

# State and Nation: Nationalism in the International Economy

Economic Nationalism

# Clicker Quiz

- Which world would you prefer living in
- A. --a world in which every American is 25 per cent wealthier than now and every Chinese is much wealthier than the average American,
- B. A world in which Americans are only 10 per cent wealthier than now but ahead of the average Chinese?

# Today's menu

I. Review: Community as Nation-State

II. The Nation in the international economy:  
Economic Nationalism

- Assumptions:
- Policies
- Size and structure
- Liberal Response and Econ. Nat. Retort
- Economic nationalism and war

# Review: Nations and States

- **Nations are communities that fill the vacuum left by liberalism and socialism**
- They evoke emotion, not reason
- They are tied to a commitment to land, not globalization or international communism
- They evoke solidarity, not competition
- They provide an identity bigger than ourselves
- They provide security, not individual striving
- **Nations need States—both internally and externally---**  
**The national community is hierarchical**

# The Political Economy of the nation-state

- States are main actors
- They care about their community and want it to grow
- Purpose: They pursue power to protect the community—even from markets
- They want influence over other states to make themselves richer



# Central Assumption of Economic Nationalism : International Anarchy

- No government over states
- States compete with each other to survive
- International trade is a PD game
- Relative gain is more important than mutual gain Why? Everyone wants to be a monopolist—wants to be ahead of the competition.

# Anarchy prevents Free Trade

YOU

	Cooperate (free trade)	Defect (protectionism)
ME cooperate	<p>5, 5</p> <p>Comparative advantage, efficiency, Lower consumer prices and Growth for all</p>	<p>0,3</p> <p>I keep my market open but you close yours; -- you win, I (my consumers) lose</p>
ME Defect (protectionism)	<p>3,0</p> <p>You keep your market open, I close mine, I win, you (your consumers) lose</p>	<p>0,0</p> <p>We both close our markets; you close yours, I retaliate, you retaliate, and so on.....</p> <p>High consumer prices Low growth</p>

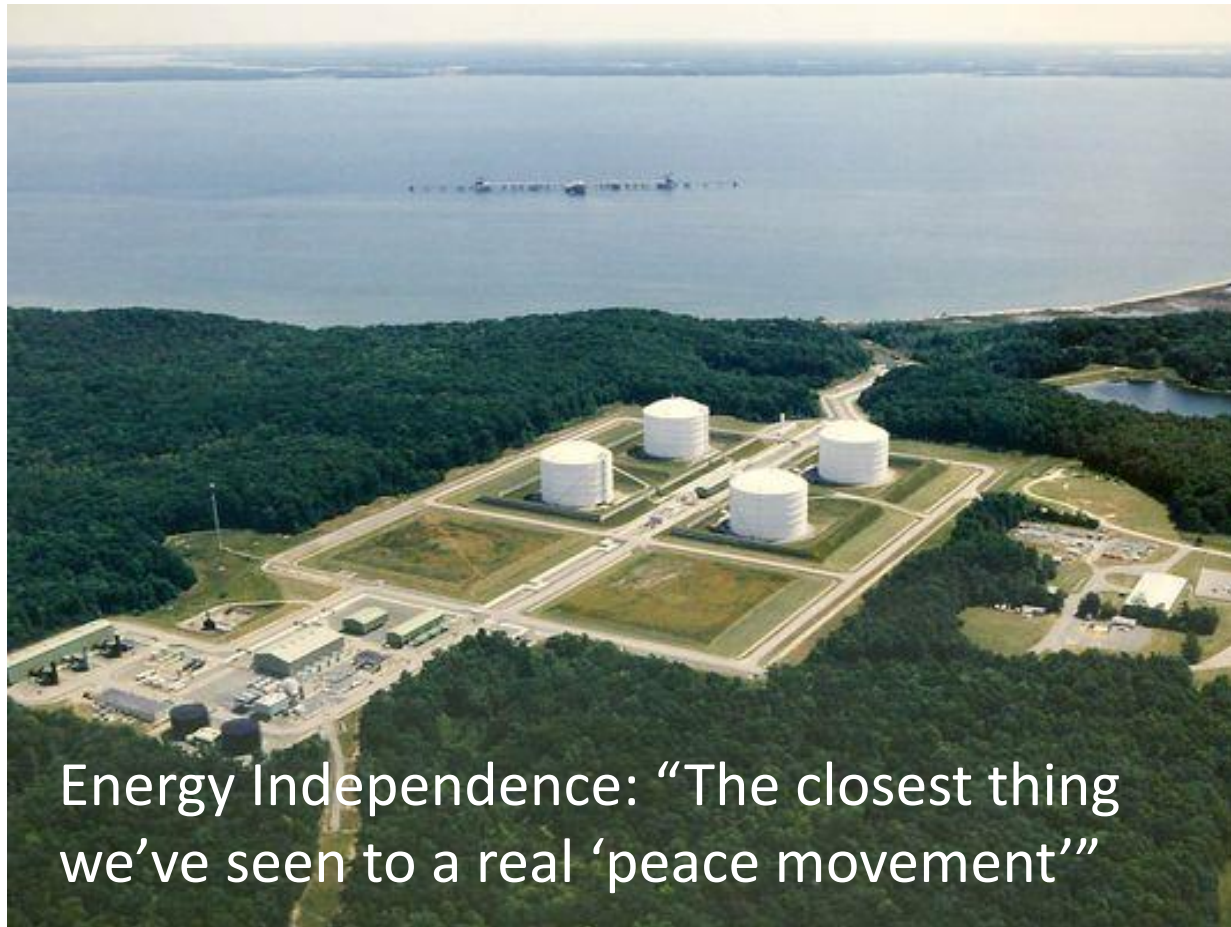
# Policies of economic nationalism: Protection, Market Control, economic warfare

