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Document Version
Accepted author manuscript

Published in:
Journal of Modern European History

DOI:
10.1177/1611894420901427

Publication date:
2020

Marx, C., Gehlen, B. & Reckendrees, A. (2020). Ambivalences of Nationality - Economic Nationalism, Nationality of the Company, Nationalism as strategy: An Introduction. Journal of Modern European History, 18(1), 16-27. doi.org/10.1177/1611894420901427

Ambivalences of nationality – Economic nationalism, nationality of the company, nationalism as strategy: An introduction

Boris Gehlen, Christian Marx, Alfred Reckendrees

> "There will be no national products or technologies, no national corporations, no national industries. There will no longer be national economies, at least as we have come to understand that concept. All that will remain rooted within national borders are the people who comprise a nation."[1]

In the year the Soviet Union collapsed and one year after the German Unification, Robert B. Reich, then a political scientist, announced the retreat of nationality and the nation state. It was no longer the 'Wealth of Nations' (Adam Smith) that was the objective of (national) politics, but only the 'Work of Nations'. Tellingly, the subtitle of the German translation refers directly to 'the end of the national economy'.[2] Reich basically seized on an idea that Marx and Engels had already developed 150 years ago.[3] According to Reich's vision, the only element that could not be globalised was human workforce, which is why the most noble task of the nation state should be to increase 'human capital' through investment in education.

A contemporary observer in 2020 would most probably not want to speak of a declining relevance of the national. Just over 30 years after Francis Fukuyama declared the 'end of history',[4] (aggressive) nationalism seems to be on the rise; new trade barriers are created and industries are supported because they are perceived as 'national' industries producing 'national' goods. Politicians protect 'national' technologies. National governments protect 'national' companies, even if they are multinationals, from (too much) global competition or foreign takeovers because of their purported importance for the national economy.

The paradox of Reich's pointed yet well-founded prognosis and the developments of the past decade can help to address questions that have so far been largely ignored in historical research. The relationship between companies and the national possibly only comes to the attention of historians because, despite economic globalisation – as indicated by increased trade volumes, growing international direct investment, global and transnational value chains, a rising number of multinational companies, increasing international mobility of employees – nationality as phenomenon, concept, practice, culture, or political factor did not lose relevance as Reich had assumed in the early 1990s.[5]

However 'nationality' in regard to companies, and particularly multinational companies,[6] is conceptualised, the nationality of companies becomes directly and even materially relevant in cross-border transactions and investments. It is therefore hardly surprising that the significance of the nationality of companies differed depending on time and place, and that it underwent transformation processes that were sometimes constructed by legal regulations, sometimes by the company itself, sometimes by external attribution. Concepts such as 'liability of foreignness', 'cloaking', or 'loophole capitalism', which were developed or taken up in the literature on international business and business history, address such questions without invalidating the explanatory power of traditional views.[7] They include for instance John Dunning's eclectic paradigm, which, put simply, distinguishes between ownership-specific, location-specific, and internalisation advantages (OLI paradigm). It emphasises that firms of a particular nation may possess different advantages.[8] Already Raymond Vernon's product cycle model of the 1960s stressed the significance of nationality.[9] What all these studies have in common is that they stress the companies' nation-specific advantages compared to firms of other nations.

However, such contributions have seldom found their way into general historical research. It is perhaps no coincidence that relevant compendia of nationalism research make do almost without economics and business.[10] The realisation that economic history and nationalism research have had too little contact with each other so far forms the basis of a recently published anthology, which illuminates economic nationalism as a field of research in a new and inspiring way.[11]

This Special Issue is intended to show that disregard leads to a loss of insights. It brings together four contributions that focus on different manifestations and effects of the national and of nationalism in economic contexts. They do not attempt to fully cover the large research field that emerges by referring to the concepts of corporate nationality, business-as-politics, economic nationalism, and nationalism as strategy, but they invite to a debate across inner-disciplinary borders.

