Re-interpretation of the Nationalism-Economy Nexus: Nation-State Building via Neoliberal Reforms During Post-Socialist Transformations in the Baltic States

KAROLIS DAMBRAUSKAS
Institute of Sociology at the Lithuanian Centre for Social Sciences, 9 Goštauto Street, 0110 Vilnius, Lithuania
Email: dambrauskas@ces.lt

Building on the latest scholarship in the nationalism-economy nexus studies, the article examines how nationalism inhabits other ideologies in the economic realm. Firstly, the article presents the latest strands in the nationalism-economy nexus research, namely compatibility between economy and nationalism understood as ideology. Then, using Foucault’s concept of governmentality, the article shows how the two phenomena are compatible on the theoretical level. Going further, the article connects the latest nationalism-economy nexus scholarship with existing literature on national neoliberalism in the post-socialist Baltic states. The article argues that national neoliberalism in the Baltics provides an example of what the compatibility of nationalism and economy may look like in practice. The Baltic states’ Soviet experience encouraged their elites to undertake radical neoliberal reforms, in which the processes of nation-state and market economy building overlapped. The states were built to create the markets which would in turn guarantee the prosperity of their respective nations. The article juxtaposes different, yet related scholarship and provides a basic theoretical toolkit that could facilitate potential inquiries into the nationalism-economy nexus in Lithuania and abroad.

Keywords: nation-building, neoliberalism, nationalism, economy, governmentality

INTRODUCTION
Traditionally, the nationalism-economy nexus has been understood as a set of state policies preferring national economic interests to free international trade principles (Berger, Fetzer 2019). Yet, recently, the nexus has been subject of reinterpretation. Drawing on the latest relevant literature, this article presents the newest strands in the nationalism-economy nexus studies and argues that some of these strands could be developed by using existing scholarship on capitalism in the post-socialist Baltic states.

Besides advancing the research of the nationalism-economy nexus, another reason to take up this endeavour was that the nationalism-economy nexus has not received much attention in Lithuania so far. Local scholars of nationalism and ethnicity have researched a variety...
of topics ranging from different models of adaptation among Lithuania’s ethnic groups (Ka-satkina, Leončikas 2003) to issues related to the identity of various national minorities (Frė-jutė-Rakauskiënė et al. 2016), from concepts of social and historical justice in the multi-national Lithuanian society (Frėjutė-Rakauskiënė et al. 2018) to issues of unemployment among national minorities (Neverauskiënė et al. 2007; Neverauskiënė 2010) as well as social justice in the context of neoliberal reforms of education (Šliavaitė 2018). Nevertheless, topics related to the nationalism-economy nexus have so far received little to no attention, with some minor exceptions (Podagelytė 2014; Repečkaitė 2011; Norkus 2012; Šliavaitė 2016).

The article starts with a discussion on the latest developments in nationalism studies’ inquiry into the nationalism-economy nexus. It picks one of the possible directions of researching the nexus – namely, the way different ideologies are inhabited by nationalism in the sphere of economy (Fetzer 2020). Firstly, it demonstrates how this compatibility is possible on a theoretical level. To demonstrate this, economy is understood as political economy and neoliberalism is addressed as a form of what Michel Foucault called ‘governmentality’ (Foucault 1991). Going further, the article demonstrates how this compatibility may work in practice by connecting the latest literature on the nationalism-economy nexus to literature on nationalism and economic policies of the post-socialist Baltic states. According to the literature in question, in the case of these states, the nexus took the shape of a nationally embedded neoliberalism: a specific product of the post-socialist transformation, under which the post-socialist Baltic states sought to build viable nation-states via neoliberal economic policies.

To sum up, the aims of this article are to present the latest literature on the nationalism-economy nexus, to discuss how nationalism and economy might be compatible on a theoretical level, and to demonstrate how this compatibility looks in practice as described in literature on national neoliberalism in the Baltic states (Bohle, Greskovits 2012; Kattel, Raudla 2013; Norkus 2012; 2018; Vogt 2011). Finally, by juxtaposing different related scholarships in a meaningful way, the article seeks to provide a basic theoretical toolkit that could facilitate prospective empirical inquiries into the nationalism-economy nexus in Lithuania and abroad.

