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**Economic Nationalism as a Historico-sociological
Phenomenon**

Master's thesis

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Declaration:

Herewith I declare that I have written the Master's Thesis on my own and I have cited all sources.

Prague, 26th of June 2015

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Abstract

This thesis analyses economic nationalism from a historical perspective and it examines its forms and transformation based on the case study of France. The first chapter offers a brief introduction to the concept of economic nationalism. It places it into a larger context and it addresses its elements, forms and particularities. The following section attempts at a closer look at the doctrines of economic nationalism, emphasising differences in policy content in correlation with historical and political context. The third chapter closely examines the evolution of the French economic thinking within the process of nation-state building and economic modernisation. It attempts at tracing elements of economic nationalism and observing their transformation within changing historical circumstances. Finally, the last chapter focuses on the occurrence of economic nationalism within the French economic model in the twentieth century and under conditions of accelerated markets liberalisation and economic integration.

Abstrakt

Tato práce se zabývá studiem ekonomického nacionalismu z historické perspektivy a zkoumá jeho formy a vývoj v případě Francie. První kapitola představuje úvod do konceptu ekonomického nacionalismu. Zařadí koncept do širšího kontextu a zabývá se jeho definujícími elementy a formami, ve kterých se vyskytuje. Následující část se věnuje doktrínám ekonomického nacionalismu a zdůrazňuje existující rozdíly v obsahu s ním souvisejících hospodářských politik, v závislosti na historickém a politickém kontextu. Třetí kapitola zkoumá vývoj francouzského ekonomického myšlení v rámci procesu budování národního státu a ekonomické modernizace. Zároveň je cílem této kapitoly vysledovat prvky ekonomického nacionalismu a zaznamenat jejich transformaci v rámci měnících se historických okolností. Poslední část této práce je zaměřena na výskyt ekonomického nacionalismu v rámci francouzského ekonomického modelu ve dvacátém století a za podmínek zrychleného procesu liberalizace a ekonomické integrace.

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Introduction

The level of openness and integration of a national economy with the rest of the world is conventionally considered by economists as closely related to the country's economic performance. The process of globalisation, economic deregulation and accelerated market interdependence is therefore perceived as an optimal approach to economic governance. Economic protectionism on the other hand, is often described as being ineffective, as it defies the rules of free trade and, by extension, hinders economic development. In this context, state protectionism is perceived as an opposite doctrine to liberalism, which, in effect to increasing market liberalisation and challenged state authority over national economies, becomes less popular as a political economic activity. Economic practice however has shown that protectionist policies are present within the state economic governance regardless the level of market interdependence and despite constraints from supra-national bodies or international market regulations, national states still manage to engage in economic measures that favour their citizenry. Doctrines that encompass this type of policies are known under the concept of economic nationalism, which is a phenomenon that has received relatively less academic attention, despite being an important factor in shaping national and international economic policies.

This thesis analyses economic nationalism from a historical perspective and it examines its forms and transformation based on the case study of France. For this purpose, it has set the following hypotheses:

H1: The doctrinal content of economic nationalism is defined by particular historical, political, cultural and social contexts.

H2: The French experience points to the fact that practices of economic nationalism implemented within the contemporary nature of state-market relations and under the constraints of supra-national regulations are deeply embedded in traditions of economic thought and shaped by national and institutional configurations.

In relation to this, this study examines the following set of research questions:

- 1. What kind of doctrines does economic nationalism entail?*
- 2. What were the elements of economic nationalism present within the French path towards economic modernization?*
- 3. What are the particularities and the historical context that defines economic nationalism within the modern French economic model?*

The structure of this thesis addresses each of the research questions in the same order. The first chapter offers a brief introduction to the concept of economic nationalism. It places it into a larger context and it addresses its elements, forms and particularities. The following section attempts at a closer look at the doctrines of economic nationalism, emphasising differences in policy content in correlation with historical and political context. The third chapter closely examines the evolution of the French economic thinking within the process of nation-state building and economic modernisation. It attempts at tracing elements of economic nationalism and observing their transformation within changing historical circumstances. Finally, the last chapter focuses on the occurrence of economic nationalism within the French economic model in the twentieth century and under conditions of accelerated markets liberalisation and economic integration.

This work is deeply indebted to prior scholarship in the field. Subject of the conducted research were contributions on economic nationalism from such academics as Ben Clift, Cornelia Woll, Eric Helleiner, Colin Crouch, and many others. The paper furthermore bridges literature on the evolution of French economic thought from Murray Rothbard

(2006) and on the French national model of governance from Orfeo Fioretos (2011). Contributions of a particular importance were studies on the theory of nationalism from acclaimed authors like Eric Hobsbawm.

1. Economic nationalism: an introduction to the concept

This chapter places economic nationalism into a larger conceptual context. It examines its relation to the modernist theories of nationalism, its forms of occurrence and policy content.

The notion of nationalism is conventionally understood as a generic concept, which refers to national cultures, ideologies, programs, movements or policies and whose interpretation and value is defined by particular contents and context (Szlajfer 2012: 9). Definitions of nations and nationalism are hardly straightforward, however a comprehensive synthesis of theories of nationalism is offered, for example, by Sam Pryke, a professor at Liverpool Hope University, in his book *Nationalism in a Global World* (2009). Pryke confronts different theories of nationalism and observes that while authors like Anthony D. Smith argue the historical emergence of nations and nationalism from ethnicities, the modernist approach of writers like Ernest Gellner or Eric Hobsbawm, denies an intrinsic relation between ethnicity and nationalism and defines nationalism as a product of social, economic and political processes and transformations in the past two centuries (Pryke 2009: 4-5)¹.

Hobsbawm also points out that the criteria used to delimitate a nation, such as language or ethnicity, are rather ambiguous and shifting, thus useless for this purpose, and the word

¹ This debate around defining nation and nationalism was also reflected on how to understand the relation between nation and nationalism themselves. The adepts of "ethnosymbolism" argue that "nationalism is a movement which seeks to provide a state for a given "nation" or further to advance the supposed interests of its own "nation-state" regardless of other considerations" (Hastings quoted in Pryke 2009: 5). So the order goes as follows: nations preceded and gave rise to nationalism. The modernists advocate a different approach, according to which nationalism is a doctrine insisting on the "political responsibilities of the citizen to their nation override all others" (Ibidem). It is a reverse of the ordering, where nations are not unchanging social entities derived from and continuously linked to their ethnic origin. Hobsbawm therefore explains that "nations do not make states and nationalisms but the other way around" (Hobsbawm 1992: 10) while also quoting Gellner: "Nations as a natural, God-given way of classifying men, as an inherent ... political destiny, are a myth; nationalism, which sometimes takes pre-existing cultures and turns them into nations, sometimes invents them, and often obliterates pre-existing cultures: that is a reality" (Gellner quoted in Hobsbawm 1992: 10).

“nation” is today used in a very imprecise manner. In his writings nevertheless, the author chooses to use the term “nationalism” in the same sense that was defined by Gellner, meant to suggest “primarily a principle which holds that the political and national unit should be congruent” (Hobsbawm 1992: 6-8).

In his research conducted at the United Nations University (2000), Professor Amit Bhaduri points out that one could interpret nationalism as an abstract construction which overrides particular loyalties such as ethnicity, language, religion or culture. The tangible form of this concept is, however, represented by a loyalty to the geographical territory controlled by the state, who is meant to assign and protect the “rights” of its “nationals within that territory”, it is therefore a question of a reciprocal arrangement (Bhaduri 2000: 4). Indeed, the modernist school points to the fact that nationalism since the end of the eighteenth century has been concerned with the building of nation-states (Pryke 2009: 57). The congruent dimension of the political and national unit, or, in Bhaduri’s words, the loyalty to a particular geographical territory represents a decisive aspect in the occurrence of economic nationalism.

Central to the building of nation-states was the acquisition and maintenance of national economies. These zones of economic activity corresponded with the political borders of the said nation, so that there was a clear demarcation between domestic and foreign economic activity. Territorial integrity of nation-states entails that state laws and regulations apply to commercial activities within the given territory. National currency represents in this context not merely the symbol of commercial trust, but also an instrument through which the state exerts its authority over the national economy. This, among others, gives the state the power of decision about the dominating national doctrines, the legitimate and illegitimate, and the authority in shaping both internal and external policies. The market policies represent one of the dimensions where the state

applies its authority. It creates common rules of operation, thus generating a unified and centralised national economy and, by extension, an occasion and reason for the occurrence of economic nationalism.

The element of national economy is therefore a key component to a fully shaped national self-identification. Another author that has extensively examined the question of nationalism and economic nationalism is the Polish economist and politologist Henryk Szlajfer. The author confronts in his book *Economic Nationalism and Globalization: Lessons from Latin America and Central Europe* (2012) different interpretations as to the emergence of economic nationalism. While Louis L. Snyder (1990), for example, holds the opinion that the history of economic nationalism runs parallel to political and cultural nationalism, Hans Kohn (1967), on the other hand, considerably shortens the history of economic nationalism, arguing that the idea of securing the well-being of the individual by the economic power of the state did not rise until the end of the nineteenth century (Szlajfer 2012: 11).

Bhaduri (2000) traces economic nationalism doctrines back to mercantilism. The author points out that the Aristotelian doctrine, according to which the appropriate size of the state is defined by the level of self-sufficiency, was centuries later reformulated by Machiavelli, who emphasized rather the ability of the state to defend itself as a decisive factor. With the emergence of nations and their right to self-determination and sovereignty, the state became the ultimate decision maker within its borders. Bhadhuri however also stresses the fact, that the need for economic development and prosperity of a nation adds another dimension to the issue. Foreign trade or any other kind of commercial interactions between nations could play an ambivalent role in respect to national sovereignty. Cross-border economic interaction may as a result undermine the central political authority of the state. The author refers here primarily to less developed countries, which are more

vulnerable to external dynamics of foreign trade and less influential in deciding its rules, as opposed to advanced economies. The author furthermore argues how in these states the tensions of “modernisation” in the “building of a nation” emerge from opposing tendencies of relying on the traditional cultural and social norms on the one hand and the logic of modernising national economy through close commercial interactions with other nations. This tension is also influenced by the discrepancy between the pace of change of market relations and the slower pace of change of traditional norms. In contrast to this “in industrially advanced countries, the norms of the commercial society are far more well-established; indeed, they tend to become the organizing principle of various other social norms. From this point of view, the distinction in terms of nationalism between the developed and the developing economies is largely a matter of the relative strength of the two opposing tendencies, both of which rely on strengthening different aspects of nationalism” (Bhaduri 2000: 7).

The issue of economic nationalism in developing countries was also debated by Szlajfer (2012). More exactly, the author pointed to the relation between the process of constituting a modern nationalism idea and the growing awareness of backwardness and inequality. He also makes a reference to Gellner, when stating that “nationalism is a phenomenon connected not so much with industrialisation or modernisation as such, but with its uneven diffusion” (Szlajfer 2012: 17).

This thesis however challenges this view and argues that practices of economic nationalism are not exclusive to less-developed countries as a tool in protecting weaker economies from outside pressures, and that stronger states do not exclusively advocate free-trade as a leading economic policy, as will be demonstrated in the last two sections of this study.

Another aspect emphasised by Andreas Pickel, Professor of Political Studies at Trent University, is that economic nationalism, “like democracy, justice, society, nation, culture, or globalization, are all politically charged concepts, yet at the same time they refer to realities that social scientists need to explain” (Pickel 2001). In *Explaining (with) Economic Nationalism* (2001), Pickel examines economic nationalism as an ideological concept, and the way it is used in the contemporary ideological and political debate. After analysing the political discourse framed in the content of articles from international press, Pickel concludes that “neoliberal discourse treats economic nationalism as a pernicious doctrine, and its proponents as the political enemy. Naming a particular policy approach or action an instance of economic nationalism is thus to disqualify it. The same is true for the appellation “economic nationalist”” (Ibidem). Pickel however also points out that this conception of economic nationalism was established even before the emergence of neoliberalism, exemplifying this with a statement from 1965 from the economist Harry Johnson, who defined economic nationalism as an economic program that “seeks to extend the property owned by nationals so as to gratify the taste for nationalism (...). Nationalism will tend to direct economic policy toward the production of psychic income in the form of nationalistic satisfaction, at the expense of material income” (Johnson quoted in Pickel). Pickel argues that this kind of approach ignores the existence of different economic frameworks within which one can examine economic nationalism. He therefore points out at the importance of analysing economic nationalism within particular historical, political, cultural and social contexts.

Robert Gilpin, professor emeritus of Politics and International Affairs at Princeton University, examines economic nationalism from a different perspective and in his book *Global Political Economy* (2001) deconstructs the concept into analytic and normative elements. The analytic core refers to the anarchic nature of international affairs, it stresses

the primacy of the state and state interests in international relations. The normative element on the other side refers to the commitment to the building of the nation-state and to the “moral superiority of one’s one state over another” (Gilpin 2001: 14). The author identifies the analytic perspective to the state-centric approach and explaining his personal stand towards the issue: “I do not subscribe to the normative commitment and policy prescriptions associated with economic nationalism. My own normative commitment is to economic liberalism; that is, to free trade and minimal barriers to the flow of goods, services, and capital across national boundaries, although, under certain restricted circumstances, nationalist policies such as trade protection and industrial policy may be justified” (Ibidem).

