

The Rise of Neoliberal Nationalism

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Throughout the literature on international political economy, neoliberalism and nationalism are generally portrayed as being antithetical to one another (Varadarajan, 2006). This is most evident in international political economy textbooks which identify neoliberalism and nationalism as competing ontological approaches (Gilpin, 1987; 2001; O'Brien and Williams, 2004). It is also evident in some neoliberal views on an emerging borderless world (Friedman, 2000; Ohmae, 1996) as well as in recent studies of economic and cultural nationalism which portray them as a reaction and challenge to neoliberal globalization, whether by progressive or conservative forces (Barber, 1995; Radice, 2000; Worth, 2002; Saul, 2004; 2005). In all of these cases, the source of the opposition stems from the way that neoliberalism is equated with globalization, while nationalism is equated with statist forms of government intervention.¹

More recently, scholars have sought to challenge this binary view in two main ways. The first is by arguing that economic nationalism should be defined by its nationalist content (or motivation) rather than by any particular set of policies such as statism or protectionism (Helleiner, 2002; Pickel, 2003; Helleiner and Pickel [eds.], 2005). In other words, economic nationalism – as developed by Friedrich List (1904) and others – is first and foremost an ideology which seeks to promote the values of national unity, power, autonomy and sovereignty. As Eric Helleiner argues, this implies that “economic nationalism can be associated with a wide range of policy projects, including the endorsement of liberal economic policies” (2002: 308). Thus, different studies have shown how nationalists can employ neoliberal policies for nationalist reasons and, as a result, why neoliberal *policies* can be compatible with nationalist *values*. The second challenge to the view that neoliberalism and nationalism are antithetical comes from studies which show how neoliberals have employed nationalist discourses to universalize and promote neoliberal policies (Helleiner and Pickel [eds.], 2005). Important to note here, however, is that this use of nationalist discourses by neoliberals is seen as being instrumentalist and opportunist rather than actually being compatible with neoliberal values (Helleiner, 2002: 313). Therefore, while showing how neoliberal policies can be compatible with nationalist values, these approaches have not examined whether the reverse might also be true; whether certain nationalist *policies* (and discourses) might be genuinely compatible with neoliberal *values*.

Reflecting this gap in the literature, the purpose of this article is to examine whether nationalist policies (and discourses) might be genuinely compatible with neoliberal values in certain circumstances. In doing so, two main arguments are made. The first is that certain nationalist policies are not only compatible with neoliberal values, but that these values may actually be dependent on certain nationalist policies. To demonstrate this point, the article challenges the equation of

¹ In this article, the term ‘statist’ will be used to refer to the range of social forces advocating greater government intervention in the economy for the purpose of correcting market failures and redistributing income and wealth.

neoliberalism with globalization by examining the normative work of key neoliberal intellectuals such as Friedrich von Hayek, Milton Friedman, James Buchanan and Barry Weingast. Here it is shown that, rather than being in favour of globalization *per se*, neoliberal theorists are in favour of economic but not political globalization.² More precisely, neoliberals are shown to favour free trade and international capital mobility to promote the inter-jurisdictional competition which they believe will lock-in neoliberal policies at the domestic level.³ At the same time, they are also shown to oppose the ‘market-inhibiting’ forms of cross-border tax and regulatory cooperation which can undermine this competition. Therefore, given their focus on inter-jurisdictional competition, neoliberals tend to advocate fiscal and regulatory sovereignty within the context of international capital mobility. Recognizing this fact is significant as it helps us to understand why nationalist policies and discourses can be normatively compatible with neoliberal values. It is also significant because it leads us to expect that neoliberal social forces will employ an internationalist discourse to promote economic globalization and a nationalist discourse to discourage political globalization.

The second argument made in this article is that this form of neoliberal nationalism may be on the rise due to recent changes in the political strategies of statist social forces. Specifically, when these social forces responded to economic globalization primarily by advocating a protectionist form of economic nationalism (or anti-globalization), neoliberals responded with an internationalist discourse. However, as these forces have increasingly shifted from a general policy of economic nationalism to one of political globalization, so too have neoliberals increasingly begun to employ a nationalist discourse in order to counteract them. To demonstrate this point, the article examines neoliberal views on political globalization and regionalization in general as well as neoliberal responses to various cross-border initiatives designed to limit inter-jurisdictional competition.

Theorizing Neoliberal Nationalism

In the contemporary period, the view that neoliberalism and nationalism are antithetical has been reinforced by the equation of neoliberalism with globalization, and statism with anti-globalization and nationalism. This has occurred for two main reasons. First, while many scholars agree that neoliberal (or free market) globalization is merely one possible type of globalization (Scholte, 2000;

² In this article, the term ‘political globalization’ will be used as a shorthand to refer to ‘market-inhibiting’ forms of international cooperation such as the upward harmonization of certain taxes and regulations. In contrast, the term ‘economic globalization’ will be used to refer to ‘market-enabling’ international cooperation designed to liberalize and stabilize international trade and finance as well as to promote the cross-border protection of property rights. The terms ‘market-inhibiting’ and ‘market-enabling’, while clearly somewhat imprecise given the dual role of many types of policies, are based on the distinction outlined in Levy and Prakash, 2003.

