The State of Nationalism (SoN): Nationalism and Capitalism

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What is the relationship between nationalism and capitalism? Some of the foundational theories of nationalism attribute its emergence to the rise of capitalist economy. For Gellner, industrial capitalism created the social preconditions for nationalism, whereas its uneven development fostered national differentiation.¹ Michael Hechter likewise foregrounded uneven capitalist development as the moving force behind distinct national projects.² Anderson’s imagined national communities were in part an outgrowth of print capitalism.³ It bears noting that Liah Greenfeld’s iconoclastic study reverses the causal arrow, arguing that it is nationalism that made capitalism possible, not the other way round.⁴ Research into the capitalist origins of nations and nationalism continues, with Elliott Green’s book one of the most important recent examples.⁵

While the scholarship on the role capitalism played in the genesis of nationalism is relatively coherent, our understanding of the relationship between those two phenomena once they have emerged is much more disjointed. Are capitalism and nationalism inherently conflictual or is their relationship a symbiotic one? Under what conditions is one of those two patterns more likely? Clues about this dimension of the link between capitalism and nationalism are not readily available in existing accounts of either phenomenon. The goal of this article, therefore, is to cull and systematize various strands of ideas about how these two phenomena might be connected.
To make sense of these ideas, I classify them according to their — implicit or explicit — normative orientation toward capitalism and nationalism. The first two families of ideas endorse nationalism as an intrinsically valuable phenomenon, but diverge on whether capitalism facilitates or undermines the national interest. The following two strands share a critical attitude toward nationalism, but diverge on their evaluation about its relationship to capitalism, with the first seeing it as corrosive of capitalism, the second as propping it up. While the scheme is oversimplifying, it is useful in drawing out interesting similarities and differences between various schools of thought, and will hopefully serve in future efforts to better understand the relationship.

A clearer view of the connection between nationalism and capitalism can help answer important and increasingly timely questions. What, for instance, is the role of capitalism in intra-state nationalist and ethnic conflicts? Does it contribute to friction — an argument often advanced by scholars of deeply divided societies — or can it facilitate cohesion? Furthermore, what part does capitalism have in the revival of nationalism in inter-state relations? Does it stoke conflict among great powers or can private market actors moderate politicians’ behaviour? Conversely, does nationalism aggravate capitalism’s inequalities, or can it help manage and moderate them?

**Capitalism Facilitates National Interest**

Perhaps the longest-standing school of thought thematizing the relationship between nationalism and capitalism is capitalist developmentalism. Thinkers within this paradigm see the nation as a pivotal category of practice and analysis, and consider national wellbeing in its various guises as the primary goal of economic policy. While they see private initiative as the main source of national
prosperity, they recognize that private enterprise alone is often not sufficient to advance national economic interests. Consequently, they call for a pragmatic deployment of government policy to facilitate, direct, and supplement — though not supplant — private initiative in the interest of national economic development and associated goals.

In his 1791 *Report on Manufactures* Alexander Hamilton called for a concerted federal government policy to nurture nascent manufacturing industries in the United States. American private enterprise, if left exposed to unequal competition by more advanced European companies that were, moreover, protected by their governments, would not develop rapidly enough to end the young republic’s economic dependence. In order to offset the first mover advantages of richer countries, governments of economic late-comers would have to aid and protect their own nascent industries. In his report, Hamilton recommended a range of measures, many dealing with trade protections, but also fostering innovation and the development of public infrastructure. Note that these measures were aimed at the development of private manufacture, in other words, the faster development of a *capitalist* industrial economy. Ultimately, Hamilton saw economic development as essential for the ‘the perfection of the body politic, to the safety as well as to the welfare of the society’.

