

Working papers



# **Explaining (with) Economic Nationalism**

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## 1 Introduction

While there is no shortage of works on the “new economy,” the most recent non-historical, book-length scholarly study specifically devoted to economic nationalism, entitled *The New Economic Nationalism*, was published in 1980.<sup>1</sup> The so-called new economy, and globalization more generally, it seems, is not a favourable environment for economic nationalism, old or new. Nationalism more generically is of course a prime topic of political and scholarly debate, but this debate concerns various *political* nationalisms – ethnic, civil, etc. While such political nationalisms are occasionally investigated in the context of economic globalization, they are usually considered anachronistic (Hobsbawm 1990) or portrayed as manifestations of an irrational backlash to the forces of global economic change (Barber 1995).

The present analysis rejects the narrow view according to which economic nationalism is simply an anachronistic economic doctrine in the age of globalization. It will argue that economic nationalism should not be understood as the opposite of economic liberalism, but rather that economic liberalism is itself a type of economic nationalism. It will further argue that economic nationalism is not so much about the economy as it is about the nation – the economic dimensions of specific nationalisms make sense only in the context of a particular national discourse, rather than in the context of general debates on economic theory and policy. Like nationalism more generally, economic nationalism can be understood in a narrow sense as a particular program or ideology, such as protectionism, or it can be understood in a more inclusive sense as those aspects of nationalism that pertain to “the nation’s economy.”

My contention is that a deep understanding of economic nationalism as ideology is not possible in the absence of a broad conception of economic nation. Drawing on a long tradition of scholarly work dating back at least as far as Friedrich List, I will sketch such a broader view and place economic nationalism in the context of current debates on state and nation, society and economic culture, globalization and transformation. At a more fundamental level, therefore, my argument challenges various forms of

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<sup>1</sup> James Mayall, in his *Nationalism and international society* (1990), devotes two chapters to economic nationalism, the second of which is entitled “the new economic nationalism.” Two excellent recent article-length studies of economic nationalism are Crane 1998 and Levi-Faur 1997. I’m not including recent popular or political treatments of the subject, e.g. Buchanan 1998; Frank 1999.

contemporary “economism” for failing to conceptualize economic ideas, actors and systems as parts of specific historical, political, and cultural formations – or to use a fashionable term, for failing to adequately take into account the social “embeddedness” of the economy. Explaining economic nationalism in a broader theoretical context sets the stage for explaining *with* economic nationalism – that is, for explaining or illuminating a variety of phenomena from economic performance and social (dis-)integration to postcommunist transformation and responses to globalization by focusing on the relationship between nationalism and the economy. Before attempting a more systematic sketch of an alternative view of economic nationalism, the paper will review some of the central findings from a variety of literatures that are highly relevant for the problem broadly conceived, but that in the conventional view are not associated with economic nationalism. What is the conventional view?

## **2 What is Economic Nationalism? The Conventional View**

The fact that a particular concept or phrase is strongly charged with political meaning usually does not commend it as an explanatory concept in social science. It is better treated as an object of scholarly study rather than as an analytical instrument in aid of such work. Discourse analysis and “deconstruction” may be called for. Explanation, in contrast, whenever possible should employ more politically neutral concepts. Alas, the social world makes such strictures difficult to follow. A “positivist” insistence on “neutral scientific language” often loses the original problem or reintroduces norms through the backdoor. The anti-positivist, postmodern response, on the other hand, gives up on the idea of social science. But (economic) nationalism, like democracy, justice, society, nation, culture, or globalization, are all politically charged concepts, yet at the same time they refer to realities that social scientists need to explain. While there is no simple and clean solution, this analysis will try to do both: examine economic nationalism as an ideological concept, and reconceptualize it to make it servicable as a concept in social science.

In order to bring into view the meanings of economic nationalism as the phrase is used in contemporary ideological and political debate, the following brief and impressionistic content analysis of articles from the international press is provided. The

strength of any political discourse lies in part in its ability to make clear, simple and stark distinctions between good and bad, friend and foe. Neoliberal discourse treats economic nationalism as a pernicious doctrine, and its proponents as the political enemy. Naming a particular policy approach or action an instance of economic nationalism is thus to disqualify it. The same is true for the appellation “economic nationalist.” While economic nationalism vs economic liberalism is the underlying dichotomy, actual cases can be placed on a sliding scale. Individuals and collective actors, especially states, can over time prove themselves, discredit themselves, and redeem themselves again. Take the following example.

The South African government’s abrupt decision to block the proposed merger between Gold Fields and Franco-Nevada . . . [raises the] question for international capital . . . whether this veto amounts to a retreat into economic nationalism and a less market-oriented approach. (Financial Times, October 5, 2000)

While most political actors are constantly on probation, some are firmly lodged at one or the other end of the spectrum. Here is an example of an irredeemably discredited case that illustrates many of the negative characteristics associated with economic nationalism and the way it tends to be instrumentalized by political interests.

In the guise of economic nationalism, Marcos ex-tended a tight grip over the country after declaring martial law in 1972. He confiscated rivals' assets; awarded monopolies and assets to cronies; created wealth that can only be guessed at; and reinforced the Philippine's endemic feudalism. (Survey Philippines, Financial Times; Sep 28, 1999)

Particularly since the financial crisis of 1997, East Asian countries have come under close scrutiny for a variety of violations of liberal economic values.

A prominent and determining feature of the Japanese industrial system is economic nationalism. [. . .] the Koreans have learned a lot from Japan. Indeed, Korean economic nationalism is more acute. [. . .] The Korean economic fortress had a strongly chauvinistic ideology with respect to both foreign imports and foreign investments. [. . .]

Not only education is called for [in Japan] but a radical change in attitudes, especially those emanating from nationalism and racism. (Survey – Mastering Global Business 10, Financial Times, April 2, 1998)

India, a traditionally non-liberal economy, in the early 1990s embarked on a program of economic liberalization. However, the Hindu nationalist administration that came to power in 1998 is committed to ‘swadeshi’, or economic nationalism (Agence France Press Intl, March 30, 1998). So, it appears, is the bulk of the country’s middle class:

Nearly eight out of 10 middle-class Indians want the new coalition government to push through policies of 'economic nationalism' and bar foreign companies from certain industries . . . (Agence France Press Intl, April 5, 1998)

Russia's eight years of independent statehood and transition to capitalism passed without strong official appeals to economic nationalism. However, the disastrous economic results of this period may help explain why Russia's new President "Vladimir Putin . . . advocates an aggressive form of economic nationalism." (The Guardian, July 10, 2000)

Perhaps equally unsurprising,

After two years of economic recession [in Argentina], opinion polls show a steady increase in feelings of economic nationalism and a growing resentment of the free markets. (Survey Argentina. Financial Times, September 26, 1998)

Progressive liberal leaders are considered a precondition for successful liberalization, but leaders alone are not enough, as the following example implies.

Pemex is the most prominent symbol of the cynical and destructive economic nationalism that has held Mexico back for much of the past century. [. . .] When Mr. Fox suggested during the election that he might dismantle Pemex, he was met by howls of outrage about an attack on the 'national patrimony.' He backed off. (Financial Post, July 5, 2000)

But even if progressive liberal leaders have enjoyed considerable public support in their pursuit of rapid and far-reaching liberalization, international capital may remain highly skeptical:

For a country with a reputation for economic nationalism, Poland has taken a surprisingly tolerant view of foreign domination in the finance sector. Foreign investors control about 70 per cent of Polish banking assets, a level matched in Central Europe only by Hungary, and seen in few emerging markets anywhere. (Financial Times; Apr 17, 2000)

When publics are less supportive of foreign ownership, elites are called upon to assuage irrational fears through skillful emotional management.

While ministers have never complained about the scale of German investment in Poland, conservative politicians and newspapers have done so. Polish sensitivity about German ownership is understandable, given the two nations' history. For the most part, both countries have recently handled this emotion with great skill. (Financial Times; Feb 9, 2000)

Is economic nationalism always present? And when does it turn ugly?

We in Thailand have more than our fair share of the "selling the nation" syndrome. [. . .] Some would argue that this economic nationalism has always been with us, but latent, even during the heyday of accelerated economic growth and easy money. However, with the economic crisis, this latent force can no longer be contained. And it has been further inflamed by irrational and

chauvinistic rhetoric and rising political opposition to government policy and its performance. Although nationalism is essential to a nation, the extreme and narrow-minded form, often called chauvinism or jingoism, must be avoided or at least curbed. (Bangkok Post - Thailand; Sep 3, 1999)

Perhaps curbing such negative forms of nationalism does require a certain degree of “good” economic nationalism, if this is not seen as a contradiction in terms.

Maintaining a balance between the technocrats' liberalism and economic nationalism, and curbing corruption among the nationalists was of key importance to the stability and economic development of Indonesian society. (The Yomiuri Shimbun/Daily Yomiuri - Japan; Dec 10, 1999)

The case of Korea, harshly treated by the liberal global financial system in 1997, suggests that grassroots economic nationalism is a potentially powerful force.

