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Economic Patriotism and the Challenge of Convergence in the EU Periphery

Bakajannisz Haralambosz Peter

Student Registration Number: mpe20009

Supervisor: Dr. Christos J. Paraskevopoulos

Evaluation Committee Member: Dr. Kyrkilis Dimitrios

Evaluation Committee Member: Dr. Koulakiotis Athanasios

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Abstract

This thesis, primarily focusing on the notion of economic patriotism and the theory of Varieties of Capitalism (VoC), discusses how neoliberal-driven economic integration observed in the last decades between different capitalist regimes that show diverse development trajectories has led to divergence, rather than convergence. Along the lines of economic patriotism, decision-makers now face the constant challenge of satisfying the demands of their electorate in a complex and interdependent regulatory environment, in which most economic governance tools are not under their control, while as a result of spatial and economic integration, national goals often contradict supranational ones. Under this pressure, economic policy has to become creative and maneuver between constraints and opportunities in order to keep a balance between the two. At the center of analysis in this case is the European Union and its so-called 'periphery', where the long-awaited convergence based on free market fundamentalism has yet to be achieved with patterns actually indicating the exact opposite. Evidence however vindicates, that nations which have applied 'patriotic' economic policies in the past but also nowadays, have shown greater signs of convergence to their most developed peers.

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1. INTRODUCTION

The notion of economic patriotism – even though old in practice – lately started gaining popularity amongst the literature surrounding political economy. Whilst not too influential, the theory offers an alternative approach of economic governance to the so far long-lasting triumphant neoliberal policy agenda that became mainstream worldwide following the collapse of the Bretton Woods. After decades of neoliberal economists outlining a utopian vision of self-regulating markets, the neoliberal dogma started trembling and losing popularity and faith amongst decision-makers, as long-forgotten measures reappeared in political toolkits, in entirely novel forms in many cases. That is, particularly after the Great Recession that began in 2008-09, which could be considered as an outcome of the poor institutional structure of the neoliberal era, highlighting the need for an alternative style of economic policy-making. Indeed, neoliberalism has been a dominant element of all –"ations" (integration, modernization, etc.) that ultimately point at convergence, hence free market policies have been massively embedded in the construction of the European Union (Johnston, Regan, 2017. 9.), a block that consists of several different capitalist regimes (Hall, Soskice, 2001) with different development trajectories (Heimberger, 2020). An integration of such therefore, logically resulted in large imbalances and at the same time diminished the role of the state in market relations, placing not only national, but also supranational objectives on the table. As a consequence, spatially elected political mandates have to walk on a tightrope in order to achieve both, even though sometimes, these contradict each other.

In that respect, this thesis argues, that convergence goals driven by the neoliberal logic did not bear any fruit, conversely, the result was further disintegration and divergence. The same was the case within the Single Market of the EU, where several institutionally well-equipped nations prevailed in cost of others as explained by the Varieties of Capitalism (VoC) literature. Therefore, the EU has been segregated into 'core' and 'periphery', with the latter seeking to catch up to the former in an interdependent economic and regulatory environment that does not allow various space for political-economic coordination. Economic patriotism thus, is an outcome of such contradictions, leading decision-makers to pursue alternative strategies which in many cases proved to be efficient enough. Evidence of economic patriotism being utilized in the EU periphery suggests the same, hence the strategy seems to appear as an appropriate convergence tool. The first section presents the theoretical framework of the thesis, namely the notion of economic patriotism, emphasizing firstly the main reasons of its reemergence. The second section analyzes the utilization of the notion in the past through a brief historical revision, indicating that all of today's developed nations and free market policy supporters followed a mixed economic policy to emerge to the top. The third section concentrates on the convergence-divergence debate in general and the contemporary form of economic patriotism encountered today. The fifth section focuses on the economic divergence observed within the EU, based on the theory of Varieties of Capitalism (VoC). Finally, the penultimate section highlights specific cases studies of peripheral EU countries that used economic patriotism to achieve higher rates of convergence, demonstrating that the notion is an ideal cohesion tool.

2. The Reemergence of Economic Patriotism

For the past roughly 40 years the neoliberal doctrine has dominated economic thinking, relying entirely on market automatisms, promoting unprecedented privatization and deregulation, wiping out the pre-existing diversity of the political-economic realm. With its triumphant emergence in the 80's and its continuous expansion on the back of globalization, the hitherto uncriticized ideology put an end to interventionist industrial policy and public ownership, as governments started deregulating, privatizing state-owned enterprises and liberalizing financial markets (Schmidt, 2007, 2.). Moreover, with mainstream economics being taught in universities and business schools in the last four decades, current economic thinking has become one-sided and as a consequence the past of economics was almost destroyed, becoming less known to the younger generations.

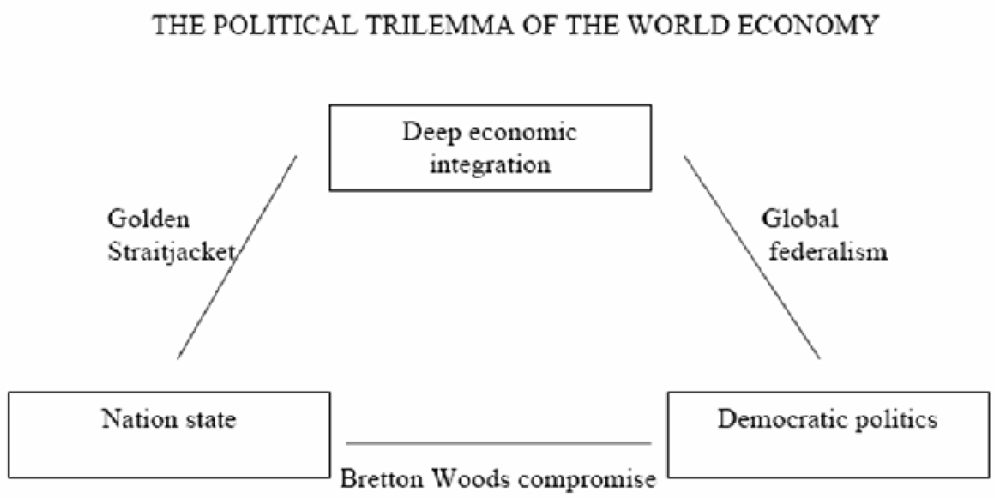
This had a significant impact on policy-making as well. Schmidt has already described how focus on political economy altered over this time, emphasizing that in the light of Europeanization and globalization the role of the state vanished and firms were put at the center of analysis (Schmidt, 2007, 2.) indicating their rising importance and the declining role of the former. Another consequence of neoliberal globalization has been a tighter integration of markets and the emergence of several supranational institutions aimed to control and keep in balance the resulted interdependence.

With neoliberal measures and policies 'riding' globalization and becoming the mainstream for both developed and developing nations, the most powerful actors utilized the advantages of free trade and deregulation managing to bring out the best of the process *vis-á-vis* their weaker counterparts, who struggle to sustain themselves in such an integrated economic realm. This contradictory environment – this chapter argues – did not only put pressure on spatially elected politicians, but furthermore led them to pursue unaccustomed strategies in order to achieve their national goals.

2.1. The "paradox of neoliberal democracy"

Ben Clift and Cornelia Woll, in their 2012 paper analyze how tensions between international market integration and spatially limited political mandates have led to the phenomenon of economic patriotism (Clift, Woll, 2012). According to the authors, the global financial crisis of 2008 brought to surface these tensions, as state intervention reemerged in various forms, however the roots of economic patriotism go way beyond the credit crunch and can be linked to what Colin Crouch has called "the paradox of neoliberal democracy". Crouch's statement refers to the fact, that there are several contradictions between the goals of elected politicians and abstract global economic objectives. While the former are pegged to satisfy the demands of the electorate, they must achieve this in a diversified legal and regulatory, interdependent economic environment, in which most instruments of economic governance are not under their control, thereby are forced to pursue creative strategies through which they can meet the demands of whom they represent.

Harvard professor of economics Dani Rodrik, might have been fast enough to express Crouch's 'paradox' as early as 2007. He launched an impossibility theorem, stating that democracy, national sovereignty and global economic integration cannot coexist at the same time. According to Rodrik, in order to pursue global integration – and hence a tight interdependence – either democracy or national sovereignty has to be put aside (Rodrik, 2007). This inevitable clash between politics and globalization this thesis argues, emphasized the "paradox of neoliberal democracy" as the latter, through its excessive forces has marginalized the role of the state as an operating criterion of the world (Veress, 2009).



1. Figure: Rodrik's political trilemma
Source: Rodrik, 2007

A somewhat similar argument is made by political scientist Tamás Fricz, who in the last chapter of his 2019 book named "Overwritten Democracy", argues that the biggest challenge of the 21st century does not only consider the diminishment of the role of the state, but also that democracy as a political system could be "overwritten" by a new kind of global system not derived by politics, but by global market players, a financial and economic "elitocracy" (Fricz, 2019, 167.-169.). From the three key spheres that organize modern societies in the most comprehensive and networked way, namely the market, the state, and society, the former has gained power and control over the other two as the result of neoliberal globalization (Fricz, 2019, 168.). According to Fricz, "overwriting" democracy does not imply deleting it, but rather altering it. These dominant economic groups – large multinational enterprises and global financial circles – do not seek to eliminate democracy but alter it to a procedure over which the outcome would not serve the will of the society, but of the "global elite". This, consequently, resulted in the emergence of a globalized market, as well as a conflict between globalism and democracy (Fricz, 2019, 168.).

This development of course does not similarly benefit all actors. Hungarian professor of economics and State Secretary László György in his 2019 book analyzes how this "neoliberal counterrevolution" benefited the supporters – and later on winners – of globalization in the last four decades. According to György, the intellectual revolution of the 80's led by neoliberal economists such as Milton Friedman, served specific dominant political-economic power groups – or as Fricz calls them, an "elitocracy" – which through the outlined perfect automations of the market became 'too big' and gained strong bargaining positions. György provides evidence on how neoliberal-driven globalization created imbalances between labor and capital, foreign and domestic ownership, while how it also escalated a tax race between states, creating competition in taxation and tax evasion (György, 2019).

Going back to Rodrik, the Harvard scholar in 1997 stressed out that our ideas about the relationship between the state and the business sphere have changed over time, something that he seeks to illustrate with a pendulum metaphor. When the pendulum is swung to the one extreme by the dominant role of the state, then we have a centrally planned economy or plainly put, communism. However, when the pendulum reaches the other extreme, we are talking about "supercapitalism", "turbo-capitalism" or "plutocracy" depending on if we quote Robert B. Reich of the Clinton administration, former Harvard Business school professor David C. Korten, or former World Bank chief Branko Milanovic respectively (György, 2019). No matter how we name them, both extremes are undesired and should be avoided. History has demonstrated what can happen if the pendulum swings towards the centrally-planned extreme and now we are not far away from the exact opposite as demonstrated, meaning that the most influential economic-power groups adjust the rules of the game according to their interests.

The truth is, currently we are not aware of any better solution to promote the sustainable growth and welfare of our societies than the market-economy (György, 2019, 79.), therefore this principle should be carefully preserved. Using the pendulum metaphor, the market economy could be described making small oscillations around the point of equilibrium position, where market actors seek to maximize their profits, while the state meet the demands of the electorate. Taking into account the five key values: security, order, justice, freedom and welfare, that are fundamental in organizing our societies and are present in nearly all of the constitutions (György, 2019, 78.), the state has a crucial role to step in when market players are threatening these values or are swinging the pendulum towards their desired extreme. "The paradox of neoliberal democracy" except than creating tensions between global economics and local politics, also swings the pendulum towards an undesired extreme, so the five key values pointed out above are currently being threatened by market players. Thus, decision-makers have to maneuver creatively between the constraints put forward by abstract interdependence goals and opportunities provided to satisfy their electorate, which resulted in the rise of economic patriotism.

2.2. Economic Patriotism: Definition, forms and purpose

The notion itself therefore, clearly emerges as a consequence of various political and economic contradictions between neoliberal market integration and national economic policies. Time-honored the paradigm might be, yet, there is not a widely accepted definition surrounding it, neither is there widespread literature, which triggered the critics of it to imply that for this reason it cannot be considered a theory. However, the lack of theoretical vacuum and grounding is not a sufficient reason to banish the concept to the realm of rhetoric. Examining the concept of economic patriotism, economics remain indebted with a definition.

Clift and Woll define economic patriotism as "economic choices which seek to discriminate in favor of particular social groups, firms, or sectors understood by the decision-makers as 'insiders' because of their territorial status" (Clift, Woll, 2012, 308.). Additionally, according to the two authors, economic patriotism implies that the interests of the homeland weigh more heavily than individual economic interests. This conceptualization provides elements that have been largely misunderstood by liberal economists, who have equated the phenomenon with economic nationalism, protectionism or (neo)mercantilism (Clift, Woll, 2012, 312.).

Albeit these misinterpretations, the two authors in their column defend two arguments about economic patriotism that differentiate it from economic nationalism and radical perceptions. Firstly, they point out that like economic nationalism, economic patriotism should be perceived regarding its territorial reference in building up political or economic area rather than its political context, as many liberal intellectuals have used the notion as a term of abuse, not leaving space for open debate. Secondly, they argue that whilst economic nationalism is as old as the nation-state itself, economic patriotism is an 'evolution' coming along with the erosion of the state and its institutions following the breakdown of the Bretton Woods and tighter European integration initiating at the 80's and the fall of the "Iron Curtain" in 1989 (Clift, Woll, 2012, 309), while at the same time, it can also elevate to the supranational level. Therefore, economic patriotism does not offer a specific agenda and it can be exercised in various forms, as it is pointed out subsequently. Even though interventionism lies at its core, its forms may vary from country to country and from time to time. In the era of its heyday, the notion had an implicitly protectionist character embodied in Alexander Hamilton's or Friederich List's vision of protecting weak infant industries, shielding companies from outside competition via tariffs, nonetheless nowadays, we have seen governments bailout financial institutions or even automobile producers. Contrary to protectionism – as it will be pointed out – modern-day economic patriotism puts emphasis on support and encouragement of the 'insiders', rather than restriction, as international institutions and rules in many cases restrict the use of tariffs, public procurements or subsidies for the benefit of domestic companies. Thereby, even though it has been called a "threat to the European Single Market" (Wruuck, 2006), economic patriotism is not against competition and an open economy, rather it uses these mechanisms to raise living standards in the national level. It is nothing more than "responsible thinking" (György, 2019), meaning that all products and innovations that can be created at the homeland should be created there, creating added value and jobs in the national economy.

