

Nationalism's Dividends

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Since initiating market reforms in 1978 . . . China has experienced rapid economic and social development. GDP growth has averaged nearly 10% a year—the fastest sustained expansion by a major economy in history—and more than 850 million people have lifted themselves out of poverty. . . . Although China's GDP growth has gradually slowed since 2012, as needed for a transition to more balanced and sustainable growth, it is still relatively high by current global standards.

There is nothing in the entire history of the world that compares to this Chinese achievement of last forty years, in terms of both the magnitude and rapidity of its impact on the condition of humanity. Between 1990 and 2005, China accounted for more than three-quarters of global poverty reduction. Anyone wishing to make the world better, and to reduce human

suffering, should observe, study, and follow the example of the Chinese government.

How was China able to achieve such extraordinary economic success? It did so by encouraging the spread of *economic nationalism*.

Mainstream academic “theories” of nationalism, which still dominate comparative politics bibliographies in run-of-the-mill courses in the social sciences, affirm that nationalism arises out of the independently emerging *needs* of the modern economy. These “theories” are essentially Marxist in their inspiration and rely for evidence either on altogether fictional cases, such as “blue” people and the states of “Ruritania” and “Megalomania,” or on cases carefully selected because they obligingly (but only apparently, as it happens) fit the proposed speculations. Such speculations do not take history into account and thus usually get it backwards. Contrary to these theories, history shows that the modern economy is the product—not the creator—of nationalism.

A modern economy is an economy systematically oriented toward growth instead of subsistence, unlike premodern economies. Since the nineteenth century, this systematic orientation toward growth has been referred to as “capitalism.” But it could be observed well before it was so named—since the mid-sixteenth century, after the first society to develop national consciousness, England, began consciously pursuing economic nationalism. This modern economic orientation has led to the consistent (and dramatic, in comparison to all the previous centuries of human history) accumulation of wealth: first in nations that practiced it and then, because of their impact, the world as a whole. It contributed to the explosion of the human

population, allowing a far greater percentage of infants born to survive than was possible in precapitalist ages. All this—economic growth, capitalism, rising standards of living, and the concomitant drop in infant mortality—was the result of nationalism.

The Nationalist Ethic and the Spirit of Capitalism

The sudden reorientation of economic activity from subsistence to growth requires an explanation. Until recently the only authority on the subject—the only one who, rather than taking this great transformation for granted, attempted to provide a carefully considered answer to it—was Max Weber. Weber pointed out that the subsistence orientation was rational, while the orientation to growth was not. In economies oriented to subsistence, people accumulated wealth to live, rather than living to accumulate wealth. As rational economic agents, they worked hard and saved until they felt they had enough for whatever condition they defined as comfortable. Upon reaching this state of comfort, they stopped and began to spend their savings. The great majority never accumulated much: in good times, there was just enough to survive; in the very best days, enough to raise more children.

Subsistence economies were repeatedly cut to size by the “Malthusian scissors.” When they grew, people produced more children who survived to maturity, but the growing population consumed any surplus stock of the economy. As a result, the economy contracted, the population decreased, and the cycle began again.

So it went until the time when this orientation to subsistence was replaced by a very different one, in which ever increasing wealth became the end, and human lives the dedicated means to achieve it. This new orientation was fundamentally irrational, turning on its head the central principle of rational behavior—the pursuit of pleasure and avoidance of pain. As Weber stressed in *The Protestant Ethic and the Spirit of Capitalism* (1905):

The *summum bonum* of [capitalism], the earning of more and more money, combined with the strict avoidance of all spontaneous enjoyment of life . . . is thought of so purely as an end in itself, that from the point of view of the happiness of, or utility to, the single individual, it appears entirely transcendental and absolutely irrational. . . . Economic acquisition is no longer subordinated to man as the means for the satisfaction of his material needs. This reversal of what we should call the natural relationship, so irrational from a naïve point of view, is evidently as definitively a leading principle of capitalism as it is foreign to all peoples not under capitalistic influence.

Such a reorientation to growth could only be accounted for by the emergence of a new system of values, one which provided a new rationale for the economic activity in which the majority of the population is engaged. The constant accumulation of wealth—“profit and ever-renewed profit”—had to become a means for achieving another supreme and self-sufficient good. Weber’s thesis was that this new supreme good was the certitude of salvation—of which the Protestant (Calvinist) dogma of predestination deprived its believers, making the search after it a psychological imperative.