In the rest of Asia, meantime, the striking feature is the extent of the recovery in stock and currency markets, and the small extent of restructuring. In the biggest of the troubled economies, South Korea, the big conglomerates, or chaebol, have cleverly refinanced their overborrowed empires by persuading nationalistic Koreans to put their savings into "invest in Korea" funds. These have propelled the stock market upwards and kept the big chaebol, bar Daewoo, in business. (Financial Times; Aug 28, 1999)

It may well take the collectivism of “Asian values” to subvert the disciplinary effects of market forces to such an extent. Surely, in individualist Western countries such collective behaviour would be unimaginable? To be fair, even Western market economies do not escape unscathed in the liberal press. Take the European Union, the most far-reaching and ambitious economic integration project among independent nation states. There is no question that the EU protects and subsidizes its internal markets. But more surprisingly, the common market itself seems to be composed of economic nationalists.

Far from moving too rapidly towards integration, as the EU's British detractors often claim, the opposite is true: it has moved far too slowly. The reason has been continued economic nationalism, combined with sharply different views among the member countries about what the Union is for. (The Economist, September 9, 1999)

This leaves the Anglo-Saxon countries in North America, traditionally the beacons of economic liberalism, to provide examples of cases where economic liberalism has stamped out the evils of economic nationalism. Let us start with Canada. The province of Quebec, where nationalism has been a major political force for several decades, is the perhaps understandable exception in a sea of North American liberalism.

It's stupid economic nationalism on both sides of this equation. Rogers [a telecommunications company] is not an example of gifted Canadian capitalists building up a strong and competitive company. It is a coddled and protected quasi-monopoly that would not last a year without myriad federal laws to keep all real competition out. And the only reason those laws exist is to promote a Canadian cultural and economic nationalism that is no more or less justifiable than Quebec cultural and economic nationalism. And the cable industry is only one of many where this ridiculous state of affairs obtains. (Financial Post - Canada; Apr 3, 2000)

Even the leading representatives of Canadian business seem to be guilty of economic nationalism. Behind a façade of concerns about “economic sovereignty,” they call on the Canadian state to help promote their interests.

[T]he approach recently taken by the Business Council on National Issues, as well as by such luminaries as Bank of Nova Scotia chairman Peter Godsoe and former Alberta premier Peter Lougheed -- which emphasizes the loss of "economic sovereignty" as a result of an alleged corporate "fire sale" -- is problematic. [. . .] But economic sovereignty is all too easily confounded with the destructive policy of economic nationalism, which treats foreign investment as guilty until proven innocent, and Americans as the enemy. [. . .] Suggestions by Mr. Godsoe that the government should make special provisions for big corporate Canada because it is threatened by a "globalized" world play to the hysterical view -- which will be abundantly on display in Seattle next week -- that globalization is inherently dangerous. Indeed, Mr. Godsoe is perhaps guilty of the most garbled approach to the economic sovereignty issue. Is he concerned about "our innate Canadianism," whatever that is, or his share price? In an interview published earlier this week in the Post, Mr. Godsoe said Canadian public policy was "not organized to help banks expand internationally." But neither should it be. (Financial Post - Canada; Nov 26, 1999)

At least in the United States, the situation appears to be different. Here, economic nationalists seem to exist only on the far right and left.

[Kevin Kearns's US Business and Industry Council] is part of a strange, some would say unholy, alliance funded by ultra-conservative South Carolina textile magnate Roger Milliken to promote US economic nationalism, kill the WTO and smash the aspirations of countries like South Africa to reap the rewards of trading in an open, rules-based global market. [. . .] The council's thinking on the Africa bill, and free trade generally, is identical to that of activist Ralph Nader and his organization, Public Citizen, of which one operative, Mike Dolan, helped orchestrate the street theatre at last year's WTO meeting in Seattle. (Business Day (South Africa), March 15, 2000)

But even in the United States, the general population is far from immune to economic nationalism.

[T]here is no doubt that America has been one of the biggest beneficiaries of globalisation. How striking then that globalisation, and trade policy especially, have become increasingly

controversial and politically charged. (“Globalisation blues,” *The Economist*, September 28, 2000.)

Does economic nationalism perhaps have deeper roots?

[I]n the US, the word "American" in a company's name sells. [. . .] Why is this the case? With a domestic market of 260m consumers, "America" expands the customer base through lowest common denominator tribute to US popular patriotism. (Financial Times; May 25, 1999)

So much for a cursory survey of usages of economic nationalism in contemporary political discourse. The underlying conception of economic nationalism is well established and widely shared even among scholars. Thus long before the ascent of neoliberalism, the economist Harry Johnson in a 1965 article analyzes economic nationalism as an economic program that “seeks to extend the property owned by nationals so as to gratify the taste for nationalism. [. . .] Nationalism will tend to direct economic policy toward the production of psychic income in the form of nationalistic satisfaction, at the expense of material income.” (Johnson 1965, 238-9) “[A]n investment in the creation of a middle class, financed by resources extracted from the mass of the population by nationalistic policies, may be the essential preliminary to the construction of a viable national state. This problem, however, belongs in the spheres of history, sociology, and political science rather than economics.” (Ibid., 240)

This “economistic” conception of economic nationalism is in one form or another shared by a number of different approaches.<sup>2</sup> It is the “economism” of mainstream economists who are largely unaware of or uninterested in the literature on nationalism and its potential implications for economic processes. It is the “economism” of rational choice theorists who are committed to the study of extra-economic phenomena, including nationalism (Woodruff 2000), but whose methodological individualism gives them no instruments to examine social wholes – such as nations, societies, cultures and other social systems (Appel 2000; Bunge 1999, Ch. 5).<sup>3</sup> The following seem to be basic assumptions in this discourse:

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<sup>2</sup> As Eric Helleiner (2001) shows, it was not shared by nineteenth-century economic liberals such as Ricardo, Mill, or Cobden, who “saw free trade primarily as a tool to strengthen peaceful cosmopolitan world society.”

<sup>3</sup> In this view, for example, the state is conceptualized in terms of “rent-seeking” individuals and cultures are conceptualized as aggregates of individual preferences. It is also the “economism” of neoliberal discourse which theoretically rests on neoclassical or rational choice foundations. Finally, it is the

- Economism: economic nationalism can be adequately explained in strictly economic terms without taking into account historical, political, cultural, or social factors.
- Homogeneity: economic nationalism, like economic liberalism, refer to essentially the same economic doctrines across time and space.
- Interests: nationalist economic doctrines are advanced by and for special economic interests disguised as the general interest.
- Validity: the political validity of such economic doctrines can be decided by modern economics. Unlike economic liberalism, economic nationalism can claim little scientific support.

Yet as scholars and activists from Friedrich List to Raul Prebisch knew, economic nationalism cannot be examined and assessed as an economic doctrine in an abstract economic framework precisely because it responds to problems situated in particular historical, political, cultural and social contexts. Invoking “variables” such as “psychic enjoyment” or “taste for nationalism” to account for dimensions of the phenomenon that go beyond such a framework indicate that other approaches may be needed. These can indeed be found in history, sociology, political science and other scholarly literature, both old and new.

### **3 What is Economic Nationalism? A Survey of Relevant Scholarly Literatures**

The geographical definition of any economy is given by the area across which business firms maximize profit—that is, across which they search to find the cheapest places to produce and the most profitable places to sell their goods and services. With today's communication and transportation technologies, business firms increasingly search the globe on both of these dimensions. In the process, a global economy is emerging that will in the end dissolve our existing national economies. (Thurow 2000, 20)

If ours is truly a historical period of globalization rather than nation-building, economic nationalism can no longer claim to be a progressive development doctrine. It would indeed be ideological anachronism. But neither “national economies” nor “economic nations,” as I will argue, are dissolving, while the significance of different national economic cultures is only just being (re)discovered. Globalization discourse has called

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“economism” of radical left analyses preoccupied with the primacy of class (*Socialist Register* 2001) and dismissive of what one author in the current context has called “progressive nationalism” (Radice 2000).

into question the national as a unit of analysis – whether with respect to economies, states, societies, or cultures. The strongest claims have been made about a new global economy that has eclipsed national economies and is progressively undermining the relative significance of national states, societies and cultures. A world economy once made up of national economies is rapidly being transformed into a global economy composed of transnational economic actors, regions, and networks. National states and societies are disintegrating as a result of economic globalization – processes manifested in such divergent social phenomena as emerging global cultures and transnational movements, on the one hand, and cultural and economic marginalization and ethnic violence, on the other. Plausible and popular as this “economistic” view may be, it is fundamentally flawed. Economic globalization has no such general effect on national states, societies and economies.<sup>4</sup> In order to gauge the actual effects of current economic changes, we need a more fine-grained conceptual apparatus than is offered by economistic views.

The conventional, economistic view of economic nationalism illustrated in the previous section is based on a “thin” conception of the economy. It is the neoclassical model “plus,” the plus referring to a variety of largely unsupported assumptions about politics, culture, society, and psychology with the help of which economic nationalism is understood. There is of course no reason why unsupported assumptions need to be accepted when various social sciences – such as political economy, socioeconomics, historical sociology, and management studies – have produced a range of important and well-supported results on these questions. I will point to some of the major findings from a variety of such scholarly literatures that seem to be particularly relevant for reconceptualizing economic nationalism.