Returning to Pickel’s statement about the importance of context when examining economic nationalism, one could elaborate more on this matter best on the classification of forms of economic nationalism suggested by professors Ben Clift and Cornelia Woll in *Economic Patriotism in Open Economies* (2012), a compilation of contributions from different authors on the issue of economic patriotism.

In this regard, the authors focus on a set of criteria, which unveil different particularities and forms of economic nationalism. Economic nationalism is not, according to Clift and Woll, a concept exclusive to state policy, as it could have a regional character as well. For this purpose, the term used by the authors is “economic patriotism” instead of “economic nationalism”.

One can distinguish different forms of economic patriotism, as illustrated in Table 1. In this regard, Clift and Woll use as criteria two dimensions: patriotic action which appeals to a certain nation or a territorial unit (vertically), in this context economic nationalism describes only one of the existing forms, the one which applies to the state; and a conservative or a liberal approach (horizontally).

Table 1. *Forms of economic patriotism*

	Liberal economic patriotism	Conservative economic patriotism
Supranational economic patriotism	Strategic regional integration	Defensive regionalism
Economic nationalism	Liberal economic nationalism	Classic protectionism
Local economic patriotism	Liberal policies that facilitate the creation of sub-national champions	Defence of local production

Source: Clift and Woll (2012)

Conservative patriotism refers in this context to traditional protectionism, which will be in more detail discussed in the following chapter. Liberal economic nationalism, on the other hand, is less discussed in this study; it refers, however, to strategic liberalisation which privileges particular economic subjects.

Another set of criteria according to which one could deconstruct economic patriotism refers to its policy content, as illustrated in Table 2:

Table 2. *Policy content of economic patriotism*

Ideological affinity			
		Liberal	Protectionist
Policy target	Favouring of the insiders	e.g. selective liberalisation in strategic sectors	e.g. regulation to maintain traditional product and process standards; state subsidies
	Resistance to outsiders	e.g. risk regulation or competition rules that prohibit standards common abroad	e.g. classic barriers to trade

Source: Clift and Woll (2012)

The horizontal dimension describes the character of economic patriotism depending on set objectives: the liberalization of certain sectors, or on the opposite, the preservation of the status-quo. The vertical refers to the preferred policy tools, where the economic authority can focus either on dominating a sector in which it already has an advantage or target foreign competition and limit its potential.

Regardless of the forms economic nationalism/patriotism takes and independently of its policy target, it represents a form of discrimination in favour of the insiders.

Another important aspect, which has been increasingly often subject to academic attention, is the role of globalisation and regional integration in shaping doctrines of economic nationalism. Economic integration often challenges the political authority of states within their territories, and the extent to which it does so closely corresponds to the role traditional economic thought and practices play in the respective national economic model. This generates a discrepancy between internalising liberal market integration and spatially limited political governance. As a result of this overlapping network of economic regimes, political elites have to face a “paradox of globalised neo-liberal democracy”, a term coined by the English sociologist and political scientist Colin Crouch, and which refers to the situation when politicians have to implement policies pursuing economic interests of the citizens in order, for example, to get re-elected, but under the conditions of a complex and regulatory interdependence upon which they have limited authority (Clift 2013).

As it is obvious from the tables above, economic nationalism does not have to be an exclusive matter of national versus supranational political authority. A distinct form of economic nationalism is supranational or regional economic nationalism/patriotism, which would imply a transfer of objectives from, for example, member states of the European Union, to the European level. The debate around European economic patriotism involves

concepts such as “developmental state Europe”, “European shield” against globalisation or “European neo-Colbertism”, which essentially consists in liberalisation inside the European Union and consolidation of protectionism towards the outside market. A similar stand in fact has been taken towards the agricultural policy in the European Union. This however would entail a convergence of economic thought and practices into a unique European economic model.

One could conclude that economic nationalism is a rather ambiguous concept. It can entail various economic practices and occur under different forms and with different targets. In addition to that, it is also a subject, which has received relatively less academic attention than nationalism in general. The issue of describing and analysing economic nationalism has received academic attention only relatively recently and was most often addressed by economic liberals (Boulanger 2006, Helleiner 2009). In the following chapters, this thesis attempts to grasp the concept in a more specific manner, examining the content of its doctrines and analysing the French experience in this manner.

2. Doctrines and precursors of economic nationalism

This chapter aims at a synthesis of doctrines historical interpretations of economic nationalism by its most prominent theoreticians and critics. It firstly focuses on its relation to different aspects of the mercantilist tradition, while the second part addresses changes in policies of protectionism during the eighteenth and the nineteenth centuries, with a focus on most prominent theorists of economic protectionist doctrines. The chapter concludes with an analysis of more recent forms of economic nationalism, which have occurred in the twentieth century.

2.1. Economic nationalism and the mercantilist tradition

The politics and economic choices belonging to this doctrine are, according to certain scholars (Gilpin 2001, Heilperin 1960, Szlajfer 2012) deeply rooted in mercantilist traditions, although the precise definition of mercantilism is itself a matter of controversy. Roll (1961: 62-75) notes how some writers have argued that certain mercantilist theories begin to appear in crude form towards the end of the fourteenth and beginning of the fifteenth centuries. Others point out at the distinction between “bullionism”, which existed during a large part of the later Middle Ages, and “proper” mercantilism, which does not appear until the seventeenth century, as a result of early industrial capitalism which presupposed an expansion of export trade. “Bullionism” primarily referred, according to Sojka (2009), to large accumulation of wealth within the country and to the identification of money with social wealth. It was based on the principle that foreign trade should exclusively generate an inflow of money into the country. The second phase of mercantilism was primarily concerned with the trade balance and it presupposed that

foreign trade should generate relatively more export than import (Sojka 2009: 28-29). Roll (1961) argues that “bullionism” essentially represents an element of the mercantilist thought, given its connection to foreign trade.

An extensive work on mercantilism and its origins belongs to Immanuel Wallerstein, who has treated the issue of mercantilism in his book *Modern World-System II: Mercantilism and the Consolidation of the European World-Economy, 1600-1750*. Wallerstein refers in this regard to the period from 1600 to 1750. Mercantilism involved first of all state policies of economic nationalism, which revolved around a concern with the circulation of commodities, “whether in terms of the movement of bullion or in the creation of balances of trade (bilateral or multilateral)” (Wallerstein 2011: 38). Wallerstein therefore identifies the element of economic nationalism within mercantilism and he goes further than merely describing it as a “state policy of the weaker against the stronger and of the competitors against each other”. The author’s assertion is rather that “success in mercantilist competition was primarily a function of productive efficiency and that the middle-run objective of all mercantilist policies was the increase of overall efficiency in the sphere of production” (Ibidem). As it will be demonstrated further on in this chapter, the element of increasing efficiency in the sphere of production will be advocated by other proponents of economic nationalism during the nineteenth century, within the context set by the increasing economic significance of industrialisation.

Roll (1961) also points out at attempts to identify mercantilism with state-making, as a “phase in the history of economic policy, which contains a number of economic measures designed to secure political unification and national power”. The key instruments in building nation-states have become monetary, protectionist and other economic devices, as “means of strengthening absolutist states against both rivals abroad and the remnants of

medieval particularism at home” Roll (1961: 62). State intervention was therefore an essential part of the mercantilist doctrine.

It is important to stress that mercantilism refers to a period of breakdown of feudal economy and the growth of trade, which caused, the decline of the feudalist political structure and the rise of the nation-state. Among the implications of the expansion of trade was a divergence of individual trading interests, which explains the importance of a strong central authority, such as the state, or, for that matter, the nation. Roll (1961: 63) here explains: “For this reason most pieces of mercantilist policy that were put forward identified the merchant’s profit with the national good, i.e. the strengthening of the power of the realm”. The sixteenth and the seventeenth century therefore represent a period, where an acceleration of consolidation of national economies took place. As Szlajfer (2012) points out, this refers to the trade policy specific to particular European countries (England, the Netherlands and France). Szlajfer also notes, that this initial stage of consolidation process made possible the “synchronization of the elements of the triad essential to the definition of the modern state, i.e. sovereignty (including national purpose), territorial unity and state-and-territorial legitimism” (Szlajfer 2012: 15-16).

One of the most notorious proponents of mercantilism was Thomas Mun (1571-1641). In his famous *England’s Treasure by Foreign Trade* (1630) Mun argues that “imports and home consumption should be put down, while exports and re-exports should be encouraged” (Roll 1961: 78). Mun also stressed the significance of state interventionism, the economic importance of prohibiting the export of gold and silver and, to a certain extent, he advocated a policy of self-sufficiency when it came agricultural products (Sojka 2009). Another important advocate of late mercantilism was Jean Baptiste Colbert (1619-1683). Although he did not write any extensive works on mercantilism, he stood behind the mercantilist economic policy while being Louis’ XIV minister of finances. He

supported the creation of industrial manufactures, while his mercantilist approach was often criticised because of their negative impact on the French agriculture, which was for long period stagnating as a result of exaggerated protectionist tariffs (Ibidem).

2.2. Precursors of economic nationalism in the eighteenth and nineteenth centuries

The rise of nationalist doctrines during the eighteenth century paralleled with changes in economic structures dictated by the Industrial Revolution. Hayes (1931) points out that the doctrines themselves were originally crystalized in an agricultural society, before the great industrial restructuring occurred, their triumph however coincided with the transition from an agricultural to an industrial society. Moreover, the author concludes that the ascendancy of nationalism, the supreme devotion to national states could not be inspired until the Industrial Revolution rendered possible the functioning of effective national government.

Hayes (1931) has also presented in his work opinions of that day, according to which the Industrial Revolution was in fact fundamentally anti-nationalist, its nationalist effects were incidental and temporary and its ultimate impact could have been an increasing economic inter-dependence among countries and cosmopolitanism. He also however points out that, paradoxically, the opposite has occurred. The Revolution was accompanied by a parallel diffusion and intensification of nationalism, so that “the more trade has expanded between nations, the more within each nation various sorts of nationalism have been intensified and recently have given rise to integral nationalism” (Hayes 1931: 236-237). It is important to note that Hayes is here referring to *political nationalism*, which should grow stronger and more virulent as *economic internationalism* increases. A more

suitable term would be perhaps *international trade*, rather than economic internationalism, as Hayes is referring to a period when the tradition of economic mercantilism was still strong: “The Revolution started in the national state of England, whose statesmen and legislators at the time were mercantilists anxious to exploit it for increasing ‘the wealth of nation’. When, a full generation later, it penetrated into France, it entered another national state and one in which the nationalism of the Jacobins and the mercantilism of Napoleon were firmly established modes of thought” (Hayes 1931: 237-238). Therefore, the Industrial Revolution developed within the walls of existing political states able to guide it through implemented economic policies.

The post-mercantilist doctrines represent specific strands of protectionism, adjusted to the developments of the eighteenth and nineteenth century. Such developments primarily refer to the new context created by the Industrial Revolution, which has among other launched the dispute over protection and regulations, over support from the state and tariffs.

Heilperin (1960) identifies the first formulations of a consistent intellectual framework for the implications of economic nationalism in the work of the German philosopher Johann Gottlieb Fichte (1762-1814). According to Heilperin, Fichte’s work *The Closed Commercial State* represents one of the two different sources, which the new economic nationalism of the mid-twentieth century stems from. Alongside mercantilism, the other source which Heilperin draws back to Fichte is “national insulation” (Heilperin 1960: 54). Fichte advocated the idea, that in the interest of peace, countries should be completely isolated from each other in every way but cultural. The government, according to Fichte, should have absolute control over the national economy and should decide what should be produced, at what price, by whom and for who (Heilperin 1960: 81-85). He presents the

notion of “economic insulation” as a method leading to an environment where the state can rationally plan the life of the country, avoiding foreign disturbing influences:

“(…) the government must determine and guarantee commodity prices. How could it do so in relation to foreign goods when it has no power of determining prices which prevail in the foreigner’s own land and at which he has to buy his raw materials? On the other hand, should the government set a price which the foreigner cannot accept, the latter will avoid that country’s market and there will develop a shortage of goods with which to satisfy customary needs. The government must guarantee to its subjects a market for their products and manufactures and the price at which these can be sold. How can it do so if goods are sold abroad in countries where it has no power either to control or to determine the demand for the price of the products of its subjects?” (Fichte 1800 quoted in Heilperin 1960:86).

Fichte therefore supports the mercantilist concept, according to which trade can only be advantageous to one of the trading countries, while in the context of unplanned economic relations, trade can lead to war. He advocated a very interventionist state, an inconvertible currency and the use of rigid exchange controls. His theories made Fichte, according to Heilperin, an early forerunner of state socialism.

Another prominent economic nationalist of the nineteenth century was Friedrich List (1789-1846). The “true” political economy is, according to List, “that policy which each separate nation had to obey in order to make progress in its economic conditions” (List translated by Sampson 1904: 97). List’s main argument suggests that the existence of different nations implies their distinct nature and interests:

“If we wish to remain true to the laws of logic (...), we must set the economy of individuals against the economy of societies, and discriminate in respect to the latter between true political or national economy (...) and cosmo-political economy, which

originates in the assumption that all nations of the earth form but one society living in a perpetual state of peace” (Ibidem).

