

The European Union and Economic Nationalism -
From antithesis to synthesis

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Abstract

Scientific development cannot be conceived other than as an open debate between diverse theories and approaches. In the context of the study of the European Union there can be no doubt that such debate indeed does take place. *Yet, the debate between the political economy of liberalism, socialism and nationalism is, surprisingly, absent from the study of the European Union.* The present paper strives to show that this negligence leads to the subtle adaptation of economic liberal assertions regarding the nature of interdependence, of nationalism and of the economic role of the state. The main purpose of this paper is, thus, to balance this dominance of economic liberalism by putting forth an additional view to the study of the Union - that of the political economy of nationalism. The two major suggestions of this paper are (a) that the predictions regarding the meanings, the sources and the outcomes of interdependence, as well as those regarding the diminishing autonomy of the nation-state, reflect, at least to a large extent, the underlying prominence of economic liberal conceptions of political economy and international relations; and (b) that economic nationalism may provide more convincing explanations for the current international economic cooperation in general and for the European cooperation in particular. The first part of the paper puts forth the basic premises of economic nationalism; The second part is devoted to a discussion of the notion of interdependence. A definition of interdependence - which takes into account both the political and the economic aspects of interdependence - is then suggested. This reformulation of the notion of interdependence is introduced in order to explore the economic nationalist point of view as regards the dynamics of global change, the economic roles of the nation-state and the forces that shape the politics of the European Union. The third part of the paper deals with the issue of conflict and harmony in international relations in general and in the context of the European Union in particular. The concluding part asserts that the welfare-nation-state is far from being obsolete, and that its economic roles are not necessarily aggressive. It then connects these assertions to the necessity of redirecting our interest to the political economy of nationalism.

European Union and Economic Nationalism - *From antithesis to synthesis*

The dynamics of global change in general and of European politics in particular have long been the subject of an extensive debate between the theories of economic nationalism and economic liberalism¹. Economic nationalism was a popular subject of study in the interwar period and thus it was then an integral part of most textbooks on international relations. However, due to the prominence of the cold war and the interrelated dominance of the liberal-marxist debate, this situation has changed and economic nationalism was since pushed to the peripheries of scholarly attention². Despite the end of the cold war, renewed attention to economic nationalism is not a certain prospect, primarily, because that instead of prominence of the liberal-marxist debate we are facing now the so called 'end of history' and dominance of economic liberalism³. It seems that, in terms of the ideal of an open and intriguing debate, the current state, of the study of political economy, is worse than it was before.

The prominence of economic liberalism is well reflected in the current study of European politics - the European Union has been viewed as a functional form of a new-born superstate which is presented as the outcome of the logic of economic specialization. According to this view, this new superstate will eventually crack down nationalism and the nation-state alike. As the welfare state is largely nationalistic and as the supply of welfare is largely dependent on the ability of the nation-state to regulate its labor and capital markets, such predictions imply, in effect, the end of the welfare state⁴. Thus, the search for European institutions 'Beyond the Nation-State' may result in a world which is likewise 'Beyond the Welfare State'. Hence, the ways in which we interpret the European Union and the 'imperatives' of the process of global change may have important social and political implications. As the social sciences do not merely interpret the world but, at least to some extent, also shape the world, it is important to examine our interpretations of European politics critically.

Thus, the purpose of this paper is to cast a different light on the European Union. Instead of viewing it according to the widespread distinction between neorealists on the one hand and neofunctionalists on the other, I wish to discuss the European Union from the point of view of the debate between economic nationalism and economic liberalism. The two major suggestions of this paper are (a) that the predictions regarding the meanings, sources and outcomes of interdependence, as well as the diminishing autonomy of the nation-state, reflect the current prominence of economic liberal conceptions of political economy and international relations; and (b) that economic nationalism may provide better explanations for the current international economic cooperation in general and for the European cooperation in particular.

Economic nationalism is a theory of political economy which deals with intra- and international politics. This theory argues that nationalism is not merely the major political force in *world politics* but also, that it is a major force behind the ways in which the *world economy* is organized, managed, regulated and developed (Carr, 1945; Gilpin, 1987; Mayall, 1991). Changes in world politics are thus viewed by economic nationalism as due to the interactions between diverse *national* political aspirations on the one hand, and diverse *national* economic needs, on the other. The state is conceived as an essential tool with which nations attain their economic aims. Historically, economic nationalism was developed in the context of nation-building and was a response to economic liberal interpretations of the interaction between politics and economy. Alexander Hamilton in the United States and Friedrich List in Germany are often mentioned as the forerunners of economic nationalism. Issues such as custom unions, protection of national industries, infant industries, government intervention, industrial policy, the relation between political and economic power, conflict and cooperation in economic fields, were then discussed.

Economic nationalism has since acquired a pejorative tone, which accounts for the fact that nowadays we can hardly find scholars, politicians or regimes which will openly and directly confess their economic nationalism. Economic nationalism has been customarily described as narrow minded as well as an aggressive political view. Bertrand Russell, for

one, described it as one of the most harmful ideas to mankind - putting it alongside sadistic impulses, religion, superstition, envy, pride, racism and sex-superiority (Russell, 1946). Thus, even when economic nationalism does attract attention, it is often tinted by an ideologically hostile approach.

The way in which economic nationalism is viewed in respect of international economic cooperation is, however, especially misleading. Conventional wisdom holds that a policy of economic nationalism cannot go hand in hand with an international economic cooperation. Consequently, the European Union and economic nationalism are usually perceived as thesis and antithesis. This presumption may be represented here by a recent study by Mansfield titled, *Power, Trade and War*. According to Mansfield, “(neo) mercantilists and economic nationalists... suggest that higher levels of trade encourage more wars than lower levels of commerce” (Mansfield, 1994, 123). In its elaborated form, this view connects the realist’s perceptions of world politics with predictions of conflict and hence, tends to disassociate economic nationalism from any advanced forms of international cooperation. In the same vein, Gilpin identified economic nationalism with the “tendency to believe that international economic relations constitute solely, and at all times, a zero-sum game, that is, that one state’s gain must of necessity be another’s loss” (Gilpin, 1987, 47)⁵.

These studies reflect a tendency to perceive economic nationalism and to judge it from its malignant sides, largely due to the bitter memories of the interwar period. Witnessing the increasing involvement of the industrialized world in protectionism and in aggressive economic policies, economic liberals identified economic nationalism as one of their main enemies. Jacob Viner, Lionel Robbins and William E. Rappard among others, have all argued that economic nationalism and national economic planning are dangerous and will inevitably result in international conflicts⁶. *Unsurprisingly, these attacks on economic nationalism led to the conclusion that, from the point of view of global welfare, the demise of state planning and of state intervention are absolutely necessary conditions for a world peace.* These attacks on economic nationalism and especially its identification with

fascism and nazism have rendered it most unpopular and are partly responsible to the biased and misleading way in which economic nationalism is perceived today. Thus, it became associated with the Nazi economic policies, rather than with the current East Asian 'economic miracles'; with mercantilism, rather than with Keynesianism; with protectionism, rather than with the managed trade of GATT; with import-substitution industrialization, rather than with export-oriented industrialization; and finally, with Johann Gottlieb Fichte and Mihail Manoilescu, rather than with Friedrich List and John Maynard Keynes⁷. Yet, all these policies and all those scholars should be viewed as manifestations of economic nationalism and as its advocates. The wide range of policies associated with economic nationalism, as well as the aforementioned pejorative connotations it now carries make it necessary for us to clearly define it before any further inquiry into its assertions regarding the European Union can be undertaken.

