

# Nationalism and Neoliberalism

Neil Davidson

Supporters of free market economics have always been ambivalent towards nationalism. In an important book called ‘Nation, State and Economy’ (1919), the leading Austrian neoclassical thinker Ludwig von Mises argued that it was natural for human groups, who shared a common language, to adopt national identities, although these need not be coterminous with state boundaries, as the example of the Germans showed.<sup>1</sup> Given the practical difficulties of establishing a world state to oversee the capitalist system, nation-states were as good a basis for establishing the necessary legal framework for economic activity as any other; but when nationalism was used to mobilise popular support for state activities which impeded the competitive operation of the world market, then it became a danger to economic rationality, as understood by representatives of the Austrian school. Nationalism as the mobilising principle with which to establish a free economy was acceptable to them; nationalism as collective interference in the free economy was not.

Neoliberalism follows neoclassical economics in relation to nationalism, as in so much else. Neoliberals tend not to describe themselves in these terms, but as supporters of globalisation, which they assume has to be capitalist in character. Turn to any of the contemporary works which extol the benefits of this process and we find nationalism indicted for an extensive litany of crimes, including making militarist threats to peace, erecting protectionist barriers to free trade and expressing racist hostility to migrants. The movements for an alternative globalisation which emerged in Seattle during 1999 are routinely accused of wanting to prevent third world development for selfish nationalist reasons.<sup>2</sup> Yet if we look beyond the rhetoric of neoliberal publicists to the behaviour of neoliberal politicians and state managers we find a different attitude towards nationalism. As David Harvey has noted, “the neoliberal state needs nationalism of a certain sort to survive”.<sup>3</sup> To understand why, we need to be clear about what neoliberalism is.

## The Consequences of Neoliberalism

By ‘neoliberalism’ I mean those interlocking economic and social policies that have become the collective orthodoxy since the mid-1970s. Although the following list is by no means exhaustive, any attempt to catalogue them would include: flexible labour markets, deregulation of financial markets, removal of protective tariffs and subsidies on essential goods, privatisation of state-owned industries and utilities, commodification of services once provided free at the point of use, and the shift from direct and progressive to indirect and regressive taxation. These have been adopted by states, including the remaining few that claim to have superseded capitalism, of which China is incomparably the most important, and by transnational institutions like the World Bank and the World Trade Organisation, which police

international development and (in)stability in the interests of the global order. The emergence of neoliberalism as a conscious ruling class strategy, rather than an esoteric ideological doctrine, took place in response to the end of the post-war boom in the 1970s, but in changed conditions created by that boom: above all, the unprecedented expansion of international trade, the advent of cross-border production in order to utilise world forces of production rather than those of one territorial state, and the creation of ‘offshore’ banking and flows of money capital unlimited by national boundaries. More than any other development, this last one made government policies vulnerable to attack when they were seen to be acting against the interest of capital. Unlike factories, money can be moved and is not dependent on protection of a territorial state or states. States had not become completely powerless in the face of markets, of course – that is the myth of globalisation cultivated by politicians seeking to shift responsibility for neoliberal policies onto supposedly ‘great impersonal forces’ over which they had no control. Neoliberalism represented a choice, but it was a choice increasingly difficult to avoid so long as the goal was the continuation and expansion of capitalism at all costs<sup>4</sup>.

Neoliberalism has not succeeded in reducing either poverty or inequality; but far more fundamentally, from the perspective of the international capitalist class, it has failed in terms of the system itself. It has not recreated the conditions for capital accumulation which existed during the Great Boom. Above all, it has failed consistently to increase the rate of profit. To the extent it has intermittently done so, it has not achieved rates comparable to those between 1948 and 1974.<sup>5</sup> Accumulation has come to rely on increasing productivity on the one hand (making fewer people work harder) and decreasing the share of income going to labour on the other (paying workers less in real terms), but that is not physically sustainable indefinitely. Furthermore, the suppression of real wage levels, notably in the UK and USA, has encouraged the very dependence on borrowing which has now entered crisis. Far from this being a means of ‘consumers’ to add to their possessions – as moralistic accounts imply – it has been driven by their need to maintain personal liquidity through loans, mortgages, credit, overdrafts and the rest, precisely to meet the costs of the ultra-commodified world neoliberalism has created. But an economy which requires systemic debt to maintain expansion is scarcely in a healthy condition. The real success of neoliberalism has been to transfer wealth and resources to the ruling class and its hangers-on. There are, however, limits to this process. The opportunity provided by opening up the hitherto closed Stalinist economies was a once-and-for-all operation. Similarly, there is a limit to how far wealth can simply be transferred from the public to the private sector; for ultimately this is simply relocating existing money and resources within the system. But capitalism can only survive through expanding production, not mere personal enrichment.