Free trade would only make sense according to List in a universal world union, dominated by a perpetual state of peace. Only after reaching a political union, a commercial one can follow. In the given context of international relations, the result of free trade would be a universal subjection of the less advanced nations to the supremacy of the predominant manufacturing, commercial and naval powers. A union of nations envisioned by List, based on principles of same rights and same conditions of treatment, can only be realised if a large number of nationalities attain to as nearly the same degree industry, i.e. economic power and political power. List argued against the failure of liberals to take nations and the particularities seriously and against the “dead materialism” of their thought. On the account of Adam Smith’s work *The nature and Causes of the Wealth of Nations* (1776), List offers his own interpretation of wealth and production sources. He firstly explains, how “the causes of wealth are something totally different from wealth itself” (List translated by Sampson 1904: 108). List’s argument narrows down to the importance of *powers of production*, as real causes of development, over that of *wealth*. Production powers are in this context mental, material and natural capital, which are to be found less in agricultural countries than in more advanced, industrial states. Agricultural countries should therefore actively encourage and support the development of their industrial sector, through the use and protection of selective industries. Only when the industrial sector is advanced enough to ensure a competitive economy, will these countries be able to join free trade (Ibidem). List is therefore best known for his advocacy of tariff protection for the so called infant industries. Szlajfer (2012) would then add that List’s theory highlights not so much the arguments in support of particular interests of infant industries as the industries of infant country as a whole.

In his work *Economic Nationalism as a Challenge to Economic Liberalism? Lessons from the Nineteenth Century* (2005), Eric Helleiner has brought together theses from different prominent economic nationalists from the 19th century, suggesting the eclectic political program economic nationalism can entail.

Alongside Friedrich List, another critic of liberal policies mentioned by Helleiner was Thomas Attwood (1783-1856). While List focused his critique on free trade, Attwood addressed more closely the issue of the golden standard taking a stand against the Ricardian School, which promised stability through a gold-based economy (Moss 1990:6). Similarly to List, Attwood believed that political economy should focus on policies conducive to prosperity, civilisation and power (Helleiner 2005). As his biographer David Moss points out in *Thomas Attwood: The Biography of a Radical* (1990), “his concern was tied to his fervent nationalism and jingoistic belief in the responsibilities of the position of world leadership that was Britain’s heritage. National pride needed to be gratified and a nation’s ideas to be exalted. Only on this highest plane, he claimed, could individual selfishness be submerged in social character, providing the stimulus for the development of human life” (Moss 1990:249). Central to Attwood’s theory is his critique of the golden standard. He saw the inconvertible currency as able to strengthen national identity, which is important especially in times of war, and also able to protect the economy from currency crises. He mentions “cultivation of national loyalty” and promotion of national prosperity as main objectives. Attwood advocated the importance of a strong sense of inclusive nationhood, his main concerns were to ensure full employment, while also being an advocate of middle class rights and of the expansion of electoral franchise, as “only a more inclusive political order that represented the nation in its entirety would bring about monetary policies that better served all members of that nation” (Helleiner 2005).

As Helleiner furthermore observes, Attwood was more interested in the idea of a prosperous nation of citizens bound by a deep sense of solidarity and loyalty, a state that could be achieved through political and monetary reforms conducive to a path of national cohesion and prosperity completely independent from the outside world. List was on the other hand believed in national power and glory in relation to other states, advocating the protection of selective industries as means towards industrialisation economic development. Attwood believed in free-trade and the productivity gains it entailed, but it had also “added a philosophical element to it” (Moss 1990:56). He was interested in the vision of a society in an industrial setting, “a collective social character in which patriotism and individual altruism were combined” (Ibidem).

When commenting on Attwood’s stand towards free-trade policies, both Moss and Helleiner draw parallels between Attwood’s economic analyses and Keynes’ theories. Although Keynes is reported never to have read Attwood, there are similarities in their vision of monetary management and the role of fiscal policy in leading the country through boom and depression. He explained his support for macroeconomic planning, specifically for the creation of an inconvertible currency arguing that “only an inconvertible note is self-existing, self-dependent, liable to no foreign actions, entirely under our own control; contracting, expanding, or remaining fixed, according as the wants and exigencies of the community may require” (Attwood quoted in Helleiner).

The idea of an inconvertible currency and its role in cultivating national loyalty was endorsed by others if the Attwood’s contemporaries as well. As Attwood, Henry Charles Carey (1793-1879) supported free trade to a larger extent, however perceived an inconvertible currency as a better choice when promoting domestic economic growth (Helleiner 2005). Carey was an American economist, who although initially admired the theories of Adam Smith, has later abandoned the *laissez-faire*, considering it too

cosmopolitan and focused his interest on national economy (Kaplan 1931). He was often labelled as a mercantilist by his critics, especially with reference to his concern for a plentiful supply of precious metals, given that “the country which maintains a policy tending to promote the export of the raw materials [as the United States] must have against it a balance of trade requiring the export of the precious metals, and must dispense with their services as measures of value” (Carey quoted in Kaplan 1931). Carey advocated the protection and state control of the prices of home-grown raw materials, as it was believed to stimulate demand for home-based manufactures, stimulate consumption and ultimately render the country economically independent (Ibidem). “He was undoubtedly the best example of a nationalist economist in the nineteenth-century America, (...). He assigned protection the most important role in his theory of economic development, and he demonstrated how the nation’s institutional framework served as a bridge between development and protection” (Morrison 1986: 80). He also shared the Listian view concerning the protection of infant industries (Kaplan 1931, Morrison 1986).

The macroeconomic protectionist theories of both Attwood and Carey had little impact on the actual process of policy making in Britain and in the United States (Moss 1990, Morrison 1986). Britain did not leave the gold standard and government policy in the United States, while Carey had little lasting effect on the theory of international trade, although protectionism was indeed the operative commercial policy of the United States until well into the twentieth century (Morrison 1986).

With the exception of Fichte, the mentioned theorists List, Attwood or Carey, did not advocate entirely autarchic economic policies. List’s main concern was tariff protection of selective industries and their main objective was to enhance the competitiveness of the said industry within an integrated world economy. Szlaifer (2012) reconstructed his fundamental thesis in the following way: “industrial and civilizational development of

agricultural nations cannot be deduced from the principle of free trade and market-automatism. The casual relationship operates in a different manner: from industrialization protected and backed by the state to free trade” (Szlajfer 2012). Attwood was interested in strengthening the economy through national cohesion and solidarity, hoping that an inconvertible currency could direct Britain’s financial and manufacturing interests towards the domestic market. He however accepted free trade as a given and “linked the case for this kind of national planning [inconvertible currency] to the fact that England was the first country to have created a market-based economy that was national in scope” (Helleiner 2005).

Johann Fichte’s theory, as already mentioned, suggests the existence of a different envisioning of economic nationalism, closer to a policy of self-sufficiency. Fichte supported autarchic form of national economy, where the state controls all economic contact between citizens and foreigners. Carlton J.H. Hayes (1931) observes that Fichte’s ideas were largely inspired by the economic policies under Jacobin nationalism from the years of the French Revolution. Hayes traces these ideas to the Jacobin intention to assure equality among citizens and to unite the whole nation in “enthusiastic loyalty to the republic” (Hayes 1931: 77). The Jacobists therefore revived some of the mercantilist practices of the old Bourbon monarchy, such as the regulation of commodity prices for the benefit of consumers, legislative favours for the French agriculture, industry and commerce (Hayes 1931: 75-83).

The nationalist approach to economic policy in favour of autarchy was inspired from what Roll (1961) describes as the romanticist movement from the early nineteenth century. Roll (1961) identifies Fichte’s ideas with those of the German romantic school of political economy. The theorist of this school however was, according to Roll (1961), Adam Muller (1779-1829), who, after being by the end of the century forgotten, was then rediscovered

by the German Nazis. Although Muller has initially criticised Fichte, accusing him of lack of realism, of ignorance of the literature of political economy and questioned Fichte's praise of the wisdom of the state, he has eventually adopted his support for complete autarchy. As Roll points out, "Muller's attitude to the economic structure which resulted from his political purpose is clearly incompatible with the *laissez-faire* policy of classicism" (Roll 1961: 224). His approach to economic nationalism was not one calculated based on a mercantilist approach to trade and was not reduced to a mere ending of foreign trade. Muller gave particular importance to the dedication for home-produced goods, which must be shared by all citizens. "The state's duty is to awaken national pride, the feeling of 'oneness' with the national state in the economic sphere (...). Wise economic policy mediates between national production and national consumption; it establishes equilibrium between them by strengthening the feeling of national power in each citizen. Free trade destroys cohesion; it makes each member of the state a citizen of the world" (Roll 1961: 225). The difference between Fichte's and Muller's views consists in the fact, that, while Fichte was talking about an economic insulation from the shocks of the outside world, Muller advocated the importance of ant-cosmopolitanism in general, defined by a complete obedience of the citizens. He has applied the same sociological approach to the issue of money, as he did to trade. He perceived money as the economic form of the inevitable union of men in the state, as a mediator between the personal and the civic character of persons and things. This also meant that he was an advocate of inconvertible currency, "paper money is national; it is patriotic", while metal money "is cosmopolitan; it is of a piece with international trade" (Roll 1961: 226).

A quite distinct strand, but one that should be perhaps mentioned as well in the context of nineteenth century economic thought is the then rising socialism. The first generation of socialist leaders after the beginning of the Industrial Revolution were, according to Hayes

(1931), Robert Owen (1771-1858) in England and Charles Fourier (1772-1837) in France. They were however hardly distinguishable in fundamental philosophy from their liberal contemporaries. They were moreover sceptical of state interventionism and sympathetic with the notion that the state should be a mere “passive policeman” (Hayes 1931: 249). They did recognize the injustice in the new industrial order, referring to the exploitation of the factory workers, long hours and small wages and did develop certain hostility towards the institution of private property. However in relation to possible solution, they were rather passive and supported minor initiative such as the establishment of workshops, while distrusting the political state and being rather indifferent towards nationalism (Hayes 1931). A far more influential nationalism was expounded by Karl Marx (1818-1883). In relation to foreign trade and economic policy, Marx was during 1840s a strong supporter of Smith’s and Ricardo’s liberal concepts. He also proved to be highly critical to Lists’s theory on destructive competition: “Competition, which gives [the German bourgeois] his power inside the country, cannot prevent him from becoming powerless outside the country ... the state, which he subordinates to bourgeois society inside the country, cannot protect him from the action of bourgeois society outside the country” (Marx 1975 quoted in Szlajfer 2012: 55). As Szlajfer (2012) observes, in his critique addressed to List, Marx also implies that not only the proletariat, but the bourgeois as well, especially from a less developed country (such as Germany was), had no *Vaterland*, while resisting foreign trade essentially meant, in Marx’s opinion delaying economic progress and the liberation of proletariat. Class consciousness was thus exalted above national consciousness. The individual was expected to be loyal to his class rather than to his nationality. Several years later however, Marx addressed Henry Carey’s theories with more tolerance, as they referred to a different society, built on completely new economic foundations. Hayes (1931) furthermore points at the revolutionary movement of 1848, which hindered the

fraternisation of workingmen across national boundaries, as their common struggle with capitalist gave way to nationalist conflicts and do struggles for national unity. Marx however inspired other socialists, who sought to organize the workingmen nationally. In Germany, Ferdinand Lassalle (1825-1864) organized the German Social Democratic Party to work for “universal manhood suffrage in order that, by means of political democracy, governmental support might be obtained” (Hayes 1931: 255). The German socialist party served as model for the organization of national socialist parties in other countries like Austria, Great Britain, France, Russia etc. In this context, Hayes emphasises that although Marxian socialists were materialists, they were also something else: ”they were missionaries, zealous gossellers, emotional reformers; they had, as a rule, the very mental qualities which rendered them specially susceptible to any emotional appeal, even that of nationalism” (Hayes 1931: 257). Among other arguments in regard to Marx as a forerunner of socialistic nationalism, Hayes suggests his close relations with Mazzini, the apostle of Italian nationalism, his sympathetic writings about the struggles of Italians and Poles against their alien exploiters, or his “Hegelian veneration for the political state”.

2.3. Forms of economic nationalism in the twentieth century

In respect to different interpretations of economic nationalism in the nineteenth century, there is to mention that regardless their success or failure in shaping economic policy, different strands of economic nationalist policies have echoed in a more articulated manner in the twentieth century, as a response to important historical turning points that have shaped national and international economic models.

Keeping in mind the eclectic program that economic nationalism entailed in the various views of its precursors, one could distinguish between autarchy as an ultimate objective,

and autarchy as a “by-product” of a policy entailing different primary objectives. An eloquent example is the Listian approach, where the tariff protection of selected industries aims at improving the country’s competitiveness; it reduces the imports and, by extension, increases the country’s self-sufficiency, although this was not the primary goal. Heilperin (1960) elaborated on this matter and identified three principal reasons why a country might strive for self-sufficiency. Firstly, this kind of policy may reflect the desire to as independent as possible of foreign sources of supply, as a potential source of strength during war. Given the prospect of eventual aggressive warfare, a policy of self-sufficiency represents certain preparation to conquest. A second reason refers to the desire to achieve greater diversification of production and a better-balanced national economy, as means towards achieving national prosperity and national power. In this context protectionist policies are perceived as having a temporary character. And thirdly, striving for self-sufficiency can be part of planning the economic model of the state as independently as possible of the condition of the world economy, a plan for already mentioned economic insulation (Heilperin 1960: 18-20).

