Economic patriotism: reinventing control over open markets

Ben Clift & Cornelia Woll

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ABSTRACT We analyse how tensions between international market integration and spatially limited political mandates have led to the phenomenon of economic patriotism. As discrimination in favour of insiders, economic patriotism goes beyond economic nationalism and can include territorial allegiances at the supranational or the local level. We show how this prism helps to understand the evolution of political intervention in open economies and present the ambition of this collection.

KEY WORDS Economic nationalism; European market integration; industrial policy; intervention; mercantilism; regulation.

INTRODUCTION
When the financial crisis hit in 2008, the only thing more striking than the vertiginous hikes in public expenditure was the enormous range and scope of new interventionism. After decades of triumphant neo-liberalism, and policy-makers embracing self-regulating markets, suddenly the co-ordinates of economic policy rectitude were thrown into flux. The credit crunch brought the tensions within liberal international economic governance into sharp focus. Long-buried measures reappeared in political toolkits.

Some of this political intervention was entirely novel. Governments were intervening to stimulate consumption, prop up credit markets and prevent the failure of the international financial system, including pursuing unprecedented monetary expansions through untried ‘quantitative easing’ techniques. States were taking on huge amounts of debt, publicly funding private financial institutions, dictating new rules for executive pay and even nationalizing banks. Very sizable state aid packages supported not only major financial institutions but also struggling major automobile producers. These national rescue packages, bank recapitalizations and selective industry bailouts generate frictions between governments and liberal competition authorities.

What has happened to the long-standing consensus on minimal government intervention and the benefits of liberal markets? In the 1990s, authors from very different backgrounds all pointed out the apparently unstoppable rise of economic imperatives, heralding the demise of politics (e.g., Friedman 2005; Wallach and Sforza 1999; Yergin and Stanislaw 1999). Supranational
institutions such as the European competition authorities or the World Trade Organization’s (WTO) Dispute Settlement Body seemingly assured the continuous integration of markets. Yet today, the world looks much more fragmented than these accounts predicted. Open markets are constantly challenged, international economic co-operation is faltering and political intervention is decidedly local, not global.

Of course, economic interventionism never ceased completely, even in countries adamantly supporting the liberalization of markets. But the consensus of the 1990s had a lasting effect on how economic policy decisions could be justified. Tellingly, the notion ‘industrial policy’ almost disappeared from political vocabulary during this time.

In 2005, Dominique de Villepin, then French prime minister, labelled the defence of local prerogatives in integrated markets ‘economic patriotism’.1 Reminiscent of Listian economic nationalism (List [1841] 1974), economic patriotism suggested that economic choices should be linked with concerns for one’s homeland. The arrival of this terminology within the political lexicon of policy elites before the Great Recession illustrates profound if not self-evident contradictions between international market integration and spatially limited political mandates.

In this collection, we argue that the present crisis may have revealed these contradictions, but the underlying causes have roots that extend far beyond the global financial crisis. In a world characterized by an overlapping network of economic governance regimes, politicians face the ‘paradox of neo-liberal democracy’ (an idea developed by Colin Crouch [2008]): their political mandate is to pursue the political economic interests of their citizenry under conditions of complex economic, legal and regulatory interdependence where large parts of economic governance are no longer exclusively within their control. Faced with the constraints imposed by international trade regulation or competition authorities which increasingly proscribe traditional industrial policy as analysed by Shonfield (1965), governments had to become creative with policy strategies.

In this collection, we use economic patriotism as a prism to investigate how actors negotiate compromises between abstract economic objectives and territorially bound political obligations. We define economic patriotism as economic choices which seek to discriminate in favour of particular social groups, firms or sectors understood by the decision-makers as insiders because of their territorial status. Economic patriotism entails a form of economic partiality: a desire to shape market outcomes to privilege the position of certain actors. Unlike economic nationalism, economic patriotism is agnostic about the precise nature of the unit claimed as patrie: it can also refer to supranational or sub-national economic citizenship. Indeed, we argue that transfers between these levels are increasingly common.