## The Necessity for Nationalism in the Neoliberal Order

Nationalism is the necessary ideological corollary of capitalism. The capitalist class in its constituent parts has a continuing need to retain territorial home bases for their operations.<sup>6</sup> Why? Capitalism is based on competition, but capitalists want competition to take place on their terms; they do not want to suffer the consequences if they lose.

In one sense then, they want a state to ensure that they are protected from these consequences – in other words, they require from a state more than simply providing an infrastructure; they need it to ensure that effects of competition are experienced as far as possible by someone else. A global state could not do this; indeed, in this respect it would be the same as having no state at all. For if everyone is protected then no-one is: unrestricted market relations would prevail, with all the risks that entails. The state therefore has to have limits, has to be able to distinguish between those who will receive its protection and those who will not. But the state cannot simply be the site of particular functions, with no ideological attachment; capitalists have at least to try to convince themselves that what they are doing is in a greater ‘national’ interest, even if it is plainly in their own. Without some level of self-delusion, mere gangsterism will result. Therefore, when Liah Greenfield describes the ‘spirit of capitalism’ as “the economic expression of the collective competitiveness inherent in nationalism – itself a product of its members’ collective investment in the dignity and prestige of the nation”, she is turning history on its head.<sup>7</sup> It is the collective competitiveness of capitalism, expressed at the level of the state which requires nationalism as a framework within which competitiveness can be justified in terms of a higher aspiration than increased profit margins. If ‘Britain’ – or for that matter, ‘Scotland’ – is to be collectively competitive then this obviously means that individual British (or Scottish) companies must be individually competitive, but they are in competition with each other as much as with foreign rivals. In the course of this competition some will fail. Their failure, however is a contribution to national survival, comparable, perhaps, to the sacrifice of soldiers in the field: competition is the health of the nation, just as war was once held to be the health of the state.

Nationalism does not simply unify territorially demarcated sections of the bourgeois culture; it plays an equally important function for capital in fragmenting the working class. Georg Lukacs once pointed out that one of the ways in which the bourgeoisie tries to prevent workers achieving coherent class consciousness is by “binding the individual members of those classes as single individuals, as mere ‘citizens’, to an abstract state reigning over and above them”.<sup>8</sup> But it cannot be an ‘abstract state’; it has to be a very concrete, particular state founded on a sense of common identity. For the working class, nationalism arises from two sources. One is from the spontaneous search for a form of collective identity with which to overcome the alienation of capitalist society. National consciousness is therefore an alternative to class consciousness, but is rarely a complete alternative, since reformism is effectively the means by which nationalism is naturalised in the working class. But the other source is the deliberate fostering of nationalism by the bourgeoisie in order to bind workers to the state and through the state binds them to capital.<sup>9</sup> Hence the absurdity of claims by Tom Nairn that “what the extra-American world should fear is not US nationalism but the debility of the American state”, as if the nationalism was not the means by which the American state mobilises popular support behind imperialist adventures like those in Afghanistan and Iraq.<sup>10</sup>

The application of neoliberal policies over the past thirty years has increased the alienation and atomisation which is the normal condition of everyday life under capitalism, but it has also