I. Economic Nationalism - Its meaning and its potential contribution

Economic nationalism stands for different things to different scholars and thus, it is used in several forms and definitions. In its most reductionist form, economic nationalism is conceived as synonymous to protectionism - i.e., as a national preference for local products and industries, often implemented through tariff on imported foreign products (see, for example, Olson, 1987). However, this definition does not take into account all the other forms in which economic nationalism is embodied: self sufficiency, indiginization (including nationalization), preferences, bounties and subsidies for national enterprising manufacturers, shipping subsidies, rewards for inventions and innovations, control on technology, governments' incentives for export, dumping, limitation of foreign investment, immigration laws and large-scale development projects.

Economic nationalists were the first systematically severe critics of the *laissez-fair* theories of Adam Smith, David Ricardo and their followers. Friedrich List, Alexander Hamilton, John Rae, Daniel Raymond and Henry Charles Carey, all argued in favor of a guided

political (i.e., governmental & national) development and thus criticized the individualistic, materialistic and cosmopolitan assertions of economic liberalism⁸. Their arguments were based on the lessons learnt from the economic development of nineteenth century North America and Germany. In North America, those arguments were usually associated with issues of trade, land policies, industrialization, the relative authority of the Federal government and the relations with Britain and other European states.

In Germany, the development of economic nationalism should be viewed on the background of Germany's weak, divided and primarily agricultural economy. Far behind England in its industrial development, what Germany required, according to its economic nationalists, was a massive governmental intervention which will help its economy catch up⁹. The public debate concerning the German custom union [the Zollverein; 1834] played an important role in the development of the theory in general and more specifically in its popularization in nineteenth century Germany. Nation-builders throughout the twentieth century have experienced quite similar problems to those of nineteenth century Germany and North America. Thus, Atatürk in Turkey, Ben Gurion in Israel and Gandhi in India, to mention only a few, have all developed their own style of economic nationalism, according to their perceptions of their nations' specific needs and, of course, with varying degrees of success. But, the relevancy of economic nationalism should not be limited only to underdeveloped countries; it is just as relevant to developed countries who face problems of international competitiveness and industrial policy. Much of the current European and American discourse is based on latent economic nationalist assumptions. The notions of industrial policy and of national competitiveness, for instance, rest on the assumptions that the nation is the basic economic unit and, that it has unique and collective interests with an intrinsic value (See, for example, Reich, 1991). These assumption, are to be sure, far from those of either economic liberalism or economic socialism.

As a theory of political economy, economic nationalism is in a state of 'underdevelopment'. This state is adequately reflected by our tendency to think of

economic policies as the outcomes of either socialism or liberalism. This tendency is represented in the following two-poles' model of political economy (see figure 1).

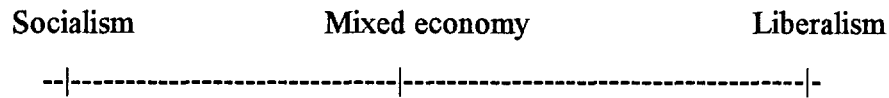


Figure 1. two poles' model for the analysis of the interaction between politics and economy

According to this model, economic policy is conceived as either more, or less, socialist. Less socialism, means more liberalism and, of course, vice versa. Somewhere in between stands the mixed economy which is conceived as a mere combination of socialism and liberalism. A strong coalition stands behind this model of political economy. Marxists and liberals alike have vested interests in projecting this model of interaction between economy and politics and in rejecting all other consistent and coherent alternatives. 'There is no third possibility' insisted Hayek while adding, to be sure, that there are also only two possible modes of social policy - collectivism and individualism¹⁰. Marx expressed a similar view when he scorned Friedrich List's economic nationalism and rejected the suggestion, that there may be something worthwhile and genuine in economic nationalism¹¹.

Yet, despite the views of both Marx and Hayek, this two poles' model cannot satisfy the requirements of a serious scientific model - i.e., to be rooted in reality or, at least, to reflect its most essential characteristics. This model ignores significant fractions of social reality, namely, the economic implications of nationalism and of an economic policy which is, at least to a considerable extent, motivated by national considerations. *Thus, another framework for the analysis of politics and economics is required;* the basic outlines of such a framework will be discussed in what follows.

Understanding economic policy is impossible without understanding the interaction between nationalism and economy. Whether we like it or not, nationalism is the prominent ideology of our century, as it is also the principle according to which our world is structured today. This century is, indeed, the century of nationalism more than that of any other ideology or political force. There are countries whose economic system may be understood without considering socialism - as there are those whose economic system may be understood without considering liberalism; however, there are very few countries, if any, whose economic system may be understood without considering the role nationalism plays in it. This much is especially true as regards the formation and implementation of economic policies. As an ideology, it is nationalism which shapes the attitudes of governments, of nongovernmental organizations, of private corporations, of firms, of interest groups as well as those of the public at large. Of course, there are other factors which shape our world and politics, but if even only part of what was argued thus for is true of nationalism, it must be acknowledged that it must be taken more seriously in our accounts, both of the economic policies of nations and, of international economic relations. Bringing nationalism “Back In” means, first of all, presenting it side by side with economic socialism and economic liberalism. Such a model is presented in figure 2:

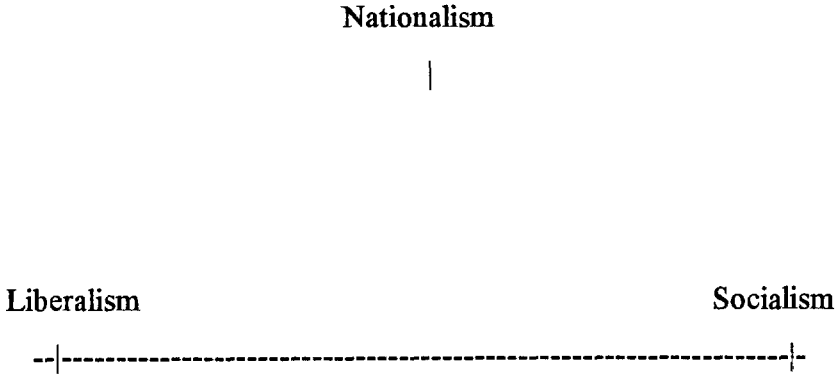


Figure 2: three poles' model for the analysis of the interaction between politics and economy

With the help of this three poles' model, we can now interpret governments' economic policies as the outcome of one of these three ideologies or, as a combination of any two - or even of all three - of them. Now we are in the appropriate position from which to analyze government policies as a combination of liberalism-socialism, liberalism-nationalism or socialism-nationalism. On the level of the international political economy, we can now understand the world's political economy and the world's economic order as either national, socialist or liberal. In short, our three poles model manages to bring economic nationalism back into the discourse of political economy.