³ The well-known logic here is that capital mobility (through liberalized financial markets and free trade) forces states to compete for transnationally mobile investment by providing the types of neoliberal policies that investors and corporations prefer. While beyond the scope of this article, it is important to note that there is a large empirical debate on whether inter-jurisdictional competition does, in fact, constrain market-inhibiting forms of government intervention. In the IPE literature, see Andrews, 1994; Gilpin, 2000; Mosley, 2003; Weiss, 1998.

Rupert, 2000; Held and McGrew, 2002), the fact that the neoliberal variant is currently dominant has caused it to be conflated with globalization in general (Ohmae, 1996; Friedman, 2000; Gilpin, 2000). Moreover, this conflation has often been encouraged by proponents of neoliberalism who employ a cosmopolitan or internationalist discourse to promote policies of free trade, capital mobility and the international protection of property rights (Ibid.; Fukuyama, 1992; WTO, 1998; Emmott, 2003). From this perspective then, to be pro-free market is to be pro-globalization, and to be anti-free market or statist is to be anti-globalization and nationalistic.

Second, the International Relations literature has, at times, implicitly conflated the various economic and political strands of liberalism – including classical economic liberalism, liberal internationalism, neoliberal institutionalism, and economic neoliberalism – into a coherent and pro-globalization whole. For example, classical economic liberals such as David Ricardo, John Stuart Mill and Richard Cobden were pro-globalization in both economic and political terms.⁴ They argued in favour of free trade on the grounds of both economic efficiency and peaceful internationalism. As Helleiner argues, while Ricardo emphasized economic efficiency, “economic liberals such as Mill and Cobden saw free trade primarily as a tool to strengthen a peaceful cosmopolitan world society. Free trade would foster peace, they argued, by creating ties of interdependence and spreading ‘civilization’” (2002: 313).

In a similar fashion, liberal internationalists, who emphasize international peace rather than economic efficiency, have also been in favour of both economic and political globalization. As David Held and Anthony McGrew note, “liberal internationalists consider that political necessity requires, and will help bring about, a more cooperative world order. Three factors are central to this position: growing interdependence, democracy and global institutions” (2002: 101). Thus, from President Woodrow Wilson onwards, liberal internationalists have also been in favour of free trade, the global spread of democracy and the expansion of global institutions. In the latter case, liberal internationalists further believe that “in an increasingly interdependent world the political authority and jurisdiction of these international institutions has a natural tendency to expand” (Held and McGrew, 2002: 102). Neoliberal institutionalism is another strand of liberalism which, while emphasizing international stability rather than economic efficiency, is also pro-globalization in both economic and political terms. As Joshua Goldstein and Sandra Whitworth argue, neoliberal institutionalism is “an approach that stresses the importance of international institutions in reducing the inherent conflict that realists assume in an international system” (2005: 90). Echoing this point, Jill Steans and Lloyd Pettiford note that “[n]eoliberalism is built upon the assumption that states need to develop strategies and forums for cooperation over a whole set of new issues and areas” (2005: 40). Therefore, while emphasizing different elements, it is apparent that classical economic liberalism, liberal internationalism and neoliberal institutionalism are all pro-globalization in both economic and political terms.

The same cannot be said for the economic strand of neoliberalism. In contrast to the other liberal strands, economic neoliberalism is supportive of economic globalization, but is firmly opposed to political globalization. This is the case because, rather than emphasizing economic

⁴ Adam Smith may be the exception here. As Helleiner argues, “Smith’s views on international issues were in fact underdeveloped and not at all typical of the cosmopolitan economic liberals who followed him” (2002: 312).

efficiency or peaceful internationalism, the normative priority of economic neoliberalism is individual freedom; in particular, freedom from market-inhibiting forms of government intervention. Therefore, while supporting market-enabling government intervention to protect property rights and enforce contracts, neoliberals oppose intervention for purposes of redistribution and, in most cases, for the correction of market failures. On the one hand, they dispute the existence of many of the market failures identified by classical liberal and Keynesian-welfare economics. On the other, they doubt that government intervention can effectively correct market failures and, even if it could, they believe intervention should still be avoided in the interests of preserving individual freedom (Howlett *et al*, 1999). As Michael Howlett *et al* observe, neoliberalism is distinguished by “the supreme importance attributed to individuals and their freedom; they emphasize individual freedom even more than economic efficiency. They prefer the market to the state because the market is based on the principle of free choice among individuals whereas the authority of the state rests on coercion” (1999: 27).