### *National Economies*

Based on a geographical definition of national economy, as proposed by Thurow above, national economies do indeed appear to be dissolving insofar as economic activity, especially finance and trade, is rapidly internationalizing. But economic activity,

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<sup>4</sup> For a wide-ranging collection of recent analyses on the nature and implications of economic globalization, see Held and McGrew 2000.

especially production and consumption, still occurs in particular national social and political contexts which in turn provide fundamental resources and constraints for such global-level economic activity. Two literatures have made particularly significant contributions to establishing the continuing significance of the national economy. The first is the literature critical of the “new global economy” thesis (see e.g. Wade 1996; Zysman 1996; Sorge 1999). The second is the “varieties of capitalism” literature that calls into question the convergence thesis according to which globalization is producing one dominant model of market economy (Berger and Dore 1996; Goricheva 1997; Hollingsworth and Boyer 1997; Streeck and Crouch 1997; Streeck 1992).

For the purposes of our discussion, the following results are particularly important.

- Extension of economic activity beyond national boundaries does not equal the end of national economy; the latter, qua political, social, and cultural economy, continues to be the basis for the former.
- Generalizations about *the* national economy, now as in the past, ignore the great diversity of conditions for particular national economies.

### *National States*

Part of the distinctiveness of individual national economies arises from the specific patterns of interaction between state and economy that have evolved over time. These – in many respects nationally specific – roles of the state are examined in an extensive literature (Boyer and Drache 1996; Garrett 1998; Helleiner 1997; Iverson et al. 2000; Weiss 1998). This literature shows why and how even under the “rule of the global economy” political economies are still governed by states. While economic globalization is a convenient shorthand for referring to changing global economic conditions, the decline or even end of the nation-state is not the other side of this coin. First, economic globalization has been engineered by certain nation-states and continues to be shaped by them. Second, given the continued significance of national economies, states remain the central actors in all political economies.

[T]he national state is still the most significant site of struggle among competing global, triadic, supranational, national, regional, and local forces . . . In particular it has the continuing role in managing political linkages across different territorial scales, and its legitimacy depends precisely on

doing so in the perceived interests of its social base. [. . .] [T]he national state is currently still best placed to deal with social conflicts and redistributive issues.” (Jessop 1999, 394-395)

Another literature with a long tradition (Gerschenkron 1962; Bendix 1977) underscores the centrality of nation and culture in state formation, industrialization, postcommunist transformation, and stability and change in modern nation-states (Linz and Stepan 1996; Steinmetz 1999). Two central implications of this literature are:

- The current transformations of national economies in the context of economic globalization are directed, shaped, or strongly influenced by national states and particular groups of states and the international organizations they dominate.
- Generalizations about *the* national state, now as in the past, ignore the great diversity of types of and conditions for states, in particular their cultural specificity.

### *Economic Nations*

The conventional view of economic nationalism has no conception of economic nation since, as the previous section has argued, it is based on a “thin” view of economics that cannot deal with phenomena such as national identity. However, where there are national economies and national states, there surely must be nations. While the relationship between state and nation is a mainstay of the literature on nationalism, it has paid relatively little attention to the relationship between the nation and the economy.<sup>5</sup> In part, this is a result of an unfortunate division of labour between students of nationalism and students of political economy. Yet it is not difficult to translate some of the major results of current scholarly debates on nationalism into relevant insights for the study of economic nationalism. First, the categorical distinction between civic and ethnic nationalism (i.e. good Western or liberal patriotism and bad non-Western or authoritarian nationalism) has been demolished (Greenfeld 1993; Billig 1995). The upshot of this debate is to refocus attention on the fact that nationalism is a generic phenomenon that is in principle compatible with a variety of ideological content – from liberalism (Tamir 1993) to fascism. It is therefore theoretically unproductive to reserve the term nationalism for any specific type of doctrine, as the conventional view of economic nationalism does.

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<sup>5</sup> See, however, Crane 1998.

A further insight generated by the nationalism literature is that the widespread tendency to conceive of nationalism exclusively as ideology or doctrine misses the all-important concrete context of political interaction – contentious and integrative – in which such ideas are developed and deployed (Beissinger 1996; Brubaker 1996; see also Tarrow 1994) Thus economic nationalism as well should be understood simultaneously as political action in a specific historical context rather than as economic doctrine in a universal context of ideas.<sup>6</sup> Another fundamental insight of the recent nationalism literature is that both as symbolic system and as societal structure, the nation has become a fundamental pattern that is constantly being reproduced globally in a variety of forms (Gellner 1983; Meyer et al. 1997; Kyvelidis 2000). As Charles Tilly has put it:

As in the cases of citizenship and democracy, nationalism exhibits the paradox of a general process characterized by path-dependent particularism. On one side, classic mechanisms of invention, ramification, emulation, and adaptation recur in the generation of nationalist claims. On the other side, each new assertion of nationalism responds to its immediate historical and cultural context, then modifies conditions for the next assertion of nationalism. Like all culturally constrained social processes, nationalism proceeds in cultural ruts that greatly limit the directions it can go, relies on collective learning, but by its very exercise alters relations – including shared understandings – among parties to its claims.” (Tilly 1999, 418)

The following insights from the nationalism literature seem particularly important.

- Nationalism should be understood primarily as generic discursive structure rather than substantive doctrine.
- Nationalism is not just an ideology or doctrine, but also political contention in the context of particular historical conditions
- Nationalism is a combination of discourse, action, and structure.

### *National Economic Cultures*

Just as individual political nations have developed particular national political cultures (Bendix 1977, 1978), economic nations have their own economic cultures. Let us begin by illustrating the general concept with a concrete empirical example, drawn not from an

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<sup>6</sup> Szeleny (1999, 486) has pointed out in the postcommunist transformation context, “despite radically altered contexts of political, legal, and economic incentives, and even where elite circulation has been significant, old political rationalities continue to structure the political agenda and order debate.” These “rationalities” are of course nationally specific.

earlier, now largely discredited literature on national character, but from contemporary political economy.

German economic culture is often traditionalist. Savings rates are high, and consumer credit, although increasing, remains low by comparison. Price competition is mitigated by socially established preferences for quality. Markets do not per se confer merit: social status and solidarity interfere, and security is regarded as important. Speculation is not valued. Continuous monitoring of one's shortterm balance of economic advantage is not a social norm, encouraging long-term orientations and commitments and supporting, among other things, a redistributive tax system. Professional competence is highly regarded for its own sake; German managers tend to be engineers and authority at the workplace is based on superior technical knowledge. Collectivism and discipline have given way as core cultural values to privacy and autonomy from organisational control and market pressure, as shown by strong cultural support for short working hours, low participation in paid employment, and a qualification-based organisation of work. (Streeck 1997)

The same author (Streeck 1999) has also coined the phrase “competitive solidarity” to underline nationalism’s economic potential in global competition. The significance of different national economic cultures is increasingly discussed in the scholarly management literature.<sup>7</sup> As Geert Hofstede, a cultural psychologist influential in management theory, has formulated it:

Because management is about people, it is part of the culture of the society in which it takes place. Culture is "the collective programming of the mind that distinguishes the members of one group or category of people from another." The core element in culture are values. Values are "broad tendencies to prefer certain states of affairs over others." They are about what is evil and what is good, dirty and clean, immoral and moral, irrational and rational. Relationships between people in a society are affected by the values that form part of the collective programming of people's minds in that society. So management is subject to cultural values. Cultural values differ among societies, but within a society they are remarkably stable over time. This is why I claim that management processes, which are embedded in a culture, differ from society to society but within each society show strong continuity. [ . . . ] While I argue that management in the 21st century will not be basically different from management in the 20th, I do expect a breakthrough in the development of theories of management, which will become more adapted to national cultural value systems in different parts of the world. (Hofstede 1999)<sup>8</sup>

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<sup>7</sup> The work of G. Hofstede (1991, 1980) has been seminal in this literature, spawning a large number of empirical studies.

<sup>8</sup> Contrast this rich conception of economic culture with economist L. Thurow’s (2000) thin conception: “Traditionally, culture is older people telling younger people what they should believe and how they should act. What is frightening about the new electronic culture is that it is a "for-sale" culture that jumps right across the generations directly to the young. In contrast to older forms of culture, this culture does not have

A similarly critical view of a-cultural, thin conceptions of economic society can also be found in recent studies of national legal cultures (Boyle 2000; Chua 1998), public administrative cultures (Kouzmin 1997; Macdonald and Thomas 1997), and national “repertoires of evaluation” (Lamont and Thevenot 2000). The general social and cultural embeddedness of markets is studied by economic sociologists (cf. Granovetter and Swedberg 1992) and economic anthropologists (see e.g. Hefner 1998). The following points are particularly relevant:

- National economic cultures exist both as symbolic and as social systems, and as such can be mapped.
- Economic cultures have limited variation within a society, but strong variations between societies.
- National economic cultures as values and practices are central constituents of economic nations and make up the concrete historical context for economic nationalism.

National economies and states, as well as economic nations and cultures, have been traditional concerns of the social sciences since at least the nineteenth century. The current challenge is therefore not to reinvent the wheel, but to reassemble a new model from the various parts already available.