The economic meanings of nationalism, as well as those of socialism and liberalism, were interpreted in various ways in the past. However, in contrast to both socialism and liberalism - whose dominant interpretations are to be found in the works of Karl Marx and Adam Smith - economic nationalism has never enjoyed the privileges of an acknowledged conceptual parenthood; thus, it has never managed to crystallize into a dominant paradigm which could systematically challenge its major intellectual rivals - liberalism and socialism. Yet, if we try to pinpoint the most prominent figure which represents the theory of economic nationalism, there can be no doubt about its being the German political economist Friedrich List [1789-1846]¹². In what follows, I would like to offer the following definition of economic nationalism, which is based on another study of the meaning of economic nationalism:

Economic nationalism is a theory of the interaction between politics and economy which asserts the idea that a nation's citizens share, to a large extent, a common economic fate; it emphasizes the primacy of politics over economic forces; it offers an idealistic conception of societal, economic and political changes; and lastly, it asserts the following as regards the nature of political economy: (a) the autonomous nation-state should be the basic unit of analysis in both international and national politics; (b) nationalism plays a prominent role in the shaping of the world's order, as well as of the politics of nations; (c) the state has a crucial *positive* role in the fostering and nourishing of the productive powers of its nation; and finally (d) conflicts between economic forces on the one hand, and societal needs and wants on the other, are (or should be) regulated by the state.

II. The use and abuse of interdependence

Economic liberalism rests on two major theoretical assertions regarding the current forms of cooperation in Europe. One has to do with a supposed harmony of economic interests between nations; the other, with their growing interdependence. These two assertions are the basic premises of liberal political economy and were originally introduced by Adam Smith and David Ricardo. Thus, the economic liberals tools for the analysis of the European Union (and of globalization) are quite old ones; we are not talking of new premises but rather, of the familiar ones -- those which where debated, on and off, for the last two centuries. The economic logic, supposedly operating behind the harmony of interests, was first presented by Adam Smith. His "Wealth of Nations" is composed of five books, the fourth of which is devoted to a discussion of the mercantilists (the predecessors of economic nationalists¹³) and of their conflictual conceptions of political economy. Nations, Smith wrote: "have been taught that their interest consisted in beggaring all their neighbors" (Smith, 1776, 457). Instead, he proposed to view economic relations as basically harmonious: "the wealth of a neighbouring nation... though dangerous in war and politics, is certainly advantageous in trade. ...As a rich man is likely to be a better customer to the industrious people in his neighbourhood than a poor, so is likewise a rich nation" (Smith, 1776, 126).

Another assertion of Smith's which is relevant to the manner in which we understand the dynamics of globalization and of the European Union is that, concerning the notion of the division of labour. This concept was introduced by Smith in order to analyze and describe the process of economic development: "The greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity, and judgment with which it is anywhere directed, or applied, seem to have been the effects of the division of labour" (Smith, 1776, 3). The division of labor means specialization and, in turn, specialization means interdependence - on the level of the community, as well as on the national and global levels. Now, although interdependence was not specifically mentioned by Smith as such it is nonetheless certain that this is exactly what he had in mind; Smith perceived

interdependence as a major tool for any economic development, and as a guarantee for peaceful relations between nations who share common interests¹⁴. On the level of the community, interdependence signifies, for example, the dependence of the baker on the blacksmith for his tools and, the dependence of the blacksmith on the baker, for his bread. Both the baker and the blacksmith have self-interest in their mutual dependence since it allows both to specialize in their respective professions and thus, to become more productive. On the international level, interdependence signifies a very similar reliance - i.e. that of trading nations on each other, while specializing in their own fields. Like bakers and blacksmiths, nations can become likewise more productive by specializing in their own fields of production. In short, economic liberalism points to a strong rationale operating behind the strife for international cooperation - that of common international economic interests and of growing international interdependence which, together, are viewed as providing a mechanism for economic development.

Presenting an alternative to those classical assertions requires further clarification of two major issues: first, of the concept of interdependence and second, of the notions of conflict and cooperation among nations (to be discussed in the next part of the paper). *How should we understand the notion and the process of interdependence?* For economic liberals, interdependence is, first and foremost, an economic phenomenon. In this vein, when they study the European Union, they will usually present interdependence as the cause, and the European political institutions as its outcome. Thus, the manner in which interdependence is most commonly conceptualized in current discussions is as an economic process which is autonomous from politics; Process which reflects the imperatives of specialization, the global diffusion of technologies and the advantages of global markets. This materialistic view of social change carries with it the almost inescapable prediction that the nation-state is weakening and obsolete. Indeed, this is an old assertion of economic liberalism, which was also endorsed by Marx and Engels in the Communist Manifesto. Both economic liberalism and Marxism have always had great difficulties in accepting the nation-state as a functional welfare mechanism, which stands out of the market and is autonomous from it. Therefore, one should not be surprised to

find that the predictions of Marx and Engels regarding interdependence are very similar to those of economic liberals: “The old and local and national self-sufficiency and isolation are replaced by a system of universal intercourse, of all-round interdependence of the nations”¹⁵. These very conceptions of global change and interdependence are those most forcefully challenged by the theory of economic nationalism.

That marxism is materialistic, is common knowledge; that economic liberalism has its own version of materialism is, however, far less widely acknowledged. The emphasis on the autonomy of the economic sphere, on specialization and on the division of labour, signifies the economic liberals’ materialist notion of social change. Economic nationalism does, however, present an alternative notion of global change which grants more importance both to political action and, to moral choice. Indeed, one of the main points of Friedrich List’s criticism of economic liberalism was related to Adam Smith’s materialistic conceptions of economic change. Smith’s concept of the division of labour is, according to List, both brilliant and limited - brilliant, as it offers a new analytical understanding of the process of economic development; limited, as it excludes important causes of economic development and exaggerates the importance of the division of labour, as a cause of change (List, 1841, 135)¹⁶.

While Smith’s study is careful and wavering in respect of social change, his followers tended to preach his ideas in a manner which is, at least partly, responsible for both their extreme materialism and the conceptual “emancipation” of the economic from the political. The popularization of economic theory and its current function as an ideology, has had profound impact on the way in which we think about politics, about global change and more specifically, about the European Union. The concept of interdependence is no different in this respect; it mirrors the prominence of economic liberal interpretations of the course of modernization, as it also embodies their materialistic connotations. The acceptance of the materialistic view of interdependence in current studies of international relations adequately reflects their bias in favor of economic liberal assertions. It is towards these connotations of interdependence that Waltz directed his criticism (Waltz, 1970;

1979)¹⁷. For Waltz the economists' definition of interdependence "subtly obscures the inequalities of national capability, pleasingly points to a reciprocal dependence, and strongly suggests that all states are playing the same game..." (Waltz, 1970, 222).

