

The Rise of the Capital-State and Neo-Nationalism: A New Polanyian Moment

Book proposal for the Brill *Global Populisms* series

by

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Introduction

We are witnessing a “populist *Zeitgeist*” (Mudde 2004) expressed by a vast array of movements, parties, and leaders across the globe – from Marine Le Pen’s *Front National* in France to *Jobbik* in Hungary, to Manuel López Obrador’s *MORENA* in Mexico and Pauline Hanson’s *One Nation* in Australia. Nationalist sentiments have surged anew both in the “Global North” – as symbolized by Trumpism and Brexit – and in the “Global South” – as represented by aggressive nationalisms in places like India and Brazil.

Unsurprisingly, the recent rise of populist nationalism has been the subject of growing academic and political interest. Populism has been defined and theorized in many ways: as an ideology (Mudde 2017), a discourse (Laclau 2005; Hawkins 2009), a style (Moffit 2017), a political strategy (Weyland 2001), or a reaction to neoliberalism (Fraser 2014; Mouffe 2018). Other scholars have linked populism to democratic decline (Müller 2016; Frum 2018). However, none of these works have addressed the question of structural changes in the political economies of nation-states. Despite much excellent work on themes such as conceptualization of populism, its origins, and the success or failure of populist parties, scholars examining this phenomenon have not yet fully explored the importance of pro-market state transformations and declining state legitimacy in creating and sustaining the recent “populist backlash.” This book aims to fill in this gap by focusing on the *political economy* of neo-nationalism in the contemporary phase of globalized development.

We need to understand the neo-nationalist phenomenon because it signals a fundamental unrest in the current socio-economic order. The central question the book asks is the following: what explains the rise of neo-nationalism? I arrive at the answer that neo-nationalism is a Polanyian protective reaction to the commodifying logic of the *capital state*. My research relates identity-based mobilization to the decreasing legitimacy of the state conditioned by neoliberal globalization and free market reforms of the last decades. The proposed book demonstrates that populist nationalism of both the Left and the Right has emerged to compensate for the real and perceived inability of the state to shield citizens from the corrosive effects of market fundamentalism. Discontented voters gravitate toward these political forces and embrace identity-based solutions – often in exclusivist and scapegoating forms – to harness their anxieties and insecurities triggered by the capital-state restructuring. The project thus contributes to our understanding of the dynamics of the inter-related nature of state, capital, and identity politicization through a broader social theoretical perspective.

The Scholarly Context

The book defines neo-nationalism as an assertive identity-maintenance project at the intersection of nationalism, populism, and radicalism. It adopts a critical political economic perspective to explore the systemic forces behind it. Such a perspective problematizes taken-for-granted socioeconomic and political structures and demystifies relations of power (Cox 1981; Gill 2016; Clift 2014: 155). The thrust of the argument is that neo-nationalism can be understood in Polanyian terms as a reaction to a renewed “great transformation” (Polanyi [1944] 2001) – a structural recalibration of the nation-state from a market-limiting to a market-making one (Streeck 2001; Levy 2006). I conceptualize this process as the rise of the *capital-state*. The project’s main insight is that there is an inextricable link between free market reforms, declining state legitimacy, and identity-based mobilization.

Existing literature tends to group explanations of the electoral success of neo-nationalist parties into two camps: the demand-side and the supply-side. The former studies the socio-economic factors that make these political actors appealing. The latter examines the internal aspects of the parties (internal supply-side) and their strategies, as well as political opportunity structures (external supply-side) (Mudde 2007; Kaltwasser *et al.* 2017; Mudde and Kaltwasser 2017). A broad cluster of studies suggests that the rise of neo-nationalism reflects a popular reaction against globalization and the advent of a post-industrial, “risk” society (*e.g.* Betz 1994; Betz and Immerfall 1998; Kriesi *et al.* 2006, Bornschier 2010; Kriesi and Pappas 2015; Rodrik 2018). As a corollary, some scholars stress the subjective perceptions of “modernization losers,” instead of focusing on the objective terms, and point to the dissolution of political and social attachments, such as the sense of community, belonging, or social standing (*e.g.* Minkenberg and Perrineau 2007; Mair 2013; Spruyt *et al.* 2016; Gidron and Hall 2017). Other studies, however, do not find an association between globalization and populist nationalism. Furthermore, the modernization grievances approach has been criticized for being too general and oblivious to national idiosyncrasies.