Writing half a century later, Friedrich List was more explicit in his exposition of the *national purpose* of economic development. He criticized liberal economists for what he argued was their national view of the political and social dimensions of the economy. Like Hamilton, List believed that private enterprise needed to be cultivated by the government in the interest of national economic and political development, and of national greatness that he saw through an explicitly imperialist prism. Just like Hamilton, List too did not advocate the socialization of the ownership of productive assets, promoting instead the government protection and encouragement of *private* industry.
Hamilton and List were hardly the only capitalist developmentalists of the 18th and 19th centuries. Other thinkers would articulate similar ideas, from Henry Carey, whose ideas on economic nationalism influenced the US but also Meiji Japan, Germany, and Canada in late 19th century; through the Russian reformers Sergei Witte and Peter Struve, and the Indian economist and one of the founders of Indian National Congress, Mahadev Govind Ranade, all inspired by List’s work; to Sun Yat-sen, who was influenced by Zheng Guanying, though he was far more open to state ownership of productive assets and thus fits less well in the category of specifically capitalist developmentalism.\(^{11}\)

In policy terms, capitalist developmentalism reached its apogee in the East Asian developmental states of Japan, South Korea, and Taiwan, giving rise to a set of iconic scholarly contributions that both conceptualized and theorized the phenomenon.\(^{12}\) At the core of the developmental state idea is revolutionary nationalism, a wartime mobilization of societal resources driven by the state in alliance with the private sector, that continues in the peacetime and energizes economic development in the interest of the nation.\(^{13}\) The developmental state paradigm thus echoes the purpose of earlier capitalist developmentalism and its understanding that capitalism serves the national interest if properly harnessed and directed by the state.

The more recent iterations of this paradigm admit to a much wider range of policy options deployed for national purposes. Recent work on economic nationalism demonstrates that there is a far broader range of policy approaches that might be considered economically nationalist than is normally assumed in the public discourse, where economic nationalism is too often conflated with protectionism.\(^{14}\)
Capitalism Undermines National Interest

By contrast to capitalist developmentalists, fascists, early social democrats, and some dependency theorists all, though from divergent ideological starting points, developed distinct varieties of anti-capitalist nationalism. Early 20th century fascists foregrounded what they saw as pernicious effects of capitalism on the unity of the nation and thus sought to neutralize, rather than harness, capitalism. Early social-democrats likewise sought to neutralize capitalism, though in the interest of the working class in the first instance, and of the national community more generally. Their pragmatic nationalism was an outgrowth of their embrace of parliamentary politics. Coming from a very different intellectual and political tradition, some dependency theorists developed a critique of capitalism from the perspective of unorthodox Marxist liberation nationalism. In this vision, capitalism — and the emphasis is on the global system of capitalism — is simply incompatible with the freedom of ‘proletarian nations’.

The central pillar of fascist ideology is its obsessively integral nationalism, stemming from the concern with the centrifugal tendencies of class, partisanship, and religion that characterized polities where the ideology and practice of fascism emerged most fully.15 It is in this context that one ought to consider fascism’s anti-liberalism, anti-socialism, and — however attenuated — anti-capitalism. Fascists saw these ideological currents and their political expressions as undermining the unity of the nation. Socialists and communists embraced the class struggle and, at least notionally, endorsed international solidarity of the proletariat against the bourgeoisie, including ‘their own’. Liberal democracy gave full play to factional battles among political parties, including those based on class. Liberal economics — and laissez-faire capitalism to which it provided cover — produced economic displacement that, in turn, nourished class tensions and partisan divisions.
While it is difficult to summarize the economic doctrine of fascism, some of its central tenets can be discerned. For the purpose of this article the most important is its conditional anti-capitalism. Unrestricted competitive capitalism produces inequality, economic uncertainty, and inter-class friction. This friction in turn contributes to political instability that undermines the nation. We see this critique in Italian and German fascism alike, though with key differences. The 1921 program of Italy's National Fascist Party calls for the ‘disorderly clashes between divergent class and socio-economic interests [to] be disciplined’. The fascist politician Alfredo Rocco conceded that socialists had a point in identifying relations between capital and labour as ‘perhaps the central [problem] of modern life’. German National Socialists were similarly critical of unfettered capitalism, arguing that capitalism’s pursuit of individual economic interest ‘had torn the Volk apart’.