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done more. “Capitalism needs a human being who has never existed”, writes Terry Eagleton, “one who is prudently restrained in the office and wildly anarchic in the shopping mall.”<sup>11</sup> But precisely because these human beings do not exist, because the economic and the social are not as separate in life as they are in academic disciplines, the anarchy, the emphasis on self-gratification, self-realisation, and self-fulfilment through commodities has tended to permeate all relations, with uncertain consequences. In the face of the resulting ‘social anarchy and nihilism’, Harvey notes, with perhaps excessive restraint, “some degree of coercion appears necessary to restore order”.<sup>12</sup> Unchecked, the future will be as foreseen by George Steiner at the fall of the Berlin Wall: a combination of repression and commodification, “The knout on the one hand; the cheeseburger on the other.”<sup>13</sup> But repression on its own will not produce the degree of willing acceptance which the system requires.

In these circumstances nationalism plays two roles: it provides a type of psychic compensation for the direct producers which is unobtainable from the mere consumption of commodities, and it acts as a means of recreating at the political level the cohesion which is being lost at the social. It is no accident that the nationalist turn in the ideology of the Chinese ruling class became most marked with the initial opening up to world markets in 1978 and the suppression of the movement for political reform in 1989, which was followed by a ‘patriotic education campaign’; the general tone of which continues to this day, as in different ways Taiwanese and Tibetans have discovered to their cost.<sup>14</sup> Britain is in no position to criticise the Chinese in this respect: two of the most disgraceful statements to have been made by Gordon Brown – from an admittedly crowded field – are that we should stop apologising for the British Empire and that British jobs should be the preserve of British workers.

### Problems of Blowback

The division into national territories has always helped to allocate where the devaluation or destruction of capital occurs, as one set of state managers attempt to protect their ‘own’ capitals from the pressure of global crisis at the expense of other sets attempting the same. This occurs most sharply in cases of actual military conflict: “In an age of mass politics all interstate wars are nationalist wars, conducted in the name of nations and purportedly in their interests”.<sup>15</sup> But war is scarcely the only, or even the most common form of geopolitical rivalry. Edward Luttwak describes the new rivalries as “geo-economics” or “warfare by other means”; “In it, investment capital for industry provided or guided by the state is the equivalent of firepower; product development subsidised by the state is the equivalent of weapon innovation; and market penetration supported by the state replaces military bases and garrisons on foreign soil as well as diplomatic influence.” These are not simply analogies. As Luttwak notes, war may be “different from commerce, but evidently not different enough”; “In particular, an action-reaction cycle of trade restrictions that evoke

retaliation has a distinct resemblance to crisis escalation that can lead to outright war”.<sup>16</sup>

But what Luttwak calls the “adversarial attitudes” mobilised by states can of course escape the control of those who initially fostered them. Ian Kershaw suggests that one of the reasons the Japanese military elite were forced into the Second World War was that it had encouraged levels of mass chauvinism and expectations of military-territorial expansion from which it could not retreat without provoking popular hostility: the generals were trapped in a prison of their own devising.<sup>17</sup> Norman Stone argues more generally that the First World War could not have been brought to a negotiated end by the end of 1916 no matter what the politicians and generals may have wished, because the nationalist hatreds they had encouraged, now amplified by the deaths, injuries and destruction, had acquired their own ‘momentum’ and called forth leaders committed to victory.<sup>18</sup> But similar outcomes can be found in the neoliberal era. Gowan has argued that Conservative hostility to the EU, now inherited by New Labour, is inexplicable at purely policy level, given the neoliberal programme upon which EMU (Economic and Monetary Union) is designed to institutionalise and to which all British parties are committed. But because the neoliberal reforms have so singularly failed to rejuvenate the British economy, other than by enriching a new rentier class, it would be exposed to competition which would reveal underlying weaknesses that neoliberalism was supposed to have corrected. Resurgent imperial nationalism was unleashed for the purposes of defending one version of the interests of national capital, but now prevents British politicians and state managers from pursuing any other strategy, however rational from their perspective.<sup>19</sup>

