

Peterson Institute for International Economics

Book Launch: The New Economic Nationalism

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[00:05:28.17] - Chad P. Bown

Hello everyone. Welcome back to the Peterson Institute for International Economics. I'm Chad Bown, the Reginald Jones Senior Fellow here at the Peterson Institute, and it is my pleasure to host here today, both in person and online, the launch of an amazing new book titled The New Economic Nationalism, in hard copy right here in my hand. The book has 3 authors, Monica de Bol of PIIE, Jeremy Cohen Setton, formerly of PIIE and now of the IMF, and also Mari Sarsenbeyev, also formerly of PIIE. To preview its themes, some 75 years of post-war consensus supporting liberalized international trade, economic cooperation, and free markets has shattered. Replaced by a new economic nationalism of industrial policy, tariffs, and state support for the economy. Can this new approach deliver stability, national security, and prosperity? To help us, to help us answer these super important and timely questions, we have assembled a tremendous program. First off, we have Monica de Bolt. One of the book's authors. Monica needs little introduction, but let me give it a chance. She has been a senior fellow here at the Institute since 2017 and is now host of Policy for the Planet, a podcast about economics, public health, and climate adaptation.

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She holds a PhD in economics and also an advanced graduate degree in infectious diseases and human immunology. Those are hard words for an economist to say. She has been on staff at the IMF, at Johns Hopkins, at SAIS, and on the faculty at the Pontifical Catholic University of Rio de Janeiro in Brazil. And I mentioned that because Monica is Brazilian. We also have two amazing discussants. Arvind Subramanian is also a senior fellow at the Institute, where he has been associated since 2007. He has served as the chief economic advisor to the government of India between 2014 and 2018. Arvind has taught at Harvard and also at SAIS. And he has served on the staff at the IMF. And one of my favorites that many people may not know about, Arvind was also on the staff of the GATT, the General Agreement on Tariffs and Trade, important for us trade nerds. Welcome, Arvind. And finally, online, we will have Carolyn Freund. Carolyn is a nonresident senior fellow here at the Institute, as well as the dean at the University

of California San Diego School of Global Policy and Strategy. So she is joining us probably from a beach somewhere fabulous.

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Of her many previous roles in public service, she was at the World Bank director of trade competition and investment climate. Also at the Bank, she was the chief economist for the Middle East and North Africa. She was a lead economist in the research group at the World Bank. And she has also been on staff at the IMF and at the Federal Reserve Board. So to kick things off, I would like to welcome Monica de Bol to the podium to tell us about this book.

[00:09:04.25] - Monica de Bolle

Well, hello everyone. Chad, thank you very much for that very nice introduction. I'm now trying to adjust the height of the microphones given our differences in height, which are quite substantial even if you might not be able to tell. I would like to start off by first thanking a few people, a few very important people. So to start with, the president of PIIE, Adam Posen, who was very supportive throughout the writing of this book. And the writing of this book was quite a process. I will tell you about it in a second. I would also like to thank the Smith Richardson Foundation for their very, very generous financial support. My co-authors, both of whom are here, Mari Sarsimbaev and Jeremy Cohen-Setton, and the pubs team of the Peterson Institute for International Economics, Steve Wiseman, without whom this book would have never come to fruition. Nell Henderson, Madonna Deva— I'm gonna do an injustice to her last name— Deva Sahayam. And I'd also like to thank very much Julieta Contreras and Jin Yang for their incredible work with the data, and this book would also not be here without them. So having thanked all of those people.

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I would like to acknowledge my co-conspirator because this actually began, this book began as a conspiracy way back in 2017. So it has been 8 years in the making and that co-conspirator is not here with us today, Jeremy Zettelmeier, but he was instrumental to this book and he collaborated with us throughout the writing of this book. So I would like to thank him and acknowledge him as well. And I did forget Suzanne Lutzen from Pubs, who also helped us quite a bit with the book. Okay, that's that. The book, as I said, derives from 8 years of research and analysis. So we did start this book way, way back. And initially, it wasn't even going to be a book. We were going to do a working paper. And we just started, you know, since we were looking at this phenomenon of economic nationalism that I'm going to describe in a second, it was just beginning and it kind of was taking a life of its own. And so we were teasing out the

case studies that we wanted to look at while at the same time seeing some events unfold and having to sort of keep track of all of that at the same time was quite challenging, which is part of the reason this book was so long in the making.

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But it does have a lot of research and analysis and a lot of history because we're looking at case studies. So we're looking at countries throughout history. Thus, it is a coincidence that it's coming out at this point in time. It was not an intention, it just happened that way. Its conclusions can provide guidance to these contemporary debates that we're having on many of these issues, but it is not a response to current events. I should really underscore that. It is not a response to current events. So what is economic nationalism? The way we went by this, so the isms are always very difficult to define, right, because people have their own definitions in their minds of what a particular ism happens to be. And economic nationalism is no exception in that regard. So when we look back at the history of the term and we try to come up with you know, what are its origins, where did it first arise? It was sort of, I mean, we came up with that, but it was kind of hard to find a very common narrative and very common themes. So we kind of picked up from here and there and came up with our own definition.