We defend two arguments about economic patriotism that diverge from its popular reception. First, economic patriotism, like economic nationalism, needs to be defined by its territorial references and its underlying conception of political economic space, not by its supposed policy content. Although
lifers have long used economic patriotism as a term of abuse, equating it with protectionism, this obscures the importance and the multiple facets and forms of the contemporary phenomenon, varying widely across countries and regions. In particular, it does not allow analysing when politicians chose liberal economic policies as a selective strategy to further territorial ‘insider’ interest (Helleiner 2002; Helleiner and Pickel 2005; Shulman 2000).

Second, although economic nationalism is as old as the nation-states themselves, we are currently observing some novel departures. Present-day economic patriotism is a response to the reconfiguration of economic governance and the interdependence of markets that only fully developed following increasing economic liberalization in the wake of the breakdown of Bretton Woods, the deepening of European integration in the 1980s, and the fall of communism in 1989. The integration of markets and the concurrent weaving together of regulatory frameworks put pressure on national economic intervention to eschew old-style industrial policy. Governments therefore had to become creative to assure traditional economic policy objectives with new means. In particular, they can now transfer economic objectives from the national to the regional level, such as the European Union (EU), which can lead to liberalization within the EU for the sake of protection towards the outside, as in agriculture. The multiple policy instruments in support of local, national or regional economic actors are today more fragmented and less coherent, but no less prevalent.

This collection examines the re-emergence, the evolution and the forms of economic patriotism in the global economy, with particular emphasis on Europe, where the overlap between economic jurisdictions is especially pronounced. We argue that economic patriotism is a universal phenomenon endemic within interdependent markets and economic jurisdictions. Despite using de Villepin’s vocabulary, this is not simply a study of French chauvinism. It also seeks to answer why German politicians, despite low levels of patriotism, have treated foreign investors as locusts; why economically liberal British prime ministers proclaim ‘British jobs for British workers’; why America, the archetypal liberal market economy, returns to ‘buy American’. We attempt to answer these questions by paying attention to the deeper political economic causes to these contemporary phenomena. The taboo-breaking attempts to protect local economies suffering from the global financial crisis are a logical extension of this conundrum: they are remarkable in size, but not in nature.

The remainder of this introduction divides into four parts. A first section situates this study of economic patriotism within the comparative and international political economy literature and cautions against a monolithic conception of economic liberalism. The second section develops economic patriotism as an analytical concept and delimits it from related notions such as economic nationalism. A third section explores different forms of economic patriotism, and provides a typology for mapping the qualitative transformation of economic patriotic political intervention in the economy. In doing so it sets out how political control of the economy is being reinvented. A fourth section maps out the structure of this collection and summarizes its contributions.
VARIETIES OF ECONOMIC LIBERALISM

The apparent struggle between economic liberalism and parochial protectionism has occupied political debates and public discourse. In contrast, academic writing on the consequences of economic globalization is more nuanced and has moved beyond a simple dichotomy between open and closed borders. Scholars interested in the evolution of political economic orders have engaged with the globalization literature to demonstrate that convergence to a unique liberal market model is unlikely (Kitschelt et al. 1999). Studies have highlighted the importance of national economic policy styles, neo-corporatist arrangements, the institutional organization of the political economy or production regimes, and a vigorous debate erupted in the 1980s and 1990s to determine how the different capitalist models adapted to the increasing interconnection of markets (Amable 2003; Crouch and Streeck 1997; Hall and Soskice 2001; Perraton and Clift 2004). While some authors insisted on path-dependencies of existing models, others highlighted how firms and individual sectors adjusted differentially (Berger 2005; Piore and Sabel 1984). The varieties of capitalism literature focuses on institutional complementarities within national models and specifies ideal types of national market governance in an open economy (Hall and Soskice 2001; Hall and Thelen 2005; Höpner 2005). In sum, the debates in comparative political economy and industrial sociology pointed to relatively stable sets of institutional arrangements, which characterized socio-economic governance within countries, shaped their adjustment to market opening and conditioned institutional change (Streeck and Thelen 2005). One of the most forceful lessons of this literature is that there is not one ideal type political economy that all countries will emulate, despite undeniable pressures towards liberalization.