To explain this difference between market and state, Nobel laureate James Buchanan argues that “[t]he categorical difference between market and political interaction lies in the continuing presence of an effective exit option in market relationships and in its absence in politics. To the extent that the individual participant in market exchange has available effective alternatives that may be chosen at relatively low cost, any exchange is necessarily voluntary. In its stylized form, the market involves no coercion, no extraction of value from any participant without consent” (1995: 20). In neoliberal theory, therefore, government is viewed as a monopolistic rent seeker whose capacity for intervention should be limited through the discipline of market forces and, in particular, through the creation of an exit option in the realm of politics.⁵ Support for this method of limiting government intervention is found, most explicitly, in the neoliberal approach to federalism which seeks to create an exit option within the context of one country.

Friedrich von Hayek, for example, advocates a type of federalism where sub-national governments compete for mobile citizens and firms within the context of a national economy. As Hayek notes in *The Constitution of Liberty*:

The reason why a division of powers between different authorities always reduces the power that anybody can exercise is not always well understood. It is not merely that the separate authorities will, through mutual jealousy, prevent one another from exceeding their authority. More important is the fact that certain types of coercion require the joint and coordinated use of different powers or the employment of several means, and, if these means are in separate hands, nobody can exercise those types of coercion. The most familiar illustration is provided by many kinds of economic control which can be effective only if the authority exercising them can also control the movement of men and goods across the frontiers of its territory. If it lacks that power, though it has the power to control internal events, it cannot pursue policies that require the joint use of both. Federal government is thus in a very definite sense limited government (1960: 184-5).

⁵ Neoliberals also advocate limiting government intervention through the use of constitutional provisions such as balanced budget amendments. For details, see Buchanan, 1989. For an analysis and critique, see Gill, 1998; 2002.

While Hayek seems to describe federalism in general, it is clear he is advocating a specific type of federalism premised upon the creation of an exit option for both firms and individuals. For neoliberals, the right to 'exit' a specific political jurisdiction is the primary self-enforcing check on government power and it points to two broad principles for determining which policy capabilities should be assigned to which levels of government. First, sub-national governments should not have the ability to limit the right to exit (or enter) their jurisdictions. This implies the centralization of most market-enabling policy capabilities at the national level to protect property rights, stabilize the economy and to ensure a national economic union characterized by the free movement of individuals, firms and goods. Second, with respect to more market-inhibiting policy capabilities such as labour and environmental regulation and certain forms of tax collection and social spending, neoliberals generally advocate decentralization. The intent here is to prevent national policies on most economic issues and to confine as many of the market-inhibiting tax and regulatory powers as possible to the sub-national level where they will be constrained by the need to compete for mobile citizens and firms.

Advocating this approach, Hayek argues that "the result would be the transformation of local and even regional governments into quasi-commercial corporations competing for citizens" (1960: 146). Thus, for Hayek, mobility based on the right to exit can create a type of 'market' for government policies where citizens and firms move to those jurisdictions which offer them the most desirable mix of taxes and services. One implication of this, he believes, is that: "Not only would the greater mobility between the states make it necessary to avoid all sorts of taxation that would drive capital or labour elsewhere, but there would also be considerable difficulties with many kinds of indirect taxation" (1939: 270). In a similar fashion, Hayek believes that excessive government intervention in the economy would become "altogether impracticable under a federal organization" owing to the ability of firms to move to other jurisdictions (1939: 270). In this sense, Hayek views an 'economically centralized' and 'politically decentralized' form of federalism as a type of institutional lock-in mechanism that can help to preserve free markets by limiting market-inhibiting forms of government intervention.

A similar argument in favour of decentralizing market-inhibiting policy capabilities is made by Milton Friedman in his seminal *Capitalism and Freedom*:

If government is to exercise power, better in the county than in the state, better in the state than in Washington. If I do not like what my local community does, be it in sewage disposal, or zoning, or schools, I can move to another local community, and though few make take this step, the mere possibility acts as a check. If I do not like what my state does, I can move to another. If I do not like what Washington imposes, I have few alternatives in this world of jealous nations...The preservation of freedom is the protective reason for limiting and decentralizing government power (1962: 3).

Thus, as with Hayek, Friedman highlights the importance of political decentralization within a liberalized national economy and the need for an exit option to act as a check on government intervention. More recently, Barry Weingast (1995) has sought to formalize this neoliberal approach to federalism by developing the notion of "market-preserving federalism". Specifically, Weingast views federal systems as having two main characteristics: "(F1) a hierarchy of governments, that is, at least 'two levels of government rule the same land and people', each with a delineated scope of authority so that each level of government is autonomous in its own, well-defined sphere of political

authority; and (F2) the autonomy of each government is institutionalized in a manner that makes federalism's restrictions self-enforcing" (1995: 4). In addition to these general characteristics, Weingast argues that:

A federal system is market-preserving if it ha[s] three additional characteristics: (F3) subnational governments have primary regulatory responsibility over the economy; (F4) a common market is ensured, preventing the lower governments from using their regulatory authority to erect trade barriers against the goods and services from other political units; and (F5) the lower governments face a hard budget constraint, that is, they have neither the ability to print money nor access to unlimited credit. This condition is not met if the central government bails out the lower one whenever the latter faces fiscal problems (1995: 4).