But there is another danger for ruling classes too, namely that neoliberal nationalism will lead to the fragmentation of neoliberal states. Harvey writes: “Margaret Thatcher, through the Falklands/Malvinas war and in her antagonistic posture towards Europe, invoked nationalist sentiment in support of her neoliberal project, though it was the idea of England and St George, rather than the United Kingdom, that animated her vision – which turned Scotland and Wales hostile.”<sup>20</sup> But would the hostility of (some) Scottish and (some) Welsh people have been less had Thatcher conveyed a sense of Britishness rather than Englishness? Gordon Brown is currently trying to do the former, with no real success. The difficulty here is a deeper one. Because nationalism is such an inescapable aspect of capitalist development, the first response to intolerable conditions is to seek to establish a new nation-state, although this is usually only possible where some level of national consciousness already exists, as it does in Scotland. In other words, neoliberalism may require nations, but it does not require particular nations.

### Alternatives to Nationalism?

In spite of the risks, however, it is not clear what could replace nationalism as a means of securing even the partial loyalty of the working class to the capitalist state and preventing the formation

of class consciousness. (Football doesn’t quite do it although it sometimes appears to be one of the candidates). Early on in the neoliberal era, Raymond Williams noted that “a global system of production and trade” also required “a socially organised and socially disciplined population, one from which effort can be mobilised and taxes collected along the residual but still effective national lines; there are still no effective political competitors in that”.<sup>21</sup> In many ways, nationalism took over the role of religion as ‘the heart of a heartless world’ and it is not clear how the latter could reclaim that role. The resurgence of religious belief is real, although not extensive enough to roll back all the achievements of secularisation, and it is almost everywhere subordinated to local nationalisms. And there is a further difficulty. One

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ideological aspect of the ‘War on Terror’ has been a revival of a pre-Marxist or vulgar Enlightenment critique of religion, focussed on the supposedly backward nature of Islam. For this critique to carry any credibility, however, it must be extended to all religions; hence the appearance of books with titles like ‘Against all Gods’, ‘The God Delusion’ and ‘God is not Great’. My point here is not the absurdity or moral bankruptcy of highly paid establishment intellectuals like Richard Dawkins and Christopher Hitchens posturing as heroic opponents of religious tyranny, but the fact that there is a division within bourgeois thought on the subject of religion which makes it unusable as the principle means of achieving ideological cohesion.

Could loyalties be transferred upwards to a global or even regional state? Montserrat Guibernau has argued that the European Union will ultimately require “European national consciousness” to give coherence to the otherwise uneven group of nations which comprise that body.<sup>22</sup> But as Benedict Anderson writes, “*in themselves*, market-zones, ‘natural’-geographic or politico-administrative, do not create attachments. Who would willingly die for Comecon or the EEC?”<sup>23</sup> Nor could loyalties easily be transferred downwards to individual capitals. It has been known for workers to support their company, even to make sacrifices to maintain it in business. But this tends to happen where these are local, well established and where workers are employed on a long-term basis. Where workers make sacrifices in terms of job losses, worsened conditions and – as happened in the USA during the 1980s – actual

cuts in pay. They do not do so because of loyalty to the firm, but because they see no alternative that does not involve the even worse fate of losing their job entirely. Individual managers or 'team-leaders' may internalise the ethos of McDonalds or Wal-Mart, but workers cannot: the reality of the daily conflict between themselves and the employer is too stark to be overcome. Beyond this, even those companies which still retain health insurance and pension arrangements come nowhere near providing the integrative functions of even the weakest nation-state. It is of course possible for workers outside a company to celebrate its achievements – but only because it is national.<sup>24</sup>

## Conclusion

Neoliberalism is a reorganisation of capitalism and, like all forms of capitalism, it needs both the territorial nation-state form and the ideology of nationalism. For Scots, perhaps closer to the establishment of a nation-state than at any time since 1707, the point is of extreme importance. There are many reasons, including Trident, Afghanistan and Iraq, why no-one should lift a finger to preserve the British imperial state; but that is a tactical consideration. If the argument of this article is correct, then forming a new nation-state will not in itself relieve the pressures that make that option an attractive one. In social terms, the minority SNP government is operating close to the limits of reformism, largely in order to build an electoral base at the expense of the Labour Party.<sup>25</sup> The limits are set by its adherence to the neoliberal economic agenda and they will be reached very shortly. When that happens, regardless of whether Scotland is in or out of the UK, we would do well to remember that, ultimately, nationalism of any sort is – to paraphrase a slogan of 40 years ago – part of the problem, not part of the solution.