A related category of explanations deals with the economic grievances, most commonly operationalized in terms of unemployment. Research results, however, have been mixed as well. While some posit a positive relationship between rising unemployment and electoral support for neo-nationalist parties (Jackman and Volpert 1996), others conclude that unemployment has no (Lubbers and Scheepers 2000) or a negative effect (Knigge 1998). Other analysts have explored interaction between immigration and unemployment variables (Golder 2003b; Cochrane 2014).

Neo-nationalism has also been associated with cultural grievances – either as a reaction against the dissemination of post-material values (*e.g.* Inglehart 1977; Ignazi 2003; Inglehart and

Norris 2016), a perceived ethnic threat (Knigge 1998), or an increase in immigration (van der Brug *et al.* 2000; Rydgren 2008). However, these three propositions lack convincing empirical support. The cultural backlash thesis fails to explain why the alleged conflict is unfolding only now, considering that post-materialism has been on the rise for decades. The ethnic backlash thesis is questioned by the success of neo-nationalist parties in largely homogenous states (such as Italy, Hungary, or Poland). Finally, while some studies find a positive correlation between populist-nationalist support and the number of immigrants or asylum-seekers, others reveal a negative one, or no relationship at all.

The Argument

Existing research offers an invitation to explore the causes of the populist nationalist moment from other perspectives. To this end, the proposed book re-evaluates a classic work in political economy – Karl Polanyi’s study of the “great transformation” – that is, the attempts to disembed the economy from society through the “myth of a self-regulating market” (Polanyi 2001: 3). I argue that neo-nationalism is driven by a large-scale incremental process of the renewed “great transformation” wherein the welfarist nation-state has been reconstituted into the *capital-state*. Building on Polanyi’s crucial insight that expansion of the market is enabled through state intervention, I define the capital-state as the latest paradigm of state development distinguished by intensive commodification favouring the interests of capital over public ones. Nationalist sentiments have resurged due to the pro-market transformation of the postwar socio-economic “embedded liberal” order (Ruggie 1982; Cox 1987; Blyth 2002).

Three clusters of institutional developments exhibit this uncoupling of the state from society: privatization and individuation of the provisions for health, education, and welfare (*intrusion*); precariatization of work and the weakening power of labour (*collusion*); and financialization

of the economy and redistribution “to the top” (*extrusion*). As in other demand-side accounts in the literature, this research departs from the macro-level of broad socio-economic processes to explain how the “fertile breeding ground” (Mudde 2007) for neo-nationalism emerges. At the same time, it challenges the view that populist nationalism is engendered by abstract forces such as globalization, the invisible hand of the market, or the friction of cultures. This project adopts the view that these processes are filtered and managed within the space of the nation-states. As Clift (2014: 18) notes, “national states are both ‘architects’ and ‘subjects’ of the world economy.”

According to the capital-state theory I put forth in this book, neo-nationalism unfolds as a protective counter-movement against the erosion of old economic and social structures, creating another iteration of the Polanyian “double-movement” dynamic. The rise of the capital-state and the subsequent economic, social, and political discontent gives rise to counter-movements of both the Left and the Right. Neoliberal globalization produces neo-nationalism through the capital-state. By supporting populist nationalist parties, movements, and leaders, citizens embrace identity-based solutions – often in exclusivist and scapegoating forms – to socio-economic problems to harness their anxieties and insecurities. The outcome of these processes is both a strengthening of ethnic-nationalist sources of collective identity (right-wing neo-nationalism), and a revival of civic-based ones to reassert national identities through a class narrative (left-wing neo-nationalism).

The capital-state theory incorporates three parts. At the structural institutional level (objective conditions), there has been a long-standing process of re-embedding the nation-state into the capital-state under the pressures of neoliberal globalization and a drive toward free market. At the level of social demand (subjective legitimacy), citizens generate discontent and perceive these changes – either individually or collectively – as a breakup of the social contract and a

“state betrayal.” In turn, at the political supply level (discursive appeal), populist movements, parties, and leaders “plug into nationalism” through a set of rhetorical, discursive and symbolic strategies to offer an organizational outlet for channelling away voters’ resentment. In this manner, populist nationalist entrepreneurs, as experts in politicizing grievances, provide an institutional articulation of popular disenfranchisement. This study thus embraces a perspective that national identity is a contested political discourse (Gamson 1988).