#### **4 What is Economic Nationalism: A Conceptual Framework**

In the contemporary political debate, economic nationalism is widely considered an outdated, though still very much alive, economic doctrine and policy approach that is opposed to economic liberalism and globalization. The discussion to this point can be summarized as follows (see also Diagram 1):

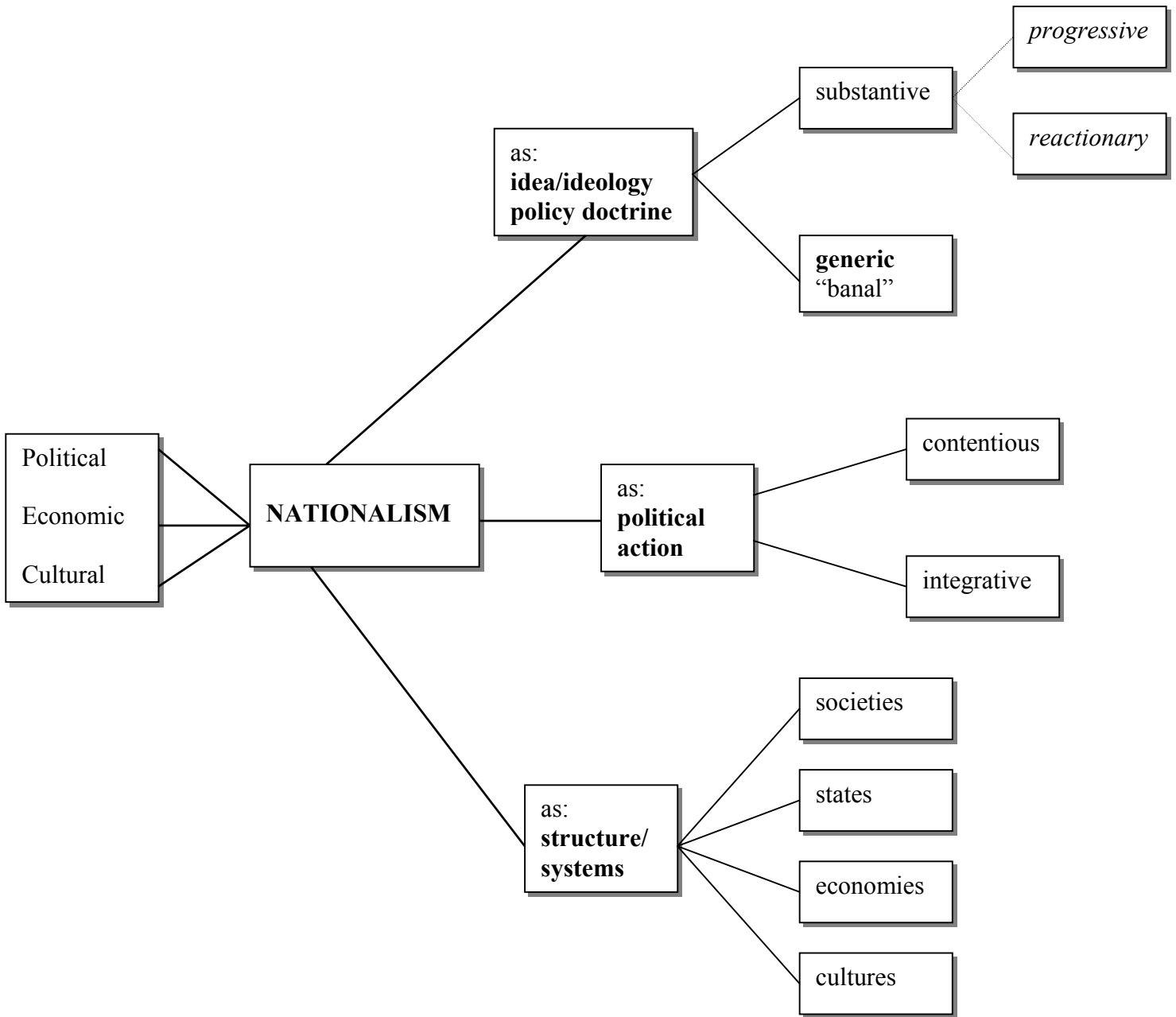
1. The substantive conception fails to recognize that economic nationalism appears in a variety of forms and with differing contents, including economic liberalism.
2. *Economic* nationalism, moreover, is a specific dimension of nationalism in general, and therefore cannot be adequately examined through economic theory.<sup>9</sup>

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any specific values that it wants to inculcate. Those who produce this culture provide whatever sells-- whatever the young will buy. It is a culture of economics (profits) rather than a culture of values (morals).”

<sup>9</sup> In fact, even for more strictly economic questions, such as the performance of a particular national economy, economic theory is ultimately misleading. The reason is that every national economy is

**Diagram 1: Economic Nationalism in Context**



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embedded in a particular historical, political, and cultural context that fundamentally affects economic outcomes.

3. Like nationalism in general, economic nationalism is not adequately conceptualized as idea or doctrine, since nationalism is at the same time always – integrative or contentious – political action. Thus espousing a particular type of economic nationalist doctrine may, for example, either facilitate or hinder external economic integration or internal industrial reorganization – depending on the historical context.
4. Nationalism as economic ideology and as political action occur within particular national economic, political, and cultural systems. Economic nationalism as an idea or policy, therefore, cannot be explained or evaluated in general terms. Paraphrasing Ernest Gellner (1983, 47): economic nationalism as such is fated to prevail, but not any one particular economic nationalism.

The analysis of the conventional view of economic nationalism in light of a variety of findings in the social sciences may not seem to serve any further explanatory purposes. At best, it might contribute to an ideology critique of discourses on economic nationalism. But can rethinking economic nationalism generate any further theoretical insights for the social sciences? If so, how? While economic nationalism is primarily used in ideological contexts, it does refer to real and significant phenomena at the intersection of economy, politics, and culture. There can probably be no empirically based substantive theory of economic nationalism since there are so many different nationalisms and so many different historical contexts. However, economic nationalism conceived as part of a larger general process that takes a variety of empirical forms can be modeled in general theoretical terms. As such, economic nationalism will no longer be exclusively or even primarily an *explanandum*, but will be much more interesting as an *explanans*. What exactly can economic nationalism be expected to explain? It can help to explain such divergent things as national economic performance, regional integration, transformation outcomes, obstacles to policy implementation, and social integration and disintegration. Economic nationalism does so not as a newly discovered causal variable, but as part of a theoretical framework that can tie together *processes* of economic change at global and national levels.<sup>10</sup> The general process at the centre of this

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<sup>10</sup> On the differences between variable-oriented and configurational analysis, see e.g. Katznelson 1997; Ragin 1987.

framework is what I call the nationalizing mechanism. The nationalizing mechanism, in a nutshell, is the culturally grounded process of internal and external integration or disintegration of national political economies and societies.<sup>11</sup>

The nationalizing mechanism subsumes economic nationalism, which is why the following conceptual clarifications will speak only of nationalism. Nationalism, as the concept will be used here, exists in all contemporary political and economic systems. Where there is a state, there is – at least one – nation. Where there is a nation, there is nationalism.<sup>12</sup> There is no existing state that does not claim to represent a nation. Of course nationalisms can be usefully grouped and classified according to a variety of criteria.<sup>13</sup> The concept of nationalism employed here does not refer primarily to ethnic or civic nationalism, authoritarian or liberal nationalism, or hot or cold nationalism. It includes political, cultural and economic nationalisms. *Nationalism is the ensemble of discourse and actors in a historically – politically, territorially, culturally, economically – defined space associated with and organized around an – existing, newly established, or disintegrating – state. In this general sense, therefore, we are all nationalists, regardless of the specific content of “our” nationalism (chauvinist or cosmopolitan; inclusive or exclusive; pro or anti-state; etc.).* This concept of nationalism deviates from more common definitions and is perhaps best captured by Michael Billig’s phrase “banal nationalism” (Billig 1995). This form of nationalism is ubiquitous (cf. Meyer et al. 1997), though obviously it has widely differing contents and actors involved in an ongoing process of political conflict and symbolic reconfiguration. Nationalisms range from American nationalism, with its dominant liberal-individualistic values and cosmopolitan-universalistic claims, to Serbian nationalism, with dominant ethnic-collectivist values and irredentist claims. They are part of a process that I refer to as the nationalizing mechanism.