1. Aspects of the national: trends in economics

The economic discourse about the national changed fundamentally during the late 1970s due to macroeconomic and political shifts favouring globalisation. Economists and policy makers increasingly concluded that future national prosperity would critically depend on domestic companies' ability to compete successfully with foreign companies.[12] By the mid-1970s, the Bretton Woods currency system guaranteeing stable exchange rates had collapsed, the first oil price shock hit the Western economies hard, and the long-lasting after-war boom had ended. Developed economies were left with falling profit rates, rising unemployment, and growing national debt. At the same time, economic interdependence between states grew due to increasing trade in goods and rising foreign direct investment (FDI). This related to European investments in North America, but more so to American takeovers in Europe.[13] Since the 1980s, Japanese companies increasingly penetrated the Western European and North American markets.[14] It was against this background that many observers focused on the international competitiveness of their domestic companies. The objective of French industrial policy – creating national champions – was an early example of this.[15] However, during the 1990s the debate about the Competition State took off.[16]

The discourse about the competitiveness of nations has been further fuelled from debates in the realm of political economy. Michael Piore and Charles Sabel pointed at the Fordist model of mass production of standardised goods that had come to an end.[17] Observers, such as William Lazonick, highlighted that national patterns of corporate governance were unevenly supportive to integrating employees, suppliers, and financiers into the company's development, which in his view was an increasingly relevant condition for successful technological innovation.[18] Another group including the aforementioned Robert Reich stressed the importance of human capital. Only those nations that would promote training and continuous qualification of their employees would encourage globally operating corporations to locate production within a particular country and thereby create jobs.[19]

The discussion did not so much aim at the competitiveness of national economies, but rather at that of companies. To this point we will return later, particularly with regard to the perception, attribution, and construction of nationality in and of companies. Before, we want to present briefly the logic of the disappearing national in the view of Robert Reich. He argued that the globalisation of markets, capital, and services would ultimately make national markets and companies as well as the whole concept of a 'national economy' obsolete. Reich primarily focused on the social polarisation of the US American society and the need to reform the education system in order to maintain international competitiveness. However, he also highlighted the role of companies for the economic development of a country and at the same time the declining relevance of 'national' categories in a globalised economy. The situation of the 1990s was fundamentally different from the post-war area when wealth was based on the success of the hierarchically structured core corporation, whose productivity gains benefitted all corporate actors. 'What was good for our country was good for General Motors, and vice versa', claimed Charles E. Wilson of General Motors.[20] Now, the multidimensional internationalisation of many companies – in search of raw materials, markets, production sites, investors, etc. – shattered this simple and very popular argument. According to Reich, the economy should no longer be conceived of as a national entity, it had to be understood as a global concept.

In a historical perspective, this line of thought abstracts too much from the fact that, for example, already the European economies in the nineteenth century have not been restricted to the territory of a nation state. Also the internationalisation of numerous companies had already begun decades earlier. Furthermore, even during the 1990s, national affiliation and the embeddedness of companies in national institutional settings persisted; the liberalisation of capital markets increased the exposure to market institutions all over the world, but it did not eliminate national differences.[21]

Finally, despite globalisation, the perception of 'nationality' did not necessarily change; more recently Chinese state-owned companies tried to acquire larger shareholdings in European corporations. Some takeovers were realised, but others politically suppressed. The reaction to Chinese (or Arab) takeovers indicates that national (and political) sentiments might continue to be very relevant for the global economy. Perceptions, attributions, and deliberate constructions of nationality appear to matter.

In our view, historical research should engage with these discussions and debates. Based on previous research on economic nationalism in history, it would be worthwhile to discuss the significance of the national and of nationality in companies and international business. Particularly, World War I caused a noticeable shift for companies with regard to national dimensions, nationality, and nationalism, some of which has remained significant since. Even in times of increasing economic interdependence and integration, national categories still seem to play a central role in economic exchange. Andreas Pickel argues that economic nationalism is not necessarily an ideologically motivated strategy, but often arises from congruent interests of companies and nation states and is thus the result of a multitude of individual decisions.[22] We should take seriously that in the last two centuries, the nation state and nationalism have been of varying significance but never been obsolete for the strategy of companies.[23]