On this basis, György interprets economic patriotism somewhat differently than Clift and Woll. Not shying away from his book title – Creating Balance – György argues that economic patriotism should be interpreted as a balancing practice, trying to reconduct the imbalances that have already led to the emergence of the phenomenon. The neoclassical approach could not provide good answers, neither did protectionism or nationalism, as the former put too much attention on the individual, while the latter on the collective. Of course, economic patriotism implies that homeland interests bare of greater importance than individual ones and it is a fact the interests of the motherland can take precedence over the interests of individuals, companies, or political interest groups in some cases (Reznikova, Panchenko, Bulatova, 2018). Therefore, György suggests that economic patriotism should seek to identify the resting point of the pendulum between free market extremism and a centrally planned economy and between individual and homeland interests. It is a pragmatic approach, lying closer to reality than a theory, as it seeks to provide answers to the challenges of each time, which is also a task of economics according to the Hungarian economist. Its aim, is to ensure the economic viability of the 'patrie'.

Even though the concept is flexible and pragmatic, it has some basic goals and elements. Interventionism and homeland interests have already been pointed out. Furthermore, one who pursues a patriotic economic policy, *vis-á-vis* the neoclassical approach, believes that capital has a nationality. For this reason, economic patriotism generally recognizes that ownership of critical infrastructure is paramount (György, 2019). Both supporters and critics of the notion, link economic patriotism to infrastructure or the industry in general. A 2006 Deutsche Bank report claimed that economic patriotism is equivalent with industrial policy (Wruuck, 2006, 3.), while Obama linked the concept to infrastructure investment and job creation. In that case, evidence of the dynamic form of the concept can be identified too. One thing that history taught the world, is the fact that industry is continuously changing, especially in the 21st century, thereby industrial policy undergoes radical change as well. Nowadays, not only energy or transportation are considered as strategic or critical sectors, but also data, which could be interpreted as 'the new oil', transforming economic patriotism to 'innovative patriotism'. According to the Australian Strategic Policy Institute, a nation's processes and systems are a strategic tool too, consisting of a number of intangible assets all described with data (Shah, 2019). 'Innovative patriotism' hence, is the most modern form of economic patriotism, it recognizes the importance of added value and that we need to strike a balance in the context of an innovation-driven economy. This form, can also be called 'creative economic protection', as it creates balance, openness and development at the same time. Its tools can also be creative, but what it protects is also creative knowledge. The condition for development is that we also treat the human and knowledge capital that forms the basis of innovation as consciously as we do with critical infrastructure, thus the fate of homeland data, research and patents is just as important as that of a public utility.

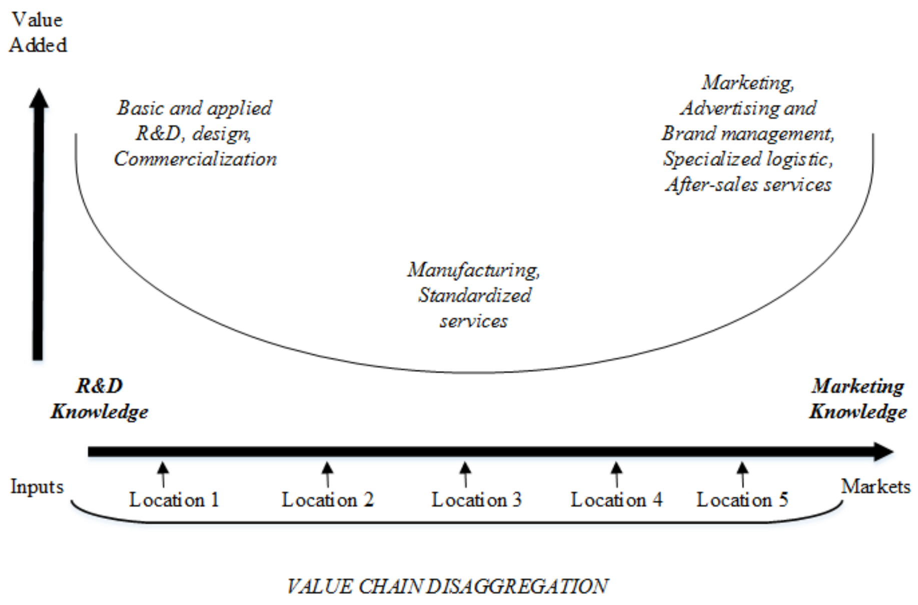
Furthermore, while the main aim of economic patriotism is to ensure the long livelihood of the national economy, theoretically, this can be done in several ways. Clift and Woll use the concept as an umbrella, to highlight some fundamental characteristics of economic intervention. Based on their reference points, the two scholars recognize supranational economic patriotism, economic nationalism and local economic patriotism, while they also distinct between conservative and liberal economic patriotism (Clift, Woll, 2012, 315.). Moreover, they categorized the natures of economic interventions, distincting between policy content and policy targets (Clift, Woll, 2012, 316.). On this basis, in his 2018 joint paper, Panchenko summarized the types of economic patriotism along with its implementation methods at national or supranational level (Reznikova, Panchenko, Bulatova, 2018, 280.).

1. Table: Types of economic patriotism and its implementation methods at supranational and national level
Source: Reznikova, Panchenko, Bulatova, 2018, 280.

		Types of economic patriotism		
		Liberal economic patriotism	**Conservative economic patriotism**	
Levels of implementing economic patriotism	Supranational economic patriotism	Strategic regional integration	Protective regionalism	**Forms of manifestation**
	Local economic patriotism	Implementation of liberal policies promoting the formation of supranational companies	Protection of national producer	

While conservative-style economic patriotism puts emphasis on restraint and includes protectionist measures both at local and supranational level, liberal economic patriotism emphasizes instruments that seek to stimulate the economic activity of the ‘insiders’. The former has a protective character by origin, implying that the state should act as an entity that needs to face external challenges, in contrast to the latter, where the state is an active actor in priority setting (Reznikova, Panchenko, Bulatova, 2018, 280.). Liberal economic patriotism hence, seeks to create and elevate transnational production chains striving to regroup the added value generated along these into the national economy. To this end, multinational companies typically maintain their high value-added processes in their home countries, so the goal of conscious large-scale enterprise building is to bring resources and markets under the control of national economies. After that has happened, the open market is what the national economy should pursue.

‘Developed Western economies’ are a perfect example of that tactic, as they have been pursuing liberal forms of economic patriotism in a large scale. They have created and elevated global value chains, which while are outsourcing some of their tasks to the periphery for cost-cutting purposes, are keeping their high added-value activities at home (György, 2019, 124.). The logic behind such decisions can be explained by the so-called smile curve, a crucial element of a liberal economic patriotism strategy. The smile curve in management sciences is the scheme of added value creation in the information technology sector, which is true for essentially all other sectors. The only difference in each sector is how wide and how curved the smile is. According to it, really valuable activities include research and development (R&D), branding, design in the development phase, distribution, marketing and sales in the marketing phase, while in the middle, production is the most competitive and least profitable link in the value chain.



2. Figure: Stan Shih's smile curve
Source: Xiaolan, 2018

A patriotic economic policy seeks to climb up as high as possible on the curve, nevertheless in order to do that – especially in the case of a peripheral economy – it needs to remain open and not shut itself away from global value chains. In today's business world, these are unavoidable, therefore a peripheral economy has to remain attractive, as research has shown that those countries who join global value chains are achieving higher growth rates than those who do not even pursue joining (György, 2019, 127.). However, this should not happen at any cost. For economic patriotism, the value chain is serving "our" interests when it really serves the well-being of the national economy. In this situation, the most critical is to create global value chains "ourselves" which produce and retain the highest added value in the homeland. The 21st century gives an extra opportunity to do that. As it was already mentioned, economic patriotism is a paradigm that adjusts to the given challenges, so in the current century transforms to 'innovative patriotism'. The new goal of the transformed paradigm, could be the export of high added-value services based on own data assets and innovation through direct market relations, which once again requires the elevation of 'national champions'. Therefore, engaging in global production and innovation value chains remains an important element in the strategy of a small, open economy, in line of course with the analyzed concept.

Finally, even though arguable, economic patriotism consists a theory just like mercantilism, economic liberalism or Keynesianism and like other theories is based on experiences and observation of reality and it can be interpreted in different ways. It is important nevertheless, to keep economic patriotism a theory and not allow it to become an ideology. According to Karl Popper, one of the most influential scientific philosophers of the 20th century, the validity of a theory can be assessed by answering four questions: Does it describe reality? Does it explain the link between cause and effect? Is it predictive? Can it provide advice to political decision-makers? However, one more criterion exists, which the Austrian philosopher names "the ace". Every theory presents reality from its own perspective, therefore it is not objective and cannot provide solutions to every problem, consequently it can be disapproved. If it cannot be disapproved then it is not a theory anymore, but an ideology. An ideology is absolute and kills debate, as well as it diminishes competition and development. Such examples have been neoliberalism and Marxism (György, 2019, 76.).

Additionally, not only the depth of interventionism is critical, but also its form and purpose. Policies that are applied uniformly regardless their origin fall out the remit of economic patriotism. Moreover, when policies are not primarily targeted at the defense – in this case at encouragement – of territorial interests we cannot speak of economic patriotism. Finally, intervention that serves political interests is beyond the limits of the theory (Clift, Woll, 2012, 318.). Therefore, cases such as German authorities helping Wirecard 'hide' its scandal (Rao, 2020), the IMF Greek loans being used to bailout the country's collapsing Eurozone debtors (Pogátsa, 2014, VII.) or when Denmark, the Netherlands and even Romania called their yoghurts "Greek" (Kokkinidis, 2019) to benefit their 'insiders' fall out of the scope of our theoretical framework. Taking into consideration Karl Popper's thoughts on what constitutes a theory and what an ideology, one of the most important messages this thesis seeks to provide is that economic patriotism should intend to be the former rather than the latter.

3. ECONOMIC PATRIOTISM IN THE PAST

From the foregoing analysis, someone could assume that economic patriotism might not be considered as a friendly approach to political economy, as it largely contradicts the dominant neoclassical school of taught in most of its aspects, while also questions many of neoliberalism's triumphant achievements. It is hence not surprising, that the notion is a usual point of critique of intellectuals and institutions that are unilateral supporters of free-market fundamentalism. What these critiques often omit however, is that neoliberalism has been predominant only in the last four decades. In fact, a brief historical revision could uncover that economic patriotism before the neoliberal era used to define the mainstream, while its alteration started escalating only after the 80's.

3.1. The old 'mainstream'

At the seventh chapter of his 2010 book named "23 Things They Don't Tell You About Capitalism", South Korean born economist Ha-Joon Chang, dedicates a vast number of pages unriddling why "free market policies rarely make poor countries rich" (Chang, 2010). Chang seeks to bust the 'myth' that "Chicago boys" types of economists and experts suggest about free market fetishism and neoliberal reforms driven after the 80's, celebrating them as an overmastering success. At the same time, neoliberal intellectuals heavily criticize state intervention, industrial subsidies or foreign direct investment (FDI) bans, considering them a recipe meant for failure, which undermines competition. However, history has demonstrated that the truth is more or less the other way around, Chang argues. According to the economist, almost all of today's developed economies used "nasty" tools in order to emerge to the top, including the United Kingdom and the United States, liberal market economies and homes of free trade. These states became 'rich', through a combination of protectionism and subsidies, nevertheless, nowadays are major protectors of free trade.

In the case of the United States, the country owes a lot of gratitude to the man who people find at the back of the 10-dollar bill, Alexander Hamilton. Hamilton, was the first Treasury Secretary of the country at the explicitly young age of 33 and also the architect of the modern American economic system. Just after two years of serving at that position, in 1789, he submitted to the Congress his plan about the protection of his young country's "weak infant industries". Hamilton, in his "Report on the Subject Manufactures", argued that American enterprises at their infant state, cannot stand on their feet at their own, therefore need to be protected and supported by the state. Even though with protectionism lying at its heart, Hamilton's plan also mentioned public investment in infrastructure, the promotion of a bond market and even the development of a banking system. While many claim that America's economic development can be attributed to its vast natural resources, hard-working immigrants and its large internal market, according to Chang, it was Hamilton's developmental strategy that proved to be successful in the long-run and that can be corroborated by other 'successful' nations, using this strategy on their own.

Indeed, if we think about Britain, a glossy example of a liberal market economy, we would probably think about it as the inventor of free trade. However, the British used Hamiltonian policies too in their development era. In fact, Hamilton himself might have been the one who theorized the protection of weak infant industries, nonetheless he was inspired by Robert Walpole's, Britain's so-called first prime minister's practices. During the middle of the 18th century, Britain endeavored to enter the wool industry, the high-tech industry of that era, which at the time was dominated by the so-called Low Countries, namely what is Netherlands and Belgium today. In order to catch-up to the competition, Walpole – and later on his successors – imposed tariffs, while at the same time provided domestic woolen manufacturers with subsidies and other state aid, so consequently the country became a pretty successful wool exporter. As Chang notes, the vast amount of export earnings helped Britain prepare for the Industrial Revolution at the end of the century, while as it was previously mentioned, British industrialists only argued for free trade after 1860, when the country's industrial dominance was absolute. Even the adoption of classical liberalism – it could be argued – was promoting British exports and intervening minimally in the domestic economy in order to help the 'insiders', namely industrialists and discriminate in favor of them. Might it be this way or not, the moral lesson of the last two paragraphs, is that both of today's most developed and successful liberal market economies built their economic foundations on an early form of economic patriotism.

Not surprisingly enough, it is not only the most developed liberal market economies that emerged to the top by using 'anti-free market' policies, but also the biggest coordinated market economy today, Germany. In that case, gratitude has to be attributed to Friedrich List, the founder of the country's economic development. List, recognizing that Britain was slowly, but steadily climbing to the top of the global economy by knocking its competitors out, outlined his own protectionist theory of safeguarding weak infant industries. The German economist argued, that his country should open its markets and allow the inflow of high technology products and after that happened, the markets should close until Germany learns and adopts the technology required to produce these. After that took place, the markets should open and Germany can return to free trade at a higher level of competition. List's plan, is highly similar to that of Hamilton's and that is not on coincidence. As a fun fact, List was a former advocate of free trade and learned about Hamilton's practices during his exile in the United States in the 1820's (György, 2019, 52.).