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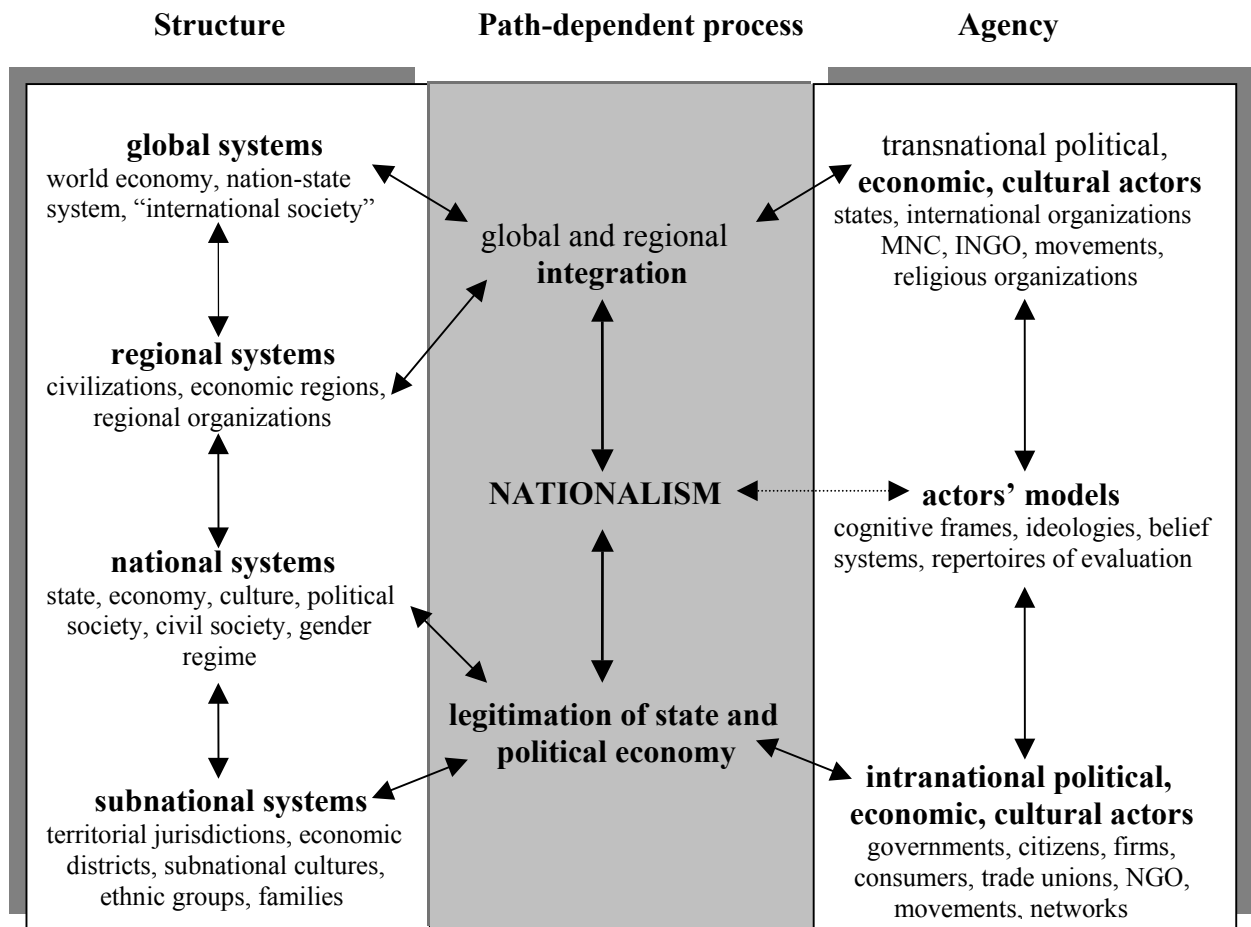
<sup>11</sup> The nationalizing mechanism presented here might also contribute to bridging some of the “missing links” in the literature between the literatures on globalization and postcommunist transformation; between international political economy and comparative political economy; between gender studies and political economy; and between cultural and institutional approaches. See also Conclusion.

<sup>12</sup> I am following Michael Billig’s (1995) broad conception of nationalism, or in his phrase, “banal nationalism.” My approach is also inspired by Ernest Gellner’s (1983) neofunctionalist theory of nationalism. For a very useful conceptual discussion of nation and nationalism, see also Barrington 1997.

<sup>13</sup> For useful overviews of definitions, classifications, conceptualizations and approaches to nationalism, see e.g. Hutchinson and Smith 1994; Alter 1994; Hall 1993.

In the context of economic globalization, the nationalizing mechanism is the process of political-cultural relegitimation of changing economic and/or political systems (the internal side of the mechanism), as well as of their economic and political integration into the regional and global environment (its external side). The concept of nationalizing mechanism incorporates structure, path dependency and agency (see Diagram 2) in an attempt to identify the way in which particular nationalisms are functional or

**Diagram 2: The Nationalizing Mechanism**



dysfunctional in responding to the challenges of globalization. My claim is that it is a key political-economic change mechanism that has not been sufficiently recognized and conceptualized. While the nationalizing mechanism is “universal” in a world of “nation-states,” how it works in particular instances can vary greatly. A particular nationalism may be more or less conducive to that country’s internal legitimation and external integration (Daftary and Gal 2000). The same or a similar type of economic nationalism may have different effects in different historical contexts. The conception of nationalism and nationalizing mechanism as used here may be unfamiliar and perhaps even counterintuitive. Let me therefore state explicitly what is involved so as to avoid possible misunderstanding and to sharpen our analytical tools.

- At the most general and fundamental level, nation and nationalism are basic *structures of the international state system* that have political, cultural, and economic dimensions.
- More specifically, nationalisms are the historically evolved *structures of symbolic coordinates* marking a political-cultural-economic, “imagined,” national space that may or may not be contained in a territorially defined state.
- However, nation and nationalism should only be seen partly in structural terms since they also refer to agency: *individual and collective actors* – state and non-state, internal and external, political, cultural, and economic, institutions and movements – that consciously use or try to define national identity, movements, or ideologies and link them to their projects and agendas.
- Most crucial for our purposes, nationalism is a *social mechanism* (Bunge 1997), i.e. a process containing both structure and agency, for which in this analysis the phrase “nationalizing mechanism” will be used. Nationalism is a central mechanism in both
- systemic continuity (stability and integration) and systemic change (instability and disintegration).
- The nationalizing mechanism has *explicit and implicit functions*.<sup>14</sup> As explicit mechanism, actors use it consciously, for instance to advance or oppose the neoliberal reform agenda by appealing to national values, etc. As implicit mechanism, it affects internal and external integration processes in a variety of ways that are generally not

recognized (or only after the fact, i.e. in their unintended consequences), such as when actions designed to advance the welfare of the nation bring about economic, political or cultural disintegration.

- The nationalizing mechanism also has an important *temporal dimension*. Nationalism as past refers to a set of congealed structures (though obviously reinterpretable) that could also be called nationalism's path-dependency. Nationalism as present refers to the actions and interactions of nationalizing agents, working explicitly or implicitly on, with or through the nationalizing mechanism. In this sense, nationalism is conceived both as long-standing structure and as actor-driven, ongoing formation of new structures.

The nationalizing mechanism has two basic functions: to (re)legitimate (changing) economic and/or political systems; and to facilitate their political and economic integration regionally and globally. The problems of political legitimation and social integration have not been systematically linked with economic nationalism. This functionalist formulation does not imply that nationalism is necessarily a positive force for these purposes, but that for good or ill, it is a fundamental one. Thus contrary to the standard view that economic nationalism is dysfunctional and neoliberalism is functional for successful systemic adaptation and change under globalization, our problem formulation permits us to approach the effects of nationalism as an open question. To gauge a particular nationalism in functional terms, it is not enough to classify it in such standard terms as liberal, protectionist, civic, ethnic, collectivist, etc. These concepts make sense in a normative context. However, they are misleading for explanatory purposes which require that the ideological content of the nationalism in question be placed in the context of actors, institutions, and structures that interpret, employ, constrain, and condition its effects. In other words, our approach requires that nationalism is analyzed as part of a nationalizing mechanism.

A central actor in any nationalizing mechanism is the state. The most relevant context for the legitimation of the state is "the nation." This is because, culturally and symbolically, the nation is the apparently unchanging subject in a period of rapid economic and social change. Economic and political regimes and whole social systems

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<sup>14</sup> This distinction is akin to that proposed by Robert Merton (1968) between manifest and latent functions.

may change, the nation remains – in the minds of its members and in the minds of outsiders; and thus, as a social fact. “The nation” is used here as an objective sociological category. That is, our usage refers to the collectively held conception of a people – neither uncontested nor unchanging, but taken for granted, banal, as a fundamental category of social perception. Of course, a nation in this sense may be deeply divided along various economic, political and cultural lines. It may be in a permanent, even violent process of redefining the boundaries, membership and specific “content” of the nation. The nation may be a dominant national group in a state shared by other, more or less nationalist, ethnocultural minorities, who may be more or less integrated into that state or effectively subordinated to the dominant nation.

This mechanism in both existing and newly established or reestablished states can be described as the mechanism of “renationalizing” economic and political systems – a process that in one way or another goes on everywhere under globalization which challenges established routines of legitimation and integration. Renationalizing is not the opposite of denationalizing, as that term is widely used in the globalization debate. Globalization processes, from our perspective, are also parts of nationalizing mechanisms (cf. Weiss 1998), such as the attempts of dominant states to redefine for themselves and others the terms of global economic integration. Renationalizing the state in this sense may well result in some of the effects conventionally ascribed to globalization, such as “loss of sovereignty.” In some cases, it may lead to state disintegration. For this reason, we will simply speak of “nationalizing mechanisms” without implying that the effects are necessarily positive or functional for the state or society. We concentrate on nationalizing mechanisms on the assumption that they are central for explaining major dynamics and outcomes of economic globalization.<sup>15</sup> A nationalizing mechanism of this sort can be functional or dysfunctional for economic growth, investment, exports, employment, equality, social cohesion, or state power.<sup>16</sup> The perception and

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<sup>15</sup> The emergence of a global financial system, for example, can and should be conceptualized as the result of particular nationalizing policies of individual states, i.e. the attempt to reposition “their” economies in the global system (Helleiner 1997).

<sup>16</sup> It is, however, acknowledged, that there is probably a large number of important global and globalizing mechanisms that might be more fruitfully analyzed as such rather than in terms of nationalizing mechanisms. For instance, external financial liberalization in post-communist states has made the exchange rate, and thus the entire economy, dependent on flows in the global financial system. This can be conceptualized as a nationalizing mechanism facilitating or hindering the global integration of the national

interpretation of such outcomes among national actors (“actors’ models”) leads us back to the major internal function of the nationalizing mechanism – the legitimation of state and political economy (see Diagram 2).

