

# Economic Nationalism and Globalization – Lessons from Latin America and Central Europe

2017 book by Henryk Szlajfer

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If democracy is a Modern Era's value and must be conquered, the industrialization is a precedent condition to the success of this hard task. This is the decisive moment in the history of a country due to its transforming power. The so-called "capitalist revolution" happens to every people when this even people become a nation, creates a sovereign state, dominates a territory, and, thus, brings together political and economic conditions to promote its industrial revolution.

Throughout this process, what prevails is the political construction of the economic system. According to Bresser-Pereira (2015), from that moment, the story of a people becomes a collective work through which men and women spend so much to cooperate as to fight to build their nation and their state. In this moment, comes into play the economic nationalism ideology.

In the era of globalization, nation-states experience an essential contradiction: on the one hand, has never been intense competition between them, but, on the other hand, has never been necessary to cooperate and coordinate their actions. The opening of markets and trade growth has imposed a new level in the global competition. However, rich countries continue to take advantage of its strength in multilateral organizations to pressure developing countries to adopt policies that do not meet its national interests. In the midst of this conflict, the concept of nationalism is often mistaken as an evil to be fought.

This understanding contaminates the proposals of economic nationalism. The interpretation of the liberal point of view is enough to put at risk in many countries the idea of nation itself.<sup>1</sup> All in the name of a supposed necessary internationalization or a huge nationalism that would be indispensable to economic growth.

Nowadays, this dilemma has put the world face a political hotchpotch. Examples are numerous: Brexit, migrants issue, the rise of Donald Trump and other representatives of right wing worldwide under the flag of a certain kind of nationalism. But which nationalism are we talking about? What is the relationship between this type of nationalism and capitalist

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<sup>1</sup> This is the interpretation of Bresser-Pereira (2016) for the current Brazil. Other example is the Robert Boyer's analysis to Mexico (BOYER, 2015, p.p. 231-235).

revolution in developing countries? What is the economic risk of a misunderstanding of this concept?

Henryk Szlajfer, professor at the Institute of Americas and Europe (Warsaw University), accepted the challenge to undertake a sociological archeology on the theme of economic nationalism. In "Economic Nationalism and Globalization - Lessons from Latin America and Central Europe", the author set out to analyze the various incarnations of the concept, although focused in the interwar period and compared the two regions. The limitation of time and space in no way affect a broad view of the object studied.

The aim of the book is to analyze, according to Szlajfer, the relationship between political and economic nationalisms, between the latter and industrialization and the identification of different variants of economic nationalism. In a historical perspective (or a historical-deductive methodology), he can clearly distinguish between the political and ideological dimensions of the concept. Therefore, economic nationalism isn't a general category. This allowed him to build the categories "particularistic nationalism" and "holistic nationalism" and defend the merits of the second in the interwar period – the so-called first globalization – and at the present time.

He puts his categories in clash with the neoliberal economist's ideas in times of marked-oriented transformations in the Central Europe and Latin America. For the author, the history of economic nationalism was not over with the second globalization. The past can, he writes, in a way different and difficult to predict, reappear as the present. Today's events around the world support his view.

The book is divided in two parts. The first one (Rethink Economic Nationalism) has five chapters and the second (Economic Nationalism at work), three chapters and conclusions. The author starts trying to establish a discussion agenda and worried to pinpoint neglected aspects of certain concepts that hinder a good understanding of economic nationalism, e.g. collectivism. The author undertakes a journey to rule out an oversimplistic point of view according to which, populist regimes, fascism, communism, authoritarian-corporative would be synonym of a same nationalism.

The second chapter sets the theoretical basis of the thesis starting by a brief recapitulation of certain threads of mercantilism thought and a short digression on the ideological sources of nationalism concepts in economic thought exploring the Friedrich List and John Maynard Keynes's ideas. On first one, his singular vision of nation as economic association and his concept of the democratic state in which the *sine qua non* condition is the industrialization. And this would depend on a kind of nationalism or protectionism. The protective tariff was not, for List, a simple economic strategy to protect the infant-industry but an important step to build a nation-state. As for Keynes, the chapter provides good opportunity to reflect on a period of thought of the General Theory's author, that is, before he can convince the world at Bretton Woods.

Szlajfer develops his new categories in the third chapter. Before he offers a discussion on national economy. He is keen to point out that several authors have identified Adam Smith and Alfred Marshall as economic nationalists *par excellence*, therefore, nothing would explain the

contempt for the concept for the conventional approach - except a misunderstanding of this concept. Reporting understanding the various schools of economics, the author concludes the importance of the role of the national economy for economic growth and sovereignty. This conclusion is stronger when the author connects national economy and labor mobility (immigration).

The particularist nationalism would be one that uses the argument of the national economy, in fact, to defend sectorial interests. Therefore, the result is just the privilege of a rentier class with power to usurp the state. It produces a perverse protectionism. In turn, the holistic nationalism is inconceivable outside the concept of national economy. At the same time, holistic nationalism implies the point of reference in the form of a diversified structure of the national product (industry and agriculture). In pursuit of this diversification, the state cannot admit privileges or asymmetries. The state as a political arena is incompatible with this category.

In the fourth chapter, the book examines the role of foreign capital, always seen through the lens of a simplistic dichotomy. The first part finished with an analysis, in the fifth chapter, of the classical liberalism period in Central Europe and Latin America in the end of XIX century. In the Friedrich List's time classical liberalism was entering a new era, write Szlajfer. Nevertheless, Latin American liberalism did not revolutionize in economic and social terms, but selectively modernized societies and economies. The author reaches this conclusion from substantive review of Brazilian literature in the field of political science and sociology.

The second part begins with the exploration of similarities and differences between the Kingdom of Poland and Latin America. Although both agricultural vocation and threatened to remain in this condition, their paths were different in the historical perspective of the industrialization process in each region. In the chapter sixth, the author concludes that "Latin America and Poland entered the XIX century as underdeveloped regions because of their basic economic structures and institutions, not because their per capita income and/or industrial output were so much lower than in Western Europe.

In chapter seven, Szlajfer addresses one of the most current issues in Latin America. At least in the case of Brazil: the so-called Dutch disease. The author offers a sort of DNA of this impediment to industrialization (in the level of productive sophistication of rich countries) in Latin America. Although the Dutch disease currently are closely related to the overvalued exchange rate, as in Brazil, it is interesting to connect this phenomenon with nationalism exported-oriented described by the author.

Another current issue appears in the last chapter: the restrained nationalism of industrialists. The author reports competently, at least in the case of Brazil, the tradition dependent on our elite and demonstrates the difficulties in times of trial that Brazil take some sovereignty in the international arena. In the conclusions, Szlajfer draws attention that the explosive development of protectionism practices in the interwar period overshadowed the benefits of the economic nationalism – a worldwide phenomenon (long durée) observed in a long time of the History.

Reading the book is strongly recommended for those interested in economic history and economic development. But also because the Szlajfer's work follows a highly enriching precept for the social sciences. This is what the sociologist Saskia Sassen defines as "destabilizing stables meanings". The historical method is shown to be very effective in this endeavor.

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