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## Notes

1. Available on-line from the Ludwig von Mises Institute at <http://www.mises.org/nsande>
2. See, for example, M. Wolf, 'Why Globalization Works', New Haven: Yale University Press (2002), pp. 36-38, 98-99, 122-126.
3. D. Harvey, 'A Brief History of Neoliberalism', Oxford: Oxford University Press (2005), p. 84.
4. D. Harvey, 'From Managerialism to Entrepreneurialism: The Transformation in Urban Governance in Late Capitalism', *Geografiska Annaler*, 1989
5. R. Brenner, 'The Economics of Global Turbulence: the Advanced Capitalist Economies from Long Boom to Long Downturn', 1945-2005, London: Verso (2006), p. 268.
6. C. Harman, 'The State and Capitalism Today', *International Socialism*, second series, 51 (Summer 1991), pp. 32-8; B. Anderson, 'The New World Disorder', *New Left Review*, I/193 (May/June 1992), p. 6; Harvey A Brief History of Neoliberalism, pp. 35-6.
7. L. Greenfield 'The Spirit of Capitalism: Nationalism and Economic Growth', Cambridge, Massachusetts: Harvard University Press (2001), p. 473.
8. G. Lukacs, 'Lenin: a Study in the Unity of his Thought', London: New Left Books (1970), p. 66.
9. N. Davidson, 'The Origins of Scottish Nationhood, London: Pluto (2000), p. 7-46; 'Reimagined Communities', *International Socialism*, second series, 117 (Winter 2007/8), pp. 158-60.
10. T. Nairn, *Terrorism and the Opening of Black Pluto's Door* in Tom Nairn and Paul James, 'Global Matrix: Nationalism, Globalism and State Terrorism', London: Pluto (2005), p. 233
11. T. Eagleton, 'After Theory', London: Allen Lane (2003), p. 28.
12. Harvey, 'A Brief History of Neoliberalism', 82.
13. G. Steiner, *The State of Europe: Christmas Eve, 1989*, 'Granta 30, New Europe!' (1990), p. 131.
14. See, for example, C. R. Hughes, 'Chinese Nationalism in the Global Era', London: Routledge (2006).
15. M. Beissinger, *Nationalisms that Bark and Nationalism that Bite: Ernest Gellner and the Substantiation of Nations*, in J. A. Hall (ed), 'The State of the Nation: Ernest Gellner and the Theory of Nationalism', Cambridge: Cambridge University Press (1998), p. 176.
16. E. Luttwak, 'Turbo-Capitalism: Winners and Losers in the Global Economy', London: Weidenfeld and Nicholson (1996), p. 128.
17. I. Kershaw, 'Fateful Choices: Ten Decisions that Changed the World', 1940-1941, London: Allen Lane (2007), pp. 105-6, 380.
18. N. Stone, 'World War One: a Short History', London: Allen Lane (2007), p. 97.
19. P. Gowan, *British Euro-solipsism*, in Peter Gowan and Perry Anderson (eds), 'The Question of Europe', London: Verso (1996), pp. 99-103.
20. Harvey, 'A Brief History of Neoliberalism', p. 86.
21. R. Williams, 'Towards 2000', Harmondsworth, Penguin (1983), p. 192.
22. M. Guibernau, 'Nationalisms: the Nation-State and Nationalism in the Twentieth Century', Cambridge: Polity (1996), p. 114.
23. B. Anderson, 'Imagined Communities: Reflections on the Origin and Spread of Nationalism', Third Edition, London: Verso (2006), p. 53.
24. Greenfield, 'The Spirit of Capitalism', p. 483.
25. N. Davidson, 'Scotland's New Road to Reform?', *International Socialism*, second series, 118 (Spring 2008).