This sensible explanation was confronted with contradictory evidence almost immediately, however. Weber's claim that Calvinism was the essential ethical system behind capitalism could not account for, among other difficulties, the singularity of the English case, the persistence of a subsistence orientation in the Calvinist Netherlands (where the prodigious economic growth of the so-called Dutch Golden Age from the mid-sixteenth to mid-seventeenth centuries was followed by an absolute decline of similar proportions), and the subsequent, rapid development of economies of sustained growth in several Catholic and Lutheran countries. While Weber's general reasoning that such a momentous change in economic motivations could only be explained by a new system of social values was doubtless correct, the specific set of attitudes he identified as the cause was wrong.

The new system of values that accounted for all these empirical anomalies, that inspired the reorientation of economic activity to growth, and which thus was "the spirit" that animated capitalism, was not Calvinism but *nationalism*. The new ethic did not represent a change in a religious worldview, but replaced it by a dramatically different, *secular* image of reality. This explanation, which has none of the problems facing Weber's claims, is nevertheless consistent with the logic of his argument.

The reason why nationalism encourages an orientation to growth is clear. Focused on this world (the experiential and empirical), which it endows with ultimate meaning, nationalism has at its core an image of social reality whose fundamental building blocks are nations—sovereign communities of essentially equal members. As I discussed in the Winter 2018 issue of *American Affairs*, this *democratic* consciousness emerged in England after the Wars of the Roses (1455–87), a protracted conflict that destroyed the

English feudal aristocracy and inaugurated a century of massive social mobility, mostly upward, inconceivable in the feudal/religious framework of the “society of orders.” The new aristocracy that followed needed to rationalize this mobility in order to make it both understandable and legitimate. In its search for such a rationalization, it came to equate “people” (a word which previously referred to the general population but specifically to the lower, common strata or plebs) and “nation” (which at that time connoted the elite with the authority to decide on the religious, and therefore political, fate of the polity it represented). Defining the people of England as a nation symbolically elevated the entire population to the dignity of the elite and made all Englishmen equal, particularly in their ability and right to govern themselves. The inherent egalitarianism of nationalism—and the view that the community of living members is the bearer of supreme authority—necessarily elevates the status of every member, infusing personal identity with the dignity of the elite.

When the source of dignity lies in national membership, individual dignity becomes tightly associated with the dignity of the nation, measured by its international position or prestige. The national population in each case is strongly committed to maintaining the prestige of its nation; this makes nationalism an inherently competitive ideology. Nations compete in military strength, in scientific achievement, in sports, in ballet, in the quality of their chocolate, in morals and social justice. (For instance, our nation, among other things, claims to lead the world in respect for human rights, liberty, and equality.) But the competition is always for national dignity.

Such international competition necessarily becomes constant because prestige is a relative value: no matter how well one does, somebody else can

always do better. When the economy becomes the focus of national competition, this results in an orientation toward the accumulation of ever-increasing wealth and continuous growth, that is, capitalism. This explains the persistence of what is, from the individual's point of view, an irrational behavior: the dedication of life to the accumulation of wealth, rather than the other way around. It is rational only in relation to its value context: the seemingly endless growth actually serves an end—that of increasing national prestige and, therefore, the dignity of the individual in economically competitive nations.

National prosperity, reflected in GDP or GDP per capita, may be used as a measure of economic superiority, but it is always superiority that is at stake, not prosperity as such. In the 1980s, there was panic in the United States over the loss of “competitiveness” vis-à-vis Japan, though that country's possible emergence as “Number 1” had not diminished American standards of living, even if it might have theoretically implied economic subordination. Today the same is happening vis-à-vis China: the competition is always for status—a relative rather than absolute good, and therefore a zero-sum game. Economic theorists, treating economic growth as natural and inherently rational, analyze how to achieve it. But they rarely ask questions about why it is important or what ends it serves. They do not take these issues into consideration, and for this reason—despite the enormous authority that they enjoy—they so often get things wrong, misleading and obfuscating instead of helping and clarifying.

Early Economic Nationalism

Nationalism emerged in England in the early sixteenth century. For about two centuries, England alone was a nation (even though the English saw nations everywhere around them). Thus it is not surprising that the English economy was the first to become competitive, to reorient itself toward growth. It was this nationalist motivation, not any material advantage it enjoyed, that propelled England to a preeminent economic position, which it maintained until the twentieth century. Before it embarked on its road to economic dominance, England enjoyed no such advantages. Its economy, compared to those of its neighbors like the Netherlands, France, or Spain, was backward and weak.

English economic nationalism prompted the development of multi-economy commerce (which would soon be called *international*). The importance of foreign trade dramatically increased within the economies it connected, weaving a complex web of interdependencies that we have since named “globalization.” Economic nationalists set their sights on the expansion and control of foreign markets for the domestic—national—product, while protecting the domestic market from any dependence on foreign products.