When stepping into the twentieth century, one could use the scheme suggested by Heilperin in order to follow the occurrence of economic nationalist policies. Therefore, the second argument seeking greater diversification of production and development of industries in the aftermath of the WWI was largely used during the twenties. The thirties, especially in the case of Fascist Italy and Nazi Germany, were dominated by the first argument, as a prelude to warfare. Heilperin (1960) points out to a combination between the first and the last reason, as a “credo” very widely accepted since the Great Depression and to the present day: “it is a combination typical of the contemporary convergence of economic nationalism and collectivism” (Heilperin 1960: 20). Heilperin here speaks about nationalists who want to be free from the “disturbing effects” of international economic

interdependence, and about distrust towards foreign economic developments which cannot be subjected to national control.

According to Heilperin, the expression “economic nationalism” itself was for the first time prominently displayed in a publication by Leo Pasvolsky, more exactly in his book published by the Brookings Institution in Washington in 1928: *Economic Nationalism of the Danubian States* (Heilperin 1960: 16). Indeed, between 1920 and 1940, economic nationalism has become a concept widely analysed in several economic books and other publications of political science and history. The rise of nationalism in Europe, the Great Depression, the disintegration of the Austro-Hungarian Empire and the creation of new nations, all represented factors increasing the popularity of studies on economic nationalism (Boulanger 2006). A basic quick search in Google books Ngram Viewer² confirms the 1930s as the period when publications on economic nationalism have reached their peak.

An explicit reference to the national economy as the subject of theoretical reflection has re-appeared in the works of John Maynard Keynes (1883-1946) from 1923 onwards. According to Schumpeter (quoted in Szlajfer 2012: 63): “List had one of the elements of greatness, namely, the grand vision of a national situation, which... is a prerequisite for a certain type of scientific achievement – that type which, in our own day, Keynes is an outstanding example”.

Keynes is according to Heilperin (1960) the most controversial and influential political economist of the second quarter of the twentieth century. The severity of the Great Depression caused most of the Anglo-American economists to question the functioning of classical laissez-faire economics and the ability of the free market capitalist system to

² The Google Ngram Viewer or Google Books Ngram Viewer is an online viewer, initially based on Google Books, that charts frequencies of any word or short sentence using yearly count of n-grams found in the sources printed between 1800 and 2012

correct itself (Skousen 2006: 135). The years of the Great Depression have significantly influenced Keynes' economic thinking, shaping his theory on employment and self-sufficiency. As a theorist and economic policy expert Keynes tried to rehabilitate the mercantilist fascination with the problem of the trade balance. Szlaifer (2012: 64-65) points out that in Keynes' *The General Theory of Employment, Interest and Money* (1936) one can find insights of the history of economics ideas, where the author argued that "in conditions of laissez-faire and the gold standard, the striving for export surplus was actually the only instrument to ensure full employment in a given country". Keynes also emphasized that in the conditions dictated by the world economic crisis, which consequently has caused a general decline in demand, the trade balance presupposed, to a certain level, rehabilitation of protectionist tariffs and devaluation of the local currency. In Keynes' opinion, in the short run protectionism and devaluation, which would ultimately favour the creation of export surplus and protection of national production, could contribute to a rise in employment in individual countries (Szlaifer 2012, Skousen 2006).

It is important to note that Keynes was trained in the spirit of classical economics and he initially was a defender of free trade tradition of British economics. He wrote in 1922 an article on *The Stabilisation of the European Exchanges: a Plan for Genoa*, where he states: "I see no other solution of stabilisation practicable now, except the traditional solution – namely, a gold standard in as many countries as possible" (Keynes quoted in Heilperin 1960). What Szlaifer calls "rehabilitation of the mercantilist fascination" Heilperin explains by Keynes' slow and gradual conversion to economic nationalism (Heilperin 1960). Heilperin essentially divides Keynes' work and economic thought into three periods (Heilperin 1960: 99-105). His support for free-trade policies lasted until early 1920s. The second period, when Keynes became a defendant of protectionism lasted until 1943, while the third phase, where Keynes re-directed his attention towards

international cooperation, was ended by his death in 1946. The reason for this re-conversion towards free-trade policies was, according to Heilperin, the conclusion that cooperation with America was indispensable for Great Britain. For the purpose of this study it is the second period in Keynes' approach towards economic policy that is most relevant. During the negotiations concerning the co-operations between the Federal Reserve Board and the Bank of England, Keynes strongly insisted on Britain's freedom of action, and essentially became a supporter of monetary nationalism (Heilperin 1960: 95-104). He expresses his view points in a series of publications like *Treatise on Money* (1930), *National Self-Sufficiency* (1933), and finally in the work that his best known for, the already mentioned *General Theory of Employment, Interest and Money* (1936). In his publications Keynes expresses his scepticism towards the advantages of a membership in an international monetary system and in his arguments he invokes, or reformulates, some points known from the mercantilist theories:

“The mercantilists were under no illusions as to the nationalistic character of their policies and their tendency to promote war. It was national advantage and relative strength at which they were admittedly aiming.

(...) We may criticize them [mercantilists] for the apparent indifference with which they accepted this inevitable consequence of an international monetary system. But intellectually their realism is much more preferable to the confused thinking of contemporary advocates of an international fixed gold standard and laissez-faire in international lending, who believe that it is precisely these policies which will best promote peace.”

It is however important to note here that Keynes associated any nationalistic conclusions following from his conception with the fundamental his thesis from *General*

Theory, which emphasised that the world economy as a system could be rescued only through parallel and coordinated measures taken by each participating country:

“It is the policy ... of a national investment program devoted to an optimum level of domestic employment which is twice blessed in the sense that it helps ourselves and our neighbours at the same time. And it is the simultaneous pursuit of these policies by all countries together which is capable of restoring economic health and strength internationally” (Keynes quoted in Szlajfer 2012: 67).

Szlajfer (2012) furthermore observes that Keynes’ “re-conversion” to the principles of classical economy after 1943, about which Heilperin wrote, did not presuppose Keynes’ resignation from his basic theses of *The End of laissez-faire* or the *General Theory*, but rather included “possible improvements in the technique of modern capitalism by the agency of collective action”. What distinguished Keynes from his neoclassical predecessors was “his bold ascription to government of a central role in the determination of the momentum of the system itself” (Szlajfer 2012: 74).

There has seemed to be a lack of interest from scholars to develop the concept of economic nationalism during the Cold War, which can be rather explained by the dominant ideological debate in binary terms, imposing thus the academic focus either on liberalism or Marxism. As Helleiner puts it, for most of the 20th century, there were only few thorough analyses of this concept (Helleiner 2002), Kofman would then add that economic nationalism was defined as “everything that did not fit with the liberal definition of economy and development, usually conjured up in a doctrinaire manner” (Kofman 1990).

A close examination of the occurrence of economic nationalism points to the fact that, while there can be traced a firm line of continuity in the pursued protectionist doctrines throughout the past centuries, economic nationalism can lead to a wide variety of policy

initiatives, which primarily depend on historical and political contexts. The following chapters address this line of continuity through the prism of economic experience of a specific nation, and argue that the era of globalisation and spread of liberal economic policies should not be perceived as suggestive for the defeat of economic nationalism.

3. The path of French economic thought towards modernization and doctrines of economic nationalism within

In a research on economic nationalism France is a case in point. The regulatory tentacles of the *État*, reflected in policies of *dirigisme* and Colbertist state interventionism, reach far in traditions of French economic thought. This chapter represents an attempt at grasping the French path towards economic modernization and at identifying elements within economic doctrines particular to economic nationalism.

3.1. Mercantilism as the economic aspect of state absolutism

As mentioned in the previous chapter, the origins of economic nationalism are said to lay in the practices of mercantilism which gradually developed during the sixteenth century.

The beginning of the triumph of the French absolutism, whose strictly economic aspect was mercantilism, was seen under the lengthy reign of Francis I (1515-1547). During this period, authors like Claude de Seyssel (c.1450-1520) or the leading humanist in France Guillaume Budé (1467-1540), wrote about the monarch as of a totally and absolutely sovereign, whose power must never be limited or questioned. He was ruling by divine right, was inspired directly by God and only needed the advice of philosophers (Rothbard 2006: 200-201).

At the king's service there were absolutist jurists, who helped to put into practice the dominant theories about the monarch as the source of all justice. The French legalists from the sixteenth century have disassembled the legal rights of feudal authorities, who were

previously, during the Middle Age, standing between the individual and the state. In this regard Rothbard (2006) mentions as the most important contribution, which torn down intermediary structures challenging the monarch absolute rule, that of the jurist Charles de Moulin (1500–1566). He advocated the placement of all authority in the hands of the monarch and the dissolving of all medieval rights and privileges primarily in *Commentaries on the Customs of Paris* (1539).

One of the most important achievements in political theory during the sixteenth century was the contribution of the celebrated essayist Michel Eyquem de Montaigne (1533-1592). Montaigne's stand towards central political authority is rather ambivalent. Rothbard (2006) emphasizes Montaigne's support for the submission to constituted authority, presenting Montaigne's stand as "everyone has a duty to submit himself to the existing order of things, never resisting the prevailing government and where necessary enduring it with fortitude" (Rothbard 2006: 202). Keohane (1977) would then add that, like Machiavelli, who is mentioned in Montaigne's *Essays* (1580), Montaigne argued that "certain acts which men normally regard as inherently vicious must be performed in public life in order that the state may be preserved". This argument is closely related to what later Frenchmen called *raison d'Etat*. Keohane also points out that, unlike Machiavelli, Montaigne shared no admiration for the offices of the state. Quoting Montaigne, Kohane stresses that "in every government there are necessary offices which are not only abject, but also vicious (...) The public welfare requires that a man betray and lie and massacre; let us resign this commission to more obedient and suppler people" (Montaigne quoted in Keohane 1977). Keohane concludes that, according to Montaigne, too much clarity and purity prove disadvantageous in public life, a man's thinking must be "thickened and obscured to suit this shadowy and earthy life" (Keohane 1977).

Montaigne had an influential contribution on mercantilism as well. His take on state mercantilist policies has later become what Ludvig von Mises would call the “Montaigne dogma”, explained by the title of Montaigne’s famous Essay 22 *The Plight of One Man is the Benefit of Another*. Montaigne held the opinion that in a trade, one man can only benefit at the expense of another. This represents, according to Von Mises (1998), the quintessence of the both old and new doctrines of mercantilism: “it is at the bottom of all modern doctrines teaching that there prevails, within the frame of the market economy, an irreconcilable conflict among the interests of various social classes within a nation and furthermore between the interests of any nation and those all other nations” (Von Mises 1998: 660).

Another prominent advocate of state absolutism among the political thinkers of the sixteenth century was the humanist philosopher and jurist Jean Bodin (1530-1596). As the previous mentioned theoreticians, Bodin lived during a period of turmoil and unstable political environment in France, under the forces of religious wars. Considered by Rothbard (2006) as the founder of the French sixteenth century absolutism, Bodin was one of the leading servitors of King Henry III, supporting the king’s power against both Huguenot militants and the Catholic League. Bodin’s *magnum opus* was *The Six Books of a Commonwealth* (*Les Six livres de la republique*, 1576), which is also one of the most massive works on political philosophy in the sixteenth century. Bodin’s theory on state absolutism was written in the circumstances of the Huguenot rebellion, his central argument thus being “the unchallengeable power of command in the monarch ruling over the rest of society” (Rothbard 2006: 204). He believed in a system which could embody a clear and unquestionable source of authority while defining the citizen as a “free man who is subject to the sovereign power of another” (Dunning 1896). The idea of sovereignty is discussed in the eighth chapter of Book I, where he comes with the concept that

“Sovereignty is supreme power over citizens and subjects, unrestrained by the laws” (Bodin quoted in Dunning 1896). The central authority must be, according to Bodin, not only supreme, but also continuous in time. The monarch must be unitary and invisible, and, because he is the creator of law, he must be therefore above the law. In this context however, Bodin also emphasised the importance of a group of advisers, able to help the monarch in legislating for the public good of the nation (Rothbard 2006: 204).

The colonisation following the great discoveries from the beginning of the century represented a new force in driving economic and political state policies. In his take regarding the correct strategic economic approach towards the process of colonisation, one conducive to a gain in power and wealth, Bodin praised the Greek and the Roman way, which went beyond the simple material exploitation of the conquered land entailing an expansion of the conquering population over the colonised regions, with a focus on most vulnerable classes in need of land and occupation (Clement 2005). In the spirit of mercantilism, Bodin advocated the “colonisation for settlement”, often referred to in France as the civilising mission. He furthermore wrote that “people are the sole source of wealth and strength” and that the benefits of colonists working elsewhere were valued due to the wealth produced abroad from which the home nation would benefit (Ibidem).