The nationalizing mechanism is thus of crucial importance for how a state copes with two fundamental problems of order: internal legitimation and external integration. This mechanism has *both manifest and latent functions*. The explicit functions are those which are generally recognized by social actors – such as those relating to the nation’s identity vis-à-vis other nations and states; or its internal unity, identity, and cohesiveness. The implicit functions are those that are generally not anticipated by social actors – the effects of nationalism on economic and political systems via political stability, international perceptions, prospects for regional integration, or crowding out of reform issues from the political agenda. The nature of the nationalizing mechanism, which is historically and politically determined, strongly influences the course of economic change. While in some respects changing and undergoing constant redefinition, nationalism works in a given matrix of constants. Mapping nationalism in this sense provides important clues as to the prospects and limitations for global economic and political integration and internal societal integration. Both elite strategizing and institutional reform in economic and political systems are strongly shaped by nationalism in this broad sense. Let us consider some examples.

## 5 Case Studies

The following four examples come from the field of postcommunist transformations. This is a particularly useful context for illustrating the working of the nationalizing mechanism. First, the problems of internal and external political and economic integration at the heart of the nationalizing mechanism confront formerly communist states and economies with particular force. Second, there is a wide range of nationalisms and particular problem situations in this group of countries. Third, there has been a dominant view according to which the central processes in those countries are

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economy – without thereby prejudging the effects and the desirability of such a policy. Alternatively, it could be conceptualized as a globalizing mechanism of the world financial system seeking to penetrate new markets (cf. world systems theory; see e.g. Hopkins, Wallerstein, et al. 1996; Chase-Dunn 1998).

“marketization” and “democratization” – the introduction of universal political and economic institutions – that are opposed by the particularistic and dangerous doctrine of nationalism. The political project of “transition” has been relatively successful in some cases, but a relative failure in others. I will try to illuminate the conditions for success and failure by identifying the specific nationalizing mechanisms at work in each of four cases – East Germany, Cuba, China, and Russia.

The nationalizing mechanism in the case of East Germany’s postcommunist transformation has been unique in the mode of integration it followed. Both internal and external economic and political integration occurred through the incorporation of the East German state into the Federal Republic (“transformation by unification”). In this respect, East Germany is clearly an exceptional case. However, nationalizing mechanisms in each case of transformation are unique, so there are no typical cases, even though some may share a number of significant similarities. For the purposes of illustrating the nationalizing mechanism through four thumbnail sketches, the present analysis distinguishes simply between integrative and contentious nationalisms, and nationalisms’ internal and external dimensions. The actual explanatory work can only be done in the unpacking of the inevitably more complex nationalizing mechanism at work in individual cases.<sup>17</sup>

### *Germany*

German nationalism as propagated and practiced by the Nazi regime (internal mobilization and extreme repression, massive external military expansion), World War II and the attendant restructuring of the global system, and the complete defeat of the Nazi regime and subsequent occupation of Germany encapsulate some of the basic elements of the historical context of relevance for our purposes. Nowhere were internal and external nationalizing mechanisms more closely connected than in the case of post-war Germany. Military and moral defeat of the nation shifted most of the initiative and power to external

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<sup>17</sup> In order to establish whether and to what extent nationalism has been functional or dysfunctional in postcommunist cases of systemic change, we need to place a particular nationalism in its historical context, mapping out how it has shaped the specific problem context for internal systemic relegitimation and external systemic reintegration. The evolution of a postcommunist state’s nationalizing mechanism needs to be traced from the precommunist period through the communist period to the role of nationalism in

actors, in particular the two emerging superpowers in the global system. The establishment of two German states in 1949 was above all a product of the increasingly bitter global confrontation between the major occupying powers. Each German state became a faithful vassal of “its” superpower, in whose image the political and economic systems of the two German states were transformed. The internal part of the nationalizing mechanism (i.e. the legitimation of the West German and East German systems) was framed and shaped by its external part (i.e. the integration of each state into its respective military-political-economic bloc). The nationalizing mechanism of each German state can be characterized as an integrative nationalism both internally and externally, a particular irony in light of the contentious nationalism (again, both internally and externally) typical for the modern German state in its first sixty years of existence until the early 1930s.<sup>18</sup> It is perhaps suggestive that this integrative nationalism was associated with comparatively high systemic performance in both Germanys.

The demise of the GDR was again strongly shaped by external forces, in particular Gorbachev’s reform policies. Internal integration and systemic legitimacy in the GDR had always been a function of its external integration in the Soviet bloc. As the reform process gained momentum in the Soviet Union, the internal part of the GDR’s nationalizing mechanism changed, energizing an increasingly contentious nationalism. The social movement in East Germany that finally succeeded in bringing about the collapse of the Communist regime, it is important to note, represented by and large a contentious nationalism aimed at fundamental reform of the socialist state rather than seeking unification with the Federal Republic. The quick change from contentious nationalism within the framework of the GDR (“We are the people”) to an integrative nationalism through immediate unification with the FRG (“We are one people”) was a complex process driven by many actors. However, a decisive role was played by West Germany’s political elite (above all the conservative Kohl government) who guided popular sentiment in both Germanys towards a unification nationalism while working

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systemic collapse, as well as in the early transition period through to transformation outcomes to date. The following brief case studies can only attempt to take some tentative steps in this direction.

<sup>18</sup> It is important to note that the concepts “integrative” and “contentious” are used in a functional rather than normative sense. An integrative nationalizing mechanism is not necessarily democratic or liberal (cf. the internally integrative nationalism of the Nazi regime), though a contentious nationalism may well be (cf. the Weimar Republic).

simultaneously to create the international conditions for this project. Doing so successfully meant that the early transition period was characterized by an internally and externally integrative nationalism.

This integrative nationalism through unification and international integration was in many respects highly functional for East Germany's systemic change. Intuitively, this has been obvious to most external observers from the beginning. However, it may be useful to highlight some of the less obvious workings of the nationalizing mechanism in the German case.<sup>19</sup> The most dysfunctional effect of this nationalizing mechanism made its appearance early on in the East German economic system. Transformation through unification and immediate international economic integration had devastating effects on the East German industrial structure. Despite the full-fledged introduction of the FRG's legal and administrative system, and because of the terms of monetary union and full exposure to the world market, East German industry shrank dramatically, never to recover again. Massive economic subsidies to Western investors and social transfer payments at the rate of almost \$100 billion per year since 1990 explain why East Germany's economy did not simply collapse and why the material standard of living has significantly improved. As far as the political system goes, East Germans received a fully functioning state and party system, along with the entire parastate infrastructure from trade unions and employers associations to professional associations, as well as a media system and a range of non-governmental organizations to populate civil society. The cultural system of scientific, artistic, and educational institutions was also transferred to the East, including a considerable number of West German personnel. It came as a surprise to many in East and West Germany that such successful systemic change would not reinforce an integrative nationalism internally, which had after all facilitated unification in the first place. Instead, a tacit, somewhat diffuse, but nevertheless generally recognized contentious nationalism emerged dividing East and West. The dominance of West German actors, values, and institutions and the simultaneous wholesale devaluation of everything associated with the GDR in the transition triggered a cultural backlash to unification among East Germans. At the same time, popular

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<sup>19</sup> For detailed analysis of East German transformation in comparative and theoretical perspective, see Pickel and Wiesenthal 1997.

sentiment in West Germany grew increasingly impatient with the criticisms and misgivings voiced by the “ungrateful” recipients of the FRG state’s largesse. However, with very few exceptions<sup>20</sup>, this cultural undercurrent has not found any political articulation and has thus remained sufficiently diffuse so as not to mature into a full-fledged contentious nationalism. The external aspects of the nationalizing mechanism in the East German case can be simply described as integrative nationalism. By being incorporated into the Federal Republic, East Germany’s regional and global integration was mediated and buffered by the already fully integrated German state.

The approach presented here is interested in the functions and dysfunctions of nationalism for the transformation process as a whole. Rather than focusing exclusively on the economic system, as in accounts of marketization, or the political system, as in accounts of democratization, this requires us to take into account economic, political, cultural, and biosocial systems. Nationalism may have functional effects in some areas, but dysfunctional effects in others. For instance, German nationalism in its post-1989 manifestations was functional for unification of the two states, and for forging the kind of broad consensus that could legitimate the particular reform strategy of transformation by unification. It was dysfunctional for the economic transformation of the East German economy. It turned out to be somewhat dysfunctional for the socio-cultural integration of united Germany. Finally, it had at least in part negative biosocial consequences, as evidenced by the growing incidence of mental illness, sharply declining birthrates, increased voluntary sterilizations, increased outmigration, and a reduction in social rights for women (Jaraus 1997). The line between descriptive-explanatory and normative-political is not always clear or self-evident when we speak about functions and dysfunctions of the nationalizing mechanism. It is therefore necessary to state explicitly what is considered functional and dysfunctional, why and for whom. It also requires a comprehensive, societal perspective on systemic change. My central concern in this analysis, however, is a more basic one: to establish the central importance of this mechanism of systemic change in general.

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<sup>20</sup> The main political organization that has managed to channel and represent this dissatisfaction is the PDS, the successor to the GDR Communist Party, SED. However, the rise of right wing extremism and the success of extreme nationalist parties and organizations, especially in the former East Germany, should also be interpreted in this context.

