

PO230 States and Markets: An Introduction to International Political Economy

Seminar Week 10. Economic Nationalism and Building Economic Muscle

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Levi-Faur 1997:

Friedrich List, *The National System of Political Economy* (1841)

Robert Reich, *The Work of Nations: Preparing Ourselves for 21st Century Capitalism* (1991)

- **Economic nationalism:**
 Source of wealth is
 Gold? or Humans?
- List's and Reich's economic nationalism does not reflect a narrow, 'selfish' zero-sum game, and stands as an example of a benevolent version of economic nationalism.

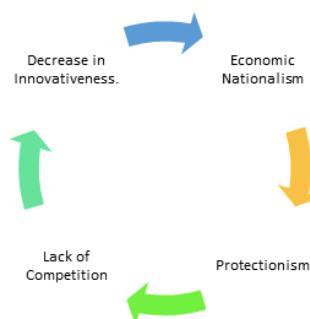


"Reich's benevolent economic nationalism refers to a voluntary solidarity between the members of a nation" (Levi-Faur 1997). **Is this economic nationalism useful?**

Seminar Questions

- To what extent do economic nationalist scholars such as List draw on/build on Adam Smith's liberal political economy?
 - Which Smithian ideas do economic nationalists tend to embrace?
 - Which Smithian ideas do they critique and why?
- Assess the Economic Nationalist claim that International Political Economy can be best understood in terms of interstate competition for power.
- Do we agree?

The vicious cycle of Protectionism-



- Where would you place this view on the political spectrum?
 "A nation's citizenry largely shares (or should share) a common economic fate; the state has a crucial positive role in guiding the national economy to better performance; and the imperatives of nationalism should guide the state's economic policies." David Levi-Faur 1997

- “Hamilton’s and List’s ideas, rather than being the antithesis of Liberalism, are a synthesis of it and mercantilism” (Harlen 1999). **How?**
- Developmental state an example of Economic nationalism?**

A developmental state is characterized by having strong state intervention, as well as extensive regulation and planning. The term has subsequently been used to describe countries outside East Asia that satisfy the criteria of a developmental state.

“The United States is a good example of a state in which the regulatory orientation predominates, whereas Japan is a good example of a state in which the developmental orientation predominates.”

Core Elements of The Developmental State (Leftwich)

- **Developmental Elite**
- **Relative State Autonomy**
- **Bureaucratic Power**
- **Weak Civil Society**
- **Strong Capacity in Managing State's Economic Interests**
- **Weak Human Rights**
- **Legitimacy i.e. Widespread Support for the Regime in Power**

DEVELOPMENTAL STATES

NON-DEVELOPMENTAL STATES

NEOLIBERAL STATES

IDEATIONAL LEVEL

High level of consensus amongst policymaking elite around primacy of goal of techno-industrial catch-up / competitiveness **AND** the necessity / desirability of an active role for the state in facilitating the creation, commercialization, production & export of technologies / products by local firms in strategic industries. Long-term competitiveness concerns drive industry-policy interventions in strategic industries

IDEATIONAL LEVEL

Low level of consensus amongst economic policymaking elite concerning state's primary economic goals and the role it should play in governing the industrial economy. Battles may exist between developmentally and neo-liberally oriented actors as well as political pragmatists and opportunists. Short-term political considerations often drive industry policy interventions

IDEATIONAL LEVEL

High degree of consensus amongst economic policymaking elite around idea of the allocative efficiency of the free market – targeted industry policy assumed to distort the allocative efficiency of the market and create perverse outcomes

INSTITUTIONAL LEVEL

Centralised responsibility for industrial policy planning/ implementation – (e.g., existence of ‘pilot agency’) in ‘industrial’ devt phase; more decentralized bureaucratic apparatus in high-tech development phase (cf. Kim 2011,2012).

Relative insulation of industry policymaking elite from political interference / intrusion

Pattern of institutionalised, cooperative government-business relations across range of strategic industries designed to facilitate long-term industry policymaking & implementation

INSTITUTIONAL LEVEL

Responsibility for industry policymaking typically dispersed amongst various ministries/agencies with low levels of coordination between them. Attempts to create more centralised responsibility or more effective coordination mechanisms open to contestation/reversal.

Industry policymaking process highly politicised, preventing a long-term approach

No pattern of cooperative government-business relations across strategic industries, although exceptions may exist.

INSTITUTIONAL LEVEL

Decentralised responsibility for economic policy making for the purposes of “checks and balances.”

Arms-length government business relations (to avoid “collusion with” or “capture by” business interests)

MACROECONOMIC POLICY LEVEL

(Difficult to distinguish between states at this policy level)

MICROECONOMIC POLICY

Employ a wide, evolving range of policies designed to support the creation, commercialization, production and export of technologies and products by local firms, across a range of strategic industries. Supports tend to be extended conditionally, with performance requirements attached

MICROECONOMIC POLICY

Might employ a range of policies aimed at supporting innovation/commercialization/production/export but there is not a consistent pattern of developmental activism across a range of strategic industries; policies often short-term and subject to change on political whim. Less likely to be monitored for effectiveness / tied to performance targets.

MICROECONOMIC POLICY

Industry policies designed to influence aggregate economic activity (such as aggregate investment levels or expenditure on R&D) as opposed to being targeted at specific industries; incentives do not discriminate between local and foreign firms.

Next week:

How is Japan a “developmental state”?

Other notes:

- For your own understanding, use the Levi-Faur (1997) reading (it's short) and create brief summaries of List's and Reich's ideas of the economy.
- **Economics made easy** (read this if you are a non-economist and have trouble with the subject): [**Economics : the user's guide** / Ha-Joon Chang](#) [Chang, Ha-Joon, author.](#)



[**Economics : the user's guide** / Ha-Joon Chang](#)

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