Bodin was also credited with the discovery of the theory of money. He developed his quantity theory of money in 1568 in *A Reply to the Paradoxes of M. Malestroit*, inspired by earlier observations on the matter from the Spanish scholastic Martin de Azpilcueta Navarrus. Bodin’s theory emerged under the circumstances of the great discoveries followed by the abundance of gold and silver and it explained the prevailing high level of prices as a result of the increased specie from the New World (Spiegel 1991: 90-91). He was also one of the first theorists to observe the influence that the central authority or other social leaders can exert on demand for goods and on their price as well, generating

something very close to a snob effect, when “the great lords see that their subjects have an abundance of things that they themselves like. The lords then begin to despise these products and their prices then fall” (Rothbard 2006: 206-207).

Yet another economic issue, which was raised by Bodin and then later continued by other theoreticians, was taxation. Rothbard (2006: 222) calls it a *lacuna* in the agenda of absolutist power proclaimed by Bodin and it relates to the question of monarch’s unlimited right to tax. Bodin states that “it is not within the competence of any prince in the world to levy taxes at will on his people, (...) there must be agree and consent to all extraordinary taxes or subsidies” (Bodin quoted in Wolfe 1968). Bodin’s main objective was, by means of his writings, to convince the king that substantial reforms in the fiscal system were desperately needed, especially under the threatening forces of the religious wars, as abusive taxation would represent yet another incentive for uprisings against the crown of both the Huguenots and the Catholic Leaguers. His stand on taxes was closely related to his defence of private property. Bodin saw private property as the glue that holds a successful commonwealth together and so it cannot be taken by the state through arbitrary taxation since “one cannot find more frequent upsets, seditions, and ruins of commonwealths than because of excessive tax burdens and imposts” (Wolfe 1968).

On a final note, one could quote Wolfe (1968) and sum up that Bodin’s purpose and merit was to demonstrate that “strong monarchy is the best of all forms of government, and that monarchy functions best when there are no limitation on the king’s law-making functions except the king’s own recognition of the guides imposed by natural and divine law”. On the question of taxation however, his contribution seemed to have little impact. Despite certain attempts at reforming the fiscal and the monetary system, the fundamental structure of the tax system remained as before or even with an increased taxation burden. His theories may have had however more influence in the following century.

Together with the rise of absolutism, the sixteenth century was a period when mercantilism had gradually developed into a dominant economic regime within the absolutist system. The term itself was coined by late nineteenth century historians referring to the politico-economic system of the absolute state from around the sixteenth century to the eighteenth centuries. Rothbard (2006: 213) defines it as “a comprehensive system of state-building, state privilege, and what might be called state monopoly capitalism (...); it was a system of state-building, of Big Government, of heavy royal expenditure, of high taxes, of [especially after the late seventeenth century] inflation and deficit finance, of war, imperialism, and the aggrandizing of the nation-state (...). It should be noted that the most prominent aspects of mercantilist policy - taxing or prohibiting imports or subsidizing exports - were part and parcel of this system of state monopoly privilege. Imports were subject to prohibition or protective tariff in order to confer privilege on domestic merchants or craftsmen; exports were subsidized for similar reasons”. Rothbard therefore offered a very comprehensive definition, within which one could easily identify elements ascribed to economic nationalism.

As Jacob Viner (1968) points out, mercantilism was not the mere result of the quest for a strong and glorious nation, directed against the selfishness of the profit-seeking merchant. It was also the need for a unique state-policy on trade given the fiscal need of the crown on one hand, and the conflicting interest of economic, social or religious groups on the other (Viner in Rothbard 2006).

In France, the last four decades of the sixteenth century were dominated by disastrous religious wars and their consequences strongly undermined the potential of the French economy. The French industry was at the beginning of the seventeenth century in a particularly precarious state. One of the main reasons was the existing state regulation, under which craftsmen across the country were forced to organize into guilds and to

confine their activity to their specific towns. The driving forces of competition between the producers were as a result practically non-existing, which essentially meant limited production and imports, low quality and high maintained prices. Support was directed only towards state-privileged monopolies and particularly towards luxury production, which generally did not prove very effective in boosting the economy as a whole. Another factor hindering the economic development was the enforced quality standards on the production and trade, which froze the industrial innovation process and rendered French products uncompetitive (Cole 1939).

Sargent (2004) characterized this period encompassing the first half of the seventeenth century as a state of transition, “the birth agony of the modern French nation”. On the political dimension, there was a continuous strengthening of the centralised government and of political uniformity; however, under the dominance of Richelieu and Mazarin, there was little progress in the matter of internal economic administration. In the lack of a centralised economic system, different provinces barricaded themselves with tariffs, so that “politically one, France was, at the accession of Louis [XIV], commercially many” (Sargent 2004). As a result of previous administration, during the mid-seventeenth century the French state was near bankruptcy.

In 1651, the leading bureaucrat in economic affairs became Jean-Baptiste Colbert (1619-1683). During his time in the service of the Crown, French mercantilism has reached its peak. In order to enforce the network of controls and regulations, he created a system of central bureaucracy, based on regular inspections, standards and measurements. Before Colbert, the state revenue was entirely dependent on taxation. Under Colbert’s regulation, state monopolies became another important source of income. Their economic activity was under strict regulation, with fixed prices and amount produced. The increasing revenue from state monopolies did not however lower the taxes. Colbert attempted at

expanding the tax burden, given the fact that the nobility was exempted (Cole 1939). The land and consumption taxes were heavily felt by the poor and the middle class, which has strongly hampered economic progress. As a consequence, as Rothbard (2006) notices, “even though the population of France was six times that of England during the sixteenth century, and its early industrial development had seemed promising, French absolutism and strictly enforced mercantilism managed to put that country out of running as a leading nation in industrial or economic growth”. Colbert was however convinced in his doctrines as being in the interests of the nation, while describing free-exchange policies as selfish and short-sighted. Like other mercantilists, Colbert also embraced the “Montaigne dogma” concerning trade, according to which trade meant war and conflict; one nation could only improve its economy through trade by depriving some other country of the same fixed amount.

Colbert’s economic doctrines had a strong influence in shaping the long-term traditional French economic thought. His main ambition was to build up the country’s defence, to promote self-sufficiency and to pursue full employment, while “maintaining standards of fairness and morality in the marketplace” (Dormois 2004: 63). He supported the government control over the balance of payments, its direct intervention in the economic life, introducing extensive regulation in order to promote national champions and strategic industries. As Dormois points out (Ibidem), “Colbert’s ideas have left deep marks in the French psyche: the state embodies the common good, the organising force of society”. As it will be demonstrated in the last part of this study, Colbert’s principles have strongly inspired the French economic model throughout the twentieth century.

3.2. The emergence of anti-mercantilist economic thinking

The beginning of the eighteenth century marked the emergence of the Enlightenment as a response to the acute need of addressing social issues of moral or political nature. In doing so, cultural and intellectual forces rose in Western Europe emphasizing reason, analysis, and individualism rather than traditional lines of authority. Hayes (1931: 8) calls it “a century which was far more critical and self-searching than any earlier period of like duration in recorded history, a century which was peculiarly revolutionary“. It was a time when the *fault-finding* became the vocation of intellectuals and middle-class persons in England, France, Italy or Germany. They found fault in existing society, religion, politics and economics.

The French Enlightenment was strongly influenced by the legacy of René Descartes (1596-1650). His work *Discourse on the Method* (1637) remains one of the most influential works in the history of modern philosophy and one of colossal importance for the evolution of natural sciences, as well as for the emergence of a philosophy of humanitarian nationalism. The nationalism implied in the teachings of Rousseau was primarily political: it demanded that each nationality should possess a national government which would pursue national democratic ends (Hayes 1931: 33-34). The most influential figures of the French Enlightenment were Voltaire (1694-1778), Jean-Jacques Rousseau (1712-1778) or Charles Louis de Montesquieu (1689-1755). The precarious state of the French economy as a consequence of exhausting wars combined with the extravagant lifestyle of the crown and ineffective mercantilist policies has called for the development of a new economic thinking, which reached its peak under the economic theories of the Physiocrat School.

Reactions to mercantilism in economic theories at the beginning of the eighteenth century were often related to attempts at enhancing protectionist policies in the agricultural sector. Authors like Boisguillebert and Cantillon advocated the idea, according to which the state should not impose protectionist measure over the trade and industry, but rather focus its resources towards the development of agriculture. They also defined wealth as the amount of consumed products, rather than the accumulation of gold or capital (Sojka 2009: 52-53).

Pierre de Boisguillebert (1646-1714) is often mentioned as the first representative of the classical political economy in France and an adamant critic of mercantilism, who perceived the economic policy of Jean Colbert as the prime cause of economic underdevelopment. He strongly advocated free trade and the phrase *laissez faire la nature et la liberté* belongs to him (Sojka 2009). He viewed mercantilist policies as going against natural laws, pointing out that the essence of wealth lays in goods, not in coins. Natural collective harmony was, according to Boisguillebert, the result of each individual of that society pursuing his own happiness and economic forces have the tendency to move towards a balanced state, when not interfering with their dynamics: “so long as we do not interfere with her [Nature’s] working, our attempts to get as much as we can for ourselves will maximize everybody’s happiness in the long run” (Rothbard 2006: 270). Boisguillebert insisted on applying laissez-faire on one of the most important French industrial branches as well: the luxury products, explaining that natural wealth was not just biological necessities, as “true wealth consists of a full enjoyment, not only of the necessities of life, but even of all the superfluities and all that which can give pleasure to the senses” (Ibidem). In regard to protection of the agricultural sector, Boisguillebert advocated a reform of the fiscal system, which would decrease the tax burden for farmers. His opinion on this matter will later inspire the physiocrats (Sojka 2009).

Richard Cantillon (1680-1734) was another author who contributed to the concept of a self-regulating market mechanism and trade balance. Rothbard (2006) names him one of the most fascinating characters in the history of social or economic thought. Cantillon immigrated to Paris from Ireland in 1714, occupying almost immediately an important position as a banker. This coincided with the death of King Louis XIV in 1715, which inaugurated the beginning of a less exigent regime. Several bankers and other financial speculators took advantage of looser economic condition under the new government, becoming millionaires through different speculations and dubious schemes, one of them being Richard Cantillon. In 1755 Cantillon wrote *Essai sur la nature du commerce en général*, which encompassed “the most systematic statement of economic principles, before the Wealth of Nations” (Roll 1961: 121). The *Essai* presents the definition as the source of wealth, labour as the power which produces it, and all material goods as its constituents. The particularity of Cantillon’s “modern” approach consists in the fact that he separated economic analysis from previous influences of ethical and political concerns. The biased economic theoretical thinking was particularly evident in the case of mercantilists, which often places their analyses in the service of political ends of the state or individuals, or during the medieval times, when scholastics placed their economic analysis within the theological framework. In this context, Cantillon was among the first economic theorists, who saw the need of emancipated economic analyses (Rothbard 2006: 347-348).

Cantillon operated with methods of abstractions or cause-and-affects effects in the market economy. Cantillon’s economic model detaches from on one where demand is strictly created by the monopoly owner, that is the state. He therefore lays the fundamental principles of a free market economy, with its elements of competition, trade and price system. Cantillon was interested in actual value and prices, the one created on the market

as a result of interaction of offer and demand and without the influence of other political factors. His assumption that, in long run, the market prices tend to approach the intrinsic value of goods, the one defined by the cost of production, represents the classical principle with which later operated liberals like Adam Smith or David Ricardo: “The price and intrinsic value of a thing in general is the measure of the land and labour which enter into its production (...). The excess of supply over demand will depress the market price below the intrinsic value, intrinsic values however never alter” (Cantillon quoted in Roll 1961: 123). He had a similar approach towards the value of money and is, in fact, one of the first representatives of the quantity theory of money. According to his thesis, the value of money has the tendency to approach the costs of gold mining. He then explained the correlation between money supply and inflation, and emphasised the importance of the subjects, who own the money. If that is the case of producers and merchants, who use it for the purpose of further investment, then it increases production and economic development, whilst in the case when money is used for mere consumption, it can result in an increased inflation rate. This ambivalent effect is thus known as the *Cantillon effect* (Sojka 2009: 54).

The French physiocrats represent the first genuine economic school in the history of economic thought. Its most representative scholar was François Quesnay (1694-1774), known for publishing the *Tableau économique* in 1758, which provided the foundations of the ideas of the physiocrats. Other members of this group were Marquis de Mirabeau, Victor Riqueti, Pierre Du Pont de Nemours and Pierre-Paul Mercier de la Rivière. The school released its own journals, which promoted their concept and explained their ideas about reforms and economic policy (Sojka 2009: 53). Although it had been active for a relatively short period, the school had a significant contribution to economic policy within France and across its borders.

The physiocrats share with the early representatives of classical school of economy the merit of having discarded the mercantilist beliefs about wealth accumulation and trade. François Quesnay criticised mercantilist policies on the basis of his theory of natural order. The ideal ruling regime was according to his theory an enlightened monarch, who would respect and follow the natural order of things, just as the famous physiocrat principle suggests: *laissez faire, laissez passer* (Sojka 2009). He transferred the power of creating wealth to the sphere of production and to the surplus available for accumulation. Surplus represents something over the wealth, which the labour force consumes in order to be able to produce and in his *Tableau économique*, Quesnay explained the origins of this surplus. He first comments on the division of labour into two classes: productive and sterile, depending on their capacity of creating surplus. This division was used within the classical economic theory as well, and subject of productive labour – what constituted it and what did not – was an often topic discussed by Smith and Ricardo. Using the example of goods in agriculture, the physiocrats explain how the amount of food consumed by the labourer plus what is used as seed is on the average less than the amount of product raised from the ground. However, just as Roll (1961: 128-130) explains, because the physiocrats did not go beyond agriculture, they regarded this surplus as a gift, attributable not to the productivity of labour but to the productivity of nature.