A contemporary alteration of economic patriotism initiated as soon as the second half of the 20th century. After the pre-described period, economic globalization started escalating at a more rapid pace, partly as a consequence of the development of international trade among nations, leading to a greater interdependence between markets, something that was put to a nearly thirty-year pause, as a result of the two World Wars. Nonetheless, after the establishment of the Bretton Woods in the mid-late 1940's up until the neoliberal counterrevolution of the 80's, another era of patriotic economic policy-making followed with massive state intervention all around the world. According to Hungarian economist and sociologist Pogátsa Zoltán, throughout the post-war "reconstruction" period, a concept of the welfare state was adopted, with high levels of growth and full employment, while the state played a powerful role during this period, not only with orders and redistribution of resources, but in many cases even as owner (Pogátsa, 2018). György, similarly, points out, that this period was dominated by Keynesian principles with the role of the state remaining rather important (György, 2019, 63.-66.). Between 1945 and the early 80's, massive elements of economic patriotism can be mentioned in the global economy.

One of the best, but probably least unequivocal examples, is the United States, which was the founder in a way of the Bretton Woods international system. Established in 1944 at the conference of Bretton Woods in New Hampshire, remarked by the dominant role of the U.S. within it, its main institutions, the International Monetary Fund (IMF) and the World Bank, along with a 'new golden standard' which fixed the exchange rate of European currencies and the U.S. dollar to gold and the establishment of the predecessor of the World Trade Organization (WTO), the General Agreement on Tariffs and Trade (GATT), the United States laid down an institutional framework perfect for its needs. All of this, according to some international relations scientists, can be interpreted through the lens of the hegemonic stability theory. This, fundamentally mercantilist, but in some essence liberal theory, briefly states that the establishment and maintenance of a liberal world market requires a hegemonic state with the appropriate military and economic power to formulate and enforce the rules of the liberal world economy (Yazid, 67.-79., 2015). The United States, was a perfect match around that time, being responsible for the 45% of global industrial output (Vries, 2018, 25.), thus supporting free trade to a large extent. At the same time, the domestic economic policy had its foundations on a "democratic capitalist" model (György, 2019, 69.), which ensured a more restricted and stable form of competition as the balance between values and interests was kept at an equilibrium by the so-called "iron triangle" of the corporate statesmen, the government and trade unions. Throughout their consultations, while 'national champions' could emerge this would not happen at the cost of workers, as growing wages would contribute to the broadening of the middle-class, thus having a stabilizing effect on democracy and society (György, 2019, 69.).

In Europe, comparable measures were adopted for several years. Finland for instance, belonging to the coordinated market economy family, between the 1930's and 1980's used to classify as "dangerous enterprises" those, which had a foreign ownership of more than 20 percent, while along with France and Austria, used state-owned enterprises to promote key industries (Chang, 2010). Furthermore, with increasingly tight European integration, common policies between member states such as the Common Agricultural Policy (CAP), lifted protectionism and subsidization from nation-state to a supranational level, but at the same time lobbying remained intense among members in order to satisfy national interests.

Moving further to the East, Asian nations provide us with great examples of patriotic economic policies in the post-war era. Such policies, have awarded these states with the nickname “Asian-tigers” and have been the foundation through which they have built their national champions upon. This applies to so-called “keiretsus”, the large Japanese company groups, including the Fuyo Group (Canon, Hitachi, Nissan and Yamaha) and the Sumitomo Group (Mazda and NEC), while former Korean fish trading, textile manufacturing and plastic industry companies, such as LG, Samsung and Hyundai, today can be ranked among the leading enterprises worldwide (György, 2019, 157.). In both cases, the state fulfilled a critical role in supporting and promoting domestic companies, creating successful and hypercompetitive global values chains.

Let’s take the example of POSCO (Pohang Iron and Still Company), which by 2016 made South Korea the world’s sixth largest steel producer and cargo ship manufacturer. The company was established in 1973 with Japanese financial aid and as soon as 1983, it had become one of the most efficient steelworks on a global level (Chang, 2009). Initially, the Korean government did not seek to create large state-owned enterprises, but rather supply the domestic market at relatively low prices and ensure the country’s self-sufficiency in that sector. Thus, along with the pre-mentioned Japanese help, the state funded its establishment and treated the company as part of the nation’s critical infrastructure, providing the necessary environment for its development and initial goal, namely to produce steelwork at lower than global prices. By the late 80’s, POSCO had become the fifth largest metallurgical company in terms of output and only after the 90’s started its decentralization and privatization processes, especially after the 1997 Eastern Asian crisis. The foundations were laid and even with a different ownership structure, POSCO ranks among the leaders globally in steelwork.

Not much different, but rather similar is the case of Samsung Electronics, one of the most famous global value chains nowadays. Founded in 1938 at its young age, Samsung traded dried fish, local spices and noodles, primarily targeting the Chinese market. Even though its founder, Lee Byung-chul sought to collaborate with American companies, language barriers and American companies’ unwillingness for joint-venturing led him to Japanese partnerships. Throughout these collaborations, Samsung gained the know-how, while at the 70’s, it squeezed out American enterprises of the market, increasing Korean wages and at the same time expanding its high-added value activities. After 1985, the company built its own research center at Silicon Valley, while most of its R&D activities – previously financed by the state – were now financed by the private sector. As of today, Samsung is one of the biggest smartphone manufacturers, while it also dominates a large share of the television market.

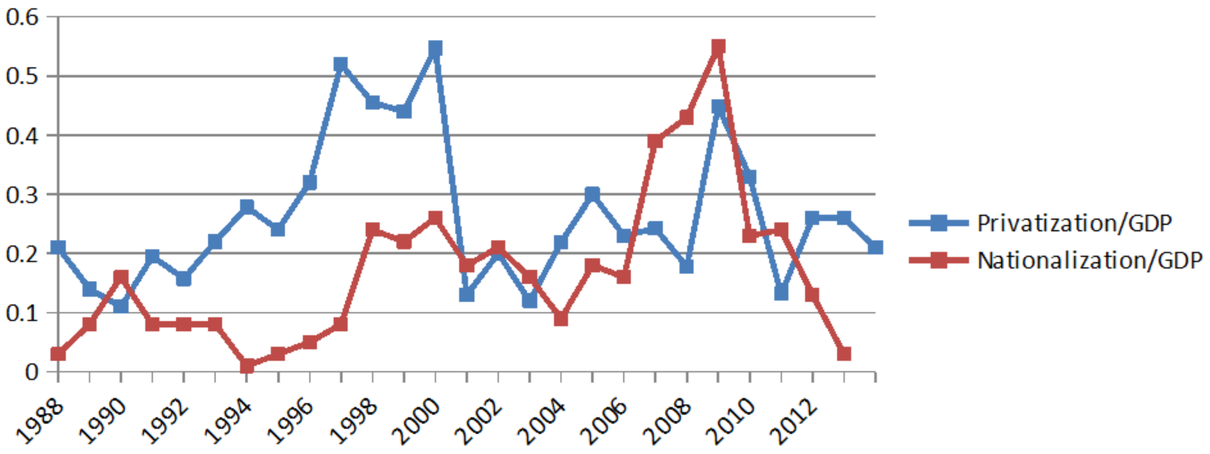
Even one of the brightest exceptions, Singapore, which is known to have developed for its openness to global value chains, it did establish some of its own. In 1974, the government founded Temasek Holdings to manage state assets on a market basis, with the state owning a 15 percent shareholder yield per annum (György, 2019, 162.). Moreover, the Netherlands, Switzerland and Hong Kong used little protectionism, however interpreted patent protection on their own way (Chang, 2010). And patents play a rather important role, especially in the development of economic patriotism and its transformation after the 70's, as all of the previously mentioned states, after climbing to the top with 'unorthodox' policies, protected their products using patents and selling them globally, by promoting free trade. It is not on coincidence therefore, that international trade laws, investment protection and patents have been revised accordingly (György, 2019, 164.).

Once again, it is pointed out, that great economic powers create the rules of the game and shape public opinion according to their interests and this chapter, but generally economic history clearly demonstrates that. The strategy up until the 1980's, has been mainly involving around a more aggressive form of economic patriotism, with strong state intervention, which according to our theoretical framework fall within the conservative realm. According to Chang, this form of strategy, while nowadays called 'unorthodox', is based on pure pragmatic logic. "For the same reason why we send our children to school rather than making them compete with adults in the labor market, developing countries need to protect and nurture their producers before they acquire the capabilities to compete in the world market unassisted", Chang explains (Chang, 2010). Secondly, the markets at their initial stage might not function effectively, thus the government needs to regulate them and intervene occasionally, even by creating deliberate markets sometimes. Finally, the Cambridge scholar states, that it is crucial for the government to act itself through state-owned enterprises, as at this stage of development there are simply not enough competitive private sector firms to take on large, high-risk projects. Going against this logic, after the 80's, dominant economic powers indirectly forced developing nations to open up their economic borders and expose their economies to global competition, under 'orthodox' policies as they were called.

3.2. Neoliberalism and the erosion of economic patriotism

Up until the 1980's, state intervention and various forms of protective economic policies were quite visible in the global economy as it became clear from the previous subchapter. Economic patriotism however, transforms and nowadays we definitely experience a different, less visible variant of it. This form, stems from what Chang calls the "do as I say, not as I did" (Chang, 2010) logic, an outcome the explicit forces of neoliberal driven economic globalization, through which dominant economic-power groups managed to gain excessive economic power, but also political influence. These power-groups consequently argued for the highly beneficial for themselves free trade and due to their powerful bargaining position, successfully managed to shape economic policy according to their interests.

But how did neoliberal globalization alter economic patriotism? While rooting back to the Mont Pelerin Society, neoliberalism truly flourished around the 70's in the United States, when business groups became frustrated with state intervention, seeking to abolish themselves from state control. Based on principles laid out by intellectuals like Milton Friedman, neoliberals argued for a totally free market without any state intervention, totally free trade and profit maximization. According to the doctrine, all of this would eventually lead to the "common good". From a theory, neoliberalism transformed into an ideology, being taught as the only 'right' way to go in economics and business schools over the last 40 years (Foroohar, 2020). In the United States, the pre-mentioned corporate statesmen became CEOs, while trade unions were eliminated as part of Reagan's neoliberal reforms (György, 2019, 70.). Additionally, excessive privatization and deregulation preached as a no-brainer by the Washington Consensus and the famous WTO rounds added the icing on the cake.



3. Figure: Global privatization and nationalization as a proportion of GDP
Source: Voszka, 2018

Going back to Chang's "do as I say, not as I did" concept, the Cambridge economist argues that developed countries, while suggesting free trade and free market policies, these never really worked, by actually providing data on how this supposedly pro-growth doctrine reduced growth in several peripheral regions. One of the most iconic examples of neoliberal failure in developing economies, is the one of Chile and the "Chicago boys", followers of Milton Friedman. The Latin-American adventure of these neoliberal economists started in the early 70's, when they served as advisors for Chilean dictator Augusto Pinochet. Taking control in 1973, after a decade of neoliberal reforms, in 1983 unemployment rose from 4.3 to 22 percent, while GDP per capita in the country dropped by 19 percentage points between 1982 and 1983. It was only after Pinochet got rid of his advisors that the economy rebounded, nevertheless neoliberal economists still claim that this was the result of their proposed reforms (György, 2019, 74.-75.).

Furthermore, Chang points out that international financial institutions such as the World Bank and the IMF, controlled by 'rich' countries, attached unfavorable conditions for developing economies at their financial aids and loans. Even though controversial for its content, John Perkins, former chief economist at Chas. T. Main, in his 2004 semi-autographical best-seller 'confesses' how the engineering consulting firm he worked for provided Third World countries with fake econometric models, so they would pick up loans and initiate large construction and engineering projects, of course undertaken by American companies. The United States managed to economically "colonize" developing nations, which eventually – saddled with debt – would be forced to crumble under American political pressure (Perkins, 2004). Perkins' book showcases how the government, the corporate sector and international institutions collaborated to promote the country's industries in a morally corrupt way. This example is a perfect demonstration of pointing out what falls out our theoretical framework.

The neoliberal ideology definitely changed the notion of promoting the homeland's interests, as state intervention and trade barriers were no more a feasible tool, therefore new methods needed to be pursued. One of them, the so-called "soft-power", a notion developed by political scientist Joseph S. Nye is even used nowadays. Simply put, the concept involves around the idea that power cannot only be gained via wars and violence (hard power), but also with the ability to persuade others to want what we want without violence or money (Nye, 2004). Even in a more sophisticated way, the homeland can be promoted through "smart power", the combination of the two (Nye, 2007). The notion of "soft power" has been excessively used by the United States and China over the last two decades, mainly through cultural influence.

Additionally, due to the large interdependence of the markets and their tighter integration, neoliberal globalization has created problematic patents and copyright protection laws as lined out prehandedly. Chang argues that patents and copyrights are innovations-killers, as they allow companies to enjoy monopolistic profits in the long-run, due to their massive extensions (Chang, 2010). Good examples are the "Mickey Mouse rule", which increased Walt Disney's protection of the cartoon by almost a century or the free trade agreement between the European Union and Canada, due to which the price of pharmaceutical products in the Northern American country can be more expensive by 12 percent on average as a result of increases in patent protection (György, 2019, 114.). Therefore, free trade agreements are conducted between parties in order to extend their monopolistic protection power, which other than ironical is also hypocritical, considering the fact that they are the ones arguing for competitive free trade. And since throughout the thesis the dominance of economic-power groups has been mentioned a couple of times, here are some honorable mentions of monopolies and oligopolies created by the free market.