But if capitalism was the threat, socialism was the wrong remedy. The fascists did not seek to eliminate private property, and saw private enterprise as superior to state initiative in facilitating economic development. The fascists squared the circle of anti-capitalist critique without socialist policy in a range of ways. Institutionally, they sought to dissolve class conflict not by abolishing the class system but rather — formally — institutionalizing and regulating class interests through corporatist organization, but in effect using the corporatist system to suppress labour and periodically (and depending on the tactical and strategic exigencies) encroaching on large capital’s control over the economy.

Both Italian fascists and the National Socialists differentiated between the speculative and ‘unproductive’ and productive capital, though the latter infused this distinction with anti-Semitism. In policy terms, the state did involve itself in ownership and stimulated particular sectors of the economy, but not to the exclusion of the private sector. Note, however, that fascists were far more distrustful of capitalism in general
than were the developmental statists with whom they may have shared some broad policy orientations.

Early social democrats developed a different take on the idea of capitalism as a threat to the nation. While they sought to extinguish capitalism, along with the social harms it produced, they did not pursue this goal through revolutionary means. Rather, they believed that they could establish socialism by winning power in multi-party elections and then implementing policies to first control and ‘domesticate’ capitalism, and then displace it in the long run.

Social democrats’ understanding of both capitalism and nationalism issued from their commitment to the pursuit of socialism through democratic means. Swedish Social Democrats (SAP), for instance, understood that they could only win power if they attracted the support of voters beyond their traditional working-class constituency. This required both a more moderate approach to capitalism and greater engagement with nationalism. Indeed, the SAP deployed the language of nationalism and of folkhemmet, the people’s home, as the ideological adhesive they used to glue together a cross-class coalition of interests. National unity, previously undermined by unrestrained capitalism, was to be achieved through redistributive social democratic policies.23

Yet another strand of anti-capitalist nationalist thought came from dependency theory. Samir Amin, a rare dependency theorist to explicitly theorize the national question, viewed capitalism as a threat to not only class but also to a subset of national interests. Amin counterposed (capitalist) imperialist nationalisms of the global economic core to the liberation nationalisms of the global economic periphery. The peoples of the periphery were ‘proletarian’ nations, though the local bourgeoisie was in effect excluded from membership in the nation by dint of transmitting imperialist domination to their homelands.24 By contrast to the more classical strands of Marxism in which nationalism took the back
seat to class struggle, Amin elevated nationhood to the same ontological status as class. He thus saw class struggle for socialism in the global periphery as indistinguishable from the struggle for national liberation.\textsuperscript{25}

For dependency theorists, global capitalism is irrevocably geographically unequal — the development of the core happens at the expense of the periphery.\textsuperscript{26} Beyond a certain historical juncture, global economic relations become so unequal that no new state can hope to achieve the level and type of development prevailing in the ‘core’ as long as it participates in this system. Moreover, participation in global capitalist exchanges militates against the full national development of societies in the global ‘periphery’.\textsuperscript{27} The solution to this corrosive effect of global capitalism is for the national liberation movements to wrest control of their states and then use political power to de-link, to in effect cut themselves off from the participation in the unequal exchanges characteristic of that system, but to do so via social mobilization behind principles of national liberation and socialism.\textsuperscript{28}

**Nationalism Legitimates Capitalism (and Helps it Exploit the Working Class)**

Amin’s perspective on the link between nationalism and capitalism departs from classical Marxist thinking on the matter. While there is no single or consistent Marxist position on nationalism, some of the most important Marxist figures were fundamentally suspicious of nationalism as well, though many shifted their positions on it. For Marxists nationalism is, at worst, a form of ‘false consciousness’ that interferes with the creation of an international labour movement and, at best, a sociological reality that can at times offer tactical advantages in the struggle against capitalism.
While Marx changed his mind on the historical role and importance of nationalism, he was reasonably consistent in his understanding of its ontological status. In an unpublished (and vicious!) critique of Friedrich List, he dismissed the claims of German bourgeoisie to represent the general national interest as a ruse aimed at protecting their interest against competition externally and justifying the exploitation of German workers internally. As for the workers, he argued that they had no nationality — at least not in this, bourgeois sense. Seeking to ‘demystify’ the nationalist claims of the bourgeoisie he insisted that the worker’s government ‘is neither French, nor Germany, nor English, it is capital’.