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And the way we defined it is what's on here. So it's a worldview first and foremost, and it's a worldview that challenges the post-World War II consensus, which was, you know, consensus over free enterprise, free competition, international integration governed by rules and institutions in which the role of the state is to ensure economic competition. The state also addresses market failures, redistributes income, provides public services, and so on. And notably negotiates international arrangements to facilitate trade and economic cooperation. So that's the consensus we were looking at. And the worldview that we are then proposing to be the definition of economic nationalism is kind of the antithesis to this. So by contrast, economic nationalism is a worldview that does assume conflict between national and foreign interests. And the primary role of the state is to support firms and workers in a global race for economic prosperity and power. Importantly— and this is notable in some of the new modalities of economic nationalism— institutional multilateral cooperation is viewed with a lot of suspicion because it poses a constraint on these national interests. And that really does arise in— it does arise also in many of the historical cases that we looked at in this book.

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So what did we look at? How did we actually go about trying to tease out some kind of measurement of economic nationalism? As part of this project, as part of this book, Back in 2019, Jeremy Zettelmeyer and I co-authored a working paper here at the Peterson Institute where we laid out the methodology that we later applied to this book. So that methodology basically entailed figuring out the policy dimensions that we were interested in when it came to economic nationalism, and then finding a way to measure the intensity of use of that particular measure in a particular case. So the dimensions that we were interested in were the ones that are listed here. So trade protectionism, FDI protectionism, restrictions on immigration, this anti-multilateral stance, tolerance of market power. So in other words, not an intolerance, but a certain disregard for competition. The use of national industrial policy and macroeconomic risk-taking, which quote-unquote is here shown as macroeconomic populism, borrowing from the term created by Dornbusch and Edwards back in 1991 when they were looking at macroeconomic populism in Latin America. This actually inspired us in a lot of these cases and inspired us early on, so that's why I'm citing it.

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In this working paper, what we did was take these policy dimensions, define the scales. So we used the baseline for us is the post-World War II consensus. And what we're measuring is the intensity of deviation from that consensus according to each of these policy dimensions that are listed here. How did we do that in the working paper? We went through political party platforms of various countries. And we picked out by reading through them what we thought were keywords that showed us motivation to do one thing versus another. And by that—in doing that, we created a scale. And with that scale, we then measured intensity of economic nationalism. So that's what we did in the working paper. In the book, we did the same thing, except that instead of applying the scale and the methodology to political party platforms, we applied them to actual policies. So to what countries had actually done.

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OK?

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And the case studies, as I mentioned, this is a book of case studies. We looked at case studies spanning various continents and various eras through time. So we looked at industrialization since the 19th century. And here we studied the US, Germany, and Japan. We looked at the economic policies of Italy under Mussolini. We looked at pre-war Nazi Germany. Then we moved on to what we call developmental nationalism. So after World War II, and this

encompasses the cases of France, Spain, Japan, South Korea, Taiwan, Argentina, and Brazil. And then the return of economic nationalism in the 21st century, notably looking at Brazil, Argentina, China, India, and Hungary. So this is the broad scope of case studies that we looked at and addressed in the book. In the different time periods as well. And what we found when we looked through all of these policies and went through the history of all of these countries at the particular point in time when they were adopting certain policies, we were able to kind of pull out some of the rationales or some of the motivations for those policies. And they're listed here. So often you would see some policy being justified on the basis of competition over scarce resources.

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You know, this is— fairly obvious how that happens. Fostering national industrial capacity. Many, many times in history, if not every single time in history, economic nationalist policies were used precisely to go through a process of industrialization or go through a process of re-industrialization. So instruments of industrial policy, instruments of trade protectionism were often used in those contexts. So fostering national industrial capacity is a second motivation, very important one. We also see in a lot of cases, and this goes way back in history, but it appears throughout time, the promotion of national security as a motivation for economic nationalism. And this probably won't sound unfamiliar to anyone in this room. And finally, protecting workers and farmers. Now, interestingly, This used to be something that was very common in these economic nationalist policies, but it seems to have dropped out as of late. You don't see it as much as a motivating factor, at least not as strongly as you see in the past, yeah? So here, just comparing the past with what we are seeing kind of in the present. It's important to say that these rationales, they don't exist, you know, sort of, obviously they coexist.