According to a 2014 list published by the Transnational Institute the revenue of some corporations is way bigger than the GDP of entire countries, hence some, if not all of these corporations ‘compete’ in markets where they basically have no competitor. Jonathan Tepper and Dennis Hearn in their 2018 book named “The Myth of Capitalism: Monopolies and the Death of Competition”, emphasize how uncompetitive has the global market become, by handing some examples. According to the authors, in most industries one or two players determine the market. For example, in the case of colas, its Pepsi and Coca-Cola, in the case of express mail its UPS and FedEx, for credit cards Mastercard and Visa dominate, Android and iOS dominate 98% of mobile operating systems and of course we have the Moody’s and Standard’n’Poor’s duopoly on credit rating agencies (Tepper, Hearn, 2018).

2. Table: Corporations that are more powerful than nations
Source: Transnational Institute

Corporations more powerful than nations
Top 100 economies by GDP (nation) or revenue (companies) with their respective populations/employees

	Nation/Corporation	2012 GDP or Revenue $US billions	National Population/Corporate Employees	US$ per person
1	United States	15,685	316,668,567	49,531
2	China	8,227	1,349,585,838	6,096
3	Japan	5,964	127,253,075	46,867
4	Germany	3,401	81,147,265	41,911
5	France	2,609	65,951,611	39,559
6	United Kingdom	2,441	63,395,574	38,504
7	Brazil	2,396	201,009,622	11,920
8	Russia	2,022	142,500,482	14,189
9	Italy	2,014	61,482,297	32,757
10	India	1,825	1,220,800,359	1,495
11	Canada	1,819	34,568,211	52,621
12	Australia	1,542	22,262,501	69,264
13	Spain	1,352	47,370,542	28,541
14	Mexico	1,177	116,220,947	10,127
15	South Korea	1,156	48,955,203	23,613
16	Indonesia	878	251,160,124	3,496
17	Turkey	794	80,694,485	9,840
18	Netherlands	773	16,805,037	45,998
19	Saudi Arabia	727	26,939,583	26,986
20	Switzerland	632	7,996,026	79,039
21	Iran	549	79,853,900	6,875
22	Sweden	526	9,119,423	57,679
23	Norway	501	4,722,701	106,083
24	Poland	488	38,383,809	12,714
25	Belgium	485	10,444,268	46,437
26	Argentina	475	42,610,981	11,147
27	Taiwan	474	23,299,716	20,344
28	**Wal-Mart Stores**	469	2,200,000	213,273
29	**Royal Dutch Shell**	467	87,000	5,370,115
30	**Exxon Mobil**	421	76,900	5,470,741
31	**Sinopec-China Petroleum**	412	376,201	1,094,362
32	Austria	399	8,221,646	48,530
33	South Africa	384	48,601,098	7,901
34	Venezuela	382	28,459,085	13,423
35	**BP**	371	85,700	4,327,888
36	Colombia	366	45,745,783	8,001
37	Thailand	366	67,448,120	5,426
38	United Arab Emirates	359	5,473,972	65,583
39	Denmark	314	5,556,452	56,511
40	**PetroChina**	309	548,355	563,321
41	Malaysia	304	29,628,392	10,260
42	Singapore	277	5,460,302	50,730
43	Nigeria	269	174,507,539	1,541
44	Chile	268	17,216,945	15,566
45	Hong Kong	263	7,182,724	36,616
46	Egypt	257	85,294,388	3,013
47	**Volkswagen Group**	254	501,956	506,020
48	Philippines	250	105,720,644	2,365
49	Finland	250	5,266,114	47,473
50	Greece	249	10,772,967	23,113
51	Israel	249	7,707,042	31,270
52	**Total**	241	97,126	2,476,165
53	Pakistan	241	193,238,868	1,201
54	**Toyota Motor**	232	325,905	688,851
55	**Chevron**	225	62,000	3,590,323
56	Portugal	223	10,799,270	19,724
57	Iraq	213	31,858,481	6,686
58	Ireland	213	4,775,982	43,970
59	Algeria	210	38,087,812	5,461
60	Peru	208	29,849,303	6,667
61	Kazakhstan	199	17,736,896	11,050
62	Czech Republic	196	10,162,921	19,286
63	**Samsung Electronics**	196	88,504	2,121,938
64	Qatar	188	2,042,444	89,599
65	Ukraine	183	44,573,205	3,949
66	Kuwait	176	2,695,316	64,185
67	New Zealand	173	4,365,113	38,945
68	Romania	170	21,790,479	7,756
69	**Apple**	169	72,800	2,262,363
70	**ENI**	165	77,718	2,106,333
71	**Berkshire Hathaway**	164	288,500	563,258
72	Bangladesh	163	163,654,860	935
73	**Daimler**	153	275,087	548,190
74	**AXA Group**	151	96,996	1,520,681
75	**General Electric**	148	305,000	483,279
76	**Petrobras**	147	85,065	1,693,999
77	**Gazprom**	144	401,000	359,102
78	**Allianz**	144	144,094	973,670
79	Vietnam	140	92,477,857	1,492
80	**ICBC**	138	408,859	329,698
81	**AT&T**	135	242,000	526,446
82	Hungary	127	9,939,470	12,777
83	**Nippon Telegraph & Tel**	127	224,239	565,914
84	**Statoil**	127	23,028	5,506,340
85	**BNP Paribas**	127	188,551	669,315
86	Angola	126	18,565,269	6,410
87	**China Construction Bank**	119	355,290	318,332
88	**Banco Santander**	113	186,763	582,557
89	**JPMorgan Chase**	109	258,965	417,817
90	**HSBC Holdings**	108	284,186	369,124
91	**IBM**	105	466,995	223,771
92	**Agricultural Bank of China**	105	447,401	230,219
93	**Nestlé**	103	339,000	296,755
94	**Bank of America**	101	267,000	374,906
95	**Bank of China**	100	302,016	324,817
96	Morocco	98	32,649,130	3,002
97	Slovakia	98	5,488,339	16,763
98	**Wells Fargo**	92	269,200	338,782
99	**Citigroup**	91	259,000	350,193
100	**China Mobile**	89	175,336	506,456

Forbes, May 2013. International Monetary Fund, April 2013. CIA World Factbook, July 2013.
All references can be found on **www.tni.org/stateofpower2014**

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T N I

Neoliberal-driven economic globalization with its principles, laid down an economic realm perfectly suitable for powerful, wealthy nations and more specifically for their multinational corporations and their interests. Patents and monopolies do not allow developing economies to enter specific markets and sovereign decision-making became more difficult, while rising inequality and divergence are on the same side of the coin too. Such outcomes, clearly put a burden on the backs of decision-makers, who have limited space to interrupt neoliberalism's triumphant achievements.

4. THE CONVERGENCE-DIVERGENCE DEBATE AND ECONOMIC PATRIOTISM

The theory of economic patriotism is by no means popular amongst scholars and academics, therefore it usually absent from economic growth and convergence debates. The criticism surrounding the notion is indeed vast, since many – mainly liberal – political scientists and economists highlight the dangers that it poses. Yet, these critiques continuously miss out that nearly all of today's world's developed economies at specific periods of their recent history utilized several elements of economic patriotism in order to emerge to the top as the previous chapter denoted. Besides, based on the foregoing analysis, someone could argue that even neoliberal economic policies which proclaim complete economic freedom and serve the most dominant political-economic interest groups and nations, posed a form of economic patriotism. Another reasonable argument to put forward, is that economic patriotism in the past operated as a means of growth or convergence, depending on the case studies we quote. Moreover, sound is the argument that the notion along with its transformation, was utilized to preserve the favorable position of the strongest actors.

On this note, it is not striking that contemporary economic patriotism as described in the theoretical framework has a tight relationship with convergence, which after the neoliberal 'boom' was pursued throughout the pre-described tight global and regional integration, brought forward by globalization. Such attempts have notably failed, hence, the 'common good' that this *laissez-faire* train of thought promotes should probably be reconsidered, however without demolishing its several positive elements and outcomes. As a matter of fact, today's developed and industrialized countries use liberal economic patriotism as a means to retain their living standards, intervening in their economies in order to protect their national interest wherever and whenever they can. Taking into account recent examples, this chapter aims to conclude, that economic patriotism in its most contemporary variation can be an effective convergence tool, which does not undermine fundamental institutions that characterize the world economy today.

4.1. The Convergence-Divergence debate

The theory of economic convergence or more commonly known as the "catch-up" effect, is a fundamental principle in the science of economics, stating that poorer countries tend to grow more rapidly than their wealthier counterparts, so that in the future convergence will eventually be achieved. The theory furthermore states that developing nations can converge to their peers via opening up their markets and absorb all of its growth-friendly benefits, such as new technologies (Kenton, 2019). The 'catch-up' effect is based on the well-known law of diminishing marginal returns, hence one reason to expect convergence is that workers in poor countries have little access to capital, so their productivity is often low and by increasing the amount of capital at their disposal by only a small amount can produce huge gains in productivity. On the other hand, countries with lots of capital –

and consequently higher levels of productivity – would enjoy a much smaller gain from a similar increase.

The notion definitely proposes a sound argument about why should developing economies adopt free market policies, yet these should be carried out in a reasonable manner. A tight market interconnection might open up opportunities for laggards to adopt novel know-how and develop, however foreign capital will not come as a good-will ambassador, but because of lower labor unit costs. Although in an integrated free market such developments benefit consumers as squeezing profits reduce prices, less-skilled activities will most likely flow to lower-income countries resulting in large imbalances (Collier, 2020). According to Rodrik, the sources of this easy "copycat" catch-up have long been exhausted (Rodrik, 2017), as developing nations managed to gain some boost from the technological outsourcing – mainly manufacturing – but at the same time got stuck at the bottom of the "smile-curve", lagging behind in high value-added activities, hence development.

In that respect, the notion of path-dependency provides a feasible explanation, suggesting that tighter integration mainly benefits actors who initially had a more favorable starting position. That is, by taking into account historical economic and political legacies, regional economic development can be accounted for by different trajectories, making the notion heavily influenced by the structuralists' point of view regarding the core-periphery nexus (Gräbner, Heimberger, Kapeller, Schütz, 2019). The dualization of (European) economies into developed and developing thus, can be described as a result of different trajectories in terms of economic development, which by tighter integration resulted in structural polarization. These diverse trajectories obviously, contradict the political goal of convergence, resulting in disintegration, rather than the former (Heimberger, 2020). That is a significant observation, especially regarding today's economic-political environment in which integration has become a major feature of globalization (Savelyev, Smalyuk, 2019, 426.).

Therefore, even though several empirical patterns suggested that convergence was a thing in terms of integration, trade, investment but also in basic macroeconomic indicators, in many cases the latter was achieved through accumulating debt or large current account deficits. The world is growing in general, however it is not growing "united", as imbalances between living standards have grown significantly in the past 50 years (Johnson, Papageorgiou, 2019), which as argued pre-handedly, can be attributed to the explicit forces of neoliberal globalization and tighter interdependence of markets. Compliant with the previous chapters, evidence suggests that mainly after the 90's, convergence in terms of per capita GDP was and is not a visible thing among nations (Derviş, 2018) and as pointed out subsequently, the same is the case within the European Union.

Economic patriotism appears as a means to reconduct the problem of disintegration or divergence in a tightly interconnected economic-political context, where the role of the state has been marginalized to the detriment of free market fundamentalism. Finding a healthy balance between the two is not an easy task, but many manage to fare.

4.2. Liberal economic patriotism today

"Capital has no nationality", liberal economists used to say and neoliberal economists argue nowadays. Amongst their arguments, privatizations, minimal state control, deregulation and free trade play a vital role too. These uncriticized principles, along with the ever-increasing tendency towards spatial and economic integration have been considered as a major factor of economic divergence so far. On the contrary, economic patriotism did not cease to exist throughout this time frame, rather it had been relegated to the background, making a comeback in the 21st century and mainly after the financial collapse of 2008.

Economic patriotism after the turn of the millennium was probably firstly phrased out by French president at the time Dominique de Villepin in 2005, who argued against a hostile takeover of French company Danone by PepsiCo (Clift, Woll, 2012, 308.). But beyond that, France is protecting critical infrastructure from foreign takeovers since 2003, with the government being able to veto defense industry investments. The French law has actually been overviewed quite a couple of times and the government did not hesitate to block Enel's takeover of Suez SA and Gaz de France (Aheam, 2006, 2.) or denying Alstrom's takeover from General Electrics in 2014, something that France's economy minister Arnaud Montebourg embraced as "economic patriotism" (Schumpeter, 2014). Actually, as of 2014, the French government once again revised its foreign takeover law adding energy, water, transportation, healthcare and electronic communications to the column of critical infrastructure. But looking elsewhere around Europe, someone can encounter similar practices. In Germany, it is the so-called "Volkswagen law" that protects the giga-carmaker from hostile bids since the early 21st century, in Italy, the acquisition of Italian banks by foreign counterparts was blocked by the country's Central Bank, Spain protected gas utility company Endesa SA from being bought by German Eon, with the Spanish government noting that it would do anything for the company to remain Spanish, while in Poland the merger of state-owned banks with Italian Uni-Credit and German HVB was denied (Aheam, 2006, 2., 3.).

The practice has also been put forward overseas, notably in Northern America. It is a well-known fact that the Obama Administration came up with the largest fiscal stimulus that the United States have ever seen throughout its history, worth of $ 800 billion, accounting for more than 5 percent of the country's GDP (Klein, Staal, 2017). The American Recovery and Reinvestment Act (ARRA), even though planned to boost economic activity and create jobs, included large private sector beneficials as noted by Clift and Woll, while it also focused on infrastructural investments. Furthermore, not so long after the crisis, both in 2012 and 2014, Obama himself – a democrat – called for "economic patriotism" as a way for American economic growth (Tau, 2012, Peralta, 2014). University College London's economist, Mariana Mazzucato, in her book named "The Entrepreneurial State: debunking public vs. private sector myths", describes how people should thank the federal government, rather than venture capitalists and tech visionaries for private sector innovations observed the last couple of years (Mazzucato, 2018). As she points out, in the United States every major technological innovation in recent years traces most of its funding back to the government, citing some examples: The iPhone's 'smart' parts (GPS, Siri, touch screen) were advanced by the Defense Department, Tesla's battery technologies and solar panels came out of a grant from the U.S. Department of Energy, Google's search engine algorithm was boosted by a National Science Foundation innovation, while many innovative new drugs have come out of NIH research. But the story does not end here. The Committee on Foreign Investment in the United States (CFIUS), "is an interagency committee authorized to review certain transactions involving foreign investment in the United States and certain real estate transactions by foreign persons, in order to determine the effect of such transactions on the national security of the United States" (The Committee on… U.S. Department of Treasury, 2020), notes the country's Department of Treasury. The Committee identifies 16 sectors as critical and protects them from speculative foreign investments, showcasing once again that a liberal market economy like the United States is a great example of liberal, covert economic patriotism.