We are therefore interested in understanding how the implementation of liberal market policy varies across countries and sectors. Curiously, neither industrial sociology with its focus on firms and sectors, nor the varieties of capitalism literature with its emphasis on institutional stability have much to say about governmental strategies (but see Porter [1990]). Several authors have criticized the silence of the comparative political economy literature about the role of the state (Hancké et al. 2007: 4, 14–16; Levy 2006: 22–24; Schmidt 2009). In contrast, our account of economic patriotism entails a more encompassing vision of state action and activism than the governmental defence of institutional comparative advantage suggested, sotto voce, in Hall and Soskice (2001). Economic patriotism offers a conception of market relations as always subject to political acts of market-making and market-shaping, and of states as primary authors of interventionism. This is particularly relevant in open economies, where governments and firms are constantly arbitrating about the most adequate level of political and economic authority (Fioretos 2011).

Put differently, within the general move towards market-based solutions and amidst an increasing density of transnational jurisprudence to maintain open
markets, the question for governments everywhere is what kind of economic liberalism to espouse in order to defend local economic interests in interconnected markets, and what kinds of state action or activism are needed to achieve it. We thus propose a more state-centric account of socio-economic governance. Economic liberalism does not imply the disappearance of the state, as we are frequently reminded (Evans et al. 1985; Levy 2006; Schmidt 2009). Analysing comparative capitalism using economic patriotism avoids two cul de sacs: firstly that of viewing socio-economic governance today as a whether-or-not story of market integration (Strange 1997); and secondly assuming the ‘co-convergence’ on either the liberal or the co-ordinated model (Hall and Soskice 2001; for a critique see Hay [2004]; Crouch 2005). Instead we conceive of the terrain as political choices between a more differentiated range of possible paths of adaptation, each orchestrated to a significant degree by governmental action.

Scholars working from an international political economy (IPE) perspective have theorized who the winners and losers of market integration are in order to determine which policy coalitions should form to support further integration (Gourevitch 1986; Rogowski 1989). Moreover, they draw attention to how market interdependence shifts domestic politics by redistributing power resources among political and economic actors (Gourevitch 1978; Keohane and Milner 1996). According to these studies, pro- or anti-integration political stances are motivated by interest group pressures and class struggle, which in turn is a function of the country’s economic endowment (Hiscox 2002).

The IPE literature’s focus on ‘open economy politics’ (Lake 2009) gives us important indications about the coalitions that should be opposed to further integration. Unfortunately, it is not well attuned to studying how such support or opposition affects the multitude of instruments that politicians and economic actors have at their disposal. With its origins in open economy economics analysis of trade and finance, much IPE theorizes in terms of ‘open’ or ‘closed’ markets. As the comparative literature has highlighted, these terms are insufficiently nuanced for understanding the present-day economic regulation (Fioretos 2011). We concur, and argue that the IPE literature fails to capture the great variety of instruments and adaptation strategies which emerge from this collection of contributions. As the following contributions demonstrate, regulation of economic activity is today much more internationally intertwined and can no longer be neatly separated into national governance and trade relations. Instead, much regulation has become transnational and the majority of international negotiations today revolve around ‘beyond the border’ issues (Drezner 2007; Farrell and Newman 2010).

In this context, governments have had to innovate to reinvent their modus operandi of economic interventionism, for example by employing urban policy to serve competitiveness objectives (OECD 2006; Crouch and Le Găles 2012). The variegated nature of these policy choices, the state-orchestrated market-shaping and the complexity of the policy terrain of contemporary economic governance are not captured by the dichotomous opposition
between open and closed borders which inform traditional IPE approaches. Our analysis more effectively captures the quest for the right kind of regulation: how can policy élites liberalize in a way that benefits mostly its own, how can an industry remain shielded from foreign competition without contravening international liberal market rules? How much regulation is necessary to maintain foreign investment without losing control over crucial companies? With its more fine-grained appreciation of the policy choices, economic patriotism as a conceptual lens helps move beyond the open vs closed borders or liberalization vs protection debates that can stultify studies of economic nationalism.