Emphasized in Weingast's version, therefore, is the need to have the private economy operate at a level above that of market-inhibiting forms of regulation and taxes. This, he believes, will have the effect of constraining the ability of governments to implement policies which negatively affect the interests of mobile firms and individuals. As Weingast notes, "[t]hriving markets require not only the appropriate system of property rights and a law of contracts, but a secure political foundation that limits the ability of the state to confiscate wealth" (1995: 1).

Beyond Weingast, one of the strongest and most explicitly normative arguments in favour of the neoliberal approach to federalism (what he calls "competitive federalism") comes from James Buchanan. In his 1995 article on "Federalism As an Ideal Political Order and an Objective for Constitutional Reform", Buchanan builds on his earlier work on constitutional economics and the need for institutional lock-in mechanisms to preserve property rights and free markets. For Buchanan, however, constitutional provisions may not be enough. "Enforceable constitutional restrictions" he argues "may constrain the domain of politics to some extent, but these restrictions may not offer sufficient protection against the exploitation of citizens through the agencies of governance" (1995: 20). To solve this problem, he favours a political system that incorporates the self-enforcing principles of the market, particularly the principle of maintaining an exit option through the construction of a federal system. As Buchanan notes:

The principle of federalism emerges directly from the market analogy. The politicized sphere of activity, in itself, may be arranged or organized so as to allow for the workings of competition, which is the flip side of the availability of exit, to become operative. The domain of authority for the central government, which we assume here is coincident in territory and membership with the economic exchange nexus, may be severely limited, while remaining political authority is residually assigned to the several 'state' units, each of which is smaller in territory and membership than the economy. Under such a federalized political structure, persons, singly and/or in groups, would be guaranteed the liberties of trade, investment, and migration across the inclusive area of the economy. Analogously to the market, persons retain an exit option (1995: 21).

Buchanan's point about the necessity of federalism as a self-enforcing back-up to constitutional provisions is a significant one. It serves to emphasize the importance of federalism and the vertical division of powers within the broader neoliberal project.

In the United States, this neoliberal approach has recently been promoted by the American Enterprise Institute (AEI), one of the country's most influential business-sponsored think tanks. In 2000, the Institute set up its Federalism Project which "conducts and sponsors original research on American federalism, with particular emphasis on federal and state business regulation, legal developments and the role of the courts, and the prospects for rehabilitating a constitutional federalism that puts states in competition for productive citizens and businesses" (AEI, 2000). The Project publishes various books and commentaries, runs a website and holds numerous conferences attended by business and political leaders. Its explicit aim is to promote Buchanan's "competitive federalism" which, in the view of project director Michael Greve, "does not seek to empower states; rather, it seeks to discipline governments by forcing them to compete for citizens' business" (Greve, 2000). The AEI project is thus fully consistent with the market-preserving federalism advocated by Hayek, Friedman, Weingast and Buchanan and it helps to highlight the overall coherence of neoliberal thought in this area. Further demonstrating this coherence is the way that neoliberals have applied the principle of creating an exit option to promote inter-jurisdictional competition at both the regional and global levels. As Greve observes: "The benefits of jurisdictional choice and competition are visible at all levels of government...At the international level, the free flow of capital (and to some extent labour) has rewarded America's comparatively freewheeling economy, while punishing countries whose governments insist on pursuing collectivist experiments" (2000).

Thus, while classical economic liberals may support economic globalization and cross-border capital mobility for reasons of efficiency, neoliberals support them for their ability to promote individual freedom and the inter-jurisdictional competition which they believe limits market-inhibiting forms of government intervention. It is for this reason that the neoliberal projects for regionalism and globalism are consistent with Weingast's key criteria for market-preserving federalism. Most important here is the criterion that: "(F4) a common market is ensured, preventing the lower governments from using their regulatory authority to erect trade barriers against the goods and services from other political units" (1995: 4). In practical terms, this implies either a *de facto* or *de jure* centralization of those policy capabilities related to the promotion of free markets, capital mobility and property rights. As Buchanan argues, "the central or federal government would be constitutionally restricted in its domain of action, severely so. Within its assigned sphere, however, the central government would be strong, sufficiently so to allow it to enforce economic freedom or openness over the whole of the territory. The separate states would be prevented, by federal authority, from placing barriers on the free flow of resources and goods across their borders" (1995: 21).