But the States' northern neighbor, Canada, also protects companies critical for the function of the economy and broader society, with the Canadian government running a national security review for "dangerous" foreign investments. As of 2018, five foreign takeovers have been blocked by the country's authorities, while as of the time of writing, seven more have gone to a national security review (Savona, 2020). A good example that demonstrates Canadian economic patriotism is the case of Aecon, a Canadian construction company that the China Communications Construction Company tried to acquire in 2018. The Canadian authorities strongly opposed the takeover because of the Chinese firm's majority ownership by the government and Aecon's involvement in the building of infrastructure critical to Canadian security (Snyder, 2018).

Moving on to another liberal market economy, Australia also largely protects its critical industries. The Australian authorities identify finance, transport, energy, water management, health, food, communications, but also manufacturing and production chains – the country's wealth-creating resources – as critical infrastructure, while the government has also created a national security body to screen and mostly prevent foreign investments and takeovers of electricity market companies, real estate and ports. Lately, the establishment of the Critical Infrastructure Centre (CIC) took place, which since 2017 oversees suspicious foreign investment attempts, mainly stemming from China, giving the government access to approve or disapprove these.

Moreover, as mentioned in the first chapter, in the 21st century economic patriotism is expected to transform into 'innovative patriotism', while the definition of critical infrastructure broadens to other sectors as well. A 2018 Verified Market Research report, has highlighted that the global critical infrastructure protection market size is expected to grow from almost $ 132 billion in 2019, to more than $ 217 billion in 2027. According to the institute, one of the biggest push factors of this growth will be technology related to security as a result of increasing sophistication of cyberattacks (Global Critical Infrastructure…, Verified Market Research, 2018). But beyond that, as Price Waterhouse Coopers (PWC) points out in one of its reports regarding the future of the global economy, learning will be the new work, as technological change will transform the labor market and probably people's attitude towards it (Five Megatrends…, PWC, 2016). Thereby, it is not only national security that makes data the 'new oil', but also its possible high added value and innovation potential, which could be granted for exports if used wisely.

It is of any wonder therefore, that China, Germany, Indonesia, Russia, Turkey or Brazil have prevented their data from being stored abroad. According to Australians, even their processes and systems are a strategic tool, that is, a number of intangible assets that are all described with data. In Brazil, authorities force financial actors to store data locally, while Russia has banned the purchase of foreign software through public procurements and China forces foreign investors to hand over critical intellectual property in the case of electric cars.

4.3. A recipe for 'patriotic convergence'

It is therefore clear, that the extraordinary attempt to achieve socio-economic cohesion via strong international integration based on free market principles in the past 40 years did not bear any fruit and at the same time developed nations all across the world violate the ever-lasting axioms of neoliberalism, by ditching liberal policy-making and intervening in their economies whenever they declare it necessary. Based on the existing evidence hence, the so-called periphery needs a patriotic prescription for convergence.

Firstly, since the periphery in general does not consist of large economies, it should strive to protect its critical infrastructure and concentrate its resources so that it can produce to the greatest extent possible all that is required for its survival. In other words, self-sufficiency to the greatest level possible is a key factor, obviously by taking into account and not violating the existing regulatory framework. This includes food, energy, raw materials, while strategic assets like airports and harbors or lately data, should remain in national hands. Dependency on external actors is not a fortunate thing, especially in the strategic sectors that determine the ability of an economy to function.

Secondly, as the theory suggests, the ability to create domestically-owned global value chains is critical. For this to happen, market openness is initially necessary and clear rules, partnership and trust between the government and investors is required. An economy such as those at the EU periphery, should have direct access to international markets and global value chains in order to get access to the most developed know-how, so in the future it can master its own, striving to regroup the added value generated along these chains into the national economy. If an economy cannot have access to a marginal share, it is much more difficult for it to catch-up to others.

Finally, to make all of this possible, the human factor cannot be excluded. Therefore, a strong and courageous government is required, which is able to sustain the pre-mentioned balances, while it also supports the interests of the electorate and not those of economic power-groups. Moreover, its economic policy should strive to create well-informed citizens and not be confined only to short-term, but also long-term goals, while at the same time it should take into consideration not only regional, but also global developments. This is how opportunities can be identified and sustainability can be assured in the future. Of course, this does not require it to be at any side of the political spectrum, but rather make it responsible against its citizens and generally the ‘patrie’.

5. Varieties of Capitalism, Economic Patriotism and the 'Two-Speed' Europe

Economic convergence has always been an explicit objective of the European Union, seeking to achieve socio-economic cohesion across its member states and regions. Under this principle, as described in the previous chapter, relatively 'poorer' countries or regions would grow faster than the richer ones and consequently sometime in the future convergence would be achieved. The European Union as of 1986 had already set this as a main precondition for cohesion under article 130a of the Single European Act, which is considered the backbone of the European Structural Funds and the Cohesion Policy (Alcidi, Ferrer, Di Salvo, Musmeci, Pilati, 2018). Moreover, the EU from its heyday has been built around the construction of a Single Market, allowing the free movement of people, capital and goods (Johnston, Regan, 2017, 7.), which would eventually benefit all participants. What in the literature is called "the EU convergence machine" has worked for quite a long time, especially for new member states during the accession process, however after the financial crunch the engine of this 'machine' broke down (Bodewig, Ridao-Cano, 2019). Throughout the middle of the first decade after the millennium, convergence was a visible thing among EU member states (Palier, Ronvy A., Ronvy J., 2017, 4.), however after the crisis, the EU periphery and the semi-periphery, namely the so-called 'new members states' of the 2004-2007 enlargement procedure along with some southern European economies such as Greece and Portugal faced severe economic difficulties and since then, mainly the Visegrád group managed to restore robust economic performance. Real convergence in general, does not seem to be a thing among EU member states, not even as a trend. Palier, Ronvy A. and Ronvy J., call this discrepancy between the European 'core' and 'periphery' the "economic dualization of Europe" and argue that it was not the credit crunch that generated it. They suggest, that this "dualization" roots from structural imbalances, namely it is an outcome of different growth models observed within the European Union and more specifically in "northern", "southern" and "eastern" Europe (Palier, Ronvy A., Ronvy J., 2017, 4.).

In line with this, some other authors suggest that the crisis highlighted that convergence problems might actually be a structural issue, as integration does not necessarily lead to economic cohesion (Alcidi, Ferrer, Di Salvo, Musmeci, Pilati, 2018). This thesis argues, that divergence amidst the economies of the European Union stems from the structural inability of the EU to handle different growth models observed across its territory. These severe growth regimes can be analyzed and understood based on the theory of Varieties of Capitalism (VoC), which highlights the institutional arrangement of the various economies found within the EU and in this case, within a single market. In its analysis thereby, this thesis puts the European Single Market at its focus point, as it is considered a critical institution in the emergence of economic imbalances between EU economies. This approach provides evidence, that ‘core’ economies are institutionally better-suited for the European Single Market than the ‘peripheral’ ones, resulting in tensions between the political-economic objectives of the two.

5.1. Varieties of European Capitalism

The theory of Varieties of Capitalism offers a rather influential approach to comparative political economy, shifting away from other similar dominant theories. Developed by Peter A. Hall and David Soskice, the notion examines how different institutional contexts shape corporate behavior and national strategies in order to compete with the global economy and advanced capitalist states (Hall, Soskice, 2008, 8.). The two scholars, placed firms and the spheres which with they develop their relationships at the center of their analysis, as they have seen them as “the key agents of adjustment in the face of technological change or international competition whose activities aggregate into overall levels of economic performance” (Hall, Soskice, 2001, 6.). The firms according to the theory, are not only the fundamental institution of capitalism, but also the institution which shapes the “character” of the national economy. The VoC approach examines institutional differences and similarities across developed economies, however in a different way than it is used to in common institutional literature. The theory is based on investigating the institutional capacity in order to solve coordination problems in five separate spheres: industrial relations, vocational training and education, corporate governance, inter-firm (company) relations, internal structure (employees). On this basis, Hall and Soskice recognize two different types of market economies, namely Liberal Market Economies (LMEs) and Coordinated Market Economies (CMEs).

The former, is characterized by the dominance of market relationships, which are usually based on enforceable and formal contracts. The role of the state is very minimal, mostly limited to creating opportunities for free competition and the role of trade unions is extremely limited too. This flexible market relationship is particularly suited for promoting strategies based on a high degree of innovation. As a result, LMEs are performing well in high-tech sectors. This type of variant is most widespread in Anglo-Saxon economies, with minimal involvement in economic processes and a low degree of market regulation. In this type of market economy, coordination problems are solved through market mechanisms, namely demand and supply. Examples of such countries are the United States, Australia, or the United Kingdom (Hall, Soskice, 2001, 8., Bohle, Greskovits, 2012, 10.).

The latter, is characterized by mutually agreed cooperative relationships where companies are subordinated to various non-market mechanisms. These may be state regulations on market flexibility or the need for collective bargaining by employees. In this case, the state has more power and the role of trade unions is also growing. Therefore, coordination problems in this variant are resolved through non-market mechanisms. As a result, CME countries tend to perform well in markets that require progressive, incremental innovation. This variation is observed, inter alia, in Scandinavian countries, Germany and Japan (Hall, Soskice, 2001, 8; Bohle, Greskovits, 2012, 10). These two "ideal" types of market economies, different might they be, their differences are reinforced by "institutional complementarities", which constitutes a crucial element of the theory (Paraskevopoulos, 2017, 3.). The notion in essence, suggests that if the efficiency of one institution increases, the return of the other will increase as well. This also explains the different innovation patterns observed across the two variants.

However, arguments have been made that Hall's and Soskice's dual classification cannot exactly fit other models observed throughout the European territory. For instance, the southern European states, namely Greece or Portugal, demonstrate some similarities to the Coordinated Market Economies, nevertheless are characterized by "statist" political economy (Paraskevopoulos, 2017, 3.). These market economies, have been recognized as the "Mediterranean type" (Hall, Soskice, 2001), Mixed Market Economies (MMEs) or due to the high intervention of the state this type has also been characterized as "state driven" (Boyer, 2005) or "compensating state" (Hancké, Rhodes, & Thatcher, 2007). Belonging to the CME family, in this variant coordination is also based on non-market actors, nevertheless in this case, these actors do not use their capacities for autonomous coordination, instead, they lobby for state protection and compensation (Hassel, 2014, 6.), thus, these economies are marked by limited capacities for strategic coordination in the sphere of labor relations. Therefore, in this variant, institutional stability and development is not based on complementarities but on state intervention which substitutes other means of coordination and as a major side effect state intervention "compensates" economic actors, rather than giving them incentives for competitive adjustment and development (Hassel, 2014, 9.). This is also a significant difference *vis-á-vis* Coordinated Market Economies, in which firms seek to restore and maintain competitiveness even by controlling labor costs, conversely, in Mixed Market Economies interests of economic actors play a primer role. This lack of competitiveness additionally, puts even more pressure on increase of compensation, hence interest groups practice more intensively their influence in order to maintain standards of living (Hassel, 2014, 10.).

Not only the "statist" south European economies could particularly fit into the dualization of Hall and Soskice, but also the Central Eastern European states (CEE), which even though changed their political systems in the early 90's, had to wait almost two decades to get included in the VoC literature. Andreas Nölke and Arjan Vliegenthart, are the first two scholars that recognized a new type of capitalistic model, namely the Dependent Market Economies (DMEs) of Central-Eastern Europe (CEE). As they point out in their 2009 paper, the dependent market economy type is characterized by the importance of foreign capital for the socioeconomic setup. This interpretation suggests, that DMEs have "comparative advantages in the assembly and production of relatively complex and durable consumer goods, which is based on institutional complementarities between skilled, but cheap, labor, the transfer of technological innovations within transnational enterprises and the provision of capital via foreign direct investment (FDI)" (Nölke, Vliegenthart, 2009, 672.). Nölke's and Vliegenthart's analysis focuses only on the Visegrad group, as it is considered that countries within the formation have similar socioeconomic institutions, however different from the Baltic states, the CIS, Slovenia or Romania (Nölke, Vliegenthart, 2009, 671.). Bohle and Greskovits recognizing that, emphasized that more capitalist variations can be found within the "Old continent": a neoliberal variation in the Baltic states, an embedded neoliberal one in the Visegrad countries and a neo-corporatist type in Slovenia (Bohle, Greskovits, 2007, 2012). Romania, consists a type of "cocktail capitalism", combining features of different models (Cernat, 2001, 13.).

The Varieties of Capitalism approach hence, provides incentives to understand how different political economies solve their coordination problems from an institutional point of view. On this basis, initially two different models (LMEs, CMEs) were recognized, however with the evolution of the notion, political scientists conducted deeper analysis suggesting the existence of several capitalist regimes. Within the European Union, several different capitalist models operate as it has been highlighted above. Based on their institutional arrangement, these different variations influenced countries to pursue different growth models (Hall, 2016, 4.), which along with the fundamental weaknesses of the Single European Market to handle those, explain the economic divergence within the European Union.

Kohler and Stockhammer examined these different growth models observed across the block prior and after the crunch of 2008 accordingly to the notion of Varieties of Capitalism. Their research suggests that slight alterations can be observed in all growth models, but mainly in the case of the Central-Eastern European economies. In the north, where the Coordinated Market Economies lie, an export-oriented growth model has been established, with the better example for it being Germany. The institutional infrastructure of this capitalist variant allows it to apply this type of growth model, with high value-added exports and strong wage-settling institutions resulting in low unit labor costs, making exports even more competitive (Hall, 2016, 5.). This was the case before the crisis arrived in 2008, with Northern European countries – but mainly Germany – experiencing strong export growth and accumulating massive current account surpluses (Kohler, Stockhammer, 2.). Yet again, the institutional capacity of CMEs contributed to that, as through collective wage bargaining Germany managed to keep wage inflation low, reducing its wage share by almost 10% from the mid-nineties up until the Lehman collapse (Pogátsa, 2014, Chapter VII.). After the crisis, CMEs experienced moderate growth, while Germany reinforced its export-driven growth model (Kohler, Stockhammer, 21.), therefore no significant change went underway.