The fundamental differentiation between our approach and much comparative and international political economy literature is the understanding of the mutual constitution of state and market. The conception of state–market relations underlying this analysis of economic patriotism is informed by Karl Polanyi’s work and economic sociology, both insisting on the inescapably embedded nature of market activity (Block 2003; Block and Evans 2005). Polanyi’s insight that liberal markets need constant state intervention implies that economic liberalism is not a singular, monolithic political economic tradition, but comes in many variants. As Andrew Gamble (1999: 144) put it, ‘it may not be possible to live in a world without capitalism, but capitalism need not be a single fate’. Liberal market capitalism rests upon sustained, extensive and politically contested legal and legislative interventionism in economic activity by the ‘liberal state’ (Polanyi 2001: 79–80, 136–9). Polanyi noted of the 19th-century expansion of laissez-faire:

Laissez-faire itself was enforced by the state. The [eighteen] thirties and forties saw not only an outburst of legislation repealing restrictive regulations, but also an enormous increase in the administrative functions of the state. (Polanyi 2001: 145)

Our approach thus implies an embedded understanding of state–market relations, and highlights the reconfiguration of economic and political space which provides their context. Analysing economic patriotism allows studying the multiplicity of solutions enacted for governing the economy, in particular by focusing on the status of territorial boundaries in political decision-making. Based on these foundations, the third section will set out how to explain and understand patterns of change within economic intervention. Before that, however, we define the concept in more detail to clarify its analytical leverage.

**DEFINING ECONOMIC PATRIOTISM**

Intuitively, economic patriotism evokes the subordination of economic objectives to the protection of homeland interests. Used as a synonym for economic nationalism, it has been equated with (neo-)mercantilism. Throughout the post-war era, economic nationalism was a common opprobrious term among liberal economists used to discredit policies (see Levi-Faur 1997a). A more recent
literature on economic nationalism has argued vigorously, through empirical studies and a re-examination of Friedrich List’s 1841 classic *The National System of Political Economy*, that economic nationalism needs to be defined by its nationalist references, not its supposed protectionist policy content (Abdelal 2001; Crane 1998; D’Costa 2009; Helleiner and Pickel 2005; Mayall 1990). List himself, they argue, did not define his argument through policy recommendations (Helleiner 2002; Levi-Faur 1997b). List may be renowned for advocating infant industry protection, but his main contention with economic liberals was a conceptual dispute. Liberalism’s ‘theory of a cosmopolitan economy’ considered policy from the perspective of individuals and aimed to increase prosperity for humanity. This, he pointed out, ignored the importance of nations as intermediaries between individuals and humanity. Rather than developing a ‘science that teaches how the entire human race may attain prosperity,’ he wanted to limit his ‘teaching to the inquiry of how a given nation can obtain . . . prosperity, civilisation and power’ (List [1841] 1974: book II, ch. XI). The key point, for List, is that political intervention and the shaping of market outcomes in inextricably part of capitalism, even liberal capitalism. That is why, for List, ‘free trade’ is not really free:

As long as some nations will persist in regarding their special interests as of greater value to them than the collective interests of humanity, it must be folly to speak of unrestricted competition between individuals of different nations. (List [1841] 1974: 261)

This emphasis on citizens’ national identities and their historical and cultural characteristics underpins the difference between economic nationalism and the statist perspective of realism. Economic policy decisions can be rooted in ‘representations of economic life as well as socio-cultural memories’ and thus be nationalist without being about augmenting power or state-building (Crane 1998: 56; see also Abdelal 2001). Studying the variations and evolution of economic nationalism therefore requires a careful focus on national references rather than policy content, locating analysis historically and culturally within distinctive sets of state–society relations.

One of the most important lessons of this recent literature is the study of ‘liberal economic nationalism’ (Helleiner and Pickel 2005), wherein nationalist calculations (e.g., a desire for national autonomy, unity or identity) can inform engaging in international economic regimes and liberal commitments. *Dirigiste* France is said to have supported liberal European integration to strengthen its global role, former Soviet countries adopted liberal policies to gain autonomy from Russia and construct independent national identities, and Great Britain and later the United States might have endorsed free trade, not to promote global welfare but to establish a world-wide economic pre-eminence.