Book Outline

The finished manuscript will be around 80-90 000 words in length and contain nine chapters and three appendices, based on the revised manuscript of my doctoral dissertation “The Rise of the Capital-State and Neo-Nationalism.”

The **introductory chapter** will present the puzzle and disposition of the book, i.e. that the institutional shift from the nation-state to the capital-state – a polity facilitating the subordination of society to the market economy – creates genuine grievances exploited by neo-nationalists on either side of the political spectrum. Populist national sentiments are produced by the specific regulatory practices of the newly disembedded state which fails to protect citizens from the vagaries of the market. Neo-nationalism can thus be explained by three preconditions – the rise of the capital-state, the social and political alienation that it occasions, and political entrepreneurs’ capitalization on such alienation.

Chapter Two will frame my argument in terms of broader research on the topic. Reworking thoroughly the “literature review” chapter from the dissertation, I will highlight different scholarly approaches on “populism,” “radical right/left,” or “far right/left.” As a result, the chapter will call for greater precision in conceptualizing the political movement itself. To make

sense of the plurality of labels, I will propose “neo-nationalism” as an ideology that combines nationalist, radical, and populist elements. Here, I will also make a distinction between neo-nationalism (both right-wing and left-wing) and right-wing authoritarian neoliberalism (“old far right”).

Chapter Three will advance my main theoretical argument. Embedded in the research on state transformations, I will develop the concept of the capital-state and scale up Polanyi’s double-movement thesis to account for the current neo-nationalist upswing. In addition to an innovative expansion on Polanyian framework, I will merge multiple scholarly literatures in international relations, comparative politics, political economy, and sociology. At the same time, it will show that while Polanyian “double movement” is a useful initial heuristic for understanding socio-economic transformations, it suffers from the lack of specified mechanisms on how society protects itself against the market.

Chapter Four will fill in this gap by building the macro-, meso-, and micro-analytic scaffolding of the argument, relying on frameworks of historical institutionalism, social movements theory, and social psychology. By using the Polanyian thesis as the starting point of theoretical development, reformulated into the capital-state theory in Chapter Three, the current chapter will outline the mechanisms of change at three levels: the *macro* (structural institutional) level of the capital-state, and the sub-levels of intrusion, collusion, and extrusion; the *micro* (social demand) level of voters’ needs and perceptions; and the *meso* (political supply) level of political entrepreneurship. The book will thus develop a multi-layered account of neo-nationalism which focuses on macro-contextual elements, while also examining the interplay between the “demand” and the “supply” sides.

The empirical section will begin with **Chapter Five**. Here, I will measure the levels of the capital-state and neo-nationalism in 35 OECD countries between 1980 and 2019; construct and provide a descriptive analysis of the time-series cross-sectional capital-state index and the neo-nationalist vote in the national parliamentary elections; and conduct a multiple regression analysis to explore the linkages between the capital-state and neo-nationalism in the OECD camp. I will show that the capital-state is a significant and powerful predictor of the neo-nationalist vote, controlling for alternative explanations such as globalization, immigration, inequality, and membership in the EU or NAFTA. This will provide preliminary evidence of a Polanyian counter-movement expressed in the form of politically channelled discontent.

Building on this evidence, I will do four qualitative case-studies in **Chapters Six** (Hungary, Australia) and **Seven** (South Korea, France) to explore the mechanisms that link macro-economic transformations to neo-nationalist voting. I select these four countries to account both for confirming and disconfirming cases, to generate further insights into the emergence or failure of neo-nationalism, and to ensure regional variation. Specifically, I will trace the respective capital-state indices to expose the contingency and historical specificity of national “double-movements,” combined with the analysis of individual- and constituency-level electoral surveys (Comparative Study of the Electoral System, International Social Survey Programme, World Values Survey) to track voters’ support for neo-nationalist parties. These two chapters will add micro- and meso-level dimensions, looking at the intersections between socio-economic transformations, their perceptions, and political strategy. I will capture the sense of insecurity that the new “great transformation” incites by measures of “nostalgic deprivation,” “relative deprivation,” and “status frustration.” When social alienation runs into the pro-market consensus of mainstream parties, political alienation ensues and opens a space for neo-nationalist political entrepreneurs.