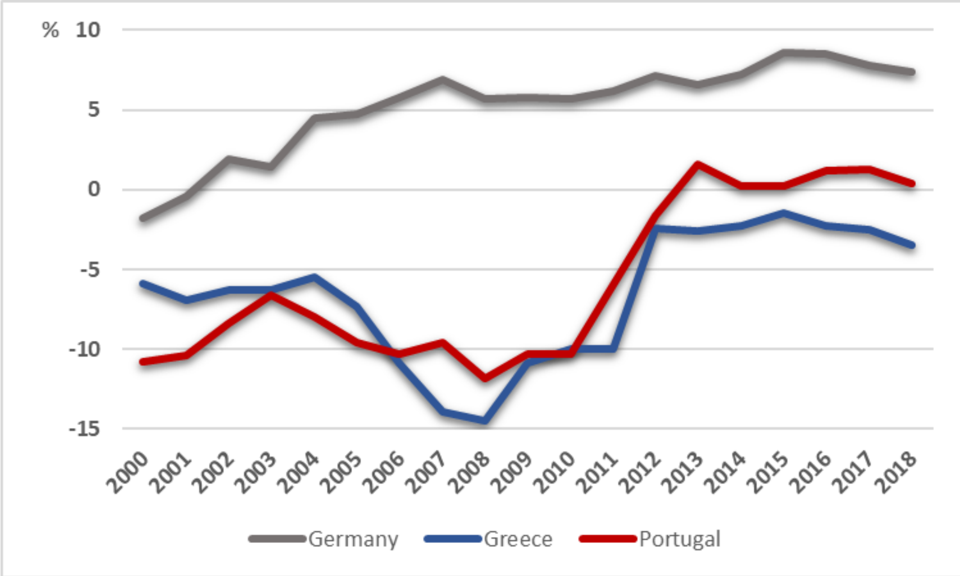
Contrary to the northern export-based variant, in Southern Europe, Mixed Market Economies followed a totally different strategy. Lacking the institutional capacity of the CMEs, these economies could not fit for export orientation, as due to low wage bargaining ability, they undergo strong inflationary pressure, therefore they rather pursued a demand-led growth strategy (Hall, 2016, 7.) at least prior to the crisis. This strategy, is based on economic growth strongly relying on expansion of consumer demand, making it a suitable model for an economy with a vast number of small and medium enterprises (SMEs) (Hall, 2016, 7.). Before the 2008 shock, these economies were growing at an exceptionally decent rate along with satisfactory wage growth, but at the same time, they experienced large current account deficits due to their given strategy, with these deficits being mirrored by the pre-mentioned northern surpluses (Pogátsa, 2014, Chapter VII.). According to many political scientists, these different political economies operating within a monetary union, which furthermore eliminated the exchange rate risk and did not allow southern countries to devaluate in order to restore their competitiveness (Pogátsa, 2014, Chapter VII.), is one of the main drivers of the Eurozone crisis. After the crunch, according to Stockhammer and Kohler, MMEs underwent a heterogenous recession, while in South-Eastern Europe, economies entered an austerity-driven depression (Kohler, Stockhammer, 5., 21.).

Finally, the Dependent Market Economies of Central and Eastern Europe, being largely dependent on foreign direct investment (FDI), used foreign capital in order to achieve high growth levels after their transition to market economies in the 90’s (Kohler, Stockhammer, 3.). However, FDI was mainly concentrated in low value-added activities such as manufacturing, stemming primarily from ‘developed’ Western-European economies, seeking to capitalize of the cheap but skilled labor found in the region. Even though accompanied by high growth in the first decade after the millennium, these economies suffered from high current account deficits in the run-up to the crisis (Kohler, Stockhammer, 3.). After the crunch however, a slight transformation can be observed, as the ‘Visegrad 4’ displayed remarkable development. According to Kohler and Stockhammer, the previous FDI-based model was replaced with a medium export sophistication variant, focusing on higher value-added activities (Kohler, Stockhammer, 22.-23.). However, as it will be argued later on, even though exporting complex goods, their domestic added-value remains relatively low, making it rather difficult for these economies to compete with the continent’s economic heartlands.

5.2. The “ideal” export-led growth model

Back in the 18th century, with the appearance of classical liberalism, the winners of the previous mercantilist period – namely British industrialists and traders – sought to promote their exports, arguing for independence from state control, thus promoting free trade. Adam Smith’s invisible hand theory came in handy in order to avoid state intervention at home, while David Riccardo’s comparative advantage notion kept international trade free for the interest groups that gained an advantageous bargaining position throughout mercantilism (György, 2019, 47.-50.). With the neoliberal counterrevolution of the 80's, something similar happened, as large-scale deregulation, softening of trade rules and increasing privatizations took over as the mainstream economic policy, serving the most dominant economic interest groups (György, 2019). Free trade therefore, is primarily pursued by economies which have a comparative advantage in trading and can benefit from it the most. Studies already have highlighted, how 'national champions' invest a vast amount of money in lobbying in order to shape free trade agreements (Blanga-Gubbay, Conconi, Parenti, 2020), as in a totally free market, they are the ones to dictate and dominate. It is therefore not surprising, that these powerful economic actors shape the rules of the game in their benefit, using free trade as a cover.

Within the European Single Market unfortunately, something similar is happening, as almost mercantilist policies are labeled as free trade, as in paper trade is actually free, but in a non-competitive manner. The free movement of goods, capital, labor and services in such a – economically speaking – large area, surely favors the export-led growth variant of the Coordinated Market Economies (Johnston, Regan, 2017, 7.), which have the institutional capacity to operate this type of regime as pointed out earlier. High value-added exports as a result of incremental innovation consist the engine of these economies. Going back a little to the first chapter and remembering the smile curve, it becomes evident that these exports stem from 'national champions' operating at the two brinks of the curve and at the same time, CMEs, home to these national champions, tend to keep these "pre-construction" and "post-sales" activities at home (Grela, Majchrowska, Michałek, Mućk, Stążka-Gawrysiak, Tchorek, Wagner, 2017, 36.) and not outsource them. As Johnston and Regan mention, the EU does actually promote this model as the "ideal type" of operating within the Union, pictured in Germany (Johnston, Regan, 2017, 10.), Europe's largest economy. According to the two scholars, integration facilitated an exponential growth in trade, thus it created winners and losers, while it also made exports become an influential part of politics, therefore, it is not surprising why CMEs pursue such strategies (Johnston, Regan, 2017, 7.). Moreover, the imbalance of the Single Market is further deteriorated by the Eurozone, which in itself does not fulfil the criteria of an optimal currency area (OCA) as described by Canadian economist Robert Mundell. With the introduction of the euro, the elimination of the exchange rate risk took place, while the southern Mixed Market Economies lost their ability to devaluate (Hall, 2012, 358.-361.) in order to restore competitiveness, thereby accumulating large current account deficits, mirrored by huge surpluses in the 'north'.



4. Figure: Current account balance as % of GDP
Source: IMF

If the Single Market, the Eurozone and EU integration in general would eventually lead to convergence as the utopian vision suggests, there would be no need for redistributive initiatives such as the Cohesion Policy for instance. It is a fact, that the EU's Cohesion Policy was a result of a political bargain between member states, serving as a compensation for smaller, economically less competitive nations that by joining the Single Market could not use their pre-existing tools in order to maintain their competitive nature. Additionally, even though EU's structural funds aim to help the 'periphery' to develop and catch up to the 'core', according to former EU Commissioner's, Günther Oettinger's calculations, 70% of all cohesion payments boost the German economy (Szabó, 2019), as many of the investments for instance relying on these funds, requires equipment stemming for German capital. The same goes for Juncker's initiative, the Investment Plan for Europe or the so-called Juncker Plan, which aimed to shrink down the investment gap in Europe after the 2008 crisis. As Herald Sander of the Cologne University of Applied Sciences points out, the plan itself would indeed favor large economies, which contribute more to the funding through their national promotional banks, so get back more in return (Sander, 2015).

It is therefore not only the institutional infrastructure that aids Coordinated Market Economies to operate an export-led strategy, but also the political economic set-up of the European Union along with its policies that additionally provides solid basis for countries following these kinds of strategies. It should thus not surprise us, that Germany has been the biggest beneficiary of the Single Market out of all EU member states, along with other industrial heartlands, such as Austria and the Netherlands according to a report by the Bertelsmann Foundation (Gnath, 2019). As in all free trade agreements winners and losers are created by the eliminations of tariffs (Blanga-Gubbay, Conconi, Parenti, 2020) something similar happened with the establishment of the Single Market in 1992. The introduction of the euro just boosted the already existing competitive advantage of economies pursuing growth with exports and high current account surpluses, which of course in itself does not pose any problem. The struggles start, when this model prevails in cost of others, something that is the actual case within the EU.

5.3. The ‘paradox’ of the European Single Market

The European Single Market has been one of the fundamental notions of the European Union since its initial days. Under it, member states have the ability to freely mobilize the so called “four freedoms”: capital, goods, labor and services (Johnston, Regan, 2017, 7.). One could name it a small-scale globalization or regionalization of trade, in which member states do not have the ability to impose trade barriers, neither they are allowed to impose tariffs *vis-á-vis* others. However, the EU as a whole, operates as a customs union and it can impose barriers to trade against third countries. It aims at economic integration within its territory, seeking to create and EU-wide economy, through which economic convergence could eventually be achieved. Nevertheless, even though free trade might sound quite attractive, Karl Polányi, one of the most influential scholars of the 20th century, left probably his most important message to humanity, stating that it has to be very careful when expecting social goals to be met from the logic of the free market (*laissez-fair*), especially when free trade is conducted between states with different institutional infrastructure and within an imbalanced marketplace. In that case, integration creates winners and losers and cohesion cannot be successfully achieved.

One of the previous subchapters began by highlighting that the ‘losers’ of early industrialization, adopted the theory of Marxism, as it would excessively support their viewpoints. The internationally modern applicable version is neo-Marxism, or structuralism, or dependency theory, which refers to countries that were the ‘losers’ of colonialism and later on modern day industrialization. Along with its following variants, Marxism is taken into account among the critical-theories, meaning that while it provides critics of the present situation, it does not offer any applicable solutions (György, 2019, 58.). While this thesis refers to the EU periphery as “losers” of market integration, it does not aim to classify them along with Marxist standards, as these peripheral countries hold plenty of responsibility as well. Nonetheless, from the foregoing analysis, it becomes evident that different growth regimes within Europe, are not similarly thriving and actually have become quite difficult to handle along with EU integration (Johnston, Regan, 2017, 5.). As it was already pointed out, the EU promotes the export-led growth model as the ideal one, therefore, winners of deeper market integration are those nation-states which have the capacity to promote such a model, while the ‘losers’ are those states which lack domestic institutional infrastructure to operate as such. Additionally, convergence to the export-oriented growth model is nearly impossible for peripheral EU member states, as in order to do that, they would have to undergo significant institutional change, resulting in serious economic and social costs (Johnston, Regan, 2017, 10.).

Even though the EU itself supports redistributive policies such as the Cohesion Policy, these mainly serve the interests of core states yet again. This imbalance, can be attributed to the structure of the EU itself, which favors its ‘kernel’ that enjoys historical advantages and shapes the rules of the game according to its interests. Thereby, the only remaining option, the “way out” of this economic loop for the periphery, is through a bottom-up process, which is embodied in the notion of economic patriotism. According to Johnston and Regan, the growing opposition to the EU “is an outcome of a perception among electorates that the EU promotes ‘policy without a choice’” (Johnston, Regan, 2017, 11.). They note, that this argument is not unfounded, as it is the outcome of the EU’s technocratic attempt to promote such a model with its currently functioning institutional framework, creating direct competition among its diverse member states and consequently winners and losers (Johnston, Regan, 2017, 11.). Tensions between ‘winners’ and ‘losers’ led to the (re)emeregence of economic patriotism, which even though existed in disguise, started slowly gaining popularity after the arrival of the financial crunch and as this thesis points out, is a suitable means for development of the EU periphery.

6. ECONOMIC PATRIOTISM AND THE EUROPEAN PERIPHERY

According to the structuralists' interpretation of the global economy, trade is not fair, thus actors can be divided into core and periphery, with the former being the largest beneficiary and the latter suffering the loses that the former gain. While this viewpoint is partially legitimate, it misses a fundamental axiom that would make it something more than a critique and that is the sense of responsibility. University of Toronto professor Jordan Peterson – an influential critic of critical theories – has many times rightfully mentioned that such Marxist-based ideologies do not result in any good as they lack the sense of responsibility, of doing something to correct our mistakes, improve and develop. This remark is extraordinarily important, as it highlights that playing the 'victim-card' is neither a reliable, nor a smart solution for our problems.

The same applies for political economy. Finger-pointing is not a sufficient disentanglement and since EU convergence will not come as neither a top-down process nor by itself, it should be time for the periphery to act. This is what this thesis argues and probably another significant conclusion drawn, is that all theories can serve in order to the achieve a greater good if interpreted carefully and not seen unilaterally or in other words, ideologically. Therefore, while so far elements of structuralism, liberalism and mercantilism have been discussed, neither of these theories prevailed, but rather have been combined to reach a reasonable consensus. Perhaps economic patriotism itself, serves as a combination of theories, even though in a more sophisticated manner.

This chapter seeks to highlight that the notion of economic patriotism is the optimal solution for the European periphery to catch-up to the core economies. While it argues that peripheral Europe was indeed a 'victim' of neoliberal policies and tighter European Integration, has the responsibility and the potential to thrive under the surrounding economic and political environment. This, by highlighting specific case-studies which presented massive elements of economic patriotism in the last decade and as a consequence, have managed to indicate decent economic performance. Namely, the often-criticized cases of Hungary and Poland will be taken into account, as well as the case of Portugal, providing evidence from both sides of the political spectrum, that economic patriotism relates strictly to economic policy and not ideological beliefs.

