Book Review

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***Economic Patriotism in Open Economies,*
Ben Clift and Cornelia Woll (Eds.),
London: Routledge, 2012**

Abstract: How do governments answer to the demands of their electorate for prosperity and protection from the vagaries of the market place, if governments have pledged to steer away from protective interventions in markets? This tension is what motivates this timely little book, edited by Ben Clift and Cornelia Woll. “Economic patriotism in open economies” has to find other ways than the outright protective measures of the past by which competitors were excluded from national markets in order to foster national champions. The volume builds on the literature of economic nationalism, popularized by authors such as Helleiner (2002), which has pointed out that liberalization might be an effective industrial policy by certain nation states, thus, making it possible to interpret acts of liberalization as nationally motivated. The volume makes two distinct theoretical contributions, related to its conceptual shift from economic nationalism to economic patriotism: on the one hand, it points out that economic patriotism can also evolve on the subnational or supranational level, which can create tensions with economic patriotism on the national level. Second, this evolution can happen not only on the basis of an imagined patrie, but an imagined patrie to be. Economic patriotism in this sense, they maintain, is as much a discursive device as it is economic policy, a point most clearly made in the contribution by Callaghan and Lagneau-Ymonet when they explain the failure to arouse economic patriotism in France to defend the Euro-next stock exchange from a take-over by the NYSE.

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How do governments answer to the demands of their electorate for prosperity and protection from the vagaries of the market place, if governments have

pledged to steer away from protective interventions in markets? This tension is what motivates this timely little book, edited by Ben Clift and Cornelia Woll. Policies pursuing “economic patriotism in open economies” have to find other ways than the outright protective measures of the past by which competitors were excluded from national markets in order to foster national champions. The volume builds on the literature of economic nationalism, popularized by authors such as Helleiner (2002), which has pointed out that liberalization might be an effective industrial policy by certain nation states, thus, making it possible to interpret acts of liberalization as nationally motivated. The volume makes two distinct theoretical contributions, related to its conceptual shift from economic nationalism to economic patriotism: on the one hand, it points out that economic patriotism can also evolve on the subnational or supranational level, which can create tensions with economic patriotism on the national level. Second, this evolution can happen not only on the basis of an imagined *patrie*, but an imagined *patrie to be*. Economic patriotism in this sense, they maintain, is as much a discursive device as it is economic policy, a point most clearly made in the contribution by Callaghan and Lagneau-Ymonet when they explain the failure to arouse economic patriotism in France to defend the Euro-next stock exchange from a take-over by the NYSE.

What is particularly pleasant about this volume is that the introduction not only recounts the common themes of the contributions or describes their different angles and approaches, but, indeed, sets out a kernel of ideas and hypothesis that are concisely demarcated. In particular, two cross-tabulations are helpful. The first squares the different levels of economic patriotism (local, national, supranational) with conservative and liberal approaches to the theme, favoring either protective or liberalizing measures. The second squares liberal and protectionist approaches with the policy targets of favoring insiders or resistance to outsiders. These tables provide an organizing framework which the following contributions use to locate their work and which they at the same time question with findings emanating from their empirical material. They thereby provide solidity to the entire contribution, which is not always the case in special issues (the book is a reprint of a special issue of *Journal of European Public Policy*).

The volume is about two issues at the same time: on the one hand, national and subnational economic policies in an era of a European project of market making and liberalization, and on the other hand about the project of the construction of a European *patrie*. Their historical reading of List in this respect is interesting and challenging at the same time. The authors stress that rather than prescribing economic policies for an existing nation, List prescribed them for a Germany that was still to be created. In a similar vein, they identify the European institutions, in particular the European Commission as working

discursively on creating a European patrie by suggesting the existence of a common European economy that can be measured, described, and influenced. While this discursive agency is well documented in the contribution by Rosamond, the comparison with List's work reveals that the latter was basing himself on a popular aspiration (of a united Germany), which arguably is lacking on the European level. Situating the European Union as a united economy in global competition that requires neoliberal policies to improve competitiveness might turn out to be insufficient for such a project, as a rising anti-EU sentiment in European countries seems to suggest. On the other hand, the global restructuring of value chains might force civil society actors such as unions to engage in such a European project.