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So a country that may have adopted economic nationalist policies may have adopted them for all of these reasons, a set of these reasons, a couple of these reasons, or one of these reasons. And you know, it just varies as you go through the country cases. Few main, other main findings which are important to note. So economic nationalism, and this won't be surprising to anyone either, It does come in waves, okay? So you do see these movements where some countries start adopting policies which are economic nationalist in nature, and then all of a sudden you see this critical mass adhering to that and it becomes a kind of a movement, you know, a wave, so to speak. So that is something that we see very clearly in the various eras that we studied. So, you know, the rise of economic and political nationalism in the '30s, industrialization and reindustrialization between 1945 and 1970 or the '70s, and more recently, the nationalist revival that we're seeing in the last few years. The other thing that I want to note is that even though

the motivations that I mentioned before, they show up in different contexts and in different countries, you can simplify it even further and say, there are some countries that chiefly adopt economic nationalist policies because they want to industrialize, reindustrialize, promote growth, or something like that.

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So there's some kind of economic development rationale that is moving those countries to adopt those policies. And that appears clearly in the way that they articulate the implementation of those policies. And then there are countries that also have those exact same aims, But on top of that, they have also national security concerns, and they have concerns that their own country is being unfairly treated. We see this over and over again in history, okay? There's nothing about this that is necessarily new. But it is important to say that amongst these two groups of countries, so the ones that are more development-oriented versus the ones that are possibly more national security-oriented, you see a difference in the intensity of use of nationalist policies. So those that use those policies more for national security reasons do tend to use those policies more aggressively. And therefore, the result tends to be, in some cases, worse than for the ones that use it solely for development. I have to say that all of these policies are distortionary to some effect, right? So trade protectionism is distortionary. Industrial policy because of subsidies, because of tax breaks, because of credit subsidies, you name it, all the instruments that fall under industrial policy, because all of these instruments interfere in how markets operate, prices are set, and so on.

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They are distortionary. They do create distortions. So countries, when they adopt these policies, they need to learn how to phase them out. And countries sometimes don't phase them out in a timely fashion, and that ends up landing them with problems when it comes to productive—productivity, competitiveness, even the possibility of growing down the road. And here I'm thinking specifically of Latin American countries where a lot of these policies have been adopted over and over and over again and never really quite given up on. So to end— and this is ending— I did want to mention the case of a country that has used economic nationalist policies practically nonstop since 1946. And that country is Argentina. And here's a slide that just talks a little bit about what Perón was doing during 1946 and 1955. But the main takeaway here is there was a lot of economic nationalism at that point. And that economic nationalism created a lot of changes in the Argentine economy. To the point that there are authors that to this day pinpoint some of Argentina's problems to that era. But that being said, the one basic aim that Perón had when he was adopting all of these policies was to create redistribution of income.

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And he became sort of the representative leader of what would later be called macroeconomic populism under Dornbusch and Edwards, as I mentioned before. So Argentina was actually our motivating case for starting to think about this book in the first place. So this is why I'm here. I wanted to talk about it. So, started back then and never stopped because contemporary Argentina, when you look at what the history between 2002 and 2022, it's basically a continuum of economic nationalism. Sometimes it's more intense, sometimes it's less intense, but it never really goes away. It is always there, which does explain in part, though not completely, some of the issues that we know Argentina has to this day and has not resolved to this day. The one thing that I do want to say, because it highlights the new in economic nationalism, perhaps the only aspect of it that's really new, is what we are seeing Milei, Javier Milei, doing. So because of everything that Argentina has been through, Milei is a leader, not unlike other Latin American leaders these days, who has a view that, you know, it's a problem. There are lots of problems, but one of the main problems is the state.

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The state is way too big. There's too much government. You need to downsize it. You need to make it more efficient. And he is doing that. However, at the same time, because some policies remain in place, even though they're flexibilizing them, but some policies do remain in place that are very similar to what has always been done in Argentina. He's using the capacity of the state to implement those policies, some of which are interventionist in the economic nationalist sense. And this is what's new, I guess, about economic nationalism now. The policies are essentially the same, the instruments are broadly the same, but there's a different stance with respect to the state. The state is always needed because how are you going to run industrial policy without state capacity? How are you going to run trade protectionism without state capacity? You need that. But at the same time, what we are seeing is a movement against the state, against the government. So here are these nationalists wanting to use state capacity for policy implementation but wanting to dismantle the state at the same time. And that's the message I wanted to leave you with, with the illustration of the case of Argentina.

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I do have one last slide, and I do have to show it because I told you that economic nationalism comes in waves. It does. And that is a painting by me. So thank you very much.

[00:26:53.28] - Chad P. Bown

Thank you, Monica. That was wonderful. Um, including the art. So, uh, what we're in terms of housekeeping, I think this is what we will do. And sorry for not laying this out earlier. I'm going to have Arvin come up next and give the presentation or discussion that he was going to provide. Monica, and then we're going to turn to Carolyn up on the screen. Monica, what she does in this book, or what she just gave in that presentation, described essentially the themes and the theory and what defines economic nationalism. Shows how it flows both through different eras over time. But where the real strength of the book comes in is through these really detailed case studies of individual countries. And one of the chapters is on India. And so that's why we're extremely excited to have Arvind come up here and give his reactions and tell us a little bit about what he knows about India. Thanks, Arvind.