Finally, our German case study also illustrates another fundamental analytical distinction briefly introduced earlier, namely that between the explicit and implicit functions of the nationalizing mechanism. The appeal to German nationalism in 1989/90 was quite consciously and explicitly used by a variety of actors to advance their agendas (the Kohl government, as well as East Germans in favor of rapid economic, especially monetary, integration). However, in the aftermath of unification, it became increasingly evident that the actual level of shared nationalist sentiment was quite low. In spite of the political rhetoric, two “nationalisms” (or collective identities) had developed in divided Germany. The transformation process not only underscored this fact, but also reinforced and furthered these cultural divisions. This should be seen as an implicit function of the nationalizing mechanism, unintended and largely unanticipated by the actors, yet nevertheless real and powerful. It also illustrates the difference between nationalism as a long-standing structure of symbolic coordinates (Germany as one, albeit divided nation) and nationalism as an ongoing formation of new societal structures – both during the decades of division and the years of post-communist transformation.

### *Cuba*

The case of Cuba, much like that of Germany, is characterized by the intimate linkage between external and internal dimensions of the nationalizing mechanism. Like divided Germany, Cuba is very much a product of the Cold War, from the early revolutionary period to the post-Cold War present. Cuban nationalism has always been defined in the context of the island’s relationship with the United States. The Cuban Revolution of 1959, the U.S. sponsored Bay of Pigs invasion in 1961, and the Cuban missile crisis in 1962 are the events that mark the twentieth century evolution of the Cuban nation in regional and global context. The revolution led by Fidel Castro was above all a nationalist revolution. The permanent U.S. trade embargo, the American preoccupation with anti-communism in Latin America and the containment of the Soviet Union in the world at large, as well as the threat of military invasion turned the communist character of the Cuban revolutionary regime into a self-fulfilling prophesy. Cuba’s contentious nationalism externally, i.e. in regional context, which was life-threatening to the regime, could only be transformed into an at least partially integrative nationalism by entering

into a close relationship with the Soviet Union. Both the contentious relationship with the United States and especially economic integration in the Soviet bloc, reinforced an integrative nationalism internally. CMEA integration supplied markets, goods, and subsidies, while U.S. policy imposed a quasi permanent state of emergency on the country that made revolutionary vigilance and national unity imperative. The economic and social achievements of the Castro regime further added to the legitimacy of a political and economic system that had become successfully linked with Cuban national identity. This particular configuration of external and internal dimensions of Cuba's nationalizing mechanism fell apart with the Eastern European revolutions of 1989 and ultimately with the dissolution of the Soviet Union in 1991. It marks the beginning of Cuba's "post-communist" systemic change process.

Deprived of crucial economic and political linkages with the Soviet bloc, Cuba found itself once again isolated, committed to a contentious nationalism externally vis-à-vis its North American neighbor, and a growing threat of internal disintegration as a result of the serious economic crisis of the early 1990s. Many external observers were convinced that, like its former allies in the Soviet bloc, the fall of the Castro regime was imminent. Yet, perhaps surprisingly, systemic change in Cuba has taken a different route. The country's nationalizing mechanism provides some important clues to account for this exceptional case. First, the internal side of the nationalizing mechanism was much less dependent on the allied superpower than was the case in Central and Eastern Europe. There nationalism and anti-communism were easily married as conquered nations sought to liberate themselves from Soviet domination. In the late 1980s, Gorbachev's domestic and foreign policy reforms created the conditions for articulation of a contentious nationalism in those countries (as well as in the Soviet Union itself) that eventually led to the collapse of Communist regimes in the fall of 1989. The stability of Cuban socialism, by contrast, never depended on a thinly veiled threat of Soviet military invasion and was therefore not critically damaged by the Soviet Union's demise. The damage in the case of Cuba was above all economic – loss of markets and subsidies. The effects of these losses, however, were serious enough to force the regime onto the road to systemic change.

The external side of the nationalizing mechanism, dominated by the contentious relationship with the United States, had to be supplemented by an expansion and intensification of other economic and political relationships in the region and the world. The limited opening up of the Cuban economy to foreign capital was the major part of the regime's response to the problem of external integration in the face of a tightening U.S. trade embargo. Investors from Western Europe as well as Canada welcomed the opportunity to become active in a U.S.-free economic area, particularly in the tourist industry and to a lesser extent in mining. Continuing to be excluded from IMF and World Bank funding as well as access to U.S. markets, the possibility for this limited integrative nationalism has become a life line for the Cuban economy.

The internal side of the nationalizing mechanism, i.e. the relegitimation of systemic changes since the early 1990s, provides another important element for the explanation of Cuba's exceptionalism. The economic crisis starting in the early 1990s reduced the standard of living of most Cubans, though the stability of the state permitted the maintenance of social programs in education and health sectors. Internal systemic changes – the legalization of the U.S. dollar and limited liberalization of private economic activity – in conjunction with the growing importance of the internationally linked economic sector have produced significant social differentiation and the de facto emergence of a “dollar class” whose significantly higher standard of living is obviously deeply at odds with the egalitarian ideals of the revolution. Yet a combination of lingering legitimacy of the regime – maintained by the firm link between socialism and nationalism, regularly and ritually reinforced by acts of hostility on the part of American policy makers, and personified by a charismatic nationalist-revolutionary leader – as well as the regime's ability to maintain a stable state and keep any opposition in check leave little room for the emergence of a contentious nationalism internally. It is worth stressing the importance of U.S. policy and the Cuban-American community in reinforcing Cuba's internally integrative nationalism. The country's particular type of limited and gradual systemic change is above all conditioned by Cuba's nationalizing mechanism.

We are now turning to two cases that by virtue of their size and power have been dominant, rather than having been subjects of domination. In both cases, the independent

significance of the internal dimensions of the nationalizing mechanism can therefore be expected to be much greater than in the cases of Germany and Cuba. China represents a type of integrative nationalism, both internally and externally, that is associated with a relatively successful transformation. Russia's nationalizing mechanism, by contrast, can be characterized as contentious nationalism both internally and externally and is associated with relative transformation failure.

### *China*

China's relative success in market-oriented reform is often explained in terms of one of two fundamental factors. The first is the gradualist approach to economic transformation that contrasts sharply with the radical approach of shock therapy followed widely in the former Soviet bloc (Poznanski 1998). The second is China's different "initial conditions," i.e. the economy's large agricultural sector at the beginning of market reforms in the late 1970s (Sachs and Woo 1994). Both factors have undoubtedly played a role, but they are too limited to account for the particular mode and outcome of the Chinese transformation. Once again, the argument presented here is that China's nationalizing mechanism may offer a more powerful explanation.<sup>21</sup>

China shares some characteristics of its nationalizing mechanism with Cuba. Internally, nationalism and socialism have been fused. Externally, anti-Americanism is an important and influential force. Unlike Cuba with its small Caribbean island economy and a population of 11 million situated in the shadow of the U.S. mainland, China is a colossus of 1.3 billion people that is itself a dominant player in the Pacific Rim region. Not surprisingly, therefore, internal elements of China's nationalizing mechanism have played a much more prominent role in initiating the country's systemic change than was the case in either East Germany or Cuba. As in the case of post-World War II Germany, two states emerging in the late 1940s claimed to represent the Chinese nation – Mao's Communist forces had gained control of the mainland, while the defeated nationalist forces of the Kuomintang set up their own Chinese state in Taiwan. Not recognized by the West as a legitimate Chinese state until the early 1970s, the linkage between anti-

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<sup>21</sup> One of the few analyses that link nationalism and economic reform along the lines suggested here, dealing with the case of China, is Crane 1999. See also Hughes 1997.

Westernism and the nationalism of the Communist regime is evident and firmly rooted in a longer historical tradition of anti-Westernism (Li 1997).

Systemic reforms in Communist China, initiated in 1978, were not the result of regime collapse as in Eastern Europe. Nor do any other external factors seem to have played a central role. After more than 20 years of systemic change that has once again revolutionized living conditions in China, the Communist Party is still in power, exerting significant control over society. The Chinese transformation into a type of mixed economy must be considered a relative success. For a central clue to the Chinese type of transformation, let us look at some of the basic elements of the nationalizing mechanism. Internally, a high degree of political continuity has meant that the forces of disintegration (from regionalism to social polarization and cultural liberalization) have so far been contained. Apparently without compromising the legitimating ideology of socialism in principle, its content has been radically changed. At the same time, nationalist rhetoric is increasingly making up for the thinned out socialist principles of the dominant ideology. Thus, the Communist regime has managed to legitimate systemic changes by redefining and linking socialism (continuity of regime) and nationalism (changes to secure the future of the nation). Of course, the nationalizing mechanism contains a range of other crucial elements that have made this ideological feat possible. Repression (Tiananmen Square), rewarding opportunities for state and party functionaries in the economic reform process, and a massive increase in incomes for a large majority of the population should be mentioned in this context. The bottom line, however, has been an integrative nationalism internally.