**HOW NATIONALISM ‘INHABITS’ OTHER IDEOLOGIES IN THE ECONOMIC REALM: THEORETICAL RATIONALE**

Recently, Thomas Fetzer (2020) reviewed interdisciplinary literature on the relationship between nationalism and economy and connected this literature to broader discussions in nationalism studies. According to him, there are three main approaches to nationalism in nationalism studies: nationalism is understood either as a political movement and ideology, as a type of political discourse or as everyday nationalism (Fetzer 2020: 3). Fetzer (2020: 3) noticed that in nationalism studies little attention has been paid to research on economic aspects of nationalist political programs. Therefore, Fetzer suggested that to connect economic analysis with the discussions on comparative typologies of nationalism researchers could study ‘how the nationalist self-determination principle feeds into (neo)liberal doctrines’ or ‘how nationalism “inhabits” other ideologies in the economic realm’ (Fetzer 2020: 8). Due to the limited scope of this article, only the latter issue is explored below.

Taking one of the three above-mentioned approaches in nationalism studies, i.e. nationalism as political movement or ideology, means that we are working with an ethnic ideology which holds that a certain ethnic group should have a special relationship with the state, and a nation-state, therefore, is a state dominated by such group (Gellner 1983; Anderson 1991;
Eriksen 2010: 118–119). Nevertheless, scholars have remained sceptical about treating nationalism as a distinct ideology (Freeden 2005). As noted by Andrew Vincent, nationalism is ‘usually coloured by another host ideology’ and nationalist beliefs ‘only constitute an empty skeleton awaiting the arrival of some richer ideological flesh’ (Vincent 2013: 464). Nationalism’s talking points themselves are usually vacuous and acquire significance only when other, ‘thicker’ ideologies (e.g. conservatism, liberalism, socialism, or fascism) enter the playing field and carry the argument forward. According to Vincent (2013: 470), ‘[i]t is to these compounds (for example, liberal nationalism) that we must look for the substance of nationalist ideology’. However, if by ‘nationalism’ we still mean an ideology which refers to a specific relationship with the state, then we also need to define the concepts of state or government.

The state, according to Colin Gordon, could be seen as a form of what M. Foucault called ‘governmentality’: the way governance is practiced and rationalised (Gordon 1991: 3; Foucault 1991). According to Richard F. Huff (2007: 389), in this compound term, ‘government’ refers either to the conduct, meant to shape the conduct of other people, or to the ‘conduct of oneself’, guided by the sense of self-governance. As noted by Huff, ‘[r]ationality <…> suggests that before someone or something can be controlled or managed, they must first be defined. Therefore, the state designs systems for defining populations, which make them known and visible’ (Huff 2007: 389). The term thus suggests a difference between a sovereign form of government (manifesting itself through reigning, ruling and commanding) and the later art of government, aimed at governing through freedom. According to Nikolas Rose and Peter Miller (1992: 174), the term governmentality signified a certain type of acting and thinking in governing the wellbeing of populations. These populations were national in their character.

In his discussion on birth of the modern nation Foucault refers to a famous question in 1789 few months before the outbreak of French Revolution raised by French political theorist Emmanuel-Joseph Sieyes: ‘What is the third estate? Everything. What has it been heretofore in the political order? Nothing. What does it demand? To become something herein’ (Sieyes 1789 cited in Foucault 2003: 217). According to Foucault, before the French Revolution, the nation existed in the figure of the sovereign. However, in the course of history, ‘having become a nation and then having become the nation by absorbing all the functions of the state, the third estate will effectively take sole control of both nation and State’ (Foucault 2003: 236). Up to that point defined via its horizontal relationship with other groups (and other nations), the nation became self-referential because from now on it was defined via a vertical relationship between the state and individuals who constitute it (Foucault 2003: 223). This also meant that nation's strength was defined not by its military capacities but by its 'ability to administer itself, to manage, govern, and guarantee the constitutions and workings of the state and of state power' (ibid.). Thus, one could say that the new art of government, in respect to the life of its population, was economising and maximising.