At the regional and global levels, neoliberals have promoted such a centralization of market-enabling policy competencies through the various enforcement powers granted to the International Monetary Fund (IMF) and the World Bank as well as through those provided for in the Single European Act (SEA), the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO). At both the regional and global levels, therefore, few would disagree that the neoliberal project advocates the international protection of property rights as well as the removal of capital and exchange controls to promote full capital mobility. As Christopher Hartwell

of the neoliberal Cato Institute, another highly influential American think tank, argues: “The case against capital controls rests on sound economic reasoning. More fundamentally, attempts to restrict capital movements are an assault on individual liberty” (2001: 16). Echoing this emphasis on freedom rather than efficiency, Hayek has argued that:

The extent of the control over all life that economic control confers is nowhere better illustrated than in the field of foreign exchanges. Nothing would at first seem to affect private life less than a state control of the dealings in foreign exchange, and most people will regard its introduction with indifference. Yet the experience of most Continental countries has taught thoughtful people to regard this step as the decisive advance on the path to totalitarianism and the suppression of individual liberty. It is, in fact, the complete delivery of the individual to the tyranny of the state, the final suppression of all means of escape – not merely for the rich but for everybody (1965: 92).

Thus, it is apparent that neoliberalism advocates international capital mobility based on the same logic as that of market-preserving federalism; to create an exit option that forces different political jurisdictions to compete for investment in a way that will discipline governments and constrain their options for pursuing market-inhibiting forms of intervention. As Buchanan argues, “the relationship between federalism, as an organizing principle for political structure, and the freedom of trade across political boundaries must be noted. An inclusive political territory, say, the United States or Western Europe, necessarily places limits on its own ability to interfere politically with its own internal market structure to the extent that this structure is, itself, opened up to the free workings of international trade, including the movement of capital” (1995: 27). Reinforcing this point is the growing neoliberal literature on the relationship between increasing capital mobility and the growth of ‘international tax competition’. For example, Chris Edwards and Veronique de Rugy of the Cato Institute note that: “According to the public choice view, international tax competition enhances welfare because it constrains government from growing inefficiently large” (2002: 22).

In addition to support for economic globalization, Weingast’s model also provides the theoretical rationale for neoliberal opposition to political globalization. Specifically, this is the requirement that “(F3) subnational governments have primary regulatory responsibility over the economy” (1995: 4). In practical terms, this implies the decentralization of those policy capabilities which can be viewed as market-inhibiting such as certain tax, labour and environmental policies. At the regional and global levels, this implies more than simply avoiding the creation of supranational institutions with market-inhibiting policy capabilities. It also requires that governments avoid entering into multilateral agreements which would aim to increase tax and regulatory burdens through cross-national harmonization. Such harmonization would effectively reduce the disciplinary effect of the exit option by creating a tax or regulatory ‘floor’ below which no country would be allowed to go. It is for this reason that neoliberals oppose the centralization of market-inhibiting policy capabilities in supranational institutions as well as any efforts to increase tax and regulatory burdens through multilateral harmonization.

Making this point in the case of European regionalism, Buchanan has argued that:

The opportunity has existed, and still exists, to organize European politics so as to put in place a genuine federal structure with many elements of the ideal set out earlier. The Europe-wide economy has been substantially integrated, with historically unprecedented liberties of resources flows and trade across traditional national boundaries. Reform requires the establishment of a strong but limited central authority, empowered to enforce the openness of the economy, along with other minimal state functions. In this way, and only in this way, can the vulnerability of the individual European to exploitation by national political units be reduced. At the same time, however, the extension of the central authority's powers beyond such minimal limits must be rigidly opposed. The separated nation-states, as members of the federal union, must zealously protect the whole range of subminimal political activities (1995/1996).

Therefore, based on this logic and the desire to promote individual freedom, we can expect neoliberal social forces to oppose political globalization and, instead, advocate in favour of national fiscal and regulatory sovereignty. Providing initial support for this view, David Levy and Aseem Prakash have argued that multinational corporations “tend to support the creation of market enabling regimes at the international level, and prefer to keep social or environmental regulation under national or private authority” (Levy and Prakash, 2003: 131). It is in this way that certain nationalist policies can be fully compatible with, and even essential for, neoliberal values.

Theorizing Statist Responses to Economic Globalization

For all the reasons that neoliberal social forces support inter-jurisdictional competition, statist social forces oppose it. Empirically, they agree with neoliberals that inter-jurisdictional competition constrains governments in their ability to implement market-inhibiting forms of intervention. Normatively, however, they view inter-jurisdictional competition as limiting the ability of governments to levy the taxes they deem necessary for funding redistributive social programs as well as the regulations which they believe are required to improve labour, environmental and other social standards. In fact, many statist social forces decry inter-jurisdictional competition for creating a ‘race-to-the-bottom’ in terms of these programs and standards (Barlow and Clarke, 2001).