2. The relevance of the economy in historical nationalism research

Economics and nationalism research have not always been as far apart as they are today; many philosophers of the Enlightenment considered the economy as a matter of course when contemplating the nation, before historicism turned the economy into a side stage of the state. The early socialists had a more subtle grasp of the interactions between socio-economic conditions and the political order. Karl Marx opposed the neglect of economic factors by historicism with his theory of historical materialism, thereby ensuring that economic aspects gained a certain significance in regard to the issue of nationalism, both within and outside Marxist literature. The Austro-Marxists, for example, argued in the context of the multinational Habsburg Empire with the existence of cultural nations, thus creating a link between economy, culture, and nation.[24]

Among economists, particularly German but also from other parts of Europe, the dimension of the state and the nation continued to be relevant throughout the nineteenth century; Friedrich List and others regarded economic development a responsibility of the state.[25] At the end of the century, similar ideas were renewed. In Germany, members of the so-called 'Younger Historical School of Economics' (*Jüngere Historische Schule der Nationalökonomie*) considered state intervention necessary in order to secure the economic prosperity of the German nation. And also the New Liberals in Great Britain regarded state interventionism a means to ensure the well-being of the nation. At the same time, increased nationalism influenced the idea of a close link between the economy and the nation; liberal nationalists and liberal imperialists saw the economic performance of a state as the basis of superpower status. Max Weber, although he did not advocate economic nationalism, represents that trend of economic and historical thought at the beginning of the twentieth century in Germany, which regarded the founding of the German Reich in 1871 as the basis for Germany's development into a European superpower.[26] Before World War I and in the context of imperialism even the nationally organised labour movements developed a whole range of nation-specific paths towards socialism, which were however based on the universal idea of a common future of socialist nation states and the general abolition of capitalism. The establishment of the Soviet Union as the first socialist state in 1917 served as a kind of model from then on.[27]

After World War II, numerous studies first tried to explain the rise of the National Socialists using political ideas, but under the impression of modernisation theory, social and economic issues gained weight in explaining nationalist movements.[28] For example, Ernest Gellner closely linked the rise of nationalism and the nation state to modernisation in the context of the emerging industrial society, stressing the role of print culture and education.[29] At the same time, John Breuilly published his book *Nationalism and* *the State*, which is one of the most important historical studies of nationalism.[30] Breuilly also deals with the question of the role of the state in emerging nationalism concluding that nationalism should be seen as the ideology of a national movement that wants to seize the executive power and authority of the state. Even though for Breuilly, like Gellner, economic processes are central to explain state authority, neither of the works presents engages with economic nationalism in detail.

In the field of nationalism studies, many authors gave great weight to economic developments explaining nationalism. Its most prominent representative is undoubtedly Eric Hobsbawm, for whom nationalism is an ideology for stabilising a rapidly changing world and asserting modern mass democracies. His prediction, however, that nationalism would lose its significance under the conditions of accelerated globalisation – here somewhat reminiscent of Reich – appears premature.[31] Among numerous studies, Liah Greenfeld's work stands out with a pronounced anti-Marxist framing of the economy. She assumes that social developments are not based on economic structures, but that, conversely, idealistic concepts support the economy. She argues in her comparative study that the spirit of the modern growth-oriented economy is not to be seen in the emergence of the rational economic actor, but in nationalism. She claims that different forms of nationalism have produced diverse forms of capitalism.[32] In addition to strands of research interested in the economic context of nationalism, the cultural turn in history led to a series of studies on nationalism in which discourses, symbols, metaphors, and cultural representations of nationalism have come to the fore. Nationalism research therefore centres around the two poles of a state-centred power perspective and a perspective oriented towards meanings and cultural representation.

Some connected fields might potentially be very interesting for economic nationalism research. This could be the case for postcolonial studies that might benefit from going beyond power imbalances between colonial centres and their peripheries.[33] Approaches from transnational history and global history that tie in with comparative capitalism research, history of products, and the relationship between economy and territoriality seem promising.[34] In this Special Issue, the two articles by De Vries and Ahrens emphasise effects of nationalism beyond the individual state and provide new impetus for nationalism research.

3. Perception, attribution, and construction of nationality in corporations

When calibrating the national, it is important to ask about its origins and about agency on the one hand, and about their perception and consequences on the other. Multinational companies represent a particularly interesting analytical unit here, as they show numerous facets of the national and nationality—not only with regard to the interconnection of political and economic interests but also in view of their activities in different national markets. Multinational companies could act according to or against national interests, they could link business success to national ideas, or, vice versa, fall victim to national policies in the case of expropriation or nationalisation.

