economic liberals traditionally supported the gold standard for a simple reason: it was the monetary order that 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 fixed exchange rates and 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's name 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), speaks of his "fervent nationalism" that led him to support nationalist values not just in his own country but also abroad in countries such as Poland. In Moss's words, his view was that: "National pride needed to be gratified and 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 favour 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.

He suggested that no such panic would occur if the country had an inconvertible currency; indeed, such a currency might cultivate national loyalty because this kind of money ensured that “everyman’s interest would be bound up in that of his country” (Fetter 1965:).

His primary objective, however, was to promote national prosperity. Whereas List saw the advancement of national prosperity as linked to his broader goals of augmenting national power and glory, Attwood was more interested in ensuring the well-being of all national citizens 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 not just of wealthier citizens but also of the working class. Attwood's commitment to an inclusive sense of nationhood was reflected not just in his concern for workers but also in his active involvement in the movement to expand the electoral franchise. He 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 middle classes. He was then elected an MP for Birmingham and soon became a central figure in the Chartist movement that sought to extend the electoral franchise to all men, 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 that represented the nation in its entirety would bring about monetary policies that better served all members of that nation (Moss 1981).

Attwood's specific economic analysis and that of his “Birmingham school” of political economy had a quite modern tone in their endorsement of national macroeconomic management (Moss 1981; Fetter 1964; Checkland 1948; Briggs 1948). 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 (Fetter 1964: 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. As he put it in 1826, “We shall never again know what it is to have expansion today and contractions tomorrow; to have prosperity in the beginning of the year, and ruin in the end” (Fetter 1964: 35). 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. As he put it in 1826, “No precedent exists in history like England at this period....Here the division of labour has become extreme.... Money becomes thus the very lifeblood of the political system; and its ample and healthy supply is just as necessary to our political body, as blood itself is to animal life” (Fetter 1964: 37-8). In 1843, he reiterated this theme that the money of a country should be actively managed to serve the nation: “It 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” (Fetter 1964: 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” (Fetter 1964: 34). To his liberal critics, he pointed to many countries whose experiences of inconvertible currencies had been prosperous ones. In addition to the examples of Russia, Austria and Hungary (Fetter 1965: 13), he was most inspired by the experience of 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 nineteenth century, although usually with less economic sophistication. Among the best known exponents of an inconvertible currency during the 19th century was the 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.¹¹ In Canada, similar ideas came from a prominent Ontario businessmen and politician, Isaac Buchanan. A strong nationalist, Buchanan also usually favoured free markets, but had a special concern with the promotion of full employment and workers rights. Arguing in favour of an inconvertible national currency, he asserted 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 nineteenth century? In Britain, Attwood was unsuccessful in convincing the government to leave the gold standard, although his demands generated enough popular support to seriously worry the elite. Carey's push for an inconvertible currency in the US also found strong support among farmers and labour, 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).¹² Similarly, Buchanan's movement in Canada also 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 nineteenth century, they would become much more so during the 20th century.

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 realize the new nationalist concept of popular sovereignty (Checkland 1948: 17).¹³

2. Autarchic Economic Nationalism: The Ideas of Fichte and Muller

Although the term "economic nationalism" is often associated with the 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 Britain 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 (Fetter 1967: 34).

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.¹⁴ 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 culture would continue to be encouraged). Like Attwood, his primary rationale for this policy was that it would allow the state to serve the economic needs of all national citizens, but his domestic economic goals were much more ambitious than those of Attwood, Carey or Buchanan. Where they generally favoured 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 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: 76-7). 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, such as the 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 favour of autarchy came from a thinker associated with the romanticist movement in the early nineteenth 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. In James Mayall's (1990, p.80) words, "for them a man without a country was incomplete, somehow less than a man". 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 nineteenth century.¹⁵

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" (Roll, 1939, p.223). He saw liberal economic policies as contrary to 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 labour (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 analysed 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 state" (Roll 1989: 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 Pribam, 1983, p.212).

Muller made little contribution to formal economics but, as Schumpeter (1954: 99) notes, he can be seen as an early pioneer in economic sociology. In particular, he broke new ground by analysing the ways in which the economy could strengthen national identities. In this way, he developed quite a different kind of economic nationalism than the other thinkers we have analysed. 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 how 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: 216-24). For most of the 19th century, however, both Fichte and Muller's thinking received little attention and it 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 much theoretical attention again. 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 - without explicit acknowledgement - 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 notes, Keynes' case for economic autarchy (but with a continuing free flow of ideas!) is remarkably similar. Keynes' central point is that national economic planning requires a degree of autarchy to be effective.¹⁶ 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.