Based on this opposition to capital mobility and inter-jurisdictional competition, many commentators have described these groups as being inherently ‘anti-globalization’ (Gilpin, 2000; Bhagwati, 2004; Wolf, 2004). However, as with neoliberalism and ‘pro-globalization’, it should be apparent that ‘anti-globalization’ is not an accurate term. As Michael Hardt and Antonio Negri argue, “[a]nti-globalization is not an adequate characterization of the protestors...The protestors are indeed united against the present form of capitalist globalization, but the vast majority of them are not against globalizing currents and forces as such; they are not isolationist, separatist or even nationalists” (2001). Thus, rather than being anti-globalization (or anti-regionalization in the case of the North American Free Trade Agreement or the Single European Act), many labour and social activists are opposed to having the economy (in the form of free trade and capital mobility) operate at a level above that of democratic control (in the form of fiscal and regulatory capabilities). In the present context of economic globalization and regionalization, this implies a political project which seeks to have democratic control operate at the same level as the economy in order to limit the

constraints imposed by inter-jurisdictional competition. Important to note here, however, is that this can occur in one of two main ways. The first is by 'bringing the economy back down' to the level of national democratic control through economic nationalism and an end to capital mobility. The second is by 'bringing democratic control up' to the level of the global or regional economy through political globalization or regionalization.

In fact, both of these approaches have been advocated by different groups within the global protest movement (Green and Griffith, 2002) and it is the growing shift to the latter which helps to explain the rise of neoliberal nationalism. Specifically, when faced with policies of economic globalization or regionalization, statist social forces initially responded by advocating economic nationalism to bring the economy back down to the level of national democratic control. This was evident in the opposition of unions, social activists and many left-of-centre political parties to free trade agreements such as the European Common Market, the Single European Act, the North American Free Trade Agreement and the various negotiations of the World Trade Organization (Barlow and Clarke, 2001). To counter these efforts, proponents of neoliberalism responded with an internationalist discourse emphasizing economic efficiency and peaceful internationalism (Emmott, 2003; Bhagwati, 2004; Wolf, 2004). The result was that there seemed to be little difference between the views of classical economic liberals and neoliberals. However, when free trade and capital mobility became more entrenched, statist social forces increasingly shifted from a strategy of economic nationalism to one of political globalization (and regionalization). In a number of specific circumstances, this has involved the promotion of various multilateral agreements and side-agreements designed to upwardly harmonize taxes and regulations so as to limit the constraints imposed by inter-jurisdictional competition. In more general terms, it has also involved a broad shift among statist social forces towards a strategy of 'progressive' global governance or "cosmopolitan social democracy" (Held and McGrew, 2002).

Methodologically, this shift is difficult to demonstrate given the sheer number and heterogeneous nature of the different groups within the global protest movement. However, certain proxies do provide some initial evidence. One example occurred in 2002 when Oxfam International, a well-known development NGO and prominent member of the global protest movement, issued a report entitled *Rigged Rules and Double Standards* (Watkins with Fowler, 2002). In the report, Oxfam announced its support for greater free trade including an end to the developed country subsidies which hurt developing country exporters. At the same time, the report also advocated more multilateral rules and side agreements to govern international trade such as higher labour standards and more effective social programs for displaced workers. In addition to Oxfam, a second indicator of shifting strategies among statist social forces occurred in 2003 when the well-known British columnist and activist George Monbiot wrote a column in the UK *Guardian* entitled "I Was Wrong About Trade". In the column, Monbiot noted that he had come to accept the efficiency and cosmopolitan arguments in favour of free trade. He also noted that, rather than being against trade and globalization, activists should advocate for a more rules based international economy (Monbiot, 2003).

Beyond the issue of trade, a further indicator of the broad shift among statist social forces away from economic nationalism and towards a strategy of political globalization is in the publication of various blueprints for a more socially democratic form of globalization. Among academics, a number of blueprints have emerged with titles such as *Taming Globalization* (Held and

Koenig-Archibugi [eds.], 2003), *Civilizing Globalization* (Sandbrook [ed.], 2003), *Global Covenant* (Held, 2004) and *Making Globalization Work* (Stiglitz, 2006). In a similar fashion, the United Nations Development Program has been promoting a similar approach to political globalization through their concept of ‘global public goods’ (Kaul *et al* [ed.], 1999). Among activists, one of the most prominent blueprints for political globalization was produced by the International Forum on Globalization, an international coalition of high profile intellectuals and activists who together account for much of the ‘leadership’ of the global protest movement. Examples include well known activists such as Maude Barlow, Tony Clarke, Walden Bello and Vandana Shiva. In early 2002, the Forum published a report entitled *A Better World Is Possible: Alternatives to Economic Globalization* (2002). As the *Financial Times* reported, this document “set out an alternative agenda calling for new institutions of global governance under a reformed United Nations” and that it provided “a sense of what is becoming the unifying theme of an inchoate movement: the creation of democratic institutions of global governance” (Harding, 2002).