Understanding the state as a certain type of governmentality allows speaking of economy the way it was understood a century ago, i.e. as oikonomie or political economy (Mayntz 2019). Once the notion of economy includes political and social considerations, the essential link between the national and the economical becomes visible: any modern political economy is primarily a national political economy. Indeed, as noticed by Marco Antonsich (2016: 10),

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1 In the context of this article, Liah Greenfeld's (2001) work *The Spirit of Capitalism: Nationalism and Economic Growth* is worth mentioning. The work puts forward an argument similar to the one proposed in this article, namely that the spirit of capitalism was nationalism and not protestant ethics, as famously argued by Max Weber (1905).
the nation is an ‘essential lens to understand state governmentality practices’, because although various state practices may ‘seem indeed to operate in an abstract space, a sort of national vacuum’ (Antonsich 2016: 10), the state is not ‘an autonomous entity, driven by a self-governing logic, detached from both the national context within which it is imbricated and the national people who populate it’ (Antonsich 2016: 10).

Therefore, we can see how nationalism and (political) economy are linked by the state. Yet, today this link seems problematic. Decline of the welfare state, globalisation, and collapse of Communist regimes paved the way for the rise of neoliberalism and today some authors speak about the neoliberal form of governmentality (Ferguson, Gupta 2000; Rose 1996). James Ferguson (2010: 172) noted that unlike liberalism, which has always sought to maintain a right balance between spheres it understood as distinct, for example, between the state and the market or between the public and the private, neoliberalism ‘puts governmental mechanisms developed in the private sphere to work within the state itself, so that even core functions of the state are either subcontracted out to private providers, or run (as the saying has it) “like a business”’. In other words, the private becomes the public and the state is governed as an enterprise. Adam Harmes (2012) has argued that neoliberals often see appeals to nationalism as politically expedient. However, neoliberal values may not only be compatible with but also dependent on nationalist policies. According to Harmes (2012: 82), internationalists ideas are used by neoliberals to promote free movement of capital and goods, while a nationalist discourse is employed to prevent greater international cooperation and reciprocity advocated by social democrats. What remains unclear is the following: what is the theoretical rationale of nationalist social forces behind employing the neoliberal discourse?

NATIONALLY EMBEDDED NEOLIBERALISM IN THE POST-SOCIALIST BALTIC STATES

Every way of governing is historical; therefore, instead of speaking about the state, it makes more sense to discuss a particular state. In the context of post-socialism, it is worth recalling what, in their analysis of post-socialist capitalism, Gil Eyal, Iván Szelényi and Eleanor Townsley (2000: 86) called ‘managerialism’, by which they meant a certain type of ‘governmentality’ or an idea how to manage individuals, society and markets. According to Eyal, Szelényi and Townsley (2000: 88), once the opportunity of a social order which could be governed ‘from afar’ was rediscovered in the workings of the market, it became possible to govern by imposing monetary representations on social phenomena, and expect that it would become ‘self-regulating’. They also add that such thinking allows one to assume that direct state intervention is not necessary in solving social problems (Eyal, Szelényi, Townsley 2000: 89). However, this works if individuals are entrepreneurial and possess a necessary amount of human capital to be able to take the opportunities that monetization offers. Hence monetarist theorists and policy-makers encounter such problems as enterprise culture malfeasance and trust (Eyal, Szelényi, Townsley 2000: 90). The problem of trust allows one to assume that such governing might rely upon appeals to national sentiments. Below, the article discusses how this strategy was used in the Baltic states and societies.