While the legitimation of fundamental reforms is a decisive internal problem of transformation, economic and political integration is the central external problem. Large states with large domestic markets usually are less compelled to integrate regionally and globally than are small states with small markets. At the same time, all states today are dependent on international trade and capital. Thus what is crucial is the mode and extent of integration. The Chinese state has been able to resist the demands for radical economic liberalization that international financial organizations and Western governments have issued globally since the 1980s. Open resistance, if it is tried, results in penalization: the resistor becomes a contentious nationalist unwilling to play by the

rules of the global economy. Yet it would be wrong to consider the external part of China's nationalizing mechanism a contentious nationalism. First, dominant global actors expect less compliance of a large state with a huge and fast-growing market than of more marginal states. Second, the Chinese state is not opposed to economic integration (cf. impending WTO membership), but rather has been more careful and gradual in how integration is approached. In fact, integrative nationalism has been a central element in China's external nationalizing mechanism. Above all, this is illustrated by the central role played by ethnic Chinese investors from Hong Kong, Taiwan, and Singapore whose networks, capital, and know-how have been instrumental for China's international economic integration.

### *Russia*

In many ways, Russia's nationalizing mechanism has the opposite characteristics of China's. Both internal and external dimensions can be classified as contentious nationalism, and there is little need to belabour the unfortunate consequences of Russia's systemic change to date. Unlike China's nationalism, Russian nationalism for centuries has been torn between pro-Western and anti-Western positions (cf. Westernizers vs Slavophiles). Indeed, the very identity of the nation as Western, or to what degree, has never been settled. The ideological anti-nationalism of the Bolsheviks was never consistently practiced. The very set-up of the Soviet Union as a federal state was based on national identities, even if these were never politically articulated as such during the Communist period. Stalin drew heavily on Russian nationalism in World War II. And the status of Russia as the dominant nation in the Soviet Union was never in question. This is why the end of the Soviet imperium has left many Russians, both inside and outside the Russian Federation, in a collective identity crisis (Pilkington 1998). The specter of an emerging extremist Russian nationalism has haunted many in the near and far abroad. But, as I will argue, the more serious problem for Russia's systemic change has been the absence of an integrative nationalism (not to be confused with extremist nationalism), both internally and externally.

Russian nationalism was effectively mobilized by Yeltsin in opposing Gorbachev's last ditch effort to preserve the Union, which ended in the Russian

government's declaring national independence in 1991. In this early period of the postcommunist transformation process, Russian nationalism, anti-communism and capitalist democracy were joined together into what proved to be a highly contentious and disintegrative mixture. The demise of the Soviet Communist Party and the dissolution of the Soviet state incapacitated the central mechanisms of state control in Russia. Under these conditions, radical political and economic reforms aimed at establishing a Western model had practically no chance of succeeding. As the struggle over political power between president and parliament raged in Moscow, the state further disintegrated, leading to the fragmentation and regionalization of political power (Rutland 1998). Radical economic reformers at the centre created the conditions for Russia's peculiar privatization process and general marketization that ushered in a period of drastic economic decline, leaving what is variously referred to as a criminal, informal, virtual or barter economy<sup>22</sup> as well as a fundamentally weakened and disintegrating state. The internal part of the nationalizing mechanism – re-legitimation of political and economic systems – has therefore become an almost insurmountable problem. The national visions and programs of democrats, liberals, communists, extreme nationalists and others, to the extent that they are developed at all, are deeply and fundamentally at odds with each other. They are also closely tied up with the external part of the nationalizing mechanism.

Russia's regional and global integration, accompanied by contentious nationalism, has similarly been a failure. Russia's radical external liberalization, strongly supported by the West, opened up the floodgates for capital flight on a huge scale and has brought in no more than a trickle of foreign investment, though until the 1998 currency crisis regularly topped up by politically motivated IMF loans to keep the new Russia in the global financial system. Membership in various international organizations, from the enlarged G7 to the Council of Europe and second-class status in NATO's Partnership for Peace initiative, represent formalistic and half-hearted attempts by the West to help Russia stay the course on its way to the market and democracy. At the same time that global integration was failing, regional disintegration in the economic space of the former Soviet Union proceeded apace. With the partial exception of the small Baltic states, all

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<sup>22</sup> For one of the more insightful analyses, see Burawoy 1996.

former Soviet republics continue on a path of economic decline, while remaining dependent on the Russian economy for a variety of resources, especially oil and gas. Regional economic, let alone political, reintegration remains a distant prospect. Thus, the external part of the nationalizing mechanism, driven by a flight from empire and headlong rush into the global economy, does not represent an integrative nationalism, if indeed it ever did.<sup>23</sup> Russia's future in the near and far abroad remains as controversial and uncertain as the present shape of its new economic and political system. Contentious nationalism reigns.

We have surveyed four distinct nationalizing mechanisms in systemic change. Germany and Cuba both illustrate the potential significance of the external dimension of this mechanism. Germany as an extreme case of integrative nationalism ("transformation by unification") is not so much a surprise in terms of transformation outcomes as it is a reminder that nationalisms have both explicit and implicit functions. They can divide at the same time that they unite. Cuba shows that contentious nationalism externally does not necessarily spell systemic change failure, even if one's opponent is the world's most powerful state. Pursuing a partially integrative nationalism with the rest of the world economy, temporary economic decline could be reversed. The implicit function of the highly contentious nationalism that characterizes U.S.-Cuban relations has been to reinforce integrative nationalism internally. The Cuban case also underlines that we should not expect a simple one-dimensional causal relationship between types of nationalism and transformation outcomes.

The cases of China and Russia do however suggest that the nationalizing mechanism at the centre of this analysis is more than a heuristic device. At the outer limits, i.e. in the "purer" cases, integrative nationalism externally and internally, and contentious nationalism externally and internally, respectively, do seem to have a powerful influence on the success or failure of systemic change. The nationalizing mechanism combines the strengths of deterministic as well as voluntaristic conceptions of systemic change while avoiding their major weaknesses. Nationalisms are both

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<sup>23</sup> Wedel (1998) recounts the peculiar story of how Russia embraced neoliberal reforms and global economic integration. This illustrates that under certain conditions policies aimed at external economic integration can end up contributing to both economic and political disintegration.

historically structured and politically restructurable. All kinds of actors are involved in this political process. The nationalizing mechanism may thus be helpful in gauging both the possibilities and limits of systemic change in any given case.

## **6 Conclusion**

This paper has rejected the narrow view of economic nationalism according to which it is an anachronistic economic doctrine in the age of globalization. Rather than being the opposite of economic liberalism (the conventional view; see Section 2), economic nationalism is better understood as a generic phenomenon that can accommodate almost any doctrinal content, including economic liberalism. Economic nationalism is not so much about the economy as it is about the nation – the economic dimensions of specific nationalisms make sense only in the context of a particular national discourse, rather than in the context of general debates on economic theory and policy. Like nationalism in general, economic nationalism is not adequately conceptualized as idea or doctrine, since nationalism is at the same time always – integrative or contentious – political action. That is, specific political actors and their problem situations must be explicitly taken into account when explaining economic nationalisms. Nationalism as economic ideology and as political action occur within particular national and transnational economic, political, and cultural systems. Economic nationalism as an idea or policy, therefore, cannot be explained or evaluated outside of such historical contexts. In order to illustrate some of these contexts, Section 3 surveyed scholarly literature on the national economy and the state under globalization, as well as literature on nationalism, economic nations and national economic cultures.

Given the historical and empirical diversity of economic nationalisms, there is little reason to work towards a general theory of economic nationalism (though a classification scheme may be useful). However, it may be worthwhile modeling economic nationalism as part of a larger general process that takes a variety of empirical forms, approaching it not as a phenomenon to be explained, but as part of a process that can assist us in explanation. The conceptual framework presented in Section 4 introduced this larger general process as the “nationalizing mechanism.” In functional terms, the nationalizing mechanism is particularly promising as an approach to explaining

societal integration and disintegration – a process or mechanism at the juncture of transnational and intranational systems that can be internally and externally (more or less) integrative or contentious. The nationalizing mechanism may prove helpful in approaching a variety of phenomena discussed in the globalization debate, such as economic performance, state disintegration, or cultural conflict. The case studies in Section 5 illustrated the nationalizing mechanism as an approach to explaining relative success or failure in postcommunist systemic change.

In these case studies, the nationalizing mechanism was employed as a conceptual framework or explanatory schema with the help of which four concrete historical and empirical cases were roughly modeled. This framework may be found to suffer from a variety of problems, such as being too general to be of much assistance in the analysis of concrete empirical cases, or incompatible with well-established theoretical insights – shortcomings of a sort that are hopefully not beyond repair. The nationalizing mechanism has the potential to help bridge some of the gaps and divisions between distinct social science approaches and literatures that others have noted. These include the general division between international political economy and comparative political economy (and between IR and comparative politics) (Caporaso 1997; Jacobsen 1996), since the nationalizing mechanism is at the juncture of transnational and intranational processes.<sup>24</sup> The framework also speaks to the division between state theory and cultural theory (Steinmetz 1999; Tilly 1999; Jessop 1999) since the nationalizing mechanism encompasses the culturally grounded process of state action aimed at internal legitimation and external integration. The gendering power of national discourse, including discourses on economic nationalism, may facilitate links between gender studies and political economy (Steens 1999; True 2000). Finally, the framework supports a “configurational” methodology (Katznelson 1997; Ragin 1987) for explanatory problems that variable-oriented methods cannot serve well.

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<sup>24</sup> This division also reflected in the distance between the globalization debate, on the one hand, and the postcommunist transformation literature (Pickel and True forthcoming) as well as the nationalism literature, on the other.

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