Since the 1960s, corporate history has dealt intensively with the multinational enterprise (MNE) and tried to explain its logic of action and motives for foreign investment. Even the predominant term 'multinational' reveals an ambivalence, as these companies at the same time overcome national borders and unite several nationalities under one roof. Early research has, somewhat unconsciously, emphasised the divisive aspect, for example, by antagonistically juxtaposing home and host country, that is, a clearly identifiable country of origin of the company that invested in 'foreign' states.[35]

The boundaries between home and host country are of course much more blurred which becomes easily visible as we get closer to present times. Particularly MNEs with a long tradition are now perceived as 'global players' who appear to have grown out of a national context. For instance, Siemens is today 'active in almost every country in the world', employs about 31% of its workforce in Germany, and generates about 14% of its revenue from orders from its home market – respectively, with a downward trend.[36] Although key figures suggest the 'home country' is losing its significance for the company's development, the German business press still regards Siemens as a 'top German corporation'.[37] This perception is justifiable, as

Siemens AG is incorporated under German law with its corporate headquarters in Munich. It is an icon of German economic history. But this attribution already appears a construction for the first generation of Siemens entrepreneurs in the nineteenth century, as only Werner von Siemens holds German citizenship, while his brothers Carl and Wilhelm hold Russian and British citizenship, respectively.[38]

Observations such as this one show how ambiguous the 'nationality of a company' is. Above all, they suggest that this aspect may be subject to interpretation and change. Furthermore, the choice of different criteria results in different attributions. This is quite logical in itself, but it results in one MNE being able to have several 'nationalities' at the same time, that is, being truly 'multi-national'. Possible criteria for determining the 'nationality of a company' are, for example, the legal domicile of the company, the production locations, the citizenship of the employees, the management or the owners or the self- and external attributions of the companies (British American Tobacco, Deutsche Bank), as well as the image of products (Italian shoes, French champagne, German cars) and iconic brands (Coca-Cola, Huawei).[39]

This allows to assume that nationality, and in particular the attribution of nationality, might be a variable in the actions of a company that, like a chameleon, is always present, not always visible, and adaptable to different environmental contexts. As companies pursue utility calculations, it can be assumed that companies may 'reinvent' their own nationality or adapt it in response to changed political conditions, if they expect this to provide economic benefits. For example, a recent anthology of corporate history described German companies as winners of decolonisation after World War II. The core argument is that German companies profited from the fact that the absence of colonial legacy gave them a competitive advantage over companies associated with the former colonial powers (France and Great Britain) and the new hegemonic powers (United States and USSR).[40] The nationality of 'German' companies was initially neutral, but it advanced to become an economic resource through emerging national consciousness of former colonies. At first glance, this contradicts the assumptions of the international business literature as to which 'liability of foreignness' entails additional costs for companies, but at second glance, it ultimately only means that companies with a certain nationality incurred lower costs than companies with other nationalities.[41]

Different cost structures can have various causes: information asymmetries, scepticism of local consumers and workers, different legal systems, statutory, political or cultural barriers to market entry. The fact that foreign companies face additional problems because they are perceived as non- domestic is a stylised fact in the relevant literature. As early as the 1970s, Johanson and Vahlne implicitly took this into account by modelling the internationalisation of companies as a multi- stage tentative process (Uppsala model), in which uncertainty decreased with increasing knowledge of the foreign market, while the activities of the MNE in the host country expanded.[42] It is no coincidence that MNEs often first invest in neighbouring countries because geographical proximity, comparable legal systems, cultural proximity, or family relationships help reduce uncertainty. The model draws attention to interdependencies between multinational corporations and the economic, social, political, and cultural specifics of the nation states in which they operate.