Waltz's criticism may be viewed as part of an interdisciplinary debate - i.e., between scholars of political science and international relations on the one hand, and scholars of economics on the other. According to this view, the former disciplines interpret the world in terms of power, while the latter emphasizes rational economic calculations¹⁸. Yet, from the point of view of economic nationalism, the distinction between the study of politics and that of economics is altogether unacceptable; as politics and economics are viewed as inseparable, they should be studied in conjunction. After all, this is what political economy is all about. Economic nationalism, in contrast to economic liberalism, makes it a point to always take both economics and politics as of crucial importance in its analyses. Thus, it manages to emphasize the potential distortion, dependency and conflicts, which may emerge out of unmanaged states economic relations. This is indeed an important legacy that economic nationalism has inherited from mercantilism. Jacob Viner's summary of the idiosyncratic characteristics of mercantilism may help to clarify them: "(1) wealth is an absolutely essential means to power, whether for security or for aggression; (2) power is essential or valuable as a means to the acquisition or retention of wealth; (3) wealth and power are each proper ultimate ends of national policy; (4) there is long-run harmony between these ends although, in particular circumstances, it may be necessary for a time to make economic sacrifices in the interest of military security and therefore also for long-run prosperity" (Viner, 1948, 10). These assertions present the world as one of reciprocal relations between politics and economics¹⁹. Now, if we implement this view to the concept of interdependence, it will emerge as the double-faced phenomenon it certainly is - with both a political and an economic dimension.

Interdependence is the mutual economic and political dependence of one nation on another. This definition is broader than the one commonly found in the literature since here, interdependence refers not merely to an economic, but also to a political mutual

dependency. In accordance with Keohane's and Nye's notions of "asymmetrical interdependence", we now allow power to be reflected in our definition, by not assuming that "mutual" necessarily means "symmetrical" dependence (Keohane and Nye, 1977, 10-11). Both political and economic interdependence are products of *choice* - that is, both are not given as such; they are produced by certain past and present decisions. Obviously, the stronger has more choices than the weaker, in regards the course of political and economic interdependence.

Economic interdependence is considered by the interdependent parties from the point of view of its possible effects on their economic power as well as on their welfare. Economic power is considered an integral part of the economic sphere. This is a typical assertion of economic nationalism which stands in an obvious antithesis to the current creeds economic discipline which is largely power-ignorant²⁰. Following Susan Strange, economic power is here to be viewed as exercised in the international system on four different levels: (a) by rich economies, on the structure of the world market economy (and manifested by patterns of investment, production, trade, and consumption); (b) by governments, who act together towards establishing a common framework of minimum rules for the maintenance of stability, order and justice in the world market economy; (c) by national governments, through the formulation of national rules governing access to factors of production, credit and markets; (d) on both sides of every actual economic transaction - by buyers as well as sellers, creditors as well as debtors (Strange, 1975, 222-3). The other aspect of economic interdependence involves as aforementioned welfare outcomes; these outcomes can be either positive or negative. Contrary to what economic liberals assert, the outcomes of economic interdependence are not always positive for *all* parties. The outcomes of interdependence in terms of welfare are diverse (i.e., gains are not equally shared) and, moreover, sometimes they may be harmful to one, or even to all parties²¹.

Political interdependence is considered by the interdependent parties from the point of view of its possible effects on the security of the collective as well as on its values. The greater the gains of interdependence, the greater the tendency of the sides to enhance it.

Security considerations which promote political interdependence are rather common in the history of international relations. The most prevalent form is the decision of political organizations to form alliances, treaties and pacts of various sorts. The other aspect of political interdependence involves values. The closer the values of the political parties, the more they will tend to promote political interdependencies. Security considerations may, however, promote political interdependencies even when their bearers' values are contradictory. The primacy of security considerations, as well as the vulnerability of such an interdependence, can be learnt from the case of the Nazi-Soviet pact of August 1939.

Interdependence is thus both a political and an economic phenomenon; it involves various complex considerations such as security, values, economic power and welfare outcomes. Economic nationalism does not deny interdependence nor, does it ignore it - it simply understands it not only as an economic phenomena but also, as a political one. This view may help clarify the notion of state autonomy as well as its economic roles in an era of "cascading interdependence". My views in this respect are very similar to those of Alan Milward. According to Milward, during the period 1929-1945, the West European nation-states were weakened to such an extent that they had more or less to recreate and re-legitimize themselves in the post world war period. This was done in various forms - one of which was the creation of the European Community, which has helped reassert their legitimacy via their ability to readjust to the new economic challenges (Milward, 1992; Milward et al., 1993). Thus, rather than the weakening of the nation-state by interdependence, Milward portrays an international picture in which the nation-states actually reasserted themselves through their Union.

This view can be asserted on the basis of our discussion of the concept of interdependence. By now, it should be clear that interdependence - political and economic - creates dependencies. Instead of presumably *independent* entities we now have *dependent* ones (the dynamics of change was from independence to the opposite extreme of dependence). However, it is in no way obvious that dependencies rule out the possibility of autonomy - *since autonomy is not equivalent to independence*. The Kantian notion of

autonomy may serve our argument here. According to this notion, as formulated by John Rawls, “a person is acting autonomously when the principles of his action are chosen by him as the most adequate possible expression of his nature as a free and equal rational being” (Rawls, 1971, 252). Thus, in our case, to argue that interdependence creates less autonomy, implies that the dynamics of global change renders political organizations less free and less rational. This surely cannot be what is argued for and the notion of autonomy should be reconsidered.

In order to further clarify the distinction between the concepts of autonomy and independence an example may be in place. Let us recall our interdependent baker and blacksmith. As was argued before, once the baker bought his tools from the blacksmith who, in turn, bought his bread from the baker - the two became interdependent. However, it is clear that this move has not rendered either less autonomous than before. To the contrary; in terms of their ability to take advantage of their respective surplus, produced by their respective specialization, the two are now much freer than they were ever before - *exactly because, as Kant maintained, by freely choosing the alternative they have, they have managed to assert their respective autonomy*²². Hence, interdependence may indeed render its parties more autonomous in their respective abilities to shape their own preferences and to act accordingly. This is indeed, the manner in which Eric Nordlinger defines the autonomy of the state²³. *Thus, a nation-state which is more interdependent may well be, at the same time, more autonomous*. It may cooperate with others on issues of exchange rate and monetary policy, for instance, while, at the same time, it may still insure its ability to satisfy its citizens' wishes for further and better welfare, education health systems and infrastructure - within the context of international cooperation and not outside of it. As argued in the next part of the paper, this is the sound basis on which economic nationalism calls for further international cooperation.