Whilst embracing this corrective, we insist that the full complexity of the phenomena which interest us cannot be adequately addressed with the notion ‘economic nationalism’. Focusing on economic patriotism rather than economic nationalism frees us from the shackles of methodological and conceptual
nationalism. In Europe, insistence on the defence of economic interests increasingly lists European interests alongside national ones. Indeed, economic patriotism can shift scales and espouse a ‘fortress Europe’ (George 1996) or aim to create ‘European champions’. Inversely, it can also shift downward to local interests, even if this implies a disadvantage to other producers in the same country (Goff 2007). For example, the defence of labels of protected origins in the World Trade Organization (WTO) constitutes local economic patriotism – or Lokalpatriotismus, which is common in German language. The possibility to shift scales illustrates that the ‘paradox of neo-liberal democracy’ is not only a problem for policy-makers, it also offers possible solutions by allowing them to shift attention to a different level of political authority.

In defining economic patriotism, it is nonetheless useful to begin with economic nationalism. According to Ernest Gellner (1984: 1), ‘nationalism is a political principle, which holds that the political and national unit should be congruent’. The same holds true for patriotism. However, as a theory of political legitimacy, patriotism attributes an intrinsic moral value to the defence of the homeland, even if it does not specify its boundaries. Economic patriotism thus suggests a value ordering where the homeland ranks higher than individual economic interests. As in all studies of motivations, disentangling individual or collective preferences from pure rhetoric can be difficult. However, the moral implications encourage discrimination against outsiders, which is more easily observable. We therefore concentrate on economic discrimination against territorial outsiders.

For lack of space, we are focusing our attention on state-led activity, and supra-national initiatives undertaken by political elites. There are, of course, many other forms of economic partiality rooted in the activities, for example, of consumers, employers, workers or social movements (see Chang 1999; Costa et al. 2007; Dubuisson-Quellier 2008; Porter 1990).

**FORMS OF ECONOMIC PATRIOTISM**

We use the concept of economic patriotism as an umbrella to highlight some fundamental characteristics of economic intervention. Within that, categorizing different forms of economic patriotism is a useful heuristic device, which facilitates the analysis of trends within economic interventionism. In order to specify the distinct forms that economic patriotic activism can take, it is important to distinguish, first, between the discourse and practice of economic patriotism, second, between different types, and third, between the policy content and targets.

The salience of economic patriotism in political discourse is striking, as is the considerable gap that can exist between public declarations and actual intervention. When French president Nicolas Sarkozy urged French automakers to locate their plants at home rather than the Czech Republic in February 2009, many suspected that he counted on European officials, pointing to free movement principles, to make his suggestions inconsequential. Indeed a major reason
for economic co-operation beyond nation-states is to constrain national politicians always under pressure to respond to their electorates. Contributions in this collection interrogate the relationship between political rhetoric and interventionist practice, to evaluate whether economic patriotic discourse amounts to more than ‘cheap talk’ about parochial intentions in a global era. Analysis of these discursive dimensions unearths that disjunctures between the rhetoric and the reality of economic patriotism can take different forms, including surreptitious partial interventionism in support of the homeland, unadvertized for fear of being accused of economic heresy or xenophobia. Economic patriotism can thus characterize both discourse and practice, and the two might not necessarily coincide.

Second, we can distinguish different forms of economic patriotism, which we separate by their reference points. Patriotic action can appeal to one’s nation or some other territorial unit. Along this first dimension, we find: (1) supranational economic patriotism; (2) economic nationalism; and (3) local economic patriotism. Furthermore, economic patriotism can be conservative, i.e., looking to preserve the status quo or ‘static efficiency’ or offensive, i.e., seeking to enhance ‘dynamic efficiency’ (Chang 1999) and outward-looking in some innovative way. (4) Conservative economic patriotism refers to the traditional protectionism. Outward looking, or (5) liberal economic patriotism, by contrast, entails selective or strategic liberalization in a way that privileges a particular set of economic actors. Alternatively, it can also aim to support the competitiveness of national firms or citizens operating abroad (see D’Costa 2009). It is possible to cross these two dimensions to get a sense of the possible variation that can exist.