Industrial activity, handicraft and trade were in this context considered as belonging to the sterile division of labour, as these activities did not generate any *produit net*, but had a rather transformative function. Based on this principle, Quesnay has come up with his theory of reproduction, which explained the movement of production and money between the productive sector, the sterile sector and the land owners (Sojka 2009). The main issue that rose under the conditions where every individual is to have inviolable property rights was that of taxation. In this regard, Quesnay suggested a low single tax (*impôt unique*);

which was a single tax on land, given that land labour represented the only *productive* force (Rothbard 2006).

The physiocratic doctrines reached outside the French borders. Among several European rulers, who became fond of it, was Leopold II, grand duke of Tuscany, later emperor of Austria or Gustavus III, king of Sweden. However after the onset of the French Revolution, the physiocrats, with their pro-agricultural bias and devotion to absolute monarchy, lost their appeal and were discredited in France and in the rest of Europe (Rothbard 2006).

Although the physiocratic school of economy was the focal point of most research throughout the eighteenth century, it was not the only voice within the public debate on economic issues. It was in fact a time when publications on economic matter became particularly popular. Inspired by various economic doctrines, French authors produced a great volume of books, treatises and brochures dealing with the organization of agriculture, trade, finance or manufacturing and their impact on the public welfare. Apart from the physiocrats, advocates of the classical *laissez-faire* and mercantilism also engaged in the debate on economic policy (Du Boff 1966). In this context, as Shovlin (2006) points out, much of the political economy elaborated and embraced, especially by the ordinary elites, was animated and shaped by a strong patriotic impulse. The main debate surrounded the issue of restoring the *spirit of civic duty* in a community in which citizens would subordinate their individual interests to the welfare of the public. Patriotic ideas became particularly popular given the outcome of the Seven Years' War (1756-1763), in the hope of restoring the French greatness in the international sphere. Patriotism arose also as a reaction against the despotism of the monarchy and against corrupted elites believed to have hindered economic development. More to the point, the emerging patriotic ideas were calling for economic progress, which would address the question of poverty and

unemployment and which permit France to regain the position of European supremacy. On the other hand however, it was continuously emphasized the crucial role of moral qualities in the regeneration of France and the dangerous impact of wealth accumulation, as a mercantilist doctrine, on social, political and cultural life. An eloquent example in this regard was the issue of luxury, often identified with corruption and dishonesty, which strongly undermined the French capacity for patriotism. For many French elites therefore, the central problem consisted in “creating the wealth necessary to meet the British challenge, but without jeopardizing the moral qualities crucial to patriotic regeneration” (Shovlin 2006: 6). Under these conditions, the partisans for free-trade and *laissez-faire* policies depicted the merchants and the entrepreneurs as patriots, being driven by the quest for honour, and not exclusively by interest. Another important fact was that at this point, the interest of the nation was identified with that of the middling elites, who stood opposed to the high elites sponsored by the monarchy. The existing economic policies seemed to benefit certain elites at the expense of others, resulting in a disproportionate advantage for the super-elite defined by its wealth: the court nobility, great merchants and manufacturers, and financiers. These injustices were all perceived as the cause for the nation’s degeneration (Ibidem).

Among the advocates for *laissez-faire* policies as a solution to the economic injustice of the mercantilist dispersion of privileges was Anne Robert Jacques Turgot, the baron de l’Aulne (1727-1781) and his mentor Jacques Claude Marie Vincent, Marquis de Gournay (1712-1759). In respect to the mercantilist order of industrial regulation, Turgot spoke of “innumerable statutes, dictated by the spirit of monopoly, the whole purpose of which were to discourage industry, to concentrate trade within the hands of few people by multiplying formalities and charges, by subjecting industry to apprenticeships of ten years in some trades which can be learned in ten days, by excluding those who are not sons of

masters, or those born outside a certain class and by prohibiting the employment of women in the manufacture of cloth...” (Turgot quoted in Rothbard 2006). Despite being primarily a promoter of commerce, Gournay underlined the importance of agricultural prosperity to the wealth and power of states and argued that the main problem the French economy faced was the neglect of agriculture. The celebration of agriculture was also one of the factors that mediated the development of a political economy oriented to patriot objectives (Shovlin 2006: 54).

Gournay was also a strong advocate of free trade and considered privileged commerce as linked to speculation, an example was his position in the debate around the fate of the French Indies Company in 1769. The Company was founded in 1664 and was endowed by Louis XIV with exclusive right to trade with all territories east of the Cape of Good Hope. The outcome of the War of Austrian Succession was disastrous for the Company, and so Gournay proposed that the monarchy withdraw the company’s privilege and offered free access to trade within the Asian traffic. Due to powerful lobbying the suggestion was however ignored (Ibidem). Turgot shared this view entirely, emphasising the mutual benefits of free exchange. Trade imposed restrictions “forget that no commercial transactions can be anything other than reciprocal and that it is absurd to try to sell everything to foreigners while buying nothing from them in return” (Turgot in Rothbard 2006: 386). Turgot points out that self-interest is the prime catalyst of economic development, individual interest, however, must always coincide with the general national interest.

Facing an imminent economic crisis the Crown has made an attempt at engaging some of Turgot’s suggested reforms, aiming also at regaining its lost credibility among elites. The Crown however failed to restore public confidence with its program of political economic reforms in 1787 and it was demanded that the king convene the Estates General,

an assembly that was last active in 1614. These developments occurred against an increasingly severe economic crisis, systematically aggravated by financial speculations and a drastic fall in employment. As Shovlin (2006: 169) sums it up, “the Revolution began, in part, because the public assumed that piecemeal reforms would not constitute an adequate solution to the financial problems of the monarchy and that a sweeping, comprehensive program of national regeneration would be required”. It was during the French revolution (1789-1793) when the doctrine of humanitarian nationalism was applied at the scale of a whole nation. It was initially stated in the *cahiers* or in the recommendations of the electoral assemblies which met across France during 1788-1789, urging that the Estates General should emphasise the unity of France and its national interests (Hayes 1931: 34-35).

The course of the Revolution had therefore a strong impact on the on pursued economic policies. Initially it was primarily the *laissez-faire* doctrine that influenced the thinking of the French revolutionary leaders. The belief was that the French economy could be rejuvenated with minimal state interventionism and the solution consisted in lifting tax burden and other trade barriers in order to leave it for the natural order to succeed were the Colbertian system has failed (Du Boff 1966). Proclaiming “national unity”, the French revolutionaries declared that “the principle of all sovereignty resides essentially in the nation. No body or individual may exercise any authority which does not proceed directly from the nation” (Hayes 1931: 35). They thus abolished class distinction and special privileges, dispossessed the nobility, destroyed the guilds and erased old provincial frontiers.

The Jacobin dictatorship, however, has come soon to realise that the “natural liberty” was not entirely appropriate for an economy characterised by unemployment, economic inequality and basic commodity shortage. In the need of resources for war, the new regime

reacted against the fundamental *laissez-faire* principles: it fixed prices, instituted state management of basic resource allocation, all efforts to centralize and regulate economic life (Du Boff 1966). Shovlin (2006) concludes in this regard, that “the revolution transformed politics from a realm governed, at least prescriptively, by custom and tradition into an instrument for the recasting of society by the sovereign will of the people. After the abolition of the monarchy, in particular, politics seemed to have become a pure instrument of sovereign will” (Shovlin 2006: 184). From 1792, revolutionaries who did not advocate in favour of trade regulation and price controls argued that further interventionism could result in economic collapse, initiating therefore a “decivilizing process” (Ibidem). After the fall of Robespierre in 1794 and in order to mark the beginning of a new path, different from what Jacobinism entailed, the surviving revolutionaries adopted a rhetoric that presented the Republic as a protector of agriculture, trade and manufactures. It was again a confluence between patriotism and political economy, which named commerce and agriculture as foundations of the civic order.

The nineteenth century was marked by the increasing popularity of free-trade liberal doctrines from Adam Smith and David Ricardo and by the accelerating economic progress as an outcome of the Industrial Revolution. For France in particular, however, the nineteenth century was characterised by a turbulent political history. The disastrous wars at the beginning of the century followed by revolutions in 1830, 1848 and later in 1870s have caused the so-called “delayed industrialisation” (Freman-Peck 1998). This coincided with the emergence of liberal nationalism as an intellectual movement throughout western and central Europe, defined by Hayes (1931: 135) as “stressing the absolute sovereignty of the national state, but sought to limit the implications of this principle by stressing individual liberties – political, economic, and religious – within each national state, and the

responsibility of all national states for the establishment and maintenance of international peace”.

Between 1800 and 1814, France was ruled by Napoleon Bonaparte, who opposed all economic doctrines from classic liberals and free trade advocates such as Jean-Baptiste Say (1767-1832), as they were inherently against the imperialistic views of the dictator. Perhaps one of the best known manifestations of nationalism within the economic dimension of state foreign policy was the famous Continental Blockade. As Ellis (2003) points out, the Blockade had a dual purpose. By adapting the old mercantilist theory to his military purposes, Napoleon’s first objective was “conquer Britain by excess”, the main target being English exports, while Britain’s imports were encouraged so long as they were paid in specie. Napoleon assumed that in case where Britain’s industrial products and colonial re-exports were denied access to continental Europe, her bullion reserves would be drained away and inflation would take over the economy. Secondly, Napoleon wanted to build a new system of markets for Imperial manufacturers in Europe (Ellis 2003: 110-111). The later concept was based on the inflexible principle of *la France avant tout* (France first), however, in the condition of natural interaction, the French industry could not thrive, and so the continental “common market” functioned according to strictly regulated trading rights, full protection of French products and one-sided preferential trade tariffs (Ibidem).

With Napoleon’s departure and with the restoration of the French monarchy the liberal anti-protectionist economic rhetoric regained its popularity. Of a considerable importance were in this matter the contributions from Jean-Baptiste Say. Say was a classic liberal with optimistic views on capitalist market economy strongly influenced by Smith and Ricardo. Perhaps Say’s most famous theory is the law of markets, which states that aggregate production necessarily creates an equal quantity of aggregate demand (Sojka 2009). Say’s

law has been one of the principal doctrines used to support the laissez-faire belief that a capitalist economy will naturally tend toward full employment and prosperity without government intervention. As for the question of implementing free trade policies in practice, particularly in the second half of the nineteenth century, French average trade tariffs, although still existing as an important instrument of economic policy, were indeed even below those of Britain, who was at the time considered the great nation of free trade (Nye 1991). The most important piece of economic legislation of the Third Republic, which marked the implementation of protectionist measures was the Méline tariff introduced in 1892, under the lobbying influence of the French business community.

The emerging liberal nationalism in Europe found its representative in France in the politician François Guizot (1787-1874). He viewed Louis Phillippe I's government as being ideally closed to liberalism: constitutional, truly representative of the middle class, pursued policies of international peace and individual freedom at home. Although a free trader in theory, Guizot retained tariff protectionism as a policy of his government on the ground that France was behind in industrial development and was not ready to enter the free market (Hayes 1931: 135).

For most of the time period encompassing the French evolutionary path towards modernisation, central to the economic policy design was the principle of “defence before prosperity” (Dormois 2004: 28), requiring considerable resources and effort in order to protect national interest. Although until the twentieth century this principle was not exclusive to the French experience, it is indeed the French *dirigiste* practices and the *colbertisme* that created the paradigm of economic nationalism, its elements and criteria according to which certain economic policies are marked as being protectionist.

4. The Europeanization of French politics and economic nationalism in the twentieth century

In his book *French economy in the twentieth century* (2004), Jean-Pierre Dormois, referring to the changes of the new century, writes about a shift from “exceptionalism” to “Americanisation” within the French path of development. The author points out how the French path, up until the beginning of the twentieth century, was often believed to have a “primacy of geographical and cultural factors” and that the “commonly recognised laws of economics do not apply to France” (Dormois 2004: 14). The twentieth century on the other hand, points towards “an alignment of French practice and behaviour (if not always attitudes or representations) on a common Western pattern, a phenomenon sometimes referred to as Americanisation” (Ibidem). Dormois therefore argues a certain loss in uniqueness, primarily related to the increasing economic (and not only) interdependence at an international level. Another question to ask refers to how this growing interdependence, particularly after the World War II, has shaped traditional policies of state interventionism and protectionism, otherwise known as doctrines of economic nationalism.

This chapter addresses the latter: it analyses the transformation of French traditional policies and its premises within the framework of the European community, often described in literature as the phenomenon of Europeanisation of French politics. It represents a process similar to what Dormois called “Americanisation”, but it refers to a more specific context of transformation, determined by the process of European integration.