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The term ‘neo-liberalism’ is polysemous. In this paper, the term is used to designate rather a sort of ‘rationality’ linked to specific mechanisms of government and recognisable modes of creating subjects, than a certain macroeconomic doctrine.
At the very beginning of its independence, Lithuania declared its ambition to break away from the Soviet Union, reintegrate itself to Europe, and become a Western-like capitalist state. The choice has been informed by socialist legacy and experience and determined to build a state that would be different from the Soviet Lithuania: the new state was supposed to be regulatory rather than interventionist. As argued by Dorothee Bohle and Béla Greskovits (2012: 132), ‘Baltic reformers rejected the features of a “positive” state, such as high taxation, redistribution, and direct production of goods and services. For that reason, their institutions were, from the beginning, geared to regulating rather than otherwise intervening in the economy’. The Baltic states sought to integrate themselves into major European economic institutions. This required embracing the socio-economic vision institutionalised by the EU and characterised by such features as preferring: market competition to state intervention; new locally developed start-ups to efforts to attract new foreign direct investments, reintegration of people into the labour market to pension-based welfare (Bohle, Greskovits 2012: 132). Yet, immediately after the collapse of the USSR, it became visible that capitalism was not a single set of political-economic relations. When departing from socialism, the former Soviet republics needed to decide what sort of capitalism to choose.

Bohle and Greskovits (2012) formulated a typology of capitalism in post-socialist Europe and identified three basic variants of capitalist political economy established in these countries during the period of post-socialist transformation: neoliberal (Baltic states), embedded neoliberal (Visegrád countries) and neocorporatist (Slovenia). ‘Pure’ neoliberal Baltic type of capitalism was characterised by open markets, cuts in social welfare funding and low capital control. Meanwhile embedded Visegrád neoliberalism was marked by usage of foreign investment to stimulate export industries, while at the same time preserving social welfare regimes and the capacity of the state to implement industrial policy. According to Bohle and Greskovits (2012), the process of nation-state building could explain the radicalism of post-socialist reforms in the Baltic states. National independence, sovereignty and security were the top priorities for the Baltic elites, while Russia’s economic and political influence was perceived as the main threat to these objectives. Therefore, these elites initiated changes which signified ‘a radical departure from the past, responded to perceived needs of independent statehood, and served the purpose of forging national identities’ (Bohle, Greskovits 2012: 96). The urge to rebuild their nation-states made Baltic elites less constrained by the economic and social costs that the radical reforms could have brought (Bohle, Greskovits 2012: 96). The authors argue that the Baltic states offered their populations a nationalist rather than a welfarist (as was the case in the Visegrád countries) social contract:

Under this contract, spending on forms of social protection accessible to citizens and noncitizens alike – health care, pensions, and active and passive labour market policies – has been subject to strict controls. At the same time, in the few areas where Baltic welfare generosity has stood out – namely, spending on higher education and certain kinds of state employment – access has been controlled via citizenship requirements or language proficiency tests administered in the official language. Hence, the overall relatively meagre performance of Estonian and Latvian welfare states should also be judged against the yardstick of the nationalizing project in which elites of these countries have been engaged – that is the project of building a state for the core titular nation (Bohle, Greskovits 2012: 96).
Although in Lithuania, compared with the other two Baltic states with larger national minorities, the nationalist social contract has remained symbolic and did not offer many opportunities for select groups (Bohle, Greskovits 2012: 123), the contract nevertheless was of great significance. Discussing the role that monetary nationalism (fostering sentiments for a national currency) played in creating the Baltic model of neoliberal capitalism, sociologist Zenonas Norkus asserted that ‘in the neoliberal Baltic model, neo-corporatist institutions were substituted by monetary nationalism, inducing non-elite parts of their indigenous population to accept and endure hardships of internal devaluation (wage cuts and unemployment)’ (2018: 17). Thus, the previously raised assumption that governing from afar might rely upon appeals towards national sentiments seems legitimate. In cases of austerity policies applied during the 2008 economic crisis, the opposing voices in public discourse were associated with non-Lithuanian inhabitants of the country or *homo sovieticus* (Repečkaitė 2011).