The chapter by Fetzer on trade unions of the European subsidiaries of GM is very informative in this respect; as it links the emergence of a "European" negotiation strategy of these trade unions in the late-1990s to the restructuring of GM in Europe, involving the installation of a GM Europe headquarters in Zuerich. However, his contribution clearly shows the selectiveness of this "European project", excluding Eastern Europe, and the continuing importance of national economic patriotisms, in particular the German government's intervention on behalf of Opel during the crisis. The fragile coalition in Western Europe cracked the moment nationally framed policies were reintroduced, leading to renewed national confrontations. Fetzer, thus, clearly shows that supra-national economic patriotism can only emerge when foreign threats are perceived as larger than intra-European rivalries, and that European patriotism is maybe best understood as a reconciliation of European patriotisms (p. 48).

The contributions by Grant and Hoeffler investigate European economic patriotism, singling out the two areas where liberalization has not succeeded (agriculture) or advanced only incrementally (armament). These two domains are linking state functions and economic activities together in the most intrinsic way, motivating the lack of liberalization. Grant's analysis shows that despite the immutable stance on food security, the modality by which agricultural insiders are protected has changed. Most noticeably, a switch from policies for producers to policies for consumers has partially changed the way this protection is achieved. Regional or even local labeling efforts seek to provide local producers a competitive advantage, a strategy based on the educated choices of consumers.

Hoeffler's analysis of the development of European cooperation in armament projects since the 1960s shows that the incremental move of armaments projects to (a still not completely achieved) open market for armaments orders and of cooperation were driven by the desires of the most powerful weapon producers inside of the EU (UK, France, and Germany). They uploaded the policy

onto the European level to improve the competitiveness of their national champions through larger markets, while at the same time protecting them from global and in particular US competition. This analysis pinpoints the EU as a political space in which different economic patriotisms negotiate, where exploiting the European scale to the national advantage of the most powerful nations is what is driving the process of integration. Nevertheless, the competition from actors with large domestic markets has now led to the creation of a European armaments market. Liberalization, Hoeffler points out, could only be successful once it took the concerns of the European armaments industry into account, thus, when the different European economic patriotisms aligned to favor the creation of a European market.

But how do these European markets affect national and subnational patriotisms? Two articles in the volume link the recent policy trend to favor particular urban centers as a new expression of national economic patriotism given that active industrial policies have become disallowed. The contributors argue that policy makers seek to attract globally active multinationals in their capital cities, seeking to ensure in this way the insertion of their national territory in global value chains. In the case of the UK (Morgan), economic patriotism came to mean since the 1980s identifying the fate of the country with the fate of the City of London. Deregulation and liberalization were pursued as an industrial policy to attract finance intermediaries; liberalization, thus, was framed as a project of economic patriotism. This analysis then links the framework of open economies to the regulatory races to the bottom that we could observe in finance, given that protectionism and active industrial policies that interfere in markets were disallowed. Liberalism and economic patriotism together might well explain many of the regulatory weaknesses that came to light during the financial crisis of 2007ff. Pointing to the pernicious link between economic liberalism and patriotism is a major contribution.

Crouch and Galès embed this example of London into a broader trend towards metropolitan growth in European countries, stating that “the competitiveness of many countries, in particular in Europe, is heavily dependent on the competitiveness of certain city regions, often the national capital” (p. 100). As a consequence, governments divert more and more regional development funds into these centers. Crouch and Galès point to the anti-egalitarian implications this trend has, as regional policies, rather than being compensatory to disfavored regions deliberately aim at building on strengths and pushing these to new highs. They argue that politicians seek to insert their cities and regions in a knowledge based economy that is global but based on local hubs and that this is one of the few areas left to national governments to engage in economic policy, despite in a different robe.