4.1. French Economic Model in the twentieth century

At the beginning of the twentieth century, trade protectionism was still the main instrument meant to sustain traditional industries and agriculture when facing foreign competition. However, although the Méline tariff was raised again in 1910, protectionism before World War I was rather moderate. It aimed mainly at protecting domestic farmers. At the outbreak of the First World War currency convertibility was suspended and there was an increasing government's control over commercial policies. Interwar France was marked by a high degree of political and economic instability. After the war the government was deeply indebted and during the 1920s it was insisted that debt repayments should be linked to reparation payments from Germany. In regard to this situation, Dormois (2004) explains, that French expectations exceeded real possibilities, which, as a result, "reinforced a feeling of isolation among the French and their conviction of having to rely on the country's own resources; it gave national economics a second and forceful breath of life" (Dormois 2004: 34). This strengthened the position of the French state as the main guarantor of public good and, most importantly, of economic policies that would favour the insiders. Already during the inter-war period the French government has sought to manage industrial relations directly, rather than leaving it to the employers and employees and exercised considerable control over financial circuits. Under the circumstances of the Great Depression, trade barriers were raised to unprecedented heights. By 1933, almost all traded goods depended on import controls and established quotas and trade protectionism increasingly became an important tool for the management of monetary policy and trade balance. Another strategy that the French government has been continuously engaging in was the selective subsidising of specific industries. Before the First World War among the few industries benefiting from government support were,

for example, flax and beet growers and ship-builders. During the inter-war period, the government expanded its public funding over the railway transportation; civil aviation and maritime transport, gaining a “golden share” that ensured its control. From 1936 the government acquired also control over the pricing of agricultural products (Fioretos 2011: 104).

In this context, *l'État* has come to represent more than a mere administrative apparatus, but rather “the highest expression of nation’s collective will and rationality. While individual politicians can be corrupt or incompetent, the state never ceases to guide the nation’s destiny and take responsibility for its prosperity and power” (Dormois 2004: 44). The first half of the twentieth century in France was therefore a period characterised by a systematic occurrence of economic nationalism doctrines, partly in regard to war conditions and consequences, partly given the role of these doctrines within the traditional French economic thought.

Given the role of the French government in the creation and implementation of economic policies, France has become, according to Fioretos (2011), the prime representative of one of the dominant western European economic model – the *dirigiste* economy, other two being the liberal model, typical for the British economy and *ordo-liberal* – in the case of Germany.

After the war, while most European governments have engaged into policies of economic decentralization, the French government has rather reinforced these measures. In the post-war conditions, a considerable challenge represented the highly fragmented business community and the lack of a well-functioning institutional framework that would ensure joint coordination. The way early post-war governments dealt with this was through a complex set of reforms aiming at the economic modernization, in particular modernization of the industrial sector. One of the most important instruments in this regard

was economic planning. While this was not exclusive to France, the French experience is indeed very representative for this practice given the extent of the impact it had in creating economic policies. The first Plan of Modernization (1946-1952) launched by Jean Monnet formulates its production targets in relation to the figures from 1929, it concentrated on a few branches of production and relied on the power and influence of the state. The targeted sectors were the “heavy industries”: steel, cement, transport equipment, fuel and power (Shonfield 1965: 125-126).

The post-war governments lacked necessary resources to support the industrial modernization of the country, which represented the main incentive of establishing a set of multilateral cooperation at the international level. With the announcement of the First Plan however, France did not engage in the conventional multilateral program of trade liberalization, but rather promoted a kind of approach that narrowly addressed only certain industrial sectors and basic necessities, like securing resources of coal and coke (Fioretos 2011: 105-108). Given that the major repositories for coal and coke were to be found in Germany, France and Germany came to the agreement of closing the historical competitive gap and to launch 1951 the initiative that is known as the European Coal and Steel community, a project that marked the beginning the European integration process (Baldwin, Wyplosz 2013).

Nevertheless, the French government followed policies of protectionist nature and government support during the Second Plan (1954-1957) as well. An important device for this period was the so-called *lois-programme*, a legislative arrangement which allowed the planners to use public funds in amounts independent from the annual budget, given the Plan’s importance for the whole national economy. Shonfield points out that “there was of course a ready-made ideological framework for such an approach, deriving from Rousseau, which sees the Plan as a manifestation of the *volonté générale* – and that may

quite easily be at variance with the *volonté de tous*, let alone with the *volonté du gouvernement*” (Shonfield 1965: 130). The Second Plan also underlined the importance of reduced imports in order to control trade balance. Trade liberalization would be, according to the officials, efficient only after the complete modernization of French industry. This however proved to be rather undermining for the French scope, as this approach proved to have high opportunity costs and generally not effective, which resulted in a change of strategies and France’s support for European Economic Community (EEC) in 1957 (Fioretos, 2011: 107-111). France’s membership entailed a commitment to a common external tariff and market liberalization. In result, as the Community progressed, France has taken over the political leadership, while recognising Germany’s economic primacy. In this context, the Community was perceived as a French invention, meant to defend, among other, the European cultural patrimony and serve French interests, to the same extent as of any other member state (Cole, Drake 1998). Targeted industrial support and protection remained however a dominant paradigm in the economic policies design. In doing so, the French government distinguished a group of industries with high wages, which were quite highly concentrated and unionised and essential to the success of the national economy. Union action played a significant role in ensuring that gains in productivity were reflected in the growth of money wages and that their economic activity is not being harmed by foreign competition (Jessop 2001: 165-166).

By the time the French government had set to work on the preparation of the Forth Plan, covering the period from 1962 to 1965, the planners found themselves in a relatively more difficult position. The membership in EEC was expected to have a certain impact on the way the French government designed and implemented economic policies. Its traditional protectionist tendencies confronted a multilateral framework, which could only function on a basis of a set of generally accepted principles meant to ensure free trade and

a fair competitive environment among members. However, as stressed by Fioretos, “what existed on paper did not challenge the practice of economic governance in France. Rather the growth of the European market gave the French government and industry the impetus to further increase economic concentration and boost the size of leading industrial enterprises” (Fioretos 2011: 110). On the other hand, France could no longer impose the set of import restrictions designed to help the balance of payments. The Treaty of Rome banned import quotas and lowered tariff duties in France by 10 per cent in 1958 and 40 per cent by 1962. (Dormois 2004: 39). The “boost” that Fioretos mentions and which is often translated in in tax arrangements between big businesses and the government was now closely monitored by each individual member country of the Six, who had now the right to object any time some national industry was benefiting from a special treatment from the fiscal system, distorting therefore fair competition.

The French government chose however to continue with the practice of economic planning. Moreover, they tried to persuade the rest of Western Europe to take up planning in the early 1960s by the technique of the “soft sell” (Shonfield 1965: 146). The main idea was to apply the French economic approach to the European Common Market, as in a model of European planning, which would bring the national economic policies of the six members of EEC into a single plan of the French type and which would “reduce the element of uncertainty caused by the increasing exposure to the pressures exerted wittingly or unwittingly by one another” (Ibidem). In this context France was mostly interested in the harmonization of social costs of production. This primarily concerned social security contributions of employers (*charges sociales*) and conditions of work, including wages (*conditions de travail*). The idea behind this was that, according to both employers and the government, international harmonization was the best way to ensure that French standards were efficient and sustainable and that producers will not be facing competitive

disadvantages (Fioretos 2011: 110-111). The French initiatives however did not find many sympathizers in other member states. Germany would not consider social harmonization before trade liberalization and other European governments were not keen on committing themselves to common planning, as this was a hardly imaginable perspective given the economic diversity of the involved markets. In these circumstances, the French planning commissions gradually took the role of rather research oriented institutional bodies than important market coordinators (Ibidem).

On 1 July 1968 the EEC became a full customs union with complete free trade between EEC member states, which became each other's major trade partners. But by mid-1970s, the French economy was facing difficulties in containing inflation and in the competitiveness of the French industry. This has called into question the appropriateness of a centrally planned economy and the urgent need for reforming measures (Shonfield 1965: 148). Among first attempts at reformation was made in the second half of 1970s and it aimed at the expansion of market's function in shaping corporate strategy. These reforms marked a significant change in the pursued economic model and it is, according to Fioretos (2004) comparable with the British liberal reform agenda, although the French government continued to have a strong position in the manufacturing and financial industry. The main difference however, consists in the fact that the French reform by 1981 proved to be unsustainable (Fioretos 2004: 114). The objective of these structural reforms was to create national champions, technology and innovation leaders meant to shift their resources towards higher value-added niche markets. These large firms were expected to resist competition on the international market and to catalyse economic modernization of smaller firms, and, by extension, of the entire French economy. Behind this new initiative of economic shift stood the French premier during 1976-1981 Raymond Barre. His government's agenda was directed at the expansion of the role of markets and at the

reduction of state intervention. Barre's government abolished price controls and attempted at fighting unemployment through support for less competitive firms (Howell 1992). However, again by engaging in policies that offered support to less competitive firms, Barre and his government deviated from the principles of market-based discipline they were initially promoting. So consequently, "rather than leading to the rationalization of industry or enhancing the competitiveness of both large and smaller firms, the reform strategy of the Barre program reinforced the structure that had characterized French industry for decades" (Ibidem).

Proved to be leading to very weak economic performance and alarming macroeconomic indicators, Barre's program became highly unpopular by 1981, making possible the first major electoral breakthrough for the Socialist Party since the 1950s. The new government under François Mitterrand had transferred the role planning institutions held to key ministers. Another difference from the previous government was another initiative of creating vertically integrated production chains, as a new type of national champions. This initiative was implemented through heavy and intense state subsidizing with the ultimate goal of building advanced and competitive manufacturing sectors. An accelerated pace of modernization was also expected to be achieved through more economic concentration and state ownership, therefore essential for the upcoming reforms was a large nationalization program shifting the ownership structure to the public sector. This process was furthermore assisted by a new system of contractual planning, which required the major industrial firms to come up with a detailed plan of their development programmes. These programmes should also conform to the objective and priorities set by the National Plan, among main objectives being saving energy and developing new products. The fact that these plans were then negotiated and approved by the government committed each of them to a specific investment strategy. Under the Socialists, the government nationalised five

major industrial groups, two influent financial institutions (Paribas and Suez) and 36 banks. It also acquired majorities in other powerful holdings. Nationalised firms now produced 22 per cent of total value-added, accounted for 31 per cent of investment in industry and employed 21 per cent of the industrial labour-force (Tuppen 1988: 101-102).

Despite the fact that the structural reform was viewed by the Socialist government as a coherent program able to modernize the French economy, the program did not line up to the expectations. The majority of the nationalised firms ran serious deficits, increasing the financial burden of nationalisation. High levels of indebtedness then caused low investments. This was combined with increasing costs of production, as the government was already engaged in a macroeconomic policy fighting unemployment (Fioretos 2004:119). The Socialist government furthermore perceived international market liberalisation as a threat to their reform programs and to the development of their key industries and as a result to their strategy, the share of national exports declined. Poor industrial performance and balance of payments have proved by early 1983 that the chosen developmental path was not sustainable and a new strategy, with a diametrically opposed agenda, was decided to be pursued.

In the following period, the emphasis on centralization of considerably reduced, markets were liberalised and the public ownership was reduced through a wave of privatisation programs, which fundamentally reoriented France's domestic and foreign economic policy. The centralised economic model was replaced by a coordinated model, a decision supported by the business community as well. A defining feature of this system was the creation of a system of shareholdings designed to encourage the so-called *noyaux durs* –large shareholder groups privileged by the state, a typical element for the French coordinated economic model designed under the leadership of Jacques Chirac (1986-1988). Therefore, even after seemingly pursuing a policy of privatisation and market

deregulation, certain economic sectors still remained subject to a high degree of regulation and state control (Morin 1996).

4.2. Economic nationalism within the European Single Market

The character of economic cooperation between member states within the European Community took a specific turn in the second half of the 1980s with the creation of the Single European Act. The Act, signed in 1986, represented a breakthrough within the developmental path of European economic integration and it marked the beginning of an accelerated implementation of a wide range of policies directed towards market liberalization. This decision represented a reaction to the continuous discontent from certain business and political elites in member states with how the free market, initially envisioned by the Treaty of Rome (1957), operated and with way the existing institutional framework dealt with practices of economic nationalism. The Commission therefore, under the guidance of President Jacques Delors has published 279 legislative measures needed to complete the Single Market by 1992 (Baldwin, Wyplosz 2013).

The resulting European system of governance was meant to ensure the effective implementation of common European policies, which ultimately had a pronounced liberal content. This development however has critically changed the framework conditions for national economic policy (Schulten, Muller 2013). The new system of economic governance at the EU level has been designed to intensify and coordinate the integration process, thus restricting the national governments' political mandates in matters of policy making, which had ultimately resulted in tensions between European market integration based on principles of deregulation and liberalization, and national policy choices within the French national economy. This particular phase of European economic integration has

therefore called into question many features traditionally associated with the French style of policy making, as the European Single Act exerted new pressures for economic convergence, which often were at odds with the strong position of the state within the French economy.

In spite of federalist rhetoric of influential French politicians like Jacques Delors, the French political elite has traditionally shown limited interest in extending the powers of the European Union's supranational institutions, such as the European Commission or the European Parliament, at the expense of national authority (Cole, Drake 1998). However, the European Single Act entailed precisely this kind of sovereignty transfer, a process of "Europeanisation", later confirmed and accelerated in the treaties of Maastricht (1992), Amsterdam (1997) or Lisbon (2009). Cole and Drake (1998) define in this context "Europeanisation" as "an incremental process reorienting the direction and shape of politics to the degree that European Community political and economic dynamics become part of the organisation logic of national politics and policy-making". Under the pressure of the membership in the European Community (European Union from 1992), French governments faced the challenge to modify their traditional interventionist and protectionist economic and industrial policies and confirm their commitment to the European Commission's competition policy and to the provisions of the Single European Act. The late 1980s therefore brought a change in the rules of policy making: the nationalisation programme from 1982, for example, would have been impossible in 1997, given the French commitment to new competition criteria imposed by the Maastricht Treaty (Cole, Drake 1998).