An optional **Chapter Eight** will develop a line of inquiry (stemming from my doctoral dissertation) from the field of cultural political economy (Davies 2016) and, more specifically, the notion of “everyday politics” (Hobson and Seabrooke 2007). Whereas the critical political economic and constructivist approaches are helpful to uncover the institutional and ideational sources of the capital-state-neo-nationalism nexus, the everyday IPE is oriented toward to the study of “weapons of the weak” – such as defiance of norms or mimicry of the existing order through everyday practices – to highlight the sources of non-elite social agency and “bottom-up” change. In this chapter, I will reflect on further prospects for “top-down” and “bottom-up” alternatives to capitalism and, relatedly, assess the prospects of the neo-nationalist struggle over belonging and meaning accentuated by the shock of the COVID-19 pandemic.

Chapter **Nine** will conclude the book by drawing together key findings, contributions and implications of the research, and suggesting avenues for further investigation. It will also show that my explanation of the success of populist nationalism as the outcome of the replacement of state sovereignty by the sovereignty of the market resonates with recent scholarship that interprets populist nationalism as a critique of “economism,” a societal “catharsis,” an emancipatory counter-movement, and a reaction to the crisis of the neoliberal hegemony.

Finally, three technical appendices will complement the book. The first one will be a revised dissertation methodological chapter outlining the mixed methods approach to advance the book’s argument, including: structural equation model, regression analysis, cross-case comparisons, and process tracing. The remaining appendices will code the key variables (capital-state and neo-nationalism) and provide a list of external data sources as well as the data from the constructed capital-state index and neo-nationalist vote panel datasets.

Timeline to Completion and Marketing

The bulk of the book manuscript will come from the revised version of my doctoral dissertation. Among some of the changes, the “literature review” and “methodology” chapters will be eliminated/restructured; a completely new Chapter 8 will be added; and the existing 1980-20115 capital-state index and neo-nationalist vote datasets will be extended till the year 2019. Considering new research and revisions, I expect to finish the book manuscript by the end of December 2020, producing one and a half chapters per month approximately.

In addition, in anticipation of writing the book, I have currently two scholarly article manuscripts submitted for peer review, which deal with the conception of the capital-state and the Polanyian framework linking the rise of neo-nationalism to the rise of the capital-state, respectively. I will also resubmit a third comparative article based on the French and Hungarian case-studies to another journal upon completion of the recommended revisions. It is my intention to incorporate some of the arguments presented there into the book manuscript.

The proposed book is intended for fellow scholars in the fields of political economy, political sociology, international and comparative political economy, and with research interests in neoliberal globalization, contentious politics, party politics, and populism. It will also suit the markets of academic libraries and educated readers generally. Some of the themes in my book are similar to those in “Polanyi in Times of Populism: Vision and Contradiction in the History of Economic Ideas” by Christopher Holmes, recently published by Routledge as part of *RIPE Series in Global Political Economy*. As I will write my book to be explicitly in dialogue with this work, I anticipate that it will gain good exposure and be of interest to scholars and readers who are interested to see pro-market state transformation and populist nationalism as two sides of a pressing contemporary problem.

Conclusion

Overall, this book project provides an important opportunity to advance the understanding of neo-nationalism that has become the new normal. The structural changes in national political economies are placed at the centre of analysis through a novel application of a Polanyian “double-movement” thesis. By reassessing the Polanyian conceptual arsenal from a critical political economic perspective, this book presents the neo-nationalist appeal as a collective coping strategy adopted by constituencies embattled in the structural crisis of the state.

While much of the previous work has explored the demand side of populist nationalism, less attention has been paid to the enduring sources of this demand, as well as to how they translate into public grievances and populist mobilization in the name of “the people.” This under-theorized connection between structure and agency is key to developing a more nuanced and richer account of populist nationalism.

Filling in this gap, my book makes theoretical and empirical contributions to the different literatures on state transformations, globalization, public opinion and voters’ preferences and experiences, party politics and competition, and critical theory. I anticipate that the book will have a major impact on these fields and public discourse for years to come, and look forward to working on its publication. I am excited to work with Brill and the *Global Populisms*’ Editorial Board on this next stage in my professional development.