III. The European Union as a form of Economic Nationalism

Instead of asserting a harmony of interests between individuals, as well as between nations, economic nationalism asserts that conflict and common interests are *both* ever-present. The relative proportion of conflict and harmony is, however, to be determined only on the basis of a case-to-case analysis. As economic nationalism has no founding father, let alone a canonical description, the balance of conflict and harmony between nations is open to debate. Traditionally, this debate has revolved round the advantages and disadvantages of trade. Friedrich List, for example, was far more ready to acknowledge the advantages of international trade than Mihail Manoilescu²⁴. Fascists always have emphasized the conflict of interests and thus, managed to produce an almost zero-sum game in their interactions with other nations - Whereas enlightened economic nationalists always tend to emphasize common interests over conflict. These two different balances of economic interests paved the way for two corresponding strategies of economic nationalism - a defensive and an aggressive one²⁵.

Defensive economic nationalism is the outcome of the tensions between national economic policies and their international consequences. Internal economic policy decisions, directed at national problems of development and employment, sometimes tend to transfer the costs of the internal welfare to the bounds of neighboring nations. The most obvious example of this is that of governmental subsidies for export, which typically raise the state's income in foreign currency as it may also encourage employment within its boundaries while harming, the interests of the importing nations (both in terms of their balance of payments and, of the welfare of their labour force). This outcome of economic nationalism is central to Carr's analysis of international relations: "...belligerent governments which follow their 'national rights' to create and control their own national money and policies created world wide crises which contributed to the situation which produced the two world wars" (Carr, 1945, 28). A similar analysis was also introduced by Gunnar Myrdal. According to him, economic nationalism - the very same force which shapes the welfare state and has positive outcomes as regards the national economy - is

problematic, or even dangerous, in respect of its international implications: “Our democratic Welfare State is protective and nationalistic. We have bought economic welfare at home - economic progress and a substantial increase in liberty and equality of opportunity for all within our own boundaries - at the expense of indulging in ever more nationalistic economic policies... These policies have been strengthening the trend to international disintegration” (Myrdal, 1957, 15). Thus, both Carr and Myrdal pointed to the possible dangerous outcomes of a world order in which national governments try to protect their own citizens from unemployment and other forms of economic instability - while putting themselves in unavoidable conflict with other governments, which peruse the very same logic of national economic policy.

A second source of international tensions is that of aggressive economic nationalism. Belligerent governments may use the system of trade to their own benefits in ways which may bluntly abuse other national economies. The obvious example for this kind of economic nationalism is that of Germany under Hitler. The German economic penetration into Southeast Europe and Latin America was undertaken by German businessmen who enjoyed an extensive guidance and assistance from the German Reich; this kind of behavior was the subject of Hirschman’s “*National Power and the Structure of Foreign Trade*” (1945). Exporting without importing and investing in international markets without opening the national market to foreign investors, are two more instances of aggressive economic nationalism. Of course, these are not as harmful as the Nazi concepts of *Lebensraum* (national living space) but, nevertheless, they too, are aggressive; unfortunately, these modes of economic nationalism are currently quite common in world economy. Thus, whereas the first kind of international tension is a product of a defensive economic nationalism, the latter is produced by an aggressive economic nationalism.

The implications of both defensive and aggressive economic nationalism may conclude in international conflict. In order to avoid it one of the following two solutions should be adopted. We may try to prevent the conflict altogether by creating a cosmopolitan system of world government - as proposed by economic liberals. But, if we still wish to maintain

a multi-national system we should strive to develop communication channels and international organizations which will manage and guide the parties in their mutual efforts to minimize conflicts or at least, to prevent their escalation. This latter suggestion is of course the solution preferred by economic nationalism. According to this vision, international organizations may also help broaden the horizons of our common interests and grant incentives for cooperation. As long as there are sovereign units in the system, conflict is, however, unavoidable - but this does not necessarily imply that conflicts are unmanageable or, that they must take violent forms.

Instead of the notion of the harmony of interests, economic nationalism calls for a recognition of the ever-present dual dimensions of international relations - that is to say, of both conflict and harmony. Friedrich List was probably among the first to aim towards the establishment of a world congress as a means to paving the way for the regulation of international economic relations²⁶. This proposition was first put forth by him at the congress of the German State, assembled in Vienna as early as 1820 (Silberner, 1946, 159). The general disregard of this proposal did not prevent List from reviving this plan, before the French Academy, seventeen years later: "A world trade congress should be convened at which all countries should be represented by experienced and well qualified experts. Such a congress should consider how the common interests of the various nations can best be served and how opposing interests could be reconciled. *The congress should consider the varied interests of regions and societies at different stages of economic development - such as industrialized, agrarian, colonial, and primitive societies...* The deliberations of the congress would provide information to people all over the world concerning economic problems. This would encourage governments and legislative assemblies to adopt measures which would be to the advantage of all countries and it would enable governments to enlighten the citizens of all states on these matters" (List, 1837, 126; italics added).

The same logic of international cooperation was presented again, more than a century later, by both Gunnar Myrdal and Edward H. Carr - although, as asserted earlier, they

were both far from being blind to the possible tensions economic nationalism may produce. Nonetheless, these scholars did not suggest the elimination of neither economic nationalism nor, of its main institution - the nation-state. In *Nationalism and After*, Carr suggested to denounce the economic nationalism of the interwar period, not so much because of its methods, as because of the narrowness and inappropriateness of the geographical limits within which these methods were employed (Carr, 1945, 48). Instead of an economic nationalism limited to the bounds of the nation-state - he offered an economic nationalism which will be directed towards an international cooperation. Indeed, what Carr had in mind was not 'an abandonment of planning, but a reinforcement of national by multi-national and international planning' (Carr, 1945, 48). Carr also had a pronounced preference for international organizations which strive to achieve cooperation in specific fields - rather than the alternative of integration and superstates. The integration of nation-states into larger units, he predicted, will "almost certainly pave the way for more titanic and more devastating wars" (Carr, 1945, 55).

In a similar vein, Myrdal - who has much elaborated and analyzed the possible faults and advantages of economic nationalism - has not offered to neglect it altogether. First, he sympathized with the economic nationalism of poor states - primarily, because he thought it could help advance their development and progress; Second, he believed that economic planning by the state is unavoidable and thus, he focused mainly on ways in which to control the international tensions it might cause. Finally, Myrdal perceived the redistribution of wealth (read welfare state) as dependent on the existence of a nation-state - and, of national solidarity. In a supranational state, he maintained, willingness for such a redistribution is unlikely to develop (Myrdal, 1956; 1960). Thus, for economic nationalists like List, or to those who are aware of the potential dangers of economic nationalism, like Carr and Myrdal, economic nationalism does not necessarily conclude in international conflict. *All three asserted that economic nationalism does not profess conflict and is indeed consistent with international cooperation.*

There are five principal forms of possible interactions between nations - integration, cooperation, fragile cooperation, minimal cooperation and disintegration. Cooperation is the systematic effort to find common grounds for agreement and to implement it within an adequate institutional structure. According to most of the literature, the term cooperation best defines the current state of the European Union. Thus, the main debate concerning the union does not concentrate on the usefulness and adequacy of this term but rather, on the direction of further changes and, on the causes for the current situation in the European Union. As aforementioned, there are four other possible situations of international interactions. Integration - an economic and political situation characterized by the weathering away of both the nation state and the national economy. Fragile cooperation - an economic and political situation characterized by partial and unstable cooperation; Minimal cooperation - an economic and political situation characterized by an ad hoc adjustment of policies by governments; and finally, Disintegration - an economic and political situation characterized by systematic efforts of governments toward economic and political independence in respect to other governments (See table 1).

