Nationalism and Neoliberalism

Neil Davidson

Supporters of free market economies have always been ambivalent towards nationalism. In an important book called ‘Nation, State and Economy’ (1956) justifying Austrian attitudes, 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.1 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:2 Yet if we look beyond the rhetoric of neoliberal and 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”.3 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 essentially 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.4

Neoliberalism has not succeeded in reducing either poverty or inequality, 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 1974.5 Accumulation has come to rely on increasing productivity (on 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 educating 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 interest in retaining territorial home bases for its operations.6 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. If for 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.7 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 contributions of those 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.”8 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.9 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 of the other countries is nothing but the debility of the American state. The point is by which the American state mobilises popular support behind imperialist adventures like those in Afghanistan and Iraq, and 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.”10 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.11

1 It is misleading to speak of nationalism as ‘support behind imperialist adventures’; the nationalism is the necessary ideological corollary of capitalism, not the other way around.


3 “The neoliber state needs nationalism of a certain sort to survive.”


5 Harvey, Condition, p. 405.

6 Harvey, Condition, p. 218.


9 Nairn, The Impossible State, p. 18.

10 Nairn, The Impossible State, p. 15.
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.”8 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”.11 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.”12 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 procedures which is undertaken 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.13 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 deflect 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 from the more 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.13 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.

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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.14

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.15 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