While supranational structures like the European Single Market indeed impose serious constraints on national protectionist policies, however, as a significant number of scholars have pointed out (Trouille (2011), Clift (2013), Cole, Drake (1998)), the continuous

market liberalization did not necessarily lead to the liquidation of interventionist instruments, but rather to a “reconfiguration” (Clift 2013) of economic nationalist practices. The commitment to European competition policy has therefore obliged French governments to either reshape the existing protectionist policies, or to come up with entirely new means in achieving traditional economic objectives.

In particular areas of governance, such as the industrial or the financial sectors, European competition policy prohibits mechanism such as tariffs, heavy-handed interventionism that distorts competition or different forms of favoured market access. Such heavy and visible forms of intervention have therefore become obsolete and out of use, making place for less obvious forms of state aid, manipulations with the financial policy or ways of impeding foreign takeovers. A particularly interesting result in the evolution of economic nationalism is the urban policy, which essentially promotes cities as modern day national champions. The rationale is that “as competition tightens the noose around many of the things that governments try to do for favoured firms and sectors, so they start to look for activities to support their national economies that cannot be defined as anti-competitive practices” (Crouch, Le Gales 2009).

In relation to tensions created between French traditional approach to coordinated policy making and the process of market liberalization that European integration entailed, the phenomenon of economic nationalism gained increasingly more attention both scholars and political elite. In 2005, the then French prime-minister Dominique de Villepin was cited by *Le Monde* (2005) when giving a speech about the need to concentrate all the energy around a genuine economic patriotism. “Je sais que cela ne fait pas partie du langage habituel mais il s'agit bien, quand la situation est difficile, quand le monde change, de rassembler nos forces (...) et défendre la France et ce qui est français” (I know this is not part of the usual approach, but it is good, when the situation is difficult, when the

world changes, to gather our forces (...) and to defend France and that, which is French)³. The term “economic patriotism” was then acquired and extensively discussed by scholars like Ben Clift (2009, 2012, 2013), Cornelia Woll (2012) or Colin Crouch (2012), who introduced the broader term “economic patriotism” as a label for the economic “discrimination in favour of insiders”. Clift and Woll (2013) conceive “economic patriotism” as “political economic activity in contemporary Europe which seeks, by a number of means, to advance the perceived economic self-interest of particular groups and actors defined according to their territorial status”.

The notion of patriotism is presented here as one encompassing a broader meaning than economic nationalism. It reveals, as the authors point out, “enduring and intriguing contradictions within state-market interactions in the context of internationalised liberal market capitalism”. In another study Clift and Woll (2012) emphasize the difference between patriotism and nationalism in their economic dimension and explain how economic patriotism goes beyond economic nationalism and can include “territorial allegiances at the supranational or the local level”. Both concepts however refer to economic choices that favour particular economic subject or social groups due to their territorial position.

What makes it is different for the form of economic nationalism within the European Community/ Union, is the particular setting that national governments and business elites find themselves in. More to the point, within the European Union and under the conditions set by the Single Market, national policy choices are being shaped by commitments to the liberalised international market, overlapping competences in the process of decision-making and limited powers of state intervention. This, although not exclusively specific to the French case, this generates the previously mentioned “paradox of globalised neo-

³ Author’s translation

liberal democracy” (Colin Crouch 2012). It describes the situation when the political elites engage in protectionist practices, in order to get re-elected, in conditions dictated by market interdependence and limited mandates for interventionist policies.

Measures of by-passing the Single Market legislation and engaging economic nationalism are still fairly often present within the French economic policy design. The public procurement norms still for example favour French firms, while certain nationalised industries continue to receive large state aid packages. Companies such as Air France, Renault, PSA, and Michelin received considerable support. Therefore, even after liberalisation and privatisation, and the apparent withdrawal of the French state from *dirigiste* state aid practices, “state authorities found themselves drawn back into the business of providing capital to loss-making, but strategic multinationals and to neglected SMEs” (Clift 2013).

Another attempt to extrapolate the French *dirigiste* economic traditions to the European level was envisioned in Sarkozy’s presidential programme from 2007. Sarkozy refused to perceive European Union as merely facilitating the free circulation of capital and goods. He rather envisioned one with a more developed social dimension, very much close to the French model. His agenda also entailed an attempt to downgrade the competition rules, which were to be stipulated in Lisbon Treaty. This reflected his ambition to retain *dirigiste* elements and to moderate the liberal character of the European economic governance (Torreblanca 2008).

There were other manifestations of economic nationalism at the national level. In 2009 Sarkozy launched *plan de relance*, which represented a rescue package for the French economy. The economic relaunch plan partly aimed at the car industry, with the purpose of preventing the delocalisation by Peugeot of French car production to Czech factories. The car industry is one of France’s key economic sectors: fifth in terms of value added and

fourth in terms of employment and essential for the trade balance (Clift 2013). Another important protectionist measure was the bank rescue plan from 2008, which aimed at restoring confidence and liquidity into the French financial system. The European Commission initially disapproved of the initiative; however, as a result of insistent pressures from the French political elite, the measure was eventually accepted (Ibidem).

The tendency of engaging into protectionist practices naturally result in a certain line of conflict between those Member States that pursue different models of economic governance, as it is the case of France and Great Britain. This issue was particularly visible when related to the promotions of big cities as national champions. In 2010 Financial Times issued an article in response the then French finance minister Christine Lagarde's initiative to launch Europe's first electronic platform to trade corporate bonds. The article focused on how this could affect the future of London, where so far most trading in euro-denominated bonds and derivatives has occurred. The initiative itself is part of the transformations that the French and the German seek to engage in after the economic crisis, ensuring that the financial key infrastructure is placed inside the Eurozone, where it could ultimately attract businesses (Crouch, Le Galles 2013). Despite London's strong position as a financial centre, "Most British politicians and officials are bad at engaging with European institutions, and somewhat embarrassed about fighting for the nations, let alone the City. But the French financial establishment, by contrast, is highly disciplined (if not dirigiste) and has no qualms about protecting the national interest" (Tett 2010). Under the conditions of supranational constraint upon state interventionist instruments, cities have therefore become a new platform for practices of economic nationalism.

Conclusion

The paper examined the phenomenon of economic nationalism within the evolution of nation-state governance and the changing nature of market interactions. It furthermore examined the forms and transformation of doctrines of economic nationalism based on the case study of France.

The politics and economic choices emerging from economic nationalism are deeply rooted in mercantilist traditions. It initially relates to practices of bullionism, which refers large accumulation of wealth within the country and to the identification of money with social wealth, while the second phase of mercantilism – the “proper” mercantilism - was primarily concerned with the trade balance and it presupposed that foreign trade should generate relatively more export than import, with the ultimate objective of increasing efficiency in the sphere of production and of strengthening absolutist states against rivals abroad. State interventionism, self-sufficiency and protectionist tariffs were all central to mercantilist practices. Among the implications of the expansion of trade was a divergence of individual trading interests, which explains the importance of a strong central authority, such as the state, or, for that matter, the nation. The sixteenth and the seventeenth century therefore represent a period, where an acceleration of consolidation of national economies of particular European countries took place.

The rise of nationalist doctrines during the eighteenth century paralleled with changes in economic structures dictated by the Industrial Revolution. The Industrial Revolution on the other hand, developed within the walls of existing political states able to guide it through implemented economic policies. These transformations launched the dispute over protection and regulations, over support from the state and tariffs. The mercantilist concept, according to which trade can only be advantageous to one of the trading

countries, still persisted and there were still opinions strongly advocating a very interventionist state, an inconvertible currency and the use of rigid exchange controls. Other adepts of protectionist policies, as it is the case of Friedrich List, argued that free trade would only make sense in a universal world union, dominated by a perpetual state of peace. A union of nations envisioned by List, based on principles of same rights and same conditions of treatment, can only be realised if a large number of nationalities attain to as nearly the same degree industry, i.e. economic power and political power. List therefore, alongside other theorists, did not advocate entirely autarchic economic policies.

Different strands of economic nationalist policies have echoed in a more articulated manner in the twentieth century, as a response to important historical turning points that have shaped national and international economic models. In the aftermath of the First World War, protectionist practices were seeking greater diversification of production and development of industries. The thirties, especially in the case of Fascist Italy and Nazi Germany, economic nationalism represented a prelude to warfare while during and after the Great Depression it reflected distrust towards foreign economic developments which cannot be subjected to national control. Among the advocates of protectionism was, although for a limited period, one of the most influential economists of the past century John Maynard Keynes, according to whom in the short run protectionism and devaluation, which would ultimately favour the creation of export surplus and protection of national production, could contribute to a rise in employment in individual countries.

There has seemed to be a lack of interest from scholars to develop the concept of economic nationalism during the Cold War, which can be explained by the dominant ideological debate in binary terms, imposing thus the focus either on liberalism or Marxism. However, in the case of France, there was an obvious tendency to include practices of economic nationalism into the economic governance of the French state.

The beginning of the triumph of the French absolutism, whose strictly economic aspect was mercantilism, dates back to the beginning of the sixteenth century. It was also the period when French legalists have disassembled the legal rights of feudal authorities, who were previously, during the Middle Age, standing between the individual and the state. In the spirit of mercantilism, influential authors like Jean Bodin advocated the dominance of central authority over the economy, an example of its manifestation being the monarch unlimited right to tax. Mercantilism was during this period more than a quest for a strong nation, it was also the need for a unique state-policy on trade given the fiscal need of the crown on one hand, and the conflicting interest of economic, social or religious groups within the state on the other.

The seventeenth century brought a continuous strengthening of the centralised government and of political uniformity. Under the guidance of Jean-Baptiste Colbert, French mercantilism has reached its peak. Economic activity was under strict regulation, with fixed prices and amount produced while free-exchange policies were seen as selfish and short-sighted.

The first strong reactions against mercantilist policies emerged under the influence of the French enlightenment during the eighteen century. Authors like Boisguillebert and Cantillon advocated the idea, according to which the state should not impose protectionist measure over the trade and industry, but rather focus its resources towards the development of agriculture. This idea was later developed by the physiocrats, who created the first genuine economic school in the history of economic thought and who discarded the mercantilist beliefs about wealth accumulation and trade. The patriotic beliefs were still very present and, while it was pointed out that self-interest is the prime catalyst of economic development, individual interest, however, must always coincide with the

general national interest. Patriotic feelings were then strengthened by the Revolution by emphasising the idea of unity of France and of national interests.

Protectionist policies regained their popularity during the Jacobin dictatorship and even more so under Napoleon Bonaparte, his Continental Blockade being the most eloquent example. The second half of the century however was again dominated by rather liberal policies, although trade tariffs, were still in practice.

Some scholars argue that the twentieth century brought France closer to a common Western pattern, a phenomenon primarily related to the increasing economic interdependence at an international level and to the delegation of a certain extent of political authority to supra-national structures.

In the aftermath of the Second World War, the French state had a strong position as the main guarantor of public good and, most importantly, of economic policies that would favour the insiders and it gradually became the prime representative of one of the dominant Western European economic model – the *dirigiste* economy. State interventionism was reflected in central planning, which entailed economic policies of protectionist nature and government support for national subjects. The post-war governments lacked necessary resources to support the industrial modernization of the country, which represented the main incentive of establishing a set of multilateral cooperation at the international level. France's membership in the European Economic Community entailed a commitment to a common external tariff and market liberalization. The centralised economic model was gradually replaced by a coordinated model, although certain economic sectors still remained subject to a high degree of regulation and state control.

The character of economic cooperation between member states within the European Community took a specific turn in the second half of the 1980s with the creation of the

Single European Act, which marked the beginning of an accelerated implementation of a wide range of policies directed towards market liberalization. The new system of economic governance at the EU level has been designed to intensify and coordinate the integration process, thus restricting the national governments' political mandates in matters of policy making, which had ultimately resulted in tensions between European market integration based on principles of deregulation and liberalisation, and national policy choices within the French national economy. The continuous market liberalisation did not however lead to the liquidation of interventionist instruments, but rather to a "reconfiguration" of economic nationalist practices. The commitment to European competition policy has therefore obliged French governments to either reshape the existing protectionist policies, or to come up with entirely new means in achieving traditional economic objectives. These new means consisted of less obvious forms of state aid, manipulations with the financial policy or ways of impeding foreign takeovers, as well as promoting cities as national champions.

Economic nationalism represents a phenomenon, which transformed in time together with the modernisation of states and with the changing nature of international relations.

The French experience therefore points to a complex relation between the process of liberalisation and increasing market interdependence, and the practices of economic nationalism. At the same time, it merely represents a particular case within the world economic system and carries certain aspects particular to the French economic tradition. In order to better grasp the genuine nature of the international trade regime and to unveil what kind of challenge economic nationalism poses to economic liberalism and to the process of globalisation, it would be necessary to study and confront experiences from other major state actors and supra-national subjects within the world economic system.

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