This perspective can be connected to an economically oriented global history,[43] but it can also be linked to the political history and nationalism history by examining the interactions between nationalism (as a political concept) and business interests. In recent years, a strand of business history has increasingly focused on how MNE deal with political risk, that is, in particular with political instability as a result of regime changes and not least nationalism. A significant result of this research is that MNE have rarely withdrawn completely from a country due to political risks, but rather succeeded in influencing or at least arranging the processes in their own interests.[44]

The cursory reflection of literature shows that the nationality of companies attained special significance when the political field became nationalistically charged. Nationality, or the attribution of nationality, therefore played a relatively minor role before World War I. It was essentially a formality for Carl von Siemens that he had to become a Russian citizen in order to pursue his business activities in the Tsarist Empire; transnational entrepreneurial families in particular felt they belonged to a cosmopolitan capitalist class.[45] Until 1914, cross-border trade posed little risk of conflict for multinational companies either, and their nationality, however defined, was usually of little economic relevance. International economic policy was essentially limited to trade agreements and customs tariffs, which incentivised the internationalisation of companies that could handle exports (and thus customs) by setting up foreign subsidiaries. The gold standard favoured internationalisation and global competition and the economic integration of colonies encouraged the exploitation of raw materials.[46]

This changed fundamentally with the war. 'Nationality' became a challenge at many levels for international companies. Trading with the Enemy Acts differentiated between friendly and enemy states and made it possible for nation states to confiscate 'enemy assets'. Multinational companies lost intangible assets, especially patents, because they were attributed to an enemy state; companies had difficulty obtaining loans from foreign banks if they had a certain nationality. Legal and administrative restrictions in the inter-war period meant that it was now only possible for foreigners to set up subsidiaries abroad via detours, usually involving nationals of the host country.[47] At the same time, nation states, in agreement with domestic companies, attempted to prevent foreigners from acquiring equity shares and fuelled fears of foreign infiltration ('*Überfremdung*').[48]

The increase of multinationals since the 1970s has presented new challenges for the relationship between companies and nation states. Numerous political actors criticised multinational companies for supposedly circumventing national regulations and confronted their managers with a variety of attempts of national and international regulation. This was particularly the case in emerging markets with new national movements that had an interest in their own 'national' industry. Conversely, many Western governments showed more and more interest in (foreign) investment in the face of falling growth figures, thereby triggering cross-border competition between different national locations.[49]

This incomplete list illustrates the multidimensionality of the topic, which produces different problems at different times and addresses different levels: from the relationship between companies and politics to workforce, management, and ownership and to branding and intercultural transfer processes.

4. Aspects of economic nationalism and nationality in this Special Issue

The manifold facets of nationalism, nationality, and companies and their interrelations and ambivalences cannot be comprehensively analysed in a few articles. The following four essays focus on the company as an integral part of the discourse on nationality and nationalism and highlight very different dimensions that outline a broad spectrum of possible questions and contours of a new field of research. Above all, they are an invitation to examine aspects of economics and the role of companies as well as internal processes in companies more intensively in future nationalism studies.

Numerous management and company studies construct nationality as an objective criterion that allows companies to be classified and their behaviour and strategies to be explained. Following this logic, it is possible to describe companies as ‘German’, ‘French’, or ‘American’, even if their capital, their managers, their production and services, their workforce and their markets are broadly dispersed internationally. This approach may be helpful for quantitative investigations, but it is insufficient for historical analysis and for the question of the meaning of nationality. Eric Godelier therefore proposes the use of the concept of corporate culture in order to better understand and define the phenomenon. The ‘nationality’ of a company is all too often defined referring to national borders, even though transnational transfers are often very important for the development of a company. Management practices, for instance, can rarely be fully translated into other institutional and cultural contexts. This was demonstrated by the numerous problems faced by Western European companies that wanted to establish a business in the United States, as well as by US companies that were not familiar with German co-determination law, for example. Godelier discusses in this context the use of nationality as a means of describing and analysing organisational behaviour, and asks about the role of nationality in describing communities within multinational companies. Although various nationalities work together in all large international companies and the nationality of the respective company cannot be regarded as a given 'fact', nationality is still used as an instrument of strategic orientation and is therefore configured specifically. The emphasis on a certain nationality is thus often accompanied by attributions to management methods, working relationships, or product quality because these dimensions can be easily communicated internally and externally.