Economic patriotism can aim to shield producers and/or preserve extant comparative advantages at each level, even the supranational one, which the debate about defensive regionalism and ‘fortress Europe’ has highlighted. In cases where regional markets are not integrated, however, supranational economic patriotism can entail considerable liberalization, even if the political objective is ultimately the creation of a trading block able to defend the regional interests in world markets. Depending on the starting point, the nature of the economic intervention is thus quite different at all three territorial levels.

Table 1 Forms of economic patriotism

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<tr>
<th>Supranational economic patriotism</th>
<th>Liberal economic patriotism</th>
<th>Conservative economic patriotism</th>
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<tr>
<td>Economic nationalism</td>
<td>Strategic regional integration</td>
<td>Defensive regionalism</td>
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<tr>
<td>Local economic patriotism</td>
<td>Liberal economic nationalism</td>
<td>Classic protectionism</td>
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<td></td>
<td>Liberal policies that facilitate the creation of sub-national champions</td>
<td>Defence of local production</td>
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At the national level, we find the categories identified by the recent literature on economic nationalism. At the sub-national level, we again distinguish between the defence of existing local production advantages and the creation of local advantages in the process of integrating markets, typically through the creation of sub-national champions. Interestingly, the creation of such champions necessarily implies that the government discriminates in their favour and neglects other sub-national actors, as the contribution by Crouch and Le Galès in this collection shows.

Categorizing different forms of economic patriotism distinguishes the nature of intervention in a very general way. However, to study intervention within one country and over time, it is also necessary to address the policy content and the different instruments which political authorities employ to support the economy. This brings us to our third distinction between policy content and policy targets. Again, we begin by acknowledging that interventions exhibit different degrees of compatibility with market objectives: we posit a continuum from relatively liberal to protectionist economic policies. Conflict over policies often revolves around the fluid boundary between favouring territorial insiders and resisting outsiders. Some policies are designed to support insiders without in principle excluding outsiders, but still in effect strengthen the position of national or regional target groups. Other policies are explicitly designed to block outsiders from participating on an equal footing with insiders, but they can do so with distinctly national criteria or with reference to characteristics that are not territorially bound in principle, although they might be in practice. If we cross these two dimensions, we obtain the Table 2.

In the left-hand column we see policies aiming to liberalize a given sector, but doing so either by concentrating on an industry where the government sees a strategic advantage and hopes to dominate in the integrated market (Q1) or

<table>
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<th>Ideological affinity</th>
<th>Liberal</th>
<th>Protectionist</th>
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<tr>
<td>Policy target</td>
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<tr>
<td>Favouring of insiders</td>
<td>Q1</td>
<td>Q3</td>
</tr>
<tr>
<td>e.g., selective</td>
<td>e.g., regulation to maintain traditional</td>
<td></td>
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<tr>
<td>liberalization in</td>
<td>product and process standards; state</td>
<td></td>
</tr>
<tr>
<td>strategic sectors</td>
<td>subsidies</td>
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<tr>
<td>Resistance to</td>
<td>Q2</td>
<td>Q4</td>
</tr>
<tr>
<td>outsiders</td>
<td>e.g., risk regulation or competition rules that prohibit standards common abroad</td>
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<td>e.g., classic barriers to trade</td>
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<th>Table 2</th>
<th>Classifying the policy content of economic patriotism</th>
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by liberalizing in a way that entails regulation which targets the practices of foreign competitors (Q2). On the right-hand side, we find policies seeking to preserve the status quo, either by maintaining traditional product or process regulation beneficial to insider companies (Q3) or using classic trade barriers (Q4).

Our argument is that the integration of markets and international jurisprudence put pressure on the instruments available to governments. Where economic regimes are multi-layered and contain legal enforcement rights, the political control over the economy therefore had to be reinvented. As Jonah Levy (2006: 2) puts it, ‘while old forms of state intervention may be discredited and cleared away, new interventions often emerge to take their place. The state also rises.’ Deregulation, of course, involves not simply removing restrictions but active re-regulation: the new regulatory frameworks differ between countries, regions and sectors in ways that are designed to promote particular outcomes. Deregulation has not and could not ever simply be a case of eliminating controls; the huge raft of legislation and directives required to institute the Single European Market exemplifies this (Vogel 1995). This need for re-regulation gave politicians the means to continue influence over the economy in pursuit of territorially beneficial outcomes.