6.1. A 'loser' of European Integration?

Having referred to the 'winners' it is now time to mention the 'losers' of EU integration and market-fundamentalism. Obviously, it would be an unfounded argument to support that peripheral EU member states did not benefit from integration into a single market, however, it is true that they did not only lose certain economic 'benefits', but also space for political economic maneuvering as a result. Strong EU integration and single market supporters usually highlight the peremptory benefits of these institutions and reasonably thinking, there are a lot of them. The argument is not about if the single market and free trade between market economies is beneficial and worth of pursuing or not, but how it is embodied in reality. What sounds good in theory does not necessarily work accordingly in practice and that is the case with the European Single Market, at least in its current way of functioning.

Probably, the biggest 'losers' of the deepening European economic cooperation are the Mixed Market Economies and mainly Greece which became the loci of the economic realm after the 2008 global financial crunch. The VoC approach poses a valuable tool in explaining the emergence of the Eurozone crisis and Greece's 'less privileged' position within not only the European Monetary Union (EMU), but also the Single Market. As already mentioned, the institutional construction of Mixed Market Economies led them to establish a demand-led growth model, which in itself does not necessarily consist a faulty regime, however coexistence with different models within a deep economic and political integration proved it to be less competitive *vis-á-vis* its northern counterparts, who strongly relied on innovation and high value-added exports. Moreover, in the first decade after the turn of the millennium, while in Germany collective bargaining kept wages low – thus improving competitiveness – in Greece and in MMEs wages rose, making these economies an unattractive destination for foreign investments, as they are prone to wage inflation, while the state with its intervention does not strive to create a competitive environment, rather it compensates actors, with the power of trade unions being low, however their influence remaining high (Hassel, 2014, 11.).

While there are many approaches to explain the roots of the Eurozone crisis and Greece's sovereign debt crisis within it, even if it was not for the crunch, the used theories highlight that outcomes would probably not be that bright. The financial 'boom' of 2008 was the icing on the cake, not to mention the neoliberal structural reforms or commonly known as austerity measures that were imposed on Southern-European states, leading to devastating results. Obviously, in the case of Greece it is important to emphasize that it entered the crisis in a worse condition than many of its counterparts, while being a laggard in terms of institutional, administrative and reform capacity, did not help it to manage the memorandums of understanding (MoUs) efficiently (Paraskevopoulos, 2017, 37.). At the same time, this should not be considered as an excuse for the strict austerity implied, as even the IMF admitted its wrong-doing in that case (Elliot, Inman, Smith, 2013). What makes things worst however, is the fact that structural reforms implied on the so-called "PIGS", were a means for the Eurozone to bail out its largest financial institutions, namely banks such as BNP Paribas or ING (Pogátsa, 2014, Chapter VII.). In a sum, harshly put, the already dominant 'northern core' used the institutionally weak to adapt 'southern periphery' to heal the financial wounds the crunch caused, made possible by the deep economic and monetary integration of MMEs into a Single Market and a monetary union respectively.

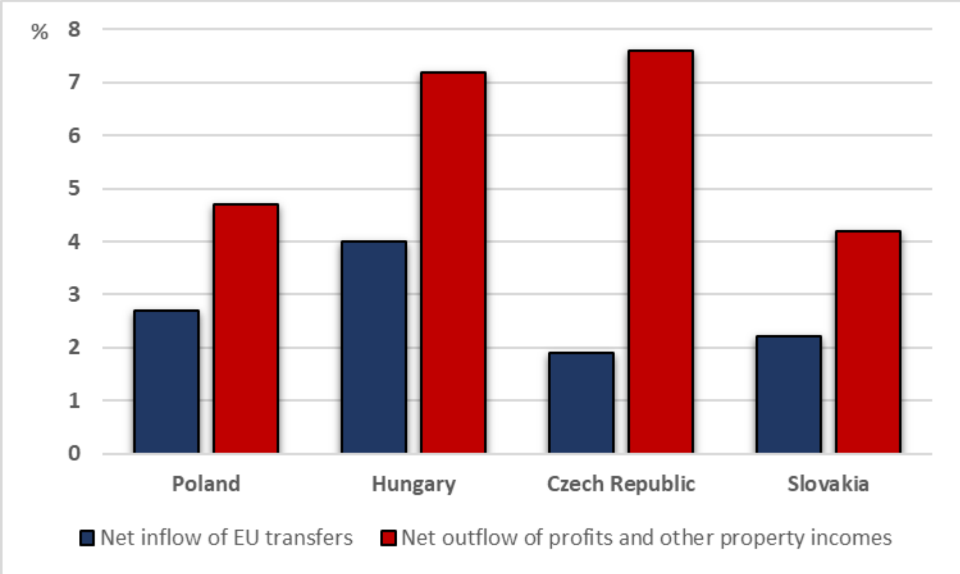
The case of Dependent Market Economies (DMEs) is a little different. First of all, contrary to Mixed Market Economies, these underwent radical institutional mutation at the 90's transmitting from centrally-planned to market economies, while they also joined the European Union at a later stage, hence referring to them as 'new member states'. Despite being late-comers, these states already at their transition period faced a vast amount of neoliberal pressure from the 'West' to proceed with large-scale privatizations and institutional adaptation. Bohle, demonstrates how this pressure shaped the foreign-capital based growth model in the CEE block, as neoliberalism and financial liberalization were heavily embedded in the Copenhagen criteria, while the EU was also pressuring for privatization of the strategic sectors of these countries (Johnston, Regan, 2017. 9.). Here of course, it is important to take into account the way privatizations were carried out.

György in his 2019 book analyzed how privatizations in the Visegrad 4 were conducted throughout the transition era of the 90's. In that period, all of the ex-Soviet states underwent a serious crisis with some of them adopting the so-called shock therapy, namely quick and large-scale privatizations, while others took the gradual approach, allowing privatizations at a slower rate. According to György, while Hungary was considered a "model student" compared to its regional peers for adopting the 'shock therapy', that strategy was not that successful in the longer run. That is, because the country rapidly sold all of its enterprises to foreign capital even in the strategic sectors, leading to a considerable market loss by domestic companies, minimizing Hungarian growth in the next years, while additionally, the knowledge and expertise of professionals working in manufacturing technology industries was lost when they were forced to leave or change their jobs (György, 2019, 143.). One lesson that the first chapter clearly pointed out, is that powerful companies keep their high value-added activities at home, therefore Hungary under the neoliberal privatization textbook lost that opportunity, which eventually led the country to become dependent on the performance of foreign capital.

The situation even though not so bad, was similar in other Central-Eastern European states. In the Czech Republic, due to lack of urgency of massive privatizations as a result of low sovereign debt, the government focused on keeping critical enterprises under state ownership for a decent amount of time, while it also prioritized the preservation of workplaces. Similar was the case in Poland, where probably the traditionally powerful trade unions prevented the massive lay-offs, while the government also focused on maintaining a decent proportion of companies under control (György, 2019, 142.). This way or the other, the privatization scheme of the 90's, indicates that neither the gradual approach, nor the shock therapy was an optimal solution, while no model outperformed the other on all counts, as they took place in different countries and different respects. Nonetheless, in all of these cases, state-owned enterprises pose only a small fraction, leading to the marginalization of the domestic sector, while foreign capital started gaining a rather important role, laying the foundations for the FDI growth strategy these countries pursued in the following years (Johnston, Regan, 2017, 9.).

Furthermore, the integration of these economies into the Single Market and later on to the EU was definitely beneficial for them, but it was more beneficial for the old, more powerful member states. While the Mixed Market Economies of the south were ideal export markets, these emerging economies were the ideal 'production base' for the most dominant actors. The privatization process pushed by neoliberal intellectuals was the first step, then with accession to a large free market, Central-Eastern Europe became the ideal option for foreign capital to settle in. Relatively cheap but also skilled workforce, along with 'model student' behavior, closer distance to Europe's economic engines and very comfortable tax rates, foreign capital and mainly FDI started dominating large-scale privatizations in the region, which without a doubt played a rather important role in their economic growth the last 20 years. However, the 'smile-curve' once again reminds us that high value-added activities are kept at home soil by companies, thereby it is no surprise that over these last two decades FDI inflow was concentrated around low value-added activities such as manufacturing for instance (Grela, Majchrowska, Michałek, Mućk, Stążka-Gawrysiak, Tchorek, Wagner, 2017, 36.), making these economies extremely dependent not only on foreign capital, but also on the performance of its senders. Central-Eastern European states therefore, can be called the backbone of European manufacturing, due to their tight integration with (global) value chains.

This of course, probably beneficial in the short- to mid-term, in the long run, proved to be fatal. Thomas Piketty of the Paris School of Economics, described Central-Eastern European states as foreign-owned countries, highlighting that the balance between foreign and domestic ownership has been largely overturned, as multinational companies dominate these markets. According to his calculations, between 2010 and 2016 the annual outflow of profits from the countries in the region, was much higher than the annual net transfers received from the European Union (Piketty, 2018). Piketty's calculations highlight the importance of interpreting beneficial parties of the outsourcing activity taking place in Europe, as they show that the region generates much more income for Western European countries than it receives back as EU support. Additionally, these outflowing profits represent a surplus in developed countries or flow into tax havens, which after the "smile curve's sad lesson", explains why developed states can pay their workers more (György, 2019, 151.). Piketty's calculations actually refer to the post-crisis period, in which Central-Eastern Europe attempted to move to a more export-oriented growth model as it was pointed out. Nevertheless, even though exports have shown an increase – covering a large proportion of the GDP – they are still in low value-added categories, placed at the bottom of the smile-curve. Furthermore, the remarkable recovery after the crunch – which can partially be attributed to the patriotic economic policy followed in the region – resulted in the more rapid convergence of these economies to the 'core' of Europe, something that could be at the cost of the so far existing competitiveness of these nations (Grela, Majchrowska, Michałek, Mućk, Stążka-Gawrysiak, Tchorek, Wagner, 2017, 44.), however we are far away from that, at least for now.



5. Figure: Inflows vs outflows in Eastern Europe as % of GDP, 2010-2016 annual averages
Source: Piketty, 2018

The danger for these economies, is to get stuck on being Europe's assembly plant for far too long, carrying out low value-added activities for 'core' economies, being placed at the bottom of a broader smile-curve. Therefore, the goal should be to achieve the highest added-value possible, something that so far has been done by attracting global value chains, however the ultimate goal should be to create own national champions. That is definitely not an easy task, especially today, when monopolies and oligopolies dominate markets around the world, nevertheless, as it is denoted in the next sub-chapters, not only is it possible, but some governments in the region have already attempted to do so.

6.2. Economic patriotism in the V4: The cases of Hungary and Poland

So far it has been demonstrated how nearly all of today's developed nations used the notion of economic patriotism to climb to the top, while they are still using it today to retain their powerful position. But in the last decade, economic patriotism appeared in the EU periphery too, probably at the structure's most widely discussed and criticized region and collaboration, the 'Visegrad group' consisting of Hungary, Poland, Czechia and Slovakia. The criticism mostly evolved around other fields than economic policy, however measures taken for instance by the Hungarian government have been called "unorthodox", while some invented the term of "Orbanomics", mocking the infamous Hungarian prime minister for his policies.

But regardless of its political context, Central-Eastern Europe has been the best performing post-communist region, while it is also the most successful when it comes to achieving convergence to core member states. While many have claimed that this can be interpreted as a result of EU structural funds flowing into these states, this explanation is not sufficient enough and most probably aims to discredit the local governments' efforts. Another common explanation for this performance regards the institutional infrastructure and the geographical locations of these states, nevertheless this does not explain why they perform so well even after the financial crisis.

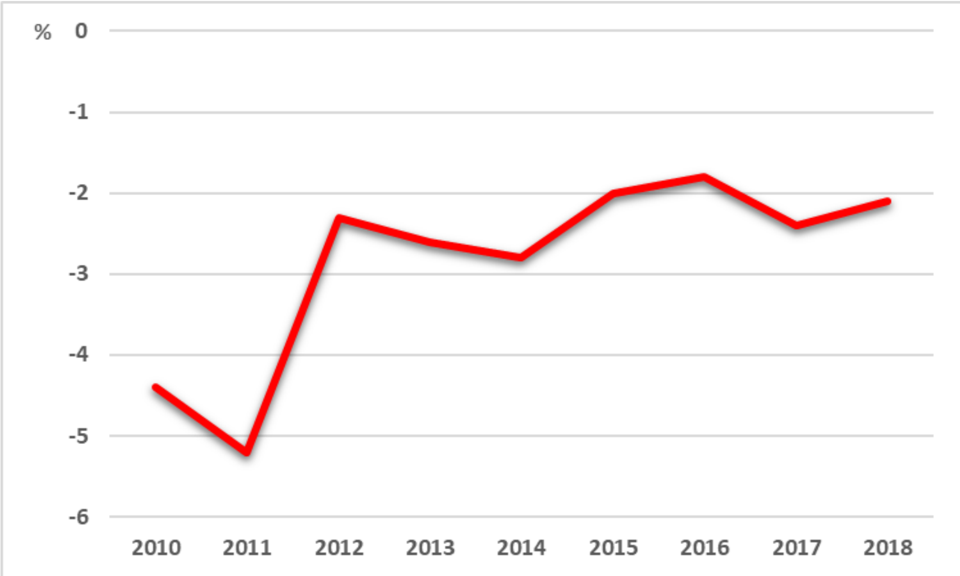
Hungary and Poland have been the two most influential advocates of economic patriotism in the last decade, as according to many, have pursued East-Asia style interventionist strategies, which despite the critics, proved to be quite effective for both. While usually analysis regarding the political economy in these cases is heavily politicized, this chapter focuses on economic policy individually, leaving ideological beliefs out of spectrum.

6.2.1. Case study: Hungary's 'patriotic' crisis management

In the case of Hungary, as it has already been pointed out, the country throughout its transition period has been the mostly exposed to neoliberal reforms compared to its regional peers. But even after the turn of the millennium – with a two-year exception – a social-democrat government ruled, up until the outbreak of the financial crisis. While throughout the privatization of the 90's the country's 'fortune' was sold at ridiculously low prices, between 2002 and 2010, a mix of liberal and irresponsible economic policy led to low activity and indebted households heavily burdened with foreign-currency loans (György, 2019, 210.-211.). These were the times, when the country was still considered a model student.