The first act in this drama played out already in the sixteenth century, when the first national merchant company, the Merchant Adventurers of England, was incorporated in 1564. The company drove the Hanseatic League from England and virtually monopolized the European cloth market. In 1601, the company’s secretary, John Wheeler, issued the first tractate in economic theory, *A Treatise of Commerce*. A manifesto of economic nationalism, it persuasively argued for the importance of domestic monopolies and

protectionist policies vis-à-vis foreign traders for the power and prestige of the nation.

The merits of commerce in general, and the way it was carried on by the Company of Merchant Adventurers, Wheeler wrote, lay in the “benefits and commodities arising by [them]” to the English “State and Commonwealth.” The preference for regulation over free trade was justified by “*Experience*[,] *the surest Doctor in the School of Man’s life*,” which taught that regulation does greater good to the commonwealth of England. Free—or, as he called it, “dispersed, straggling, and promiscuous”—trade, by contrast, at best benefited a few “private English.” These profiteers, in their disorganized ways, made “vile the principallest commodity of the Realm,” namely, cloth, “embasing that excellent Commodity [to] the discredit of our Nation.” Unlike “private gain and lucre seekers,” the Merchant Adventurers, in their various undertakings, were “moved in duty toward her Majesty and their Native Country.” The organization of the Company, specifically, had the purpose of

the Preservation of Amity, and the Intercourse between the Realm of England and their Neighbours and Allies, and the Preventing of Innovations, griefs, wrongs, and exactions contrary to the same . . . the great Vent, Advancement, and keeping in Estimation of English Commodities, and the bringing in of foreign Commodities good cheap . . . the Maintenance of Navigation . . . the Increase of Queen’s Incomes and Customs . . . lastly, the Honor and Service of the Prince and of our State and Country, at home and abroad.

It should be noted that, in Wheeler's list, the political and prestige-related benefits take precedence over the strictly economic. The last chapter of the book (clinching the argument) stressed throughout the contribution of commerce, and of the Merchant Adventurers in particular, to the honor and dignity of England. At the same time, economic nationalism was already at this early stage presented as benefiting everyone involved: it clearly appeared to Wheeler that what was good for the honor and dignity of England was also beneficial to the neighbors and allies connected to it in trade.

Economic Nationalism and Liberal Economics

The ultimate aspiration of economic nationalism, logically, would be control of the global market—making the entire world dependent on one's national product and thus in various ways serving one's national interest. In the sixteenth century, of course, even English nationalists could not define their dreams in such terms. For them, the way to global dominance lay through protectionism and regulation. Only much later would the desire for economic supremacy be connected to liberal economics, when policies of free competition at home and free trade abroad would come to be embraced as useful to the pursuit of national interests.

Indeed, economic nationalism originally took the form of mercantilism, which reigned in England and then Britain throughout the sixteenth and seventeenth centuries—remaining dominant until 1776, when Adam Smith published *The Wealth of Nations*. By that time, Britain was already the undisputed economic hegemon in whatever it counted as the world. It was this change in its position vis-à-vis its competitors that motivated a change in its economic thinking. Adam Smith suggested a new approach towards

competition: free trade inside and out. This was not a matter of principle but of pragmatic consideration for him. Smith was a nationalist (which implied that he viewed the economy as a means to the greater good of national dignity or superiority); his support for the Navigation Acts indicated that he saw nothing wrong with protectionist trade policies so long as they served this purpose. But he was convinced that under the conditions obtaining at the end of the eighteenth century, the national interest would be better served by free trade.

Other nationalists understood the interests behind Smith's argument. Some theoreticians in German universities of the early nineteenth century worshipped at the altar of *Smithianismus* and liberal economics—which became identified with Smith in no small degree due to their efforts. But the nationalist Friedrich List, a practical man, insisted that free trade promoted British national interests at the expense of nations with less powerful economies. His American friends fully agreed with him and made certain that the land of the free would stand fast against free trade until well into the twentieth century.

Because of its initial identification with England—and the identification of England with liberal *politics*—capitalism, since the early nineteenth century, and especially after Marx, became identified with political and economic liberalism. According to the theory, economic liberalism—free trade and free competition—was necessary for the development of capitalism, and political liberalism was a condition for economic liberalism. But the identification of economies oriented toward growth with economic and political liberalism is contradicted by three out of the four nations entering the race after England: France, Germany, and Japan. Even the economic regimes of the

two exemplars of politically liberal nations, England and the United States, could not be characterized as embracing “free trade” liberalism until relatively late—not until the latter half of the nineteenth century in England, and after World War II in the United States.