A final important point to note is that this ‘unifying theme’ of political globalization has also, in varying degrees, gained support among more classical economic liberals. At the 2003 meeting of the World Economic Forum, for example, a number of leaders expressed support for expanding and improving the architecture of global governance. The result was the Forum’s decision to create an annual Global Governance Report designed to “spotlight the gap between the vast scale of global problems and the inadequate mechanisms available to deal with them” (WEF, 2003). More precisely, the Report would attempt to provide a mechanism for concretely monitoring the world’s progress towards the United Nations’ Millennium Development Goals and its expert advisory committee included prominent members of the global protest movement such as eco-feminist Vandana Shiva. Taken together, these examples do provide initial support for the view that a shift has occurred in the approach of statist social forces towards a broad strategy of political globalization.⁶ As this has occurred, proponents of neoliberalism have increasingly begun to employ a nationalist discourse, and an advocacy of fiscal and regulatory sovereignty, in order to counteract them.

The Rise of Neoliberal Nationalism

In his 2000 article in *Foreign Affairs*, entitled “The New Sovereignists: American Exceptionalism and Its False Prophets”, Peter Spiro identifies the rise of conservative nationalism among a number of U.S. policy elites, many of whom are associated with prominent conservative think tanks and who, like John Bolton, went on to prominent positions in the Bush administration. While Spiro provides a useful outline of the new nationalism, he treats its proponents as a homogeneous group who draw upon realism’s normative suspicion of international law. As Spiro argues, the approach of the new sovereignists “echoes the realist conception of international relations as a matter of might, not right – a sticks-and-stones view of international law” (2000). However, in addition to these more security-oriented and realist anti-internationalists, it seems apparent that the new sovereignism also includes those who are nationalist for more neoliberal reasons. As Spiro recognizes, “[o]nly the free-trade agreements – provided they are limited to trade and do not include the environment, labour issues, or human rights – pass muster under New Sovereignism because

⁶ For a more detailed discussion of the groups supporting “cosmopolitan social democracy”, see Held and McGrew, 2002.

they are thought to serve American interests” (Ibid.).

Further reinforcing the idea that the new sovereigntism is as much about neoliberal nationalism as it is about security-oriented anti-internationalism is the way that Spiro points to the work of Cornell political scientist Jeremy Rabkin. Interestingly, Rabkin has published his two main anti-internationalist works— *Why Sovereignty Matters* and *The Case For Sovereignty* (Rabkin 1998; 2004) – under the auspices of the American Enterprise Institute’s Federalism Project. This is understandable given that both books draw on the key principles of competitive federalism in order to make a detailed case against regional and global forms of tax and regulatory cooperation. In the case of the Kyoto Protocol, for example, Rabkin argues that: “It is, by almost every criterion, a disturbing challenge to constitutional limitations on the treaty power” (1998: 80). In contrast, he argues, “the trading system is fundamentally compatible with traditional notions of sovereignty” (1998: 86).

In this way, we see how the discourse of the business-sponsored American Enterprise Institute has taken on a decidedly nationalist character. While fully internationalist when it comes to capital mobility and market-enabling policy capabilities, the AEI becomes a staunch defender of national sovereignty in the face of international agreements seeking to achieve an upward harmonization in market-inhibiting tax and regulatory policies. As the principles of market-preserving federalism indicate, the aim is to have the economy operate one level above that of fiscal and regulatory capability in order to lock-in a free market approach through inter-jurisdictional competition. It is for this reason that the AEI and other neoliberals have staunchly opposed any centralization of market-inhibiting policy capabilities or attempts at multilateral tax and regulatory cooperation. In fact, given the recent shift in strategy among statist social forces, it seems that multilateral harmonization has recently become as important a target for neoliberal intellectuals as anti-globalization precisely because it threatens to disrupt the benefits of inter-jurisdictional competition. Demonstrating this point, AEI fellow Roger Bate argues that:

...there has been a slow and now accelerating push for global governance, and away from the sovereignty of nation-states...The global governance institutions that pressure groups, bureaucrats and politicians promote include international treaties on numerous issues such as climate change, chemicals, and tobacco. There are also proposals pushed by powerful and respected international bodies for agreements on labour standards, environmental protection, and tax harmonization. These entail an entirely different form of globalization – one that is beginning to have a significant, and deleterious, effect (Bate, 2004).

Of particular concern here for neoliberals has been the issue of multilateral tax harmonization such as the OECD’s Harmful Tax Competition Initiative and the UN’s proposals for the creation of an International Tax Organization. As Bate notes: “It’s tax harmonization that can lead to the greatest loss of national sovereignty” (2004). This is the case to the extent that neoliberals regard inter-jurisdictional competition as having been particularly effective in the realm of fiscal policy. The neoliberal Cato Institute, another highly influential American think tank, recently came to this conclusion in a study titled “International Tax Competition: A 21st-Century Restraint on Government” (Edwards and de Rugy, 2002). As the study notes, “[h]igh tax rates are more difficult