The clash of different nationalisms is particularly striking in Israel. The country was ruled by the British from 1917 to 1947 and was marked with regard to the question of nationality by various phenomena after World War II – the effort of the Jewish national movement to set themselves apart from the British imperial power; the numerous connections to Europe that still exist at different levels (politics, culture, economy, or even family); the differentiation from the Arab neighbouring states; the tense relationship with the Arab population of Palestine.[50] A decisive factor in advancing the Zionist settlement project and thereby gaining an advantage over the Arab community was the influx of private capital into Palestine, for which Zionism in turn was an important driving force. David De Vries demonstrates that Zionist industrial policy was an essential aspect of political consensus in the Jewish community and an inherent part of state-building ambitions. Participation in the war economy of the Allies during the war and in the establishment of the state of Israel was an essential resource for Zionist economic expansion. Economic mobilisation was a prerequisite for the continued welcoming of Holocaust survivors and Jewish immigrants from Arab and North African countries. At the same time, the steady influx of workers and consumers stabilised the economic upswing. The nation was not yet firmly established at that time; rather, it was projected and created through economic practice. Using the examples of chocolate production and the diamond cutting industry, De Vries shows how active membership of a national movement was used strategically to develop these industries. On this basis, companies were able to benefit financially from their commitment to the Zionist state. The example of Israel not only reveals the interaction of political and economic developments and possible points of contact between nationalism research and the history of the economy and companies. In view of the complex network of British–Israeli relations, it also highlights the considerable relevance of the colonial past for many companies and industries after World War II. There were particular dependencies and differentiation needs here, which were ignored far too long not only by research on economic nationalism.

De Vries' contribution illustrates the relevance of national interests—in this case, the establishment of a Jewish state—for the development of two industries. Ralf Ahrens, who focuses on the 'European' aircraft manufacturer Airbus from the 1960s to the 1980s, argues similarly.[51] The transnational, especially Franco-German, cooperation in large aircraft construction emerged in the 1960s essentially as a political project. Its declared goal, the development of an internationally competitive aircraft manufacturer, was at least in part directed against US competition; moreover, defence and power policy considerations also played a role in the development of a civilian aircraft construction industry. But economic success and international competitiveness (with European champions) were intended to advance the European project above all at the political level. This demonstrates a close link between national and transnational dimensions of European policy.[52] Ahrens concludes, however, that primarily particular national interests and very few ideas of an overarching European project took effect within the corporation. For instance, the German side used European cooperation as an instrument for maintaining its own national aircraft industry. Transnational structures nevertheless ultimately emerged from this. The narrative of European integration and Franco-German friendship, which was also used beyond the narrow economic context, undoubtedly increased the willingness of the nation states to use substantial financial resources for the Airbus project as the flagship of European integration in an industrial field of the future. Airbus remained a political project for a long time—building a profitable company was a secondary concern—and was therefore heavily dependent on subsidies.

While Ahrens focuses on national interests and the preservation and distribution of national production sites, Oliver Kühschelm focuses on consumer decisions, especially the call to buy products that are attributed to a specific nationality.[53] The phenomenon of consumers being asked to 'buy national' increased enormously during the twentieth century. The article discusses the historical constellations in which such demands arose and asks whether these demands were formulated within the framework of a broad national movement or whether certain interest groups attempted to use nationalism as an instrument for increasing turnover. Both processes could overlap. However, national movements were generally largely outside the control of manufacturers, while advertising campaigns were mostly initiated by the companies concerned. Even if the economic effectiveness of such demands for patriotic consumption can be called into question, they have often paved the discursive ground for protectionist measures in international trade, as seen again in the twenty-first century. Kühschelm points out that national branding with its discourses and practices might be further developed as an important and fascinating field of research on economic nationalism.[54]

On the whole, the four select contributions to the Special Issue focus on (a) the construction of nationality/nationalities within (multinational) companies, (b) the relationship between nationalism and business policies, (c) the use of companies for political aims, and (d) the nationalistic connotation of consumption as corporate strategy. These four articles and our very sketchy introduction do not attempt to fully cover and comprehensively analyse the large research field that emerges by referring to the concepts of corporate nationality, business-as-politics, economic nationalism, and nationalism as strategy. However, we hope that the selection prompts a lively discussion about nationality and nationalism, concepts that appeared to be issues of the past and are still present today—perhaps more present than anybody thought just 15 years ago.

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