3. Liberal Economic Nationalism: A Neglected Perspective

All 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 political 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 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 19thc 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 p.65). To what extent was this true? As 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 favour 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 that they associated with British national identity. As Trentmann (1998: 231) puts it, "[t]he 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. Carleton Hayes (1931: 158-60, 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, Mayall (1990: 75) highlights that many nationalists who endorsed liberal constitutionalism saw free trade as linked to their ideal of a world organised on the basis of popular sovereignty. Many policymakers in 19th century Latin America also favoured 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 nineteenth century also very often had strong nationalist roots. Because it has received much less attention from historians, this issue deserves greater scrutiny here. 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). The Meiji leaders in Japan after 1868, for example, endorsed the adoption of the gold standard (although this would not be achieved until the 1890s) after looking to Britain and other Western countries for models of how to organize their monetary system as part of their dramatic initiative to create a modern nation-state (Matsukata 1899: 6). Similarly, Yeagar (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 Bismark 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 foster the process of national unification. In Nugent's (1968: 63-4) 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. For example, its introduction was associated with the creation of a modern subsidiary silver 'token' coinage managed closely by the state for the first time. Before this change, 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. By introducing a silver token coinage, the adoption of the gold standard created a more unified and "modern" coinage system. For nationalists, this transformation was attractive not only because it helped to create a more coherent national economic space. It also usually ended the domestic circulation of foreign coins, which had been a phenomenon that nationalists often saw as a humiliating infringement on the sovereignty of their nation. In Britain, for example, Fetter (1965: 61) notes that the introduction of the gold standard with a token silver coinage in 1816 was not prompted so much by liberal economic theory as by the desire to create a more stable supply of low denomination coinage for the nation and force out of domestic circulation French silver coins whose circulation had been particularly "galling to British pride".

Another way that the introduction of the gold standard fostered nationalist values was that it increasingly came to be associated with the centralisation of control over banknotes by a national central bank.¹⁷ For nationalists, a central bank with monopoly control over the note issue created a more uniform national paper currency and gave the state 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 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 in an age when the use of money was becoming increasingly pervasive. 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, thus began to appear on state-regulated notes in the 19th century (Helleiner 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, bolstering the state's ability to promote national economic development and strengthening a collective national identity. The first two goals were particularly significant for nation-builders during the nineteenth and early twentieth centuries. The transaction costs and uncertainties associated with heterogeneous monetary systems were usually very significant for public authorities in areas such as tax collection as well as for private economic actors seeking to operate in the emerging economic space of the nation. The more consolidated monetary order associated with the gold standard reduced them, often in a dramatic manner, thus creating a more efficient public sector capable of mobilizing national resources and fostering the growth of a smoothly functioning national market economy. These various features of the gold standard help us to understand why the gold standard had particularly appeal in an era of nation-building and nationalism (Helleiner forthcoming). They also helps to explain the way in which the international gold standard emerged in what Gallarotti (1995) notes was 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 "international economic regime".

THE ENDURING BUT AMBIGUOUS INFLUENCE OF ECONOMIC NATIONALISM

Let us return to the question posed at the start of this paper: what kind of challenge does economic nationalism pose to economic liberalism in today's global political economy? The historical analysis presented in this paper suggests that the answer may be more complicated than some assume. Conventional wisdom asserts that the trend of globalization and the triumph of liberal economic policies 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 non-liberal 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 kept these distinct strands unified together was the ideological core of economic 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 quite different policy prescriptions from this same commitment. For List and his followers, the key policy project was infant industry protectionism 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 undermine the ability of the state to serve the domestic economic needs of the entire nation. Both Fichte and Muller went much further in critiquing liberal policies, arguing in favour of national economic autarchy on the grounds that it could best serve domestic economic needs (Fichte) or bolster collective national identities and spiritual unity of the nation (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 to 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 answer the question above? First, it suggests that we should be sceptical 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 national identities and nationalism endure, this ideology will remain a powerful one in economic affairs, even if the specific policies projects it endorses change in different contexts (e.g. Crane 1998, 1999, Reich 1992, Pickel 2001).