Only after becoming the hegemon did Britain begin its transformation into the champion of free trade. It naturally wanted its industrial goods to move out and natural resources to move freely in; free trade was now in its national interest. Its new position was represented as the demand of the sophisticated science of economics (just like the one it replaced) and was equated with connecting the world into one economic system, equally beneficial for all participants—globalization, albeit without the name.

Thus associated with liberal economics, under the aegis of the British Empire, by 1914 international economic integration had advanced to a degree not surpassed until at least a whole century later. But what looked like a wonderful idea (and development) from the British point of view appeared quite sinister to those who were not in the position of economic hegemony. Where Britain saw itself weaving the world into one happy family, others saw only the growing dependence of their nations on Britain. Lenin, for instance, called the spreading system of economic interconnections, aided by free trade, “imperialism”—a sharply derogatory term, suggesting predatory rather than benevolent intentions. Across the Atlantic, meanwhile, the widely hailed “American system” stood not for economic liberalism and free trade but for protectionism and caps on competition with international goods.

After World War II, as Europe and Japan lay in ruins, the United States replaced Britain as the world's supreme economic power. It was at this time that the "American system" acquired its contemporary connotation of economic liberalism—though this has never been completely justified by U.S. economic policies. Globalization under the banner of free trade became the expression of American economic nationalism, just as it was previously associated with British economic nationalism during the latter's hegemonic stage.

With the power to dictate to other nations what is good for them, first Britain and then the United States viewed and framed their own national interest—parlaying their economic superiority into tremendous international prestige and superpower status—as an objective, scientific position. Cosmopolitan academic, business, and political elites with a *personal* interest in being in the superpower's good graces were especially likely to be convinced.

For most of the twentieth century, of course, another superpower contested for the allegiances of such cosmopolitan elites. Its status reflected its position in the international anti-capitalist movement and was bolstered by its enormous military capacity, rather than economic power. But after the Soviet Union collapsed, the only choice these elites faced was the choice between American economic nationalism (dressed as policies scientifically proven to be in the interest of humanity) and the economic nationalism of their respective, weaker nations, which they generally found unenlightened, plebeian, and unappealing.

Economic Nationalism Arrives in Asia

To anyone who takes history as a more reliable guide than economic “theory,” it is evident that, as a matter of fact, economic globalization—even in the limited sense of the integration of independent economies into a common system—is not in everyone’s interest. It is equally evident that the great powers imposing globalization on others typically do not bother to take the weaker countries’ interests into consideration. There is no better example of how this actually proceeds than that of the “opening” of Japan to foreign trade.

For 250 years, that small and resource-poor country kept itself isolated from the rest of the world. It was governed by an authoritarian regime, as was the case everywhere except England at the beginning of the period (1590s), and as everywhere save a few more exceptions at its end (1850s). But it did not intrude in anyone else’s affairs and sought to bend no foreigners to its will. It simply did not allow entry to foreigners and discouraged any interest in them among the domestic population. The only thing that Japan expected from the rest of the world was to have its indifference to outsiders repaid by similar indifference. Oriented toward subsistence, its economy throughout this period was subject to cycles of growth and decline, did not progress systematically, and nobody in Japan thought that it should.

By the mid-nineteenth century, however, Japan’s isolationism became a problem for the American whaling industry. In order to continue growing, it was essential that the U.S. fleet obtain a place to resupply in the Japanese part of the Pacific. President Millard Fillmore, therefore, instructed the emperor of Japan by a letter—which referenced the “powerful squadron” of men-of-war he sent to deliver it—to open his ports to American whalers. The sally of the American “black ships” attracted the Russians and the

British to Japan's territorial waters. And with this pressure, which included the shelling of a coastal city, Japan was opened to trade.

Nobody could imagine, at the time, how dire the consequences of this imposition would be. The long-term effects include the attack on Pearl Harbor in 1941, the war in the Pacific, and the detonation of atomic bombs over Hiroshima and Nagasaki in 1945. For the intruders brought with them nationalism and awakened in Japan the competitive concern for national dignity (which was naturally outraged by the manner in which the country was bent to a foreign will). The alacrity with which Japan adopted this new, secular, and competitive view of reality is astonishing: it had its nationalist ideologists already by the late 1850s. And because nationalism was presented to them in a "globalizing" economic packaging, Japanese nationalism from the outset was an aggressive economic nationalism with imperial aspirations. Within a generation, the country had reorganized itself on new, nationalist principles. Early in the twentieth century, already a formidable military power with a record of victories over China and Russia, it was pressing on the heels of the British, American, German, and French economies. Indeed, the four front-runners complained of being "menaced" and "harassed" by "a powerful stream of Japanese manufactures."