- Self-sufficiency (Keynes)
- Protect the nation's economy from others in the market
  - Tariffs
  - Non-tariff barriers to trade
- Market Control
  - Subsidies
  - Dumping
  - monopoly
- Economic Warfare
  - embargoes
- Retaliation



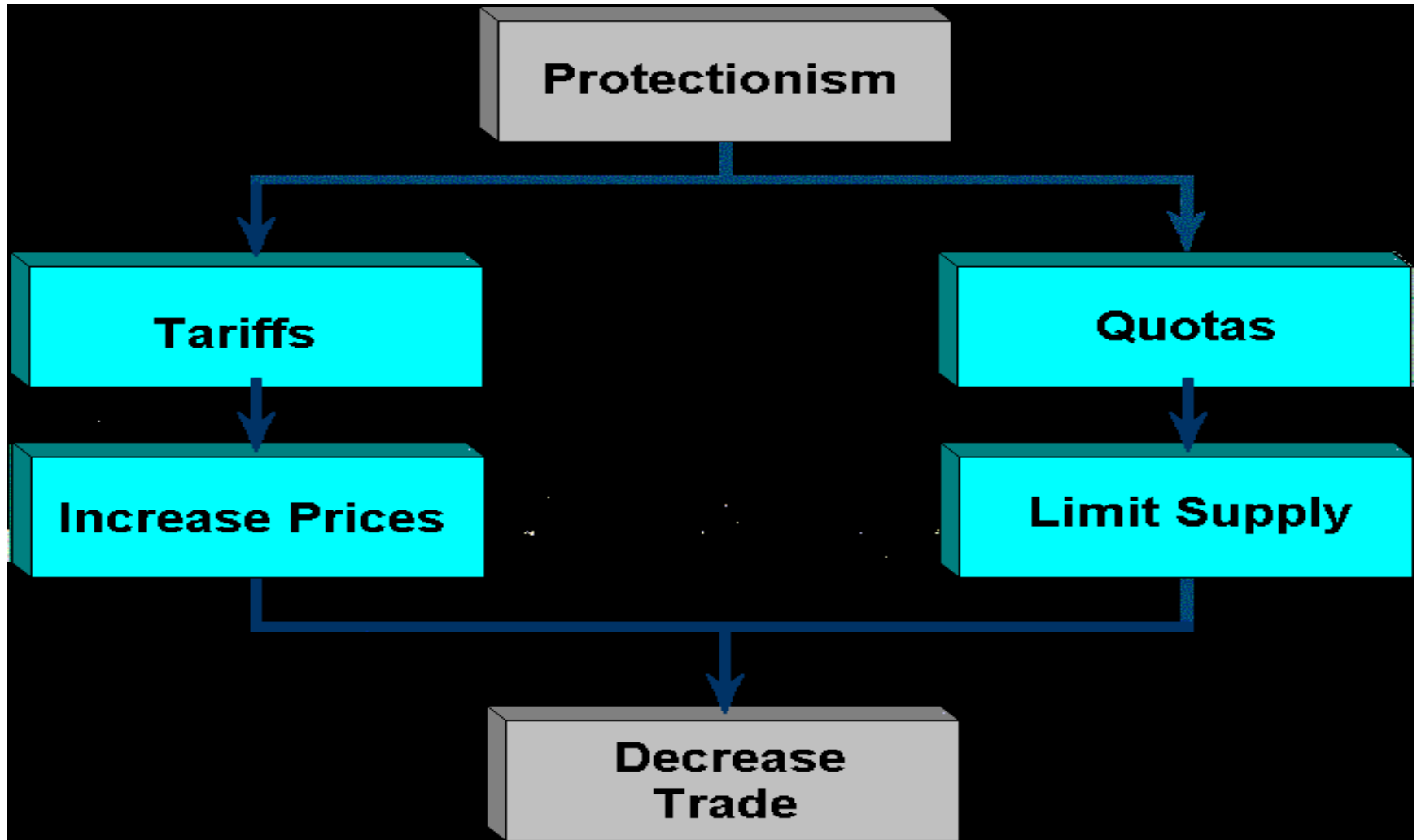
# Why national self-sufficiency?