Integration is viewed by economic nationalism as a decline in the importance of the notions of both economic and political autonomy. As autonomy loses its significance, interdependence can no more be of any consequence since it is relevant only where some form of autonomy is desired. *In terms of the political*, integration is a state in which security considerations (between the parties) are irrelevant, or altogether obsolete. Cosmopolitical values, and a new collective identity, replace the old national one. *In terms of the economic*, integration means that both the notions of economic power and of gains from trade (let alone relative gains) become anachronistic; In addition, all notions such as 'national economy', sovereignty, balance of payments, national debt and national control of the economy are obsolete. A free flow of labour capital and technology characterizes the new integrated system. For economic liberalism, integration signifies the rationalization of the political and of the economic activities and this, in turn, is viewed as the outcome of the logic of specialization and of the growing interdependence. A cosmopolitical world in which labour, capital and technology flow freely is, according to economic liberals, a most

I, European Union: Economic nationalism Vs. Economic liberalism

	Economic Nationalism	Economic Liberalism
Integration	Outcome of the declining importance attributed to both economic & political autonomy. Concepts of national economy, sovereignty, balance of payment, national debt and national control of the economic become void. A free flow of capital, labour and technology characterize the system. A dangerous development in terms of both national and international welfare.	A consequence of global economic and technological forces. An advanced economic & political rationalization which is characterized by the free flow of capital, labor and technology. A desired situation which brings about the realization of the ideal of a cosmopolitan world with minimal control - if any - on the economic system.
Cooperation	A state of mutual gains from both political & economic interdependence. Outcome of national response to the changing conditions of international economy & politics. This response is not deterministic but involves a choice of whether and to what extent investing in "nationality" is desired. The ability to trade between political and economic gains provides incentives for further cooperation.	A temporary station on the road towards a cosmopolitan world and an economic integration. Political considerations are the main obstacle for further cooperation while the logic of an economic maximization provides a great incentive for cooperation.
Fragile Cooperation	Outcomes of nation-states perceptions that there are highly diverse gains and losses from both political & economic interdependence. Often this state will be characterized by insufficient or ineffective political mechanisms for the coordination of these gains and losses. In this situation the prevalent pattern will be that of extremely diverse & unstable levels of cooperation according to relevant arenas of policy.	Attests to the irrationality of the parties who act on a basis of narrow or short-term interest (rather than on enlightened and long-term ones).
Minimal Cooperation	An outcome of nation-states perceptions that there are positive gains from economic interdependence but negative gains from political interdependence. This is a situation which may lead to economic war and those the outcomes, in terms of the welfare of the parties, may be disastrous.	As above
Disintegration	An outcome of nation-state perceptions that both political and economic interdependence are harmful. The parties will try to minimize the damages to their interests by cutting all possible interrelated political & economic ties.	As Above/ Attests to an extremely irrational and narrow nationalistic view

desirable one. Instead of a world of nations, a world of regions may thus be constructed and the collective identity of people will crystallize on a geographical basis, rather than on a national one.

Cooperation is viewed by economic nationalists as the outcome of mutual gains from both political and economic interdependence. Similar perceptions of all parties concerning the gains of cooperation, as regards their respective security considerations are, however, a precondition to cooperation. Nonetheless, when some room is left for a trade-off between political and economic interdependence, it may help the parties to continue their cooperation - even when their gains are not strictly equal. One of them may, for instance, lose from the economic point of view while it may still gain, from the political one. This balance may help keep him within the framework of general cooperation. The underlying assumption is, then, that the balance of gains may be sufficient to motivate the parties to further their efforts to formulate common policies and institutionalize a common framework for cooperation. Hence, the strength of any cooperation depends, to a considerable extent, on its common organizational infrastructures. The more developed the structure, the bigger the potential for cooperation. The parties' vision as regards the goal of their cooperation is that of an international world - a world of nations. This vision should be contrasted with that of the cosmopolitan/economic liberals, who reject nationalism and the concept of the nation-state, as an autonomous political unit. For economic liberals, cooperation is only a temporary station on the road to full cosmopolitan integration.

Fragile Cooperation is, for economic nationalists, an outcome of nation-states' perceptions that there are highly diverse and unpredictable gains and losses from both political and economic interdependence. Often, this state will be characterized by insufficient or ineffective political mechanisms for the coordination and management of this interdependency. In this situation the prevalent pattern will be that of extremely diverse levels of cooperation, according to the arena of policy. A state of fragile cooperation is thus an unstable and problematic one, due to the unpredictable behavior of

parties. Economic liberalism depicts fragile cooperation as the outcome of an irrational behavior of parties who prefer narrow or short-term interests, to enlightened and long-term ones.

Minimal Cooperation is, for economic nationalism, an outcome of nation-states' perceptions that there may be positive gains from the economic interdependence but negative gains ones from political interdependence. Political considerations will largely shape the decision making of the parties. The relative gains from the economic interdependence will be a central issue in their considerations. This is a situation which may result in an economic war and so, the outcomes in terms of the welfare of the parties may also be disastrous. Economic liberals view minimal cooperation as they view fragile cooperation, i.e., as the outcome of an irrational behavior of parties who prefer narrow or short-term interests to enlightened and long-term ones.

Disintegration is viewed by economic nationalism as the outcome of nation-states' perceptions of interdependence as harmful both in its political and its economic dimensions. A nation which holds such a view will typically try to minimize all possible political and economic ties with other nations. Needless to say, disintegration is a miserable state, which leaves all parties incapable of political or economic exchange, and will most probably result in hostility or even war. Again, economic liberalism views this case as an extreme manifestation of an irrational behavior.

Cooperation is, for economic nationalism, a predictable and even a desirable form of intentional relations. However, economic nationalism does not hold it to be the only form of interaction open to nation-states nor does it view it as completely free from conflict. Indeed, economic nationalism can acknowledge and even account for the rationality of the parties, even, when they choose to practice other forms of international relations. Economic nationalist interpretations of cooperation and interdependence can thus well ground its claim of being not only a rational principle of human organisation but also, an

alternative to the individualistic, materialistic and cosmopolitan interpretations of European Union by economic liberals.

IV. Concluding Remarks

The European Union is certainly one of the most intriguing and innovative phenomena on the current agenda of international relations. Yet, the theoretical tools required for its interpretation need not be as innovative as the phenomenon itself - economic liberalism, economic socialism and economic nationalism, all have a long intellectual tradition. As I hope to have shown thus far, interpreting the politics of the current European cooperation within the framework of economic nationalism may better our understanding of the European Union. Thus, economic nationalism should be taken more seriously as interpretation of our empirical reality, as a theory of political economy and as functional options for the creation of further international cooperation.