While these are very interesting findings about national and supranational economic patriotisms in the EU, the notion of subnational patriotism remains underexplored. This is a pity and indeed there seem to be ample opportunities to explore subnational economic patriotism and its possible points of tension with national economic policies. One only needs to think of the conflicts in the Spanish case between the Catalan and the Basque regional governments and the central government, or to take a less extreme example of rich southern Laender in Germany, such as Bavaria which seek more independence. Clift and Woll allude to the German word, “Lokalpatriotismus” in the introduction, but unfortunately no case study explores this German phenomenon. Also the regionalisms encouraged by the EU such as the Bretagne in France would provide an interesting field of study especially as the subnational and supranational are brought together in this empirical case.

In general, the absence of cases dealing with Germany is unfortunate as the German case seems to hold many interesting deviations from the findings postulated in several contributions. Crouch and Galès postulate an increasing investment into capital cities as a consequence of the new insertion of national territories in global production chains in a knowledge economy. However, the case of Berlin, which in contrast with its European brethrens seems rather neglected stands out as challenging this conclusion, and exploring the underlying differences might well be worthwhile. Secondly, the German case is an example where the insertion of medium sized enterprises which are distributed in several regional clusters is working surprisingly well. These clusters are more decentralized and clearly the German economy is less dependent on major agglomerations such as Paris in France or London in the UK (on which the argument of Crouch and LeGalès is mainly based). Now, the federal constitution of Germany, the late unification and the preceding phase of many small sovereigns in Germany raise many interesting questions about the economic policies that contributed to the current strengths of the German “Mittelstand”. Is it, indeed, the long-standing tradition of subnational economic patriotism which facilitated this strength? Furthermore, a historical comparison of the unification project in Germany pre-1870 and the European Union today and the role economic patriotism played in it might well be a sensible endeavor. The contributions in this volume can be seen as an invitation to pursue these questions further.

An additional question that is raised by the volume is in how far European economies can be adequately described as “open economies”. The salience of the difficulties of economic policy making in a regime that is committed to an open market seems evident in a European Union that since the 1980s has advocated it fervently. But in how far has this rhetoric really produced “open economies”? The contributions in this volume, particularly Grant and Hoeffler raise questions about

the EU as a monolithic liberalizing project, and paradoxically allow questioning the premise upon which the volume is based. Is liberalization maybe better understood as a discursive device to unify different economic nationalisms in one project, which still permits national exemptions? There is no doubt about a trend towards further liberalization in the EU, but at least several sectors of the EU (such as labor markets) still remain deeply fragmented. It is a contribution of the volume that a certain ambiguity remains as to the assumption of “open economies”, in particular with respect to seemingly innocent regulations that constitute *de facto* barriers to economic integration.

This assumption of “open economies” becomes even more questionable in other parts of the world. Do they also hold in other free trade areas? It would have been very interesting to ask in how far this dynamic also applies in other regions of the world: is it replicated in the US on the federal vs. the state level? In NAFTA? Or other free trade regions such as Mercosur? Even if there is a commitment to liberalization in treaties in these regions, might there be much less of a commitment to action, a common agreement to not enforce liberalization in certain areas? Could liberalization in these treaties be more of a smoke-screen than an actually binding force? These questions become particularly salient as the Doha rounds for multilateral trade negotiations are apparently not going to succeed, and instead bilateral or regional trade treaties do replace them. If the liberalizing tendencies are much less enshrined in these regional treaties, what does it mean for these polities? Is economic patriotism unchallenged there, and if so, are politicians possibly in a double bind because they cannot deliver on the expectations of economic patriotisms in an interconnected world? Again, the volume offers itself as a reference for comparison of a particular regional configuration with other parts of the world.

As of this writing, the EU and the US have entered into negotiations over the world's largest trade agreement in history, and observers expect that the convergence of regulations will prove to be the greatest obstacle to a deal. This suggests that the volume is correct in identifying regulations as the policy tool of choice to achieve economic protectionism and that it is, therefore, a very timely contribution to understand what is at stake in these negotiations and how their dynamics may play out. All in all, it is an important intervention, whose conceptual clarity may well inspire subsequent work.

References

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