[00:28:02.02] - Arvind Subramanian

Thanks, Chad, for— and Peterson Institute for inviting me to be a panelist. First of all, hearty congratulations to Monica and the team for producing such a— as Chad said, such a rich and textured book, really laying out some big themes and then elaborating them in the context of so many country cases, it really makes for a very rich, and I hope and sure will be a book with a long-lasting shelf life. Before I turn to India, I want to say a couple of things on the broader issue of the resurgence of economic nationalism. I mean, we all know that there has been a global backlash against neoliberalism, whatever term you want to use it, after the global financial crisis. I think one of the interesting things, which I think Monica alluded to, is that, you know, especially after, you know, in the last 10, 15 years, the correlation between political and economic nationalism, at least in the countries that I know a little about—India, Russia, China, Turkey, Hungary. Obviously, there are exceptions to that, but certainly in India also I see some connection between the two, which I think is kind of worth understanding more.

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One of the things that's always frustrated me about this discussion about the resurgence of economic nationalism is that —and this is the piece that a few of us wrote in Foreign Affairs last year—is that I have a kind of— one has some sympathy for the West, as it were, having turned against neoliberalism and hyperglobalization. You have had, you know, there has been a China shock in the United States. There has been a rise in inequality, whatever stagnation of median incomes and wages. So to some extent, I understand the kind of turning away from neoliberalism. But what I can't understand, I'm much more puzzled by, is the turn against neoliberalism in developing countries as a whole. Because as we document, between '95 and say 2015, 2020, for the first time in 200, 300 years, we saw the reversal of divergence. Some convergence coinciding with the turn to neoliberalism and liberalization and so on. And so in some ways, developing countries, policymakers, intellectuals have made like an intellectual

orphan out of success. And that's the part I'm going to elaborate in the case of India, which I find quite puzzling. Part of it, I think, my pet peeve, part of it is that I think there's a lot of intellectual mimicry going on by developing country intellectuals of trends in advanced economies.

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And my favorite example, of course, is Olivier Blanchard when he gave his famous, you know, the need for fiscal space, that famous lecture and that kind of policy advocacy. I mean, developing countries without looking at their own situation kind of turned and wanted to embrace it with a kind of zeal that I found a little bit puzzling, as it were. And then Olivier, we did a paper on that, so on. But there is this mimicry, intellectual mimicry problem going on. The last thing I would say on this is that I think many forget, I think something forget that the turn to neoliberalism that most developing countries embraced and because of which which I think they did spectacularly well, had a huge and neglected component of what Barack Obama said about foreign policy, stop doing stupid whatever, right? So the turn, many developing countries turned to neoliberalism, whatever, but a big part of it was just stopping doing absolutely stupid things like, you know, macroeconomic imbalances, multiple exchange rates, supporting completely loss-making enterprises, export marketing boards. I mean, a lot of it was that. And I think therefore, when we come away from neoliberalism, I think we need to keep that in mind as well.

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The last thought I would also say on this is that I think the anti-neoliberals should also do a bit of reflection, especially in the West. I mean, what we see today, I mean, obviously it's very different and there's a kind— this is maybe the zany mutant of anti-neoliberalism, but there is a kind of some continuity between the anti-neoliberalism that was advocated for a long time and what we see today, the most extreme mutant of that. So I think these are broad points I think one should keep in mind when we think about economic, the resurgence of economic nationalism. So I want to turn to this puzzling aspect of why developing countries turn to this despite a success. To me, the China and India cases are interesting because to some extent, I can understand the Chinese turn to economic nationalism because I think once they saw themselves in existential rivalry with the United States and decided that they had to occupy, go up the technology ladder, occupy all these tech-intensive spaces. I mean, there's no way you can do that without significant state intervention. So the Chinese turn, I'm not endorsing it, but to some extent I can understand it.

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But the Indian turn towards this is absolutely mystifying and puzzling. And I don't, And let me just say why I think that's the case. First, I think the Indian case, there's no question, the coincidence of the rise of political populism, majoritarianism, the rise of identity politics, and economic nationalism, I think they do go hand in hand, or they have gone hand in hand to some extent in India, which I think is interesting. Just descriptively, I would say, in the list that you spelled out, Monica, on the components of economic nationalism, I think what is, there is something new about the Indian turn. And a couple of new things are this absolute, what has been distinctive in the last 10 years has been the promotion of national champions in India. I mean, this is something that Korea and China, Korea, Taiwan did, 50, 60 years ago, but in India it's come back with a vengeance. And there are some groups who get absolutely a lot of regulatory favors. And in fact, that's had quite a chilling effect on private investment more broadly. The other aspect that's distinctive about India in this is that you haven't seen macro populism at all in this context.