Indeed, its continuing influence is well evidenced in the way 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.¹⁸ 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 19thc predecessors. Indeed, he was much more hostile to nationalism and even to the concept of national economies than most of his 19th century liberal predecessors.¹⁹ But his followers have still often sold liberal economic policies during the last two decades 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 etc. They have done this because the dominant discourse of our age remains a banal and 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 2001).

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 also stemmed from the different contexts in which economic nationalists found themselves. As List pointed out, for example, the structural position of countries in the world economy could obviously influence nationalist preferences dramatically; free trade policies might serve nationalist goals in an industrialized country such as Britain, while undermining the nationalist goals of poorer agricultural country. 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.

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 this first category, for example, we can still 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 World Trade Organization restrict states freedom of action in trade policy to some extent), such policies continue to be applied in various ways in regions such as East Asian or India for the reasons List suggested (Amsden 2000, Woo-Cumings 1999). Equally important, most Northern governments also protect and subsidize "strategic" economic sectors for similar reasons, and this practice has many vigorous defenders (Fallows 1994, Thurow 1992, Buchanan 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. Argentina, 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 nationalists reasons as Attwood suggested. Indeed, much of modern national political discourse assumes this national macroeconomic management to serve domestic needs to be a central task of national government. In many poorer countries, governments also still maintain national capital controls that are designed to protect their ability to conduct an independent national macroeconomic policy designed to serve domestic needs.

The autarchic strand of economic nationalism represented by Fichte 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 autarchy has lost political support. Muller's argument that national economy 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 towards "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 also aid in the prosecution of war (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 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 purpose of improving the standard of living of all national citizens. In other words, he strongly supports the point made in this paper 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. I will not spend much time on this point since I have already noted in the first section of the paper a number of examples that Crane and Shulman highlight of policymakers supporting liberal policies for economic nationalist reasons in the current age. Two brief further examples that have parallels in the 19th century can reinforce the point they are making. The first is the enthusiasm of the US for promoting trade and investment liberalization abroad over the past two decades. Its actions have been driven partly by economic liberal ideology, but US 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. As the country housing many of the world's most efficient industries, this policy has been seen as a way of bolstering US prosperity and international power.

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 quite 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 (e.g. Saavalainen 1995: 3). Politically astute economic liberals have in fact recognised the potential nationalist appeal of currency boards in these respects (Hanke 1992: 18, 21).

CONCLUSION

In this paper, 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 sparse academic attention and it has been an 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 various non-liberal 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 ones among those who have used the phrase in more conventional ways. In this paper, however, I have suggested that an examination of 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 seen by almost all scholars as the most important figure in developing the ideology of economic nationalism in that age. Much of the traditional literature which discusses List's ideas has missed this point because it inherited the misleading notion that economic nationalism was best described according to its endorsement of non-liberal policy. This notion encouraged scholars to identify the core of List's economic nationalism as his case for infant industry protectionism instead of his national 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 quite different links than List had between nationalist goals and values and economic policies, links that encouraged them to endorse distinct policy goals. Among these goals were support for 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 our evaluation of what kind of challenge economic nationalism poses to economic liberalism today? One implication is that the advent of an era of "globalization" and the spread of liberal economic policies should not be viewed as representing 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 non-liberal 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 endorse liberal economic policies. Although they disagree with economic liberals when explaining the reasons for their actions, 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 a hegemony emerge.

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ENDNOTES

¹ These two arguments are enunciated most prominently in the work of Abdelal (2001), Crane (1998, 1999) and Shulman (2000), as is explained in the first section of this paper. Other scholars have also recently contributed to our understanding of economic nationalism in additional important ways that are discussed in the paper. See in particular Harlen (1999), Levi-Faur (1997a,b), Goff (2000), Mayall (1990), Pickel (2001) and Winch (1998).

² Although some scholars believe that nationalism had produced few serious thinkers, I follow Szporluk's (1988) lead in this paper of identifying key thinkers that pioneered economic nationalism.

³ Some exceptions were Heilperin (1960), Johnson (1967), Myrdal (1960), Seers (1983), and Burnell (1986).

⁴ Among the most detailed liberal analyses of economic nationalism were Heilperin (1960), Johnson (1967) and Hieronymi (1980).