In his later critique of the Gotha program, Marx would return to this theme, reprimanding the Social Democratic Party of Germany for endorsing not the international fraternity of the working class, but of peoples, which is to say nations. This, to Marx, was a bourgeois understanding of nationhood, one that was problematic because it would weaken the capacity of the working class to organize across borders at the precise moment the German bourgeoisie was already linking with ‘foreign’ capital in its attempt to undermine the workers of Germany. In other words, nationalism not only undermined the self-awareness of the proletariat as a class-for-itself, it also tied one hand behind its back by making it fight its adversary without the aid of proletarians of other nations.

Perhaps the purest subsequent expression of this point is Rosa Luxemburg’s work on the national question. For her, nationalism serves to paper over class differences and undermine the notion of irreconcilable struggle between the bourgeoisie and the proletariat. Thus, movements that are purportedly national normally hide the interests and aspirations of the ‘ruling strata of the bourgeoisie’.
Lenin shared the principled opposition of proletarian politics to nationalism. However, his own understanding of it was quite different to that of his predecessors and contemporaries like Luxemburg. Contrary to Marx and Engels of *The Communist Manifesto*, who argued that capitalism would enfeeble nationalism, Lenin argued that competition among capitalist imperial powers was to result in increasingly more bellicose versions of it. The development of monopoly capitalism drives competition among powers, pushing them to annex more and more territory, in the process carving out the world into empires.

Internally, this allows these powers to buy off upper segments of the proletariat, simultaneously fostering social chauvinism — the *nationalism* of a segment of the proletariat that sees its own material interests tied up with the imperial project. Simultaneously, this expansionism, both outside and within Europe, stokes the nationalism of the oppressed populations who have come to experience imperial domination. Note that this is the deviation that Samir Amin took much further in equating the national struggle of oppressed nations with the class struggle at the global level.

**Nationalism Undermines Capitalism (and Civilization)**

Each of these ideas had, in its own way, made a mark on the market civilization of the early 20th century. Marxist-Leninists sought to destroy capitalism and replace it with something new; fascists to muzzle it; capitalist developmentalists looked to harness it in the interest of the nation. Others still, most famously Keynes and his disciples, sought to save it from itself. Decolonization saw a range of permutations of these ideas deployed in various combinations in the so-called Third World. The premise underpinning them all was the necessity for much greater
government intervention in the economy than was the case prior to the upheavals of the early 20\textsuperscript{th} century. From the point of view of (largely Western) capitalists, the era during which their investments could be relatively safe across the globe, consequence of ‘the spread of Western imperialism and the aggressive imposition of Anglo-Saxon property law on most of the world first by Great Britain, then by the United States’, ended with World War 1 and subsequent developments.\textsuperscript{38}

Radical advocates of capitalism responded to the ubiquitous rise of statism by articulating an intellectual defense of economic liberalism. Most forms of state intervention, no matter the motive or purpose, amounted to the first step on, as Hayek famously dubbed it, the road to serfdom. Hayek did not make much distinction between nationalism and socialism, seeing them as ‘the two greatest threats to a free civilization’.\textsuperscript{39} These two forces of collectivism were not only undermining economic freedoms, international economic integration, and wealth creation — they were a constant menace to individual personal freedom and world peace.\textsuperscript{40} In other words, for neoliberal thinkers, capitalism was not only the best means to general prosperity, but was the very foundation of modern civilization. In this, they were the inheritors of the classical liberal idea of \textit{doux commerce}, the notion that commercial society ‘polished’ manners and made individuals and societies less conflictual.\textsuperscript{41}