Since international agreements target mainly outright protectionism with clear discriminatory effects, our hypothesis is that economic patriotism will shift from measures that fall in quadrant 4 of Table 2 towards quadrants 3 and 2, and in some select cases quadrant 1. Furthermore, we expect protectionist measures to favour insiders (Q3) to move away from clearly identifiable insider support such as direct subsidies and to turn increasingly into aid that is in principle open to everybody irrespective of nationality, but in practice particularly attractive to homeland producers. The nature of the precise instruments chosen should vary considerably across policy domains.

Thus, our typology and our hypotheses identify growth areas for economic patriotic interventionism, and areas of retrenchment. Quadrant 4 – classic trade barriers – belong to the protectionist toolkit of traditional economic nationalists, and international jurisprudence and safeguards have reduced the efficacy and viability of these policy instruments. Activism within quadrant 1 remains possible under international rules, indicating likely increases in re-regulation to shape market outcomes in a manner advantageous to territorial insiders.

Policies that belong in quadrants 2 and 3 are less easily pigeonholed. For this reason, these kinds of interventions have stirred an intense debate about the ‘hidden protectionism’ inherent in regulatory policy-making (Jordana and Levi-Faur 2004; Vogel 1995). The majority of negotiations in international economic integration today concern not fully fledged liberalization or outright protectionism, but effects of domestic regulation for the free movement of capital, labour, goods or services (Drezner 2007). Some regulation enshrines traditional product or process standards, thus favouring insiders already acquainted with the system (Q3). Licensing procedures or professional qualifications, such as the German ‘Meister’ for example, do not discriminate explicitly against...
foreigners but defend national quality standards that are difficult to meet for producers or service providers abroad. A virulent debate has ensued about the necessity of maintaining specific standards. However, conflicts are resolved only on a case-by-case basis where a diverse set of regulatory instances determine which standards truly serve legitimate social values (e.g., risk management or environmental protection), and which are simple protectionism clothed in convoluted political rhetoric.

Regulation that is not designed to favour insiders, but that prohibits process or product standards common abroad (Q2) constitutes another form of economic patriotic intervention. Is it protectionism to refuse textiles produced with child labour, when the countries affected by such a decision can be clearly identified? Can European Union ‘precautionary principle’ food standards norms prohibit hormone-treated beef, even though almost all United States beef is targeted by such a decision? Even some ardent economic liberals consider that such regulation of market rules is not always in contradiction with liberal principles, despite its discriminating effects. Ignoring these intense regulation debates characteristic of national, European and international negotiations by simply labelling all that is not laissez-faire liberalism as hidden protectionism is an unsatisfactory solution. Instead, the struggle over the ‘right kind of regulation’ needs to be understood as the result of the need to provide political answers to citizen concerns despite ambitions to facilitate economic integration. Within modern political economies, this is where what we might call the new politics of industrial policy plays out – and it is a crucial terrain of economic patriotism, both in discourse and in practice. We extend our analysis beyond simple protectionism to all cases where politicians enact economic partiality to privilege particular territorially defined groups at local, national and supra-national levels.

Let us conclude by underlining what kind of policies are beyond the limits of economic patriotism. By definition all economic policies that are apply uniformly to economic actors irrespective of their supposed origin fall outside our remit. Moreover, when the defence of territorial interests is not the primary factor in the political decision, it would be of little analytical value to speak of economic patriotism. While cynics might argue that all economic policies aim to serve major political constituencies or industrial sectors, it is conceivable that some choices are truly informed by economic theories about optimal, welfare-enhancing policies. Such theory-driven rather than pragmatic economic policy would then clearly fall outside of the realm of economic patriotism (for further discussion, see Clift and Woll [2012]).