⁵ It is well known that his economic ideas were influential both in Germany, his country of birth, as well as in the US where he lived for an extended period of time. But his ideas also had impact in many other countries ranging from Japan to Canada to India during the 19th century (Morris-Suzuki 1989: ch.2; Henley 1989-90; Gopalakrishnan 1959: ch.3). During the 20th century, his ideas also attracted attention in many poorer countries seeking rapid industrial development (e.g. Senghaas 1991). Tribe (1995:44-5) notes that List's ideas were inspired initially by Hamilton and Raymond. Although Hamilton's work is well known, Raymond's work is not. It is well analysed in Neill (1897).

⁶ There are many good descriptions of List's ideas. For some recent analyses, see Harlen (1999), Levi-Faur (1997a,b); Senghaas (1991), Semmel (1993), Winch (1998), Szporluk (1988).

⁷ More generally, Sally (1998: 56-7) also notes: "In the moral-philosophical and psychological sides of their work, both Hume and Smith strongly believe that human fellow-feeling... might apply within a nation, but hardly at all between nations. Sympathy subsumes a sentiment of patriotism or "love of country", but does not extend to a "love of mankind"... Both Hume and Smith opine that this is right and proper, for the public interest is secured when one fixes one's attention on something limited and proximate, stretching to patriotism or love of country, rather than something vague and uncertain like the love of humanity". Some have suggested that Smith's title "The Wealth of Nations" also reflected his nationalist orientation (e.g. Baldwin 1985: 83), but List (1904: 97) himself questioned this interpretation, arguing that the title referred to the wealth "of all nations of the whole human race".

⁸ Indeed, a key assumption in his model - that capital was not mobile - also stemmed partly from his recognition of the potential force of nationalism in influencing economic behavior. He argued that outflows of capital from Britain were restrained partly by "the natural disinclination which every man has to quit the country of his birth and connexions, and intrust himself, with all fixed habits, to a strange government and new laws". He continues: "These feelings, which I should be sorry to see weakened, induce most men of property to be satisfied with a low rate of profits in their own country, rather than seek a more advantageous employment for their wealth in foreign nations" (Ricardo 1817: 136-7).

⁹ Although as I note below, his analysis of British policy implied that free trade was also a policy of economic nationalism if it was pursued by a dominant economic power.

¹⁰ This list is not meant to be exhaustive. An example of another strand of economic nationalism is provided by Szporluk (1988: 159-60) who highlights how 19th century economic nationalism in the multi-ethnic states of East Central Europe also took the form of voluntaristic coop savings associations and consumers associations, as well as land ownership rules.

¹¹ Unlike Attwood, he did not favour the creation of a national currency that could be managed actively by the government. Instead, he favoured free banking.

¹² Livingston (1990: 34-6) does, however, argue that the move was partly prompted by a commitment to the "developmental" effects of fiat money among the new Republic leaderships in the late 1850s.

¹³ 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 every member of the movement's had signed a placard publicly rejecting his monetary ideas, a move that led him devastated and encouraged him to withdraw from public life (Fetter 1967, Moss 1980: 287).

¹⁴ 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 encourage international commercial rivalries (Baldwin 1985: 87; Hayes 1931: 264).

¹⁵ Interestingly, Muller's first work was a literary critic was to act as a reviewer of Fichte's 1800 book. He reviewed it very negatively because of his commitment to Smith's liberal ideas at the time. Only later did he grow disillusioned with liberalism (Roll 1939: 219).

¹⁶ He also resurrected Fichte's case that autarchy will bring international peace (see note 14).

¹⁷ The association between the gold standard and note issue consolidation became an increasingly common after the UK's 1844 Bank Act granted the Bank of England monopoly note issue as part of an effort to make the gold standard operate more smoothly. It then grew very strong after World War One 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.

¹⁸ 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".

¹⁹ 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).¹⁹ These two arguments are enunciated most prominently in the work of Abdelal (2001), Crane (1998, 1999) and Shulman (2000), as is explained in the first section of this paper. Other scholars have also recently contributed to our understanding of economic nationalism in additional important ways that are discussed in the paper. See in particular Harlen (1999), Levi-Faur (1997a,b), Goff (2000), Mayall (1990), Pickel (2001) and Winch (1998).