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So you haven't seen, you know, Latin American style Peronism, actually there's been a lot of macroeconomic responsibility. What you have seen in this context is the rise of a kind of, a kind of welfarism that has been desirable and implemented with, you know, with very great effectiveness. Essentially the state having, India has created a kind of welfare state in the last 10 years with the state playing a big role in that. Which has taken the form of providing essential goods and services. So no populism, but desirable welfarism has been a big part of that. So I think that's kind of interesting about the Indian turn to populism. Of course, what has happened in the last 2, 3 years has been the rise of an absolutely pernicious form of protectionism in India. Which really is taking us back to the license quota raj of 50 years ago. It has come after the book was written. So while you've documented some of these other things very well in the book, this is something that's very new. And it just combines the worst of economic nationalism, the protectionist tendencies, the bureaucrats, absolute obsession with micromanaging policy and crony capitalism.

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So, you know, and the particular form it's taken is called quality control orders, where, you know, India has basically implemented across the board saying everything that comes into the country has to be inspected for quality. And you can see how— and so Indian policy has turned protectionist. Until 3 years ago, I would have said, mildly protectionist now, but with imposition of these new measures, it's turned really kind of bizarrely and acutely and intensely protectionist in the last 3, 4 years. Now, why do I find this puzzling? I mean, in the Indian case, we've had kind of 3 natural experiments with opening and closing. 1950, our planning Raj, 1950 to 1980,

associated with very, very mediocre, if not poor outcomes, including full of economic nationalism. After 1980, especially after 1990, when we opened up and embraced liberalism, I mean, the economy grew gangbusters and absolutely everything changed in the Indian economy for the better, as we document in a new book, Devesh Kapoor Nayak, it's coming out on India. Basically, that era of 35-year period from 1980 to about 2015, when India embraced this neoliberalism, I mean, everything changed almost mostly for the better and dramatically—growth, poverty reduction, the welfare state, everything changed.

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And yet, after that episode of fantastic growth, we have once again re-embraced economic nationalism. And that's the deep puzzle. And the third, with something, a texture about India, is that what has been true at the all-India, India level has been true with a vengeance at the level of the Indian states. In fact, if you look at India today, there are two sets of states in India. About six of them have grown at Chinese rates of growth for Chinese durations. It's something that's not well known enough about India. But all those states, what's in common is that they've embraced globalization, whether in manufacturing or services or people. The states that have embraced globalization are states that have performed China-like in their economic outcomes. So the planning raj of economic nationalism gave us poor or mediocre outcomes. Turning to openness and neoliberalism gave us fantastic outcomes. Within India, it gave us fantastic outcomes. And yet we have turned with a vengeance back to economic nationalism. And what are the preliminary outcomes? Private investment has been stagnating. FDI has actually come down in India despite the China Plus One opportunity. So this I don't think is going to end well in India.

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But then, so Le Monde wrote to me a week ago saying, "Can you write a piece saying why is India protectionist?" And so I spelled all this out for them. And then I ended by saying, we children of Voltaire and the Enlightenment, we don't allow for countries as well as individuals to indulge in self-harm, because there's no other way I can explain the Indian turn to economic nationalism. Thank you.

[00:40:50.17] - Chad P. Bown

Thanks so much, Arvind. Okay, we're going to turn it over to Caroline Freund, who's online.

[00:40:57.13]

Fantastic.

[00:41:00.00] - Caroline Freund

Can you hear me?

[00:41:01.04] - Chad P. Bown

Yes.

[00:41:02.20] - Caroline Freund

Okay, great. Um, thanks. It's, it's a pleasure to be here virtually. I wish I could be there in person, but there's a lot going on at universities these days as well. Um, I'm— I put a few slides together because I wanted to share some pictures and also be able to talk about one of the, um, one of Monica's criteria. So hopefully you can see that. Um, so first let me congratulate Monica. This is a very important and timely topic, and I think we're going to be talking about it unfortunately for quite some time. Um, but one One of the things I found most useful about the book was putting together kind of criteria for what qualifies as economic nationalism. So we know what we're talking about. And within that group, one of the, one of the One of the criteria is the tolerance of market power. So this is her fifth criteria, and it's allowing or promoting mergers to create national champions. I would put it a little differently as using government policy to support either state-owned enterprises or private firms. And that's where there's really a huge difference. And this comes out in her book as well, which is that market power is less problematic if firms are globally competitive and very much fits with what Arvind was just saying as well.

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So these are cases in her book, Japan, Korea, Taiwan, and China, where the firms that were supported by the government had to really compete in the global market. And basically, if a firm can compete in the global market, it must be competitive, and therefore its growth is good for the economy because you're shifting resources to more productive firms. In some cases, economic nationalism is quite different, however, because it's associated with state-owned enterprises and special interests. And this has tended to be more of the cases in Latin America and Russia and some other countries. And then if you have your less productive firms, your inward-looking firms growing large, you don't get the kind of growth outcomes. One thing that she alludes to in the book, but I think is very important for our current period, is the concern about spillovers to other countries. So when you have large countries with really large firms in an industry dominating that industry that are subsidized, uh, or somehow supported by the government, maybe even directly state-owned, then there are critical spillovers to other

countries that put you in the same kind of prisoner's dilemma we have with trade. So I think this is something else we need to think about in tying all these case studies together is what happens when all countries take this path of economic nationalism.