THE CONTRIBUTIONS AND STRUCTURE OF THIS COLLECTION

This collection analyses and compares political intervention in economic activity across countries and sectors, concentrating on how interventionism is refracted through different variants of liberal market capitalism. It begins by
analysing who perpetuates economic patriotism as a discourse and a strategy, focusing on governments, public officials (Rosamond) and socio-economic actors (Fetzer). Analysing economic patriotism allows examining the multiple ways political actors seek to articulate economic policy objectives with territorial boundaries and how socio-economic actors, such as firms and trade unions, respond to these constraints and use them to seek legitimacy in their political struggles. Next, sectoral studies explore different forms of economic patriotism in housing finance (Seabrooke), battles over stock market ownership (Callaghan and Lagneau-Ymonet), financial market governance (Morgan) and urban policy (Crouch and Le Galès). The final two contributions analyse economic patriotism transferred to the supranational level: in agriculture (Grant) and the defence industry (Hoeffler).

The contributions exemplify different ways to engage economic patriotism – through country comparison, sectoral case studies, and focusing on shifting political boundaries – illustrating different methodological possibilities and the explanatory purchase they afford. They are also illustrative of the different forms of economic patriotism we have identified in Table 1. Rosamond, Grant and Hoeffler focus on supranational economic patriotism. Agriculture provides a defensive example, whereas European defence co-operation in reveals the strategic industrial policy objectives behind liberalization and market integration. Seabrooke, Callaghan and Lagneau-Ymonet, and Morgan study economic nationalism, the first two by means of cross-country comparison, and Morgan through a case study of the City of London. All three demonstrate the evolution of economic patriotism strategies over time from protectionist and inward-looking to support for liberalization. Finally, Fetzer and Crouch and Le Galès focus on sub-national actors. Fetzer demonstrates how firms and trade unions discursively deploy economic patriotism to protect themselves, while Crouch and Le Galès show the strategic creation of city champions that are supposed to further national interests in an integrated economy.

However, to illustrate that economic patriotism is not always as pervasive as one might expect, both Hoeffler’s study of defence co-operation and Callaghan and Lagneau-Ymonet’s analysis for the foreign take-over of the French stock exchange show the limits of the phenomenon, even in areas where we should have expected it to be strong.

CONCLUSION

Economic governance in open economies presents formidable challenges. The current crisis has revealed the intensity of the stakes, but gives little indication about the most appropriate political organization for interdependent economies. Analysing crisis responses only as a return to protectionism ignores the most crucial aspects of today’s post-Ricardian world. It focuses on national boundaries, but assumes away that intricate web of economic interdependence that also puts pressure on policy-makers. The challenge that sovereign debt
crises in countries such as Greece or Ireland pose to European economic governance are just the most recent examples illustrating that advanced industrial countries cannot just withdraw from previous integration efforts.

Politicians and other stakeholders are therefore increasingly self-assertive about the need to reconcile both objectives: facilitate the integration of markets and protect the interest of stakeholders within a particular territory. It is telling that even core advocates of liberalization now rediscover the potential benefits of political intervention. In 2009, the chief economist at the World Bank debated the value of industrial policy in developing countries (Lin and Chang 2009). More recently in August 2010, even The Economist discussed the most useful ways of pursuing industrial policy. The novel terminology of economic patriotism offers an analytical lens to study how policy-makers seek to resolve the tension between interdependent economies and political territoriality in a variety of political economic settings. It brings into focus the reconfiguration of political economic space which the interdependence of markets and multi-levelled economic governance regimes entail. These are necessary to an adequate understanding of the dialectic between the politics of liberalization and the regulatory, legal and political processes of market-shaping intervention in open economies. Understanding this dialectic, we argue, is crucial for interpreting the political economy of responses to the current economic and finance crisis within affluent democracies.

Biographical notes: Ben Clift is Senior Lecturer in Political Economy at the University of Warwick. Cornelia Woll is Associate Research Professor at Sciences Po Paris and Research Fellow at the Max Planck Institute for the Study of Societies in Cologne.

Addresses for correspondence: Ben Clift, Department of Politics and International Studies, University of Warwick, Coventry CV4 7AL, UK. email: b.m.clift@warwick.ac.uk/Cornelia Woll, Sciences Po, 28 rue des Saints Pères, 75007 Paris, France. email: cornelia.woll@sciences-po.fr

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NOTES


2 Again, territorial interest and environmental or social interests might overlap, and politicians will always favour those solutions that allow pursuing them at the same time. In these cases, the litmus test will be conflicts where eventually one of the objectives has to be chosen over the others.


REFERENCES