- It leads to peace. Why?



Energy Independence: “The closest thing we’ve seen to a real ‘peace movement’”

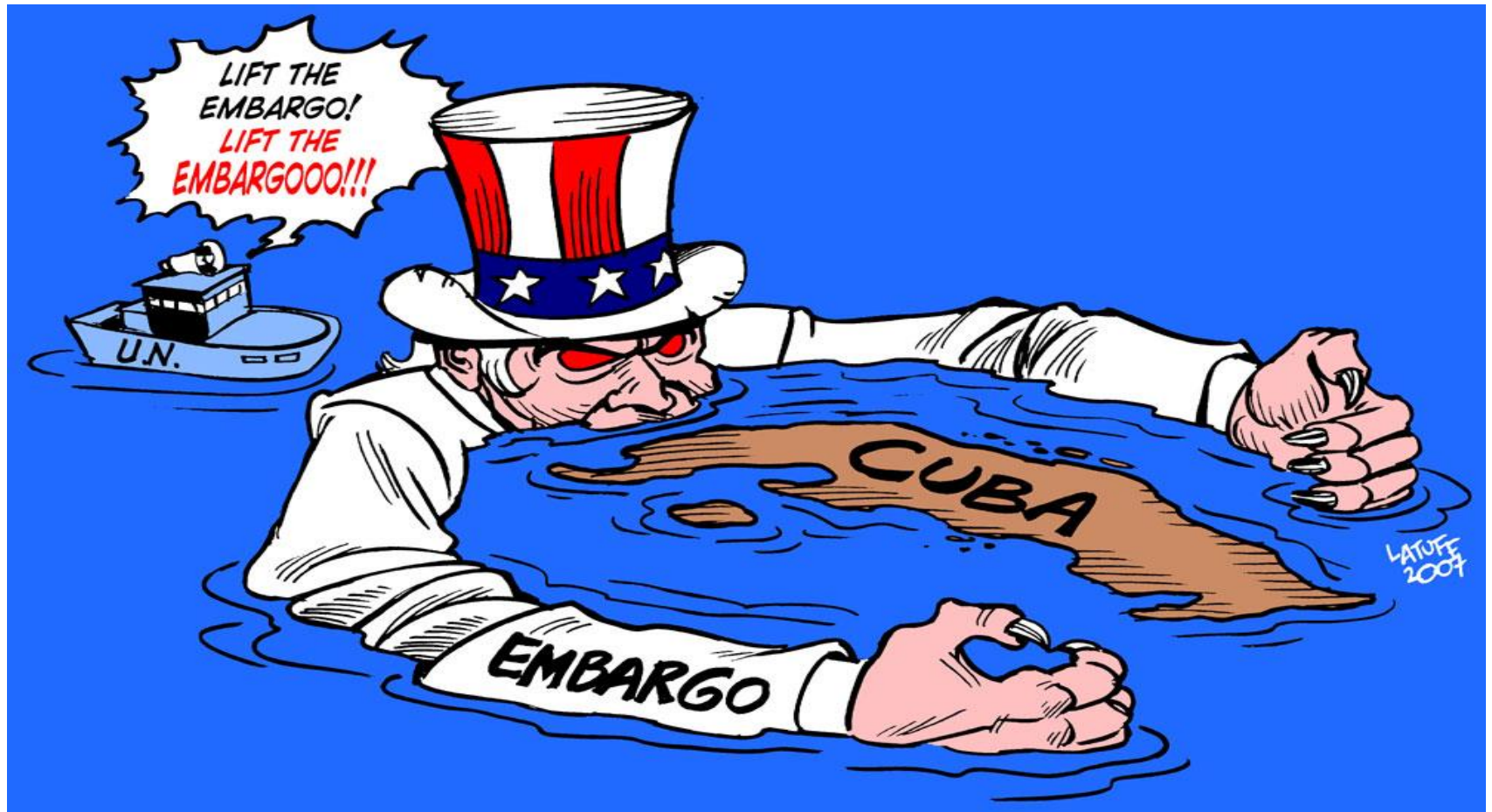
# Protectionism: Closing markets



# Policies: Market Control

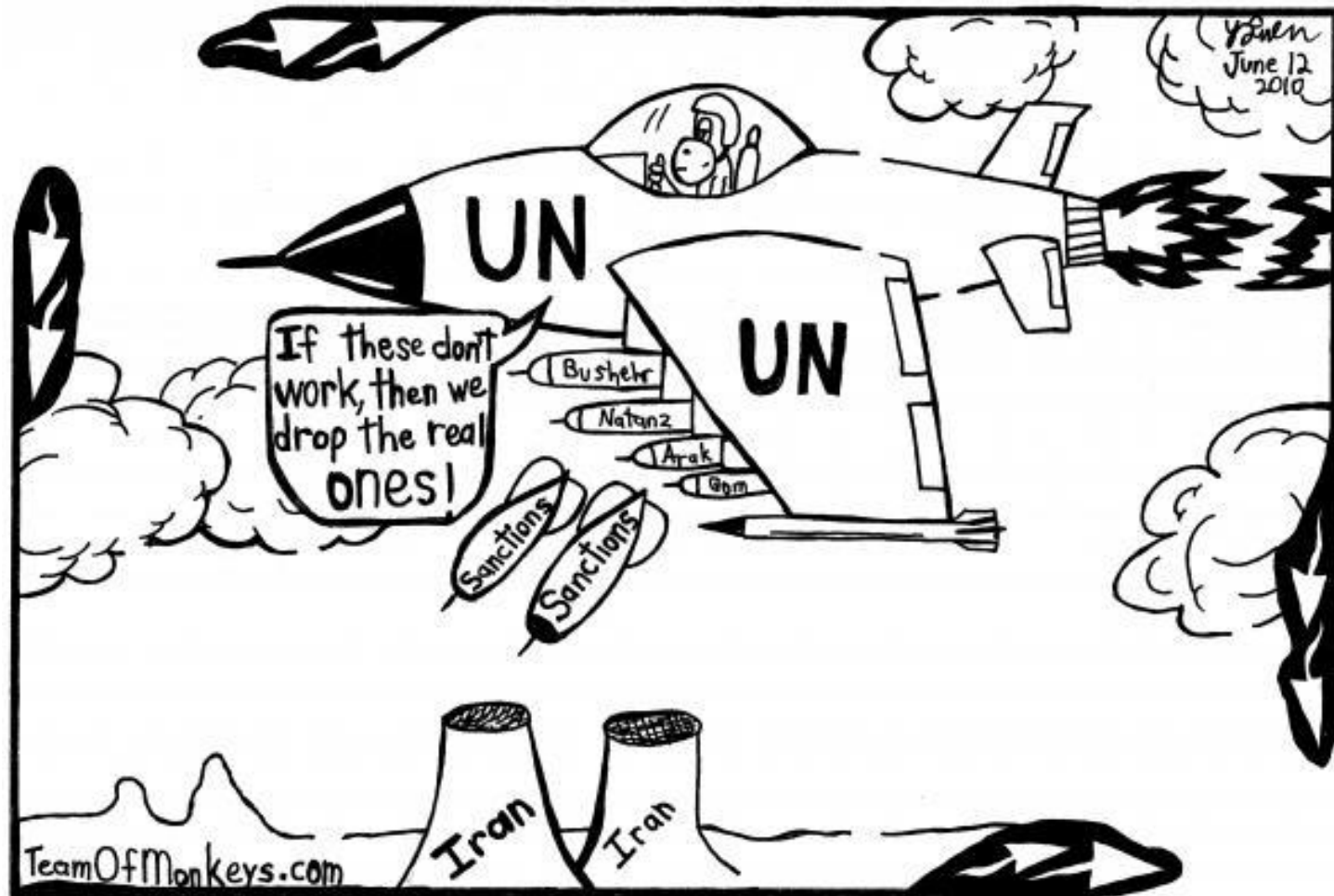


# Policies: Economic Warfare: embargos





# Iran



# North Korea



# What policy the economic nationalist pursues depends on how big the nation-state is

- Small states benefit more from trade than large states.
- Large states can use trade and trade-withholding strategies as a foreign policy tool
  - Influence, leverage
  - They can also use their resources to create a liberal international economic system.
    - Can offer an open market, cheap exports, trade finance,

# The economic liberal response to economic nationalism

**Rant!**





# The Economic Nationalist's Retort

- What's good for the whole global system (aggregate wealth) might not be good for the nation
- The nation must be protected
- The state must accumulate wealth to enhance the power to provide security.

# Nation -states, nationalism, economic nationalism, and war

- Protectionism threatens other nation-states
- Market control threatens others



- Nation-states seek to amass resources: imperialism → colonialism, invasion, war, occupation
- US sanctions on Japan in 1930s led to Japan's attack on the US at Pearl Harbor
- Military-industrial complex and in liberal societies—another form of economic nationalism
  - Military contracts to national companies
  - Political “pork barrel” to create jobs shielded from the market
  - War profits
- Nationalist ideology assists in this project

**The End**