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But I think it's also really critical, and this is from a book I did while I was at PIIE several years ago, so unfortunately the time ends in 2014, on Rich People Poor Countries that looked at large firms and the people who start them. And I just want to make the point that it's really important for growth that we don't demonize large corporations and these so-called national champions, that really it is large firms that drive growth, individual firms. We see it in the countries that grow fast. They develop firms, whether it's a Samsung a Hyundai or a Honda, Toyota, BYD. Large firms really are important for innovation, for growth, for taking advantage of returns to scale. And even for unemployment, you can see even in a country like the US, the growth in large firms' share of employment moves very much in line with GDP growth. And if you look at the figure on the left, China really is distinct from an India, a Russia, or a Brazil in creating these kinds of national champions. But they were created initially, and this is changing and what's so important, they were created initially by individuals, by company founders who started big companies that grew into global firms.

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So Chinese growth up through 2014, 2015 was really driven by the private sector, very much like Arvind was saying about India, where liberalism actually worked, economic liberalism. But somehow there's this turn back, and I think it's very much the political side. When too many individuals have power, it's harder for the government. When there are too many private firms, you have economic business cycles which are harder to stay in power through. So we actually see a retreat from this in China. The last point I'll make is where these kind of national champions comes from really matters. In a country like Brazil, you kind of see this history of wealth where it gets brought down through the generations and is largely inherited. That doesn't add to the economy. In a country like India, there's a mixture. And I think this was the liberal, the more growth period. We'll see which direction India goes in. I'm a little more optimistic than Arvind. And then finally, China, where it, it was driven largely by the private sector. That was a good thing. There was hope that would lead to more political liberalization, but we have not seen that as yet.

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I look forward to the discussion and thanks for inviting me to talk on this important topic.

[00:48:05.26] - Chad P. Bown

Thank you, Carolyn. It's so good to see you and wow, it looks beautiful there in San Diego.

[00:48:12.04] - Caroline Freund

I have my own way of like Monica.

[00:48:15.20] - Chad P. Bown

Okay, what I'm going to do now is I'm going to invite Monica and Arvind up to the podium or the stage, and we'll continue the conversation up here. I'm going to give— once they get settled, I'm going to give Monica a chance to respond to the discussants' provocative discussions so far. Come on up. And I'm going to stand here and moderate further. And then once Monica gets through her initial reaction to the discussions that we've heard so far, we're going to open it up to the audience. And so we have a microphone in the back there that anybody could please stand up and ask questions. So Monica, I want to give you a chance to respond to what you've heard so far. But before you do, I wanted to just kind of pile on the point that Carolyn Wood made, because I was thinking about the— a similar related— I think Caroline was highlighting some of the economic spillovers that if we all go down this path of becoming economic nationalists, what happens? But also, what do we think about the non-economic spillovers? If we're thinking about climate change, or the global public goods, or transboundary pollution, or things like that, do we have lessons from these historical case studies and episodes about how they get dealt with at all?

[00:49:39.24]

Is it just that the economic nationalists ignore that the problems exist, that they just free ride on others' attempting to— and in any case, I was similarly provoked by that line of thinking as well. In any case, turn it over to you for reaction so far. Thank you.

[00:49:58.01] - Monica de Bolle

Thank you both, Arvind and Caroline, and thank you, Chad, because that's a very good and provocative question. I think I'm going to start with that because it touches on Caroline's. So essentially, I mean, we do know that if a lot of countries do try out these policies at the same time, they will all lose. It is not a win-win situation. It is a lose-lose situation. And it does happen, and we do see it. In some of these eras that we studied, some of these waves that we studied, you do see that pattern come out very, very clearly. But you bring out, Chad, an additional

question, which is apart from the economic aspect of economic nationalism, what else comes with these movements? And I think that question is more relevant for the cases looking at now than for the cases that we looked at in the past, especially because if we think about the cases we were looking at in the past, it was a different context. It wasn't a context where we had so many international agreements, treaties, institutions, and the whole setup of coordination in the global international system that we've come up with.

[00:51:10.19]

We basically set this all up after World War II. And since a lot of the cases that we're looking at in the book precede World War II or happen just around the time of World War II or just after World War II, you don't really capture those elements. So issues like public health issues, climate issues, which were not relevant until fairly recently, say 40 years ago or something like that. But you don't see that. You do see a little bit of— issues with immigration, that you do definitely see. And I mean, in the 1930s cases, you see it very, very clearly, without a doubt. But you do not see these other aspects with respect to international institutions. It's more rare in the past, way back in the past. So what I can say about that is exactly sort of what I think you're implying. When we talk about economic nationalism, nationalism now, yes, we boiled it down to 7 policy dimensions or so in the economic arena, but the phenomenon is much wider than that because it does come— since we're talking about at the heart of one of our policy dimensions, it's precisely the issue of international agreements and institutions.