to sustain in the new economic environment. That is particularly true for taxes on capital, which include taxes on business profits and taxes on individual receipts of dividends, interest, and capital gains...In our view, international tax competition may indeed hamper income redistribution, but that is a beneficial outcome because redistribution has progressed to a remarkably high degree in most industrial countries” (Edwards and de Rugy, 2002: 2, 3). Tax harmonization, in contrast, would threaten these already obtained benefits of inter-jurisdictional competition. As a result, the study goes on to provide detailed critiques of recent proposals for tax harmonization such as those put forward by the European Parliament (2000) and the OECD (1998). Similar arguments against tax harmonization have been made by the American Enterprise Institute (Meltzer, 2003) and the Heritage Foundation (Mitchell, 2000). In the former case, Allan Meltzer argues that, when it comes to international agreements, the U.S “should give up only the amount of sovereignty that we want to give up! Do we want the tax laws for the United States to be made in Europe by a non-elected government in Brussels, or by the WTO, rather than by the Congress of the United States or the state legislatures” (2003). In the latter case, Daniel Mitchell refers to the OECD proposal as “An Attack on Sovereignty” (2000: 2).

In addition to the issue of tax harmonization, neoliberal nationalism has been particularly evident in the opposition to the Kyoto Protocol. In Canada, neoliberal social forces – including business lobby groups and federal and provincial Conservative parties – opposed Canada’s participation in Kyoto through direct appeals to national sovereignty. This was most evident in the way that these groups promoted a ‘made-in-Canada’ solution to climate change. Created by a public relations firm for the business-sponsored Canadian Coalition for Responsible Environmental Solutions, the ‘made-in-Canada’ phrase was widely used among business leaders as well as conservative pundits and politicians. In the latter case, the premier of Alberta argued that the Kyoto Protocol was “not a Canadian plan” but, rather, was dreamed up by “international theorists” (cited in Cormier, 2006: 19). Similar appeals to nationalism were found amongst US opponents to Kyoto including Republican Senator Chuck Hagel who argued that the Kyoto Protocol is “one of the clearest examples of how a nation can lose much of its sovereignty through a well-intentioned relationship with other nations” (cited in AEI, 1998).

Neoliberal nationalism has also been evident in regional contexts such as the European Union. Prominent here, for example, is the Bruges Group, an elite British think tank created in 1989 with the express aim of promoting “the idea of a less centralized European structure than that emerging in Brussels” (Bruges Group website). The Group was inspired by a 1988 speech given by former Prime Minister Margaret Thatcher in Bruges, Belgium. Her speech was in response to European Commission president Jacques Delors’ stated commitment to build a ‘social Europe’, a commitment which later manifested itself in the proposal for a European Social Charter. In her speech, Thatcher now-famously argued that: “We have not successfully rolled back the frontiers of the state in Britain, only to see them re-imposed at the European level” (Thatcher, 1988).

In contrast to Buchanan, however, the Bruges Group advocates a *de facto* rather than *de jure* form of federalism for Europe, something more akin to the NAFTA. Nonetheless, it is a vision which is consistent with the key principles of market-preserving federalism. This is evident in the vision for Europe laid out by Thatcher in her speech and which continues to form the basis for the Bruges Group’s regional project. Most important here is the need to entrench capital mobility and to avoid any centralization or upward harmonization of market-inhibiting policy competencies. As Thatcher

proposed: “Our aim should not be more and more detailed regulation from the centre: it should be to deregulate and to remove the constraints on trade” (Thatcher, 1988).

Further demonstrating the consistency of neoliberal thinking on regionalism, the AEI Federalism Project has also weighed in on the question of European integration. In doing so, Michael Greve derides the increasing centralization of market-inhibiting policy capabilities by noting that “the [European] project explicitly rejects a ‘mere’ common market, which embodies libertarian or, as the Europeans sneer, ‘neoliberal’ values of competition, choice, and mobility” (Greve, 2002). More specifically, Greve opposes the regulatory harmonization taking place in the European Union because it removes the disciplinary effects of inter-jurisdictional competition.

Conclusion

This article has sought to examine whether nationalist policies (and discourses) might be genuinely compatible with neoliberal values in certain circumstances. In doing so, two main arguments were made. The first is that certain nationalist policies, in terms of maintaining fiscal and regulatory sovereignty, are entirely compatible with the neoliberal values of prioritizing individual freedom over economic efficiency and of using inter-jurisdictional competition as a way to lock-in more free market policies. This was demonstrated through reference to the normative work of neoliberal intellectuals who were shown to be in favour of economic but not political globalization. This was argued to be significant because it leads us to expect that neoliberal social forces will employ an internationalist discourse to promote economic globalization and a nationalist discourse to discourage political globalization. The second argument made was that this form of neoliberal nationalism may be on the rise due to recent changes in the political strategies of statist social forces. To demonstrate this point, the paper identified a seeming shift in the strategies of the global protest movement from a predominant outlook of economic nationalism to one of political globalization. It then argued that neoliberals responded to this shift with an increasingly nationalist discourse. This was demonstrated through an examination of the views of various neoliberal intellectuals across a number of issues.

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