The European Union is important not merely due to its particular promises (and defaults) in respect of future international relations but also, due to the fact that it re-opens the theoretical and ideological discussions concerning the political and economic bases of human organization and of collective identities. It is certainly important to re-consider what is right and what is wrong with the political arrangements we have inherited from previous generations. Yet, we should not allow this examination cast a permanent shadow over nationalism and mark it as either evil or obsolete. True, enlightened behavior may not be guaranteed by nationalism; but it is surely no more guaranteed by the sheer self-interest recommended by economic liberalism. This much was already forcefully argued by J.M. Keynes who maintained that: "It is *not* true that individuals possess a prescriptive 'natural liberty' in their economic activities... The world is *not* so governed from above that private and social interests always coincide. .. Nor is it true that self-interest generally *is* enlightened." (Keynes, 1927, 39). The same is true, of course, of economic nationalism. Neither national nor individual interests may ensure a perfect guidance to the betterment

of human existence - both require deliberate considerations of both their benevolent and their malignant aspects.

As asserted earlier, the tendency to perceive economic nationalism negatively characterizes the views of economic liberals. In order to understand their assertions regarding the dangerous outcomes of planning and state intervention in terms of international relations, we should put them in context - that is to say, on the background of the liberal approach to political economy at large. However, there is no unavoidable imperative for conflict in economic nationalism and, as I have tried to show throughout the paper, the creation of the European Union may well be the best instance of this assertion. The attack on economic nationalism is, in fact, an attack on the welfare state since the welfare state is a nationalistic. Yet, as suggested by List, Carr and Myrdal - to mention only a few - the benefits of the welfare state, of the existence within national communities and of the prospects of an international cooperation, do not necessarily lead to international conflict as asserted by economic liberals.

Doubtless, there are many good intentions among those internationalists who wish to demolish the national-welfare-state in the name of a European, and an international, integration. Yet, it is uncertain that superstates with super-currencies are capable of undertaking the same social responsibilities welfare states are capable of. It is also unclear that assertions regarding the presumably - unavoidable demise of the state's autonomy in matters of economic policies, do not simply echo the wishful thinking of economic liberals. After all, they have always considered the state and its bureaucrats (and not poverty, for instance) to be their major enemies. There is good reason to believe that the citizens of the future superstates will not be too willing to redistribute their wealth; thus, it is also reasonable to assert, with John G. Ruggie, that: "If governments find that their policy tools, including the relatively benign option of the new protectionism, no longer suffice to achieve their aims, there is no telling what measures they might turn to in exasperation. The appropriate response is not to sit back and applaud the failure of 'parochial' governments, but to help them to devise new means to do their jobs."(Ruggie, 1994,

10)²⁷ . Helping governments do their jobs means providing them with the tools required to ensure growth and a redistribution of incomes. This conclusion, when finally arrived at, will be more fruitful both in terms of world peace and of world welfare than the economic liberal reliance on a presumed harmony of interests, on the dynamics of specialization and on economic interdependence.

Notes

¹ On the various meanings of economic liberalism see Walther (1989).

² Some excellent studies of the subject have been published, nonetheless, in the context of a widespread indifference to the subject these failed to attract due attention to the study of economic nationalism. In the field of international relations see for instance Gilpin (1987) and Mayall (1990). In the field of development economics see Seers (1983) and Burnell (1986). See also Szporluk (1988) for a study of the interaction between communism and nationalism; for the economists point of view see: Breton (1964) and Johnson (1967)

³ On the dominance of the 'monoeconomics claim', as a reflection of the marxist and economic liberals prominence, see: Hirschman (1981)

⁴ On the nationalistic character of the welfare state - both as regards to its behavior and origin - see Myrdal (1956, 1960) and Carr (1945). According to Myrdal: "The welfare state is nationalistic and, furthermore, that the entire institutional structure of the state becomes set in a matrix of economic nationalism (Myrdal, 1960: 162). Carr viewed immigration laws - which created an isolated national labour markets - the most important victory of economic nationalism: "No single measure did more to render a renewal of the clash between nations inevitable . No single measure more clearly exhibited the inherent drive of the new and powerful labour interests towards policies of exclusive nationalism.." (Carr, 1945, 23).

⁵ It deserves attention that the first known study to use the term "economic nationalism" applied it as an antithesis to economic cooperation. This is Leo Pasvolosky's *Economic Nationalism and the Danubian States*, published in 1928 as a Brookings Institute publication.

⁶ For Jacob Viner, government intervention in the economy is one of the causes of wars' "insofar as, in the past, war has resulted from economic causes, it has been to a very large extent the intervention of the national state into economic processes which has made the pattern of international economic relationships a pattern conducive to war... economic factors can be prevented from breeding war if, and only if, private enterprise is freed from extensive state control other than state control intended to keep enterprise private and competitive" (Viner, 1944, 328) Lionel Robbins was one of the most severe critics of nationalism and economic nationalism and a keen supporter of economic liberalism: "...international liberalism... seeks only to persuade us that co-operation between the different members of humanity is advantageous for the furtherance of individual ends.. . Nationalism is something which must be surpassed. There was probably never a moment in the history of the world when such a task seemed so difficult to accomplish. But it can be accomplished if our hearts and minds tell us that it is necessary; and it must be accomplished if all that

we regard as most valuable is not to perish in the wreck of our common civilization” (Robbins, 1937, 326-7). See also Greogory (1931), Rappard (1937) and Heilperin (1960).

⁷ Keynes’ assertions regarding the need of national self sufficiency should bring us to interpret his work as at least close to economic nationalism: “I sympathize. . with those who would minimize, rather than with those who would maximize, economic entanglement among nations. Ideas, knowledge, science, hospitality, travel - these are the things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible, and, above all, *let finance be primarily national!*” (Keynes, 1933, 758; italics added) See also Milward’s characterization of Keynes: “...Keynes never appears to have doubted the nation was the correct object and unit of measurement and the correct field for action. His policy recommendations were an elation of the concept of the nation-state as an organizing principle. The resources which unemployment wasted were national resources. The instruments for its cure were the national budget and national taxes... in placing the nation in the center of his intellectual map he offered, firstly, an intellectual justification of some of the interventionist policies on which the rescue of the nation-state depended and, secondly, a way of representing the welfare state as an economic gain rather than a charitable burden. He created a mental world in which the political machinery of the nation could be used to improved the lot of mankind and helped to give post-war national politicians the satisfactory ideology they needed. The nationalistic attitudes which underlay these developments showed in a way that welfare states were justified in terms of national efficiency and in a way, also, that they reasserted separate national traditions” (Milward, 1992, 42-43). Heckscher, the prominent economic historian of Mercantilism has also maintained that “Keynes’ view of economic relationships is in many ways strikingly similar to that of the mercantilists” (Heckscher, 1955, II, 340). See also Keynes’ analysis in Schmitter (1974), Robbins (1937) and Heilperin (1960).