[00:52:28.21]

And you do have economic nationalists or nationalists tout court across the world questioning these agreements and institutions. Well, that's going to then happen for everything, not just for economic things, but for things such as those in the area of public health, as we saw recently with the WHO, those in the area of climate change as we're seeing play out now. So I'd say that the wave we're seeing now, just to come back to the wave, and that's why I did the painting, the wave is quite massive because it does encompass a lot of other things. Arvind, I really appreciated your comments on India. I think I don't have an answer to your question at all, but I do think that economic nationalism for some reason tends to be very tempting for our countries. So India keeps coming back to it. Argentina never quite gives it up. And Brazil is always flirting with it in some way or another, just to cite a few cases that I know about directly. So yeah, there's something about it that countries just end up right there again, even if they know that down the road that isn't going to be any good.

[00:53:33.24]

If they manage not to phase it out in any proper way. And Caroline, thank you very much for the connections with your book because, as you know, I'm a fan of your book. I'm a fan of yours, but also of your book. And I always thought, as we were going through these various national champion stories, I always kept coming back to your book because I kept thinking, It really is about what these firms are actually doing. Because if they're operating in these countries in ways that don't really do much for productivity, competitiveness of their own and of the economies as a whole— and here, of course, I'm thinking of Latin American countries— then the whole experience with national champions isn't going to be great, as it has not been in Latin America. But the competition aspect of it, the foreign competition aspect of it is really what makes the big difference. And you cited the cases of South Korea, Taiwan, Japan, and we study those cases precisely in the book for that reason. And it is one of the key things that we find as distinguishing features. So thank you. Thank you, Chad.

[00:54:46.13] - Chad P. Bown

OK, let's open it up for questions. If you have a question, come on up to the mic. Please introduce yourself. Ask your question. All right? If not, then I will ask another question because I have a long list. You gave us the example of Argentina. We've heard a little bit about India. Tell us another one of your favorites.

[00:55:07.02] - Monica de Bolle

Spain. OK, go. So Spain is another one of my favorites. And this is Spain under General Franco. And the reason for that is because you have in this one country these two radical experiences, right? The first one being, we're going to close this economy down and go into complete autarky, which is what Franco did in the first years that he was in power for many, many years. So he actually did this for quite a number of years. And that, it was complete autarky. So we're talking total isolationism. So we have this one example of this one country that did this. And how they fared over time and how they found, under the same exact political leadership, so no change in political leadership, it was the exact same one, how he had to completely change course because those policies, that level of isolationism was simply completely unsustainable from the point of view of everything. I mean, the country basically went backwards. And they had to then redo everything and open up again. And again, it's a good case because you're looking at the same political regime. There's no change in political regime. And it was a situation where they wanted to do those policies and they were forced out of them.

[00:56:30.20]

So it's a really nice case to look at, A, the intensity of use of these measures because it's just about at the— higher end of the scale on the one hand, and secondly, how under the same kind of leadership they had to let it go because it's simply not sustainable to isolate yourself even in a world when back then wasn't as integrated as it is right now. So thinking about that right today would be even more blunt in a sense.

[00:57:00.26] - Chad P. Bown

Arvin, I want to ask you to react in any way that you feel. But I'm curious, since you're also a scholar who has studied a lot of this from a lot of different angles, you've also mentioned in addition to India, China, are there other countries and their experiences that stand out? Or for those of us that are sort of newly going through economic nationalism in our own countries, advice that you could give us as we make our way through this?

[00:57:27.08] - Arvind Subramanian

As I said, I just— wonder— this is a thought Noah Smith had a piece a few days ago— I mean, wondering whether, you know, this whole— the kind of anti-China, anti-trade consensus that had built up in, you know, in a lot of places, especially in the United States, whether to some extent what we're seeing now is just, you know, there's some continuity in that, and so in some sense the anti-neoliberal chickens are coming home to roost. I don't want to push that too far because I think there is something pretty crazy about what's happening, but I do wonder whether this was a problem that And I don't know how many of you heard Ezra Klein's conversation with Tom Friedman yesterday or day before, which is kind of expressing a similar sentiment that you need to worry a lot, as much when there's a consensus as when there's polarization. And this consensus that had built up, neoliberalism is bad, China is a problem, and then, you know, you find ways of reacting to it, that you end up with, you know, a kind of extreme mutation of that virus.

[00:59:01.03] - Chad P. Bown

Please. Don't forget to introduce yourself though, very important.