**NATION-STATE BUILDING VIA NEOLIBERAL ECONOMIC REFORMS**

In their typology, Bohle and Greskovits (2012) call the Baltic type of capitalism neoliberal and thereby distinguish it from the embedded neoliberal capitalism of the Visegrád states. Yet, it could be argued that Baltic neoliberalism is also embedded, only, unlike in the Visegrád countries, it is not embedded socially but nationally. This is due to the fact that, from the very beginning of their independence, the Baltic states saw capitalism as their main strategy for (nation) state-building. This might seem paradoxical, because neoliberalism, it is often assumed (Ferguson 2010: 171; Springer et al. 2016: 2; Mudge 2008: 204), means a zero-sum game relationship between the state and the market. Should then Lithuania’s decision to embrace market building be seen as something incompatible with the nation state-building strategy? According to Antonino Palumbo and Alan Scott (2019: 5), not necessarily if we employ the Polanyian approach and analyse neoliberalism as a ‘program of government’. Neoliberalism, in their view, can be seen as a technique of governing via the market and that this way of governing does not weaken but strengthens the state (Palumbo, Scott 2019: 3). Therefore, it is possible to understand neoliberalism as ‘a form of statecraft: the means, skills and knowledge required for the purpose of government’ (Palumbo, Scott 2019: 3). Seen from this perspective, neoliberal reforms in post-socialist Lithuania could appear as an attempt of (nation) state building.

Nationally embedded neoliberalism is a certain type of capitalism that emerged in Eastern Europe after the fall of the Soviet Union (Vogt 2011; Norkus 2012). It finds an expression in an open economy and liberalisation and deregulation policies. However, as argued by Rainer Kattel and Ringa Raudla (2013: 443), it is also characterised by ‘language and cultural policies favouring the respective majority nations’, although ‘in economic policies the Baltic republics exhibited practically no nationalist elements, for example, eschewing domestic market protection. It is rather the functioning of the market that is seen as ensuring the survival of the nation’.

This type of neoliberalism relates to the Polanyian (1957) notion of embedded capitalism where the state curtails free market excesses through social protection measures (ergo Western European welfare state). However, in Eastern Europe the idea of embedded capitalism got reversed – for it was believed that social well-being is brought on not by the state, but by self-regulating markets. But even more important is the tendency to equate social well-being with the well-being of the nation. According to Kattel and Raudla (2013: 442), in real
life the Baltic version of nationally embedded neoliberalism would not have worked without instrumentalization of nationalism and substitution of social well-being with the well-being and survival of a nation. Lithuanian intellectual Tomas Venclova (2010) has argued that in Lithuania the Soviet system was rejected because in the eyes of the majority it was seen as an existential threat to the nation. And embracing Western neoliberalism was seen as the way to ensure the nation’s prosperity and survival.

CONCLUSIONS

Current scholarship on the nationalism-economy nexus suggests that nationalism’s compatibility with other ideologies in the economic realm could be a fruitful way forward in the nexus analysis. This article aimed at providing a review of literature that puts forward an argument for treating neoliberal economic policies and nationalist ideologies as compatible. To make the argument more intelligible, economy in this article was understood as political economy and neoliberalism was addressed as a form of Foucauldian governmentality. I argue that literature on the post-socialist Baltic states adopting a form of nationally embedded neoliberal way of government provides an example of how nationalism ‘inhabits’ other ideologies in the economic realm. In the Baltic states, neoliberalism was perceived as a way to ensure the nation-state’s well-being. Although traditionally neoliberalism is associated with the withdrawal of state from public life, in the Baltic states, due to their Soviet experience, neoliberal reforms were seen as crucial for building the state, which then would establish the market, seen as the source of the nation's well-being at the time of the reforms. Neoliberalism in the Baltic states was nationally embedded and based on the social contract, according to which painful neoliberal reforms were conducted in the name of ensuring the nation-state's survival.

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Santrauka

Raktažodžiai: tautokūra, neoliberalizmas, nacionalizmas, ekonomika, valdysena