⁸ A much less well known but nevertheless, an influential adherent of economic nationalism was Hezekiah Niles ,the editor of the *Niles’ Weekly Register* one of the most influential papers of the first half of 19th century American. See: Schmidt R Philip, Hezekiah Niles and American Economic Nationalism: A Political Biography, Arno Press, New York, 1982; and Stone G. Richard, Hezekiah Niles as an Economist, Baltimore, 1933.

⁹ This logic of arguments was elaborated by Gerschenkron (1960).

¹⁰ Cited by Reisman A. David, In “The State and Economic Activity”, In: Creedy J. (ed.) , Foundations of Economic Thought, Blackwell, Oxford, 1990, pp. 35.

¹¹ Marx’s criticism of List was published as a review of List’s *The National System of Political Economy*. Marx begins with suspicion about the authenticity of the national ideas of the German bourgeoisie: “A great inconvenience affecting the German bourgeoisie in his striving for industrial wealth is in his *idealism* professed hitherto. How is it that this nation of the ‘*spirit*’ suddenly comes to find the supreme blessings of mankind in calico, knitting yarn, the self-acting mule, in a mass of factory slaves, in the materialism of machinery, in the full money-bags of Messrs the factory-owners?” (pp. 265-266). He continues with allegations that ‘it is highly characteristic of Herr List that, despite all his basting, he has put forward *not a single proposition* that had not been advanced long before him. ’ (p.273). See: Marx K, ‘Draft of an Article on Friedrich List’s Book *Das nationale System der politischen Okonomie*’, in K. Marx and F. Engels, Collected Works, vol. 4, New York: International Publishers, pp 265-293.

¹² List (1789-1846), born at Reutlingen in south Germany, served as a civil servant in his native state of Wurttemberg. By 1817 he was appointed Professor of Administration at the University of Tübingen. List took an active part in the movement favoring the abolition of internal duties in Germany and was elected to the lower chamber of the Wurttemberg Diet His dissident political views caused, first, his dismissal from the university, his expulsion from the Diet and then accusations of treason. List was sentenced to ten months’ of hard labour; however, after serving six he was released on condition that he emigrate to

America. His American period (1825-30) culminated in his nomination as the American consul in Leipzig. There, he continued to work towards a German economic and political unification. Economic difficulties, failure to achieve social recognition and illness have brought him to deep depression and finally to suicide. List is commonly perceived as the most important German economist of the nineteenth century and his influence on economic policies was world-wide (Wendler, 1989).

¹³ Smith was the first to introduce the term mercantilist as a description of most of his predecessors in political economy. For a critical account of Adam Smith discussion of his predecessors See Hutchinson (1988). Economic nationalism, etatism, mercantilism and neo-mercantilism have now become interchangeable terms for describing a positive approach to the state's economic role. The 'underdeveloped' state of the theory of economic nationalism is largely responsible for the unclear distinction between the mercantilism of the sixteenth century and of the economic nationalism of the nineteenth and twentieth centuries.

¹⁴ In addition to division of labor the role of savings was emphasized as the second major source for economic development. Smith's harmony of interests between nations was later further developed by Ricardo (the theory of comparative advantages).

¹⁵ The Communist Manifesto, In: Ryazanoff D., The Communist Manifesto, New York Russel and Russel, 1963, p. 30.

¹⁶ Friedrich List did not always choose his words carefully and his criticism of Adam Smith and his followers was often quite blunt. "The system of the school [i.e., the economic liberals] suffers... from a dead *materialism*, which everywhere regards chiefly the mere exchangeable value of things without taking into consideration the mental and political, the present and the future interests, and the productive powers of the nation" (List, 1841, 174).

¹⁷ Waltz argued that interdependence is today less big than it was in the past and that it leads to conflict rather than to cooperation. This approach was rejected by most of the literature concerning interdependence. This paper's criticism of the use of interdependence is differ than thus of Waltz as it is directed primarily at the materialistic notions of interdependence.

¹⁸ This indeed is the way in which Cooper choose to answer to Waltz's criticism. "Economists do not focus on the threatened use of force so avidly as politics scientists do, and they are more concerned professionally with the relatively humdrum problems of analyzing and managing economic under conditions of normal economic intercourse" (Cooper, 1985, 1198).

¹⁹ I prefer the terms 'economics' and 'politics' over Viner's notions of 'wealth' and 'power'. Economics is more than wealth since it means for example redistribution process which the notion of wealth does not include. Politics is preferred here because again there is more to politics than pure power considerations, for example, ideology.

²⁰ On the power-ignorance in the discipline of economics see: Rothschild (1971). See also Tullock: "Economics traditionally has been essentially a study of co-operative behavior, not interpersonal conflict" (Tullock, 1992. 301).

²¹ The argument in favor of infant industries is a good example of the economic nationalist point of view in this context. According to this view nations are responsible for the nourishment of their infant industries so that later, they will be adequately prepared to the competition with mature industries of other nations.

²² They are indeed more vulnerable in the terms of Keohane and Nye (1977) yet they are not less autonomous.

²³ The state is autonomous according to Nordlinger if can shape preferences and act upon them even when those preferences differ from the preferences of powerful social actors (Nordlinger, 1981).

²⁴ See Manoeilesco's criticism of the moderate views of List in his *The Theory of Protection and International Trade* (1931).

²⁵ A similar distinction was offered by Simonds "Today, in the era of economic depression", he argued: "National [economic] policies no longer have their origin exclusively in the search for power and prestige, rather they have become expressions of the resolution of peoples to survive" (Simonds, 1939, 41). Cohen offered another distinction which follow a similar logic: Economic nationalism may be, broadly speaking, either "malign" or "benign". Malign nationalism seeks national goals relentlessly, even at the expense of others; benign nationalism, by contrast, is prepared to compromise national policy priorities where necessary to accommodate the interests of others. The difference between these two types of nationals lies in the willingness of a country to identify its own national interest with an interest in the stability of the overall international system. Benign nationalism acknowledges a connection between self-interest and systemic interest; malign nationalism ignores or denies it" (Cohen, 1991, 47).

²⁶ It was argued by Roussakis (1968) Wendler (1989) among others that Friedrich List was one of the forerunners of the European Union yet this was questioned by both Snyder (1978) and Earle (1941) and therefore I decide not to deal with this issue in the framework of this paper.

²⁷ Analyzing international relations in the interwar period, Carr has pointed to laissez-fair views as an important cause for such blindness: "economic theory, as opposed to economic practice, was so powerfully dominated in the years between the two world wars by the supposed harmony of interests that it is difficult to find, in the innumerable international discussions of the period, any clear exposition of the real problem which baffled the statesmen of the world" (Carr, 1939, 57). Hirschman presented a similar view in regards to the politics of the Paris Economic Conference of the Allies in 1916 which had a disastrous implications. As noted by Hirschman the opinions in the conference were divided between 'free trade economists' on the one hand and all the rest on the other. The first, "answering on purely economic grounds, failed to see or denied the reality of the danger [of aggressive economic nationalism]" (Hirschman, 1945, xvii). Their naive conceptions of international economic relations led the allies to neglect the need to build a political framework for managing international economic relations.

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