[00:59:08.07] - Audience

I'm Steve Wiseman with the Peterson Institute. I was really struck, Arvind, by your comment that some states in India half dozen, I think you said, are pro-globalization and experiencing growth. And I wonder if the three of you, or all of you, know of other cases— Carolyn or Monica or Arvind— of countries that— I mean, India is so big that it can encompass different economic policies in its states, but are there any other cases of countries where units of that country are

more globalization-oriented. I mean, that was true of Hong Kong before it got absorbed, I guess. But there must be other interesting examples.

[00:59:58.15] - Chad P. Bown

Maybe I'll turn it back to Caroline if you have thoughts on that or anything else, and then we're going to turn it over to—

[01:00:05.16] - Arvind Subramanian

I was going to ask Monica on the Brazil example.

[01:00:08.29] - Monica de Bolle

Yeah, I was going to comment on the Brazil example. I think is good too as a country that has sort of those characteristics because you do see it is a country where if you look at it regionally, there are areas of it. And now when you just look where agribusiness is, Brazil is a powerhouse when it comes to commodity exports. And the agribusiness portion of the country is very trade pro-trade oriented. Interestingly, the more industrialist manufacturing states of the country are not pro-trade because those are precisely the areas of the country that benefited extensively from import substitution industrialization, various instruments of industrial policy, and so on. So there is that aspect. Exactly. In, in the case of Brazil, but like India, it's a very big country. So as you said, Steve, it kind of encompasses all possible experiences in a sense, or at least some of them. Carol?

[01:01:18.05] - Caroline Freund

Yeah, I, I wanted to add that I think it's true of all large countries, especially those that are integrated globally. So in Vietnam, exactly the regions where the global supply chains are, are the regions that have grown super fast. In Mexico, same thing. It's Nuevo León where all the, um, uh, new investment is coming to take advantage of the U.S. market. Um, I think it's true in our own country as well, where we see some states growing faster and much richer than other, other states. Um, and then maybe as a final example, which isn't a country, is the EU. Where Germany until recently, which is obviously very globally competitive and has many large firms, has kind of been the leader in terms of growth.

[01:02:17.29] - Chad P. Bown

One last question.

[01:02:19.08] - Audience

Thank you. I'm Santiago Marrón. I'm from IFC from the World Bank. So thanks first, Monica and the author, and for the book. It's really interesting and timely. To the Peterson Institute for the invitation. Listening to Dr. Subramanian on the India experience and how it has opened and closed, it really reminded me of Mexico, which I know more about, and specifically this question of why, yeah, why we come back to it. Mexico had a similar case from the '90s to 2018. It was this very neoliberal space where growth happened, inequalities, depending how you— but sorry, poverty decreased, all of it. So that reminded me. Then 2018 to 2024, we had a populist government, leftist supposedly, but populist, and actually poverty increased and growth decreased. But Now we got a new president from the same party, and she's the most popular president that's ever existed, even with worst outcomes wherever you look at them, favoring national champions as everyone was mentioning them, in oil, in electricity. I think I, I did wonder in this election why that happened. I couldn't understand how 60% of the country could vote for that, for the fragmentation of institutions. And then people started telling me that it's two things.

[01:03:53.09]

It's the speech, and it's what people think are going to affect them. So now I was listening to the regional difference. That's a huge thing in Mexico. Everyone from the south, southeast does not get any benefit from trade. And this— so, and they have started— I don't know who mentioned it, I'm sorry, but this welfare kind of state, I think it was Dr. Froman, this welfare kind of state where they started giving money to everyone over 65 or older. I don't think that's going to be fiscally possible in a couple of years. So this macro populism. I think the reason—

[01:04:37.02] - Chad P. Bown

sorry, I'm going to need to—

[01:04:37.18] - Audience

yeah, yeah, yeah. I think the reason might be that, uh, so this speech of this is the enemy and that's why you're poor is what's worked in Mexico. And at the same time, I'm going to give you money, which, uh, you get. So you don't think about maybe I'm going to lose my job, maybe not, but I'm going to give you money. And the problem is these rich people that not hurting your money away. I wanted to come with that. I know it's not a question, but I really thank you for that.

[01:05:08.16] - Chad P. Bown

Thank you very much. I think we're going to leave it there. And the way I interpret that is another definition of economic nationalism is stuff that economists don't understand and we're perplexed by. Yeah, perplexed by it. Perplexed by, with the exception of what you learn from reading this really amazing book.

[01:05:24.27] - Monica de Bolle

Yes, yes, indeed.

[01:05:26.15] - Chad P. Bown

Thank you very much, everybody, for joining.

[01:05:28.08] - Monica de Bolle

Chad, let me just— correct one oversight. So I did not thank Barbara Carney, who was absolutely instrumental in helping bring this book to fruition. She copy edited it. She read the entire thing. She edited it. So I just wanted to correct that.

[01:05:42.01] - Chad P. Bown

Thank you. Thank you, everybody. And we'll see you next time. Congratulations to Monica, Jeremy, and Madi. Thank you.