Neoliberals believed that a free market unfettered by what they saw as extreme government control could moderate human behaviour. Bonn contrasted more peaceful ‘capitalist societies’ with the belligerent ‘collectivist ones’.\textsuperscript{42} Hayek extolled the ‘civilizing forces of commerce’.\textsuperscript{43} Ludwig von Mises’ position was more subtle and microfoundational but reflected similar ideas: while he recognized that propertied classes might be more ‘peace loving’ since they had much to lose from war, he argued that propertyless masses were far more susceptible to the lure of nationalism.\textsuperscript{44}
Because nationalism was so successful in undermining capitalism during the 20th century, disintegrating the global economy and facilitating economic autarky (even after World War 2), the neoliberal thinkers were on a constant offensive against it. They accepted that nationalism was a permanent feature of modern politics and therefore did not endorse utopian ideas of a world state. Instead, they proposed the political neutralization of the sovereign nation-state. In response to the perceived excesses of the national polity, democratic or otherwise, Röpke wanted to ‘decrease its importance and, as far as it is possible, to abolish it’. Heilperin likewise sought to strip the state of its economic power, both in order to reduce its ability to manage its population and to manage — and of course reduce or control — cross-border economic activity, to the point where ‘national boundaries became mere administrative demarcation lines’. Likewise, Bonn sought to ‘sterilize’ inter-state borders in order to remove their ‘sinister significance’.

By developing and binding themselves to rules at the international (or regional, as happened with the EU) level, states would relinquish their ability to engage in what the neoliberals viewed was harmful interventionism in the name of the nation. This would protect not only the international economy from state encroachment. Rather, as Jan Tumlir noted, ‘the international economic order [could act] as an additional means of entrenchment protecting national sovereignty against internal erosion’. This remarkable statement implies that national sovereignty does not reside in the nation as a collection of political actors, but, at best, as a collection of consumers and a web of geographically situated corporate actors. Departing from a different starting point, Tumlir in effect echoed the Marxists’ point about bourgeois nationalism as a cover for class domination.

Therefore, neoliberal thinkers largely converged on the idea that nationalism was a threat to capitalism, and sought to develop a political and legal framework to neutralize its ability to control and, as they saw
it, erode capitalism. If Marxists invoked a state that would be *national in form but socialist in content*, liberals called for a state *national in form but capitalist in content*. At the extreme, they wished to reduce the national ‘form’ to a folkloric ornament rather than a politically relevant — and thus also economically potent — force.

**Conclusion**

If capitalism can weaken nationalism — by constraining nationalist policies, undermining the strength of popular nationalist sentiment, or both — this might have far-reaching implications for a range of domestic and international outcomes. On the one hand, as suggested by the capitalist peace theory, it may temper the growing inter-state nationalism that we see surging in China and the United States. On the other hand, capitalist development may facilitate the ‘holding together’ of otherwise fissile multinational and multiethnic states. Indeed, it is in the wealthy capitalist states, and seldom elsewhere, that secessionist movements find themselves struggling to gain support of more than a sizable minority of the population.

On the other hand, there is also the potential for nationalism to buttress democratic claims against the capture of the policy process by wealthy elites. One need not be a dependency theorist (nor, latterly, a ‘populist’) to recognize both that capitalist societies are deeply unequal, and that those inequalities have worsened over the past four decades. Episodes during which nationalist sentiment surged, such as during the two world wars, proved more amenable to major redistributive policy initiatives than ‘ordinary’ times. Nationalism could thus, in principle, serve to counteract the excesses of capitalism.
Recent events, however, seem to suggest a different interpretation of the relationship — a symbiosis of capitalism and nationalism in which business and political elites act together to advance their interests, often at the expense of either internal or external adversaries. Given the importance of the matter, the connection between these two powerful forces of modernity certainly merits more systematic attention than it has received thus far.

Endnotes


7 Hamilton, Report of Manufactures, 47.


15 Juan Linz, ‘Political Space and Fascism as a Late-Comer: Conditions Conducive to the Success or Failure of Fascism as a Mass Movement in Inter-War Europe’; in *Who Were the Fascists: Social Roots of European Fascism*, ed. by Stein Ugelvik Larsen, Bernt Hagtvet and Jan Petter Myklebust (Oslo: Universitetsforlaget, 1980), 154.


27 Amin, *Class and Nation*, 174.


49 Slobodian, Globalists, 250.


This review is part of The State of Nationalism (SoN), a comprehensive guide to the study of nationalism. As such it is also published on the SoN website, where it is combined with an annotated bibliography and where it will be regularly updated.

Dr Eric Taylor Woods and Dr Robert Schertzer are co-editors-in-chief and responsible for the overall management of SoN.