Nationalism Arrives in China

The spectacular self-assertion of the newly minted Japanese nation triggered the process of nationalism's "globalization," specifically its entry into China. Chinese national consciousness dates back to the defeat of China at the hands of Japan in the First Sino-Japanese War of 1894–95. Japan was always a significant other for China; as the site of the Eastern Capital, it owed the

Middle Kingdom filial respect and obedience. Its blatant disrespect thus undermined China's own self-respect, with some Chinese elites taking this affront personally. Immediately springing to action, they decided to investigate what had made their former subordinate so mighty. The brightest Chinese intellectuals went to Japan to study and were converted to the new consciousness that had actuated their rival's rise—nationalism.

Little more than a decade after the beginning of these Chinese educational journeys to Japan, China developed its own nationalist movement (Guomindang). Within about two decades, the Guomindang had a rival—the Communist movement. This competing movement was modeled on the Bolsheviks in Russia, by that time already installed as the government within a one-party system. Like this Russian model, the Chinese Communist movement was essentially nationalist (which is made abundantly clear by the programmatic texts of Lenin and Mao, as well as the ease with which explicitly nationalist discourse replaced internationalist rhetoric over the years).

In the Soviet case, the Communist movement could not fully self-identify as nationalist because it was in the Russian national interest to preserve the empire, at least half of which consisted of non-Russians who could not be “Russified” because of the ethnic character of Russian nationalism. The Chinese Communists, for their part, did not initially self-identify as nationalist because they needed to differentiate themselves from the Guomindang. Maoists and Guomindang instead fought to preside over the Chinese nationalist project—the restoration of a dignified China, occupying a place in the world commensurate with its colossal size and five thousand

years of history. Eventually, this project proceeded under the Communist banner.

Both movements, however, represented only an elite sector, a tiny percentage of the Chinese population. Throughout most of the twentieth century, the Chinese people were not engaged. In Europe, nationalism added dignity to the identity of every human being, collapsing the “society of orders” and elevating the importance of the secular world. But in China—where this world has always been the sphere of the sacred, and individual dignity reflected one’s educational achievement—the introduction of nationalism could not have such an effect. The ideals of the Chinese leadership remained irrelevant for the masses, because the masses had nothing to do with the dignity or international prestige of China, and vice versa. Scholars enjoyed high status, while peasants and those engaged in business were looked down upon. The masses, by their very nature, could not contribute to the dignity of the nation; they were, in effect, culturally prevented from doing so.

After Mao’s death, his successor Deng Xiaoping’s reforms changed this. The change in policy implied a revolution in the leadership’s attitude toward economic activity. Previously, Chinese traditions that disparaged moneymaking denied the economic classes dignity. But now the Chinese people were to be the main shareholders in the collective dignity of the nation, and welcomed into the elite circle of contributors to the nation’s glory.

This competitive, nationalist motivation was formerly missing in China, preventing its ascendancy. But we have seen what this motivation did to the comparatively tiny Japan, and now China has acquired it. The speed and

enthusiasm with which hundreds of millions of Chinese responded to their rulers' invitation to join in the common national project took the world by surprise. Nobody expected China to become nationalistic all of a sudden. For this reason, its immediate economic competitiveness, if at all noticed as something new, was interpreted as a part of global secular trends, and the rapidity of China's ascendance to the position of world economic hegemon was not anticipated.

But within a matter of years, China will leave all other aspirants to economic superiority far behind, including those who currently enjoy it. It will simply be impossible for any Western power (each weakened by the disaffection of its elite and divided against itself) to overcome more than a billion Chinese, highly motivated and united in their national commitment. Only India might, perhaps, challenge this energetic mass in the future.

Under the leadership of China, economic globalization—the weaving together of disparate economies into one system—will proceed apace, as it is already. China will create ever more free trade zones, as it already does. It will insist on and wrench concessions from all its business partners. Its paramount objective will be to pursue its national interests, using its economic supremacy to maintain and increase its superior dignity and international prestige—and in doing so it will contribute to the prosperity of the world, while making the world dependent upon China.

To assert their independence and dignity vis-à-vis the Chinese colossus, some, like Russia, may throw even more of their energies into increasing their military capabilities, or into cultivating their arts and letters. But the

only way to compete in the economic sphere will be to return to the original economic nationalism of protectionism and state intervention.

Unless, of course, China persuades other nations that doing its bidding is a win-win situation.

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