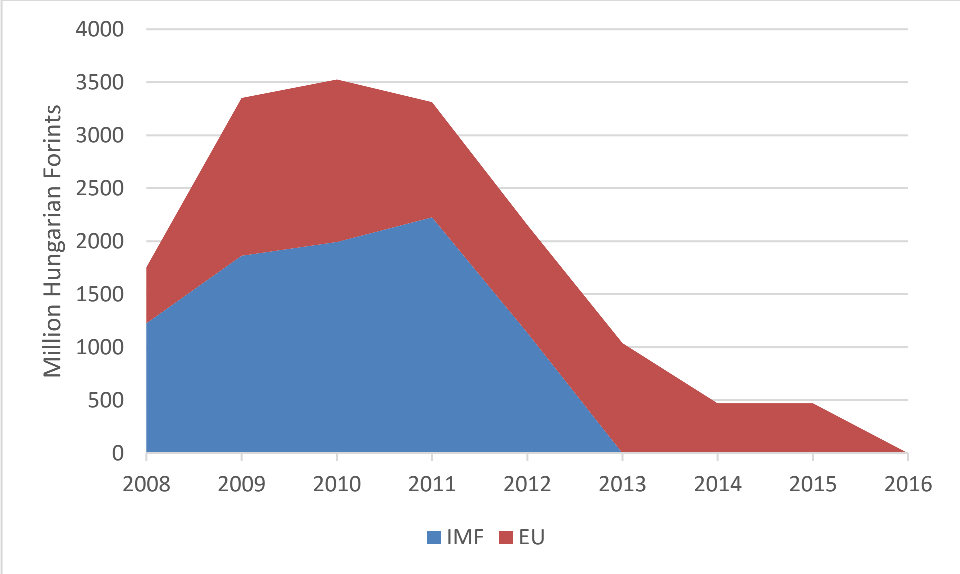
When the crunch arrived in 2008, Hungary found itself in a terrible position, cumbered with large external and internal economic imbalances, with probably the biggest being the indebtedness of the households. This indebtedness by many economists has been characterized even worse than the one of Greece's, as it burdened the private sector and was in foreign, more powerful currencies than the Hungarian forint, which under the influence of the crisis lost a decent amount of its value. Hungary received a bailout loan at the early stages of the crunch, granted from international financial institutions and its left-wing government crumbled and stepped down under pressure, so for one year starting from 2009, a technocrat, Bajnai Gordon would take the chair. The crisis management however, was led by the Orban government after 2010 and is a perfect demonstration of patriotic economic policy in practice, showing once again that the notion is applicable everywhere, every time. The crisis management can be concluded in three separate steps.

The first one, was to set the debts on a downgrading path. One of the biggest vulnerabilities of Hungary when the country entered the crisis, was its really high debt, mainly on the external part. After 2010, one of the main goals, was the reduction of both government and external debt, as well as the restoration of balance to the budget deficit (György, 2017, 216.). Early in the office in 2010, the new government got to work in order to solve the indebtedness of the citizens. A law was imposed, which allowed Hungarians to repay their loans in favorable exchange rates and extra taxes were charged on speculative multinationals, mainly banks (Hungary's government…, 2014). The next step was the nationalization of mandatory private pension funds, which did not affect voluntary private pension fund payments, as actually the new policy measures supported them with tax deductions. The action, only had an effect on mandatory pensions funds (György, 2017, 225.), which in 2011 showed massive deficits. As a result, the budget deficit met a pretty big decline, so 2016 was the fifth consecutive year when Hungarian budget deficit remained under 3%, the Commission's 'magical' benchmark number. The savings earned from this transformation were also spent on debt refinancing, leading the Hungarian government debt to decline from 80.5% of the GDP to 74.1% of the GDP between 2010 and 2016, while as of 2016, the household foreign currency debt almost vanished, as it decreased by 99,5% (György, 2017, 225.).



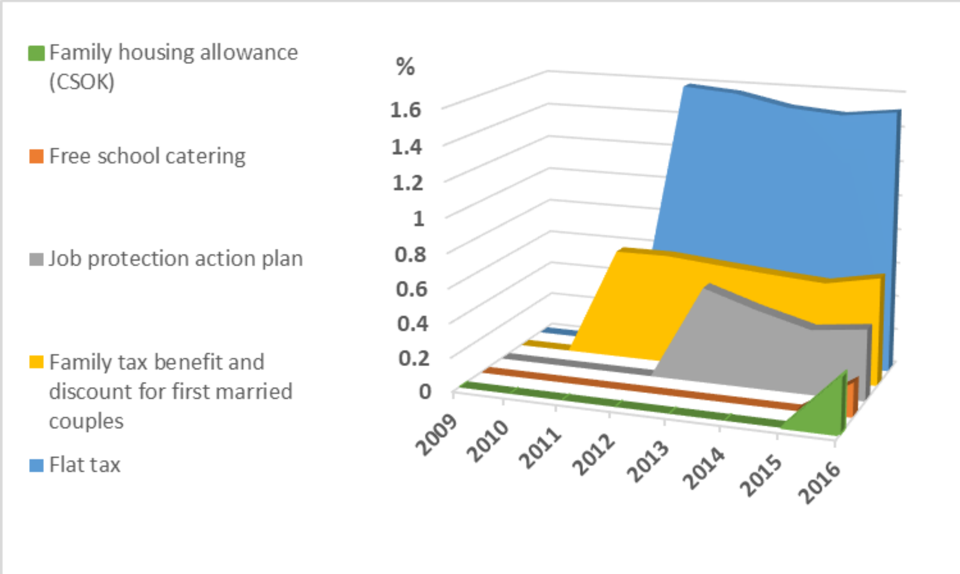
6. Figure: Hungarian budget deficit as % of GDP
Source: OECD

The second fundamental step, was to repay the IMF-EU loan. As mentioned earlier, Hungary received a bailout pack constructed by the IMF, the EU and the World Bank, including a € 20 billion loan. This package aimed to help the country avoid collapse of the currency, return to capital markets and refinance government and external debt. Despite the initial loan, which supposed to be € 20 billion, Hungary finally received only € 14.2 billion, € 8.7 billion from the IMF and € 5.5 billion from the EU. The interest rates on the amounts were 3.25% for the first two instalments and 3.625% for the third one, with repayments starting in 2011 (Financial Assistance…, 2017). Early in that year Hungary paid € 2 billion to the European Commission, however the massive repayments took place in 2012 and 2013, as the country paid € 3.3 billion and € 3.5 billion to the IMF respectively. With these repayments Hungary did not only extinguish its liabilities against the IMF, but also made the full repayment pre-schedule. Furthermore, in 2014, installments of € 2 billion to the European Commission took place and the remaining € 1.5 billion were paid back in 2016 (Béke, 2016). But most important of all, is the fact that after repaying its liabilities in 2013, Hungary did not want any more the involvement of the IMF. Since the 2008 grant, the government claimed that the Fund was getting involved too much in policy-making, with demands it found not to be right (Béke, 2016) and as a result, in the 2012-2013 negotiations for yet another loan, Orban's cabinet ended up sending the IMF out of Budapest (Eger, 2015, 17.).



7. Figure: The development of Hungary's debt to the IMF and the EU (in million forints)
Source: Hungarian Debt Management Agency (ÁKK)

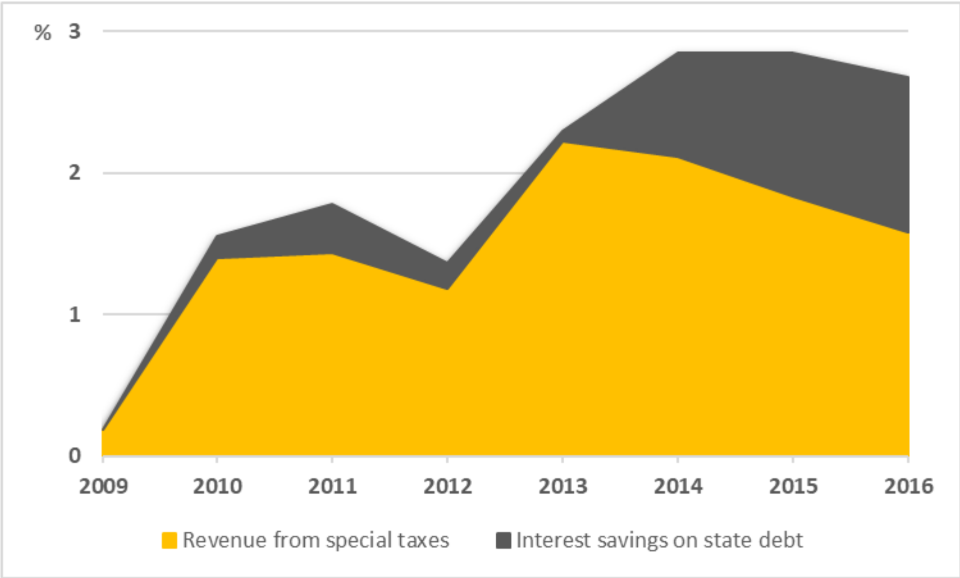
Finally, the government aimed to bring back a balance to the weaknesses observed in the domestic sector. One of the main goals after 2010 was to increase activity, employment and savings, all three heavily influenced by the transition process. The first move was to introduce a flat tax, which became quite a questionable move. The goal was to reduce the taxation of employees and to burden the profit of speculative oligopolies or monopolies with higher taxes, as mentioned previously (György, Veress, 2016, 368-370.). This included a special tax on foreign companies, connected to their balance sheet, fluctuating between 0.15% and 0.50%, meanwhile a 2% VAT hike took place in order to improve the budget balance. Changes were also made in income taxation, which led to the reduction of the tax wedge. Moreover, the decrease of personal income taxes led to the increase of minimum and real wage between 2010 and 2016 and public work programs were launched, with the goal to lead inactive people back to work (György, Veress, 2016, 368-370.). According to an OECD economic survey published on May 2016, employment increased radically and unemployment has been cut by more than a third, largely because of these public work schemes (Hungary: May…, 2016, 14.). Furthermore, the government tried to strike a balance between foreign and domestic ownership in the country. In order to achieve such a thing, Orban renationalized a decent part of the country's critical infrastructure, while at the same time since 2013 it supports domestic SMEs with tax deductions and favorable loans, resulting in the increase of domestic ownership and the reduction of the tax burden of the latter (György, Veress, 2016, 372.).



8. Figure: Additional income flowing to middle class families as % of GDP
Source: György, 2019, 108.

Therefore, the Hungarian government with its scheme sought to generate a sovereign economy with autonomous policy-making, something that proved to be essential in managing the crisis. Obviously, not being a member of the Eurozone largely contributed to that effort, as the country could play with the exchange rate and had a totally independent central bank, nevertheless, these tools were utilized efficiently. But furthermore, such decisions shifted the economic structure away from 'supercapitalism' towards the market economy, a term that has been heavily and wrongly merged with the former nowadays. The goal is hence, to create an economy that benefits 'insiders' by increasing their wage share, giving enough space for domestic enterprises to develop and create a sustainable balance between foreign and domestic ownership based on the principles of economic patriotism. Beyond the crisis, the government continued and continues to follow a similar strategy, while it also has laid out specific goals for the future, compliant with the challenges lying ahead.

Measures taken after the crisis management was over, include the further nationalization, or share acquisition of strategic enterprises, or the increasing ratio of domestic bank ownership (György, 2019, 246.). In his early years at the office, the prime minister announced that at least 50% of the banks in Hungary should be domestically owned, so the government started acquiring some (Naczyk, 2014), a goal that was achieved as of 2019 and as of the time of writing, the ratio almost reached 60% (Oláh, 2020). Moreover, through the extra taxes implied on rent-seekers, the government managed to redistribute money to Hungarian families and reduce their tax burden, while it also aimed at welcoming investments from abroad that add value and benefit the national economy (György, 2019, 249.). Regarding the long-term plans, György, in the afterword of his book, outlines the "seven pillars" of the future of Hungary's patriotic economic policy. These pillars include clean, smart and sustainable energy independency, developing a clean country or building university-centered innovation ecosystems and improving infrastructure (György, 2019, 250.-255.). Even though Hungary's measures have been characterized "unorthodox" by numerous mainstream economists, even one of the most known and infamous institutions, the IMF, recognized its results. Benk Szilárd, Deputy Director of the Fund, highlighted that Hungarian-style economic policy is becoming the new mainstream and that the institution actually suggests it to other countries (Oláh, 2020).



9. Figure: Financial source of additional income flowing to Hungarian families as % of GDP
Source: György, 2019, 108.

For a fact, Hungary recorded superb growth since Orban took office and since the 90's, the period between 2014 and 2018 has been the first, in which growth was not accompanied by debt and current account deficits (György, 2019, 231.) and overall, the economy has started catching up to its Western peers at a decent rate. Actually, Hungary surpassed Greece in terms of GDP per capita and is in a tight race with Portugal as data from the International Monetary Fund suggests. Nevertheless, despite closing the gap, the Hungarian economy has still a long way to go and important to mention is also the fact, that growth in recent year has partially relied on EU structural funds.

And of course, everything comes at some cost and especially that is the case with success. The devaluation of the Hungarian forint led to mass outflows of the country, with many seeking for work abroad, while in the case of the youth, the introduction of tuition fees in several universities led to the decreasing number of students and at the same time clashes between Budapest and Brussels have also been a frequent phenomenon. However, as noted, all of the developed nations utilized economic patriotism for decades. The last ten years captured the initial steps for developing a successful economy in the future and straightly from a political economic perspective, Hungary managed to improve its sovereignty in decision-making, laying strong foundations to achieve future goals, which actually comply with those of the European Union and further supranational abstract objectives.

6.2.2. Case study: Poland's economic patriotism

Along with Hungary, Poland has been on the critical loci of many political scientists and economists, mainly for the similar standpoint of its Visegrad counterparts in debatable political issues. Indeed, economic patriotism has triumphed in the collaboration's biggest economy, however in a different form than in Hungary, mainly as an outcome of political-economic disparities. As it will be noted, firstly, Poland did not enter any recession at all under the global financial crisis, while at the same time – vastly generalizing – the Polish economy happened to be in a 'better' condition as a result of (patriotic) strategic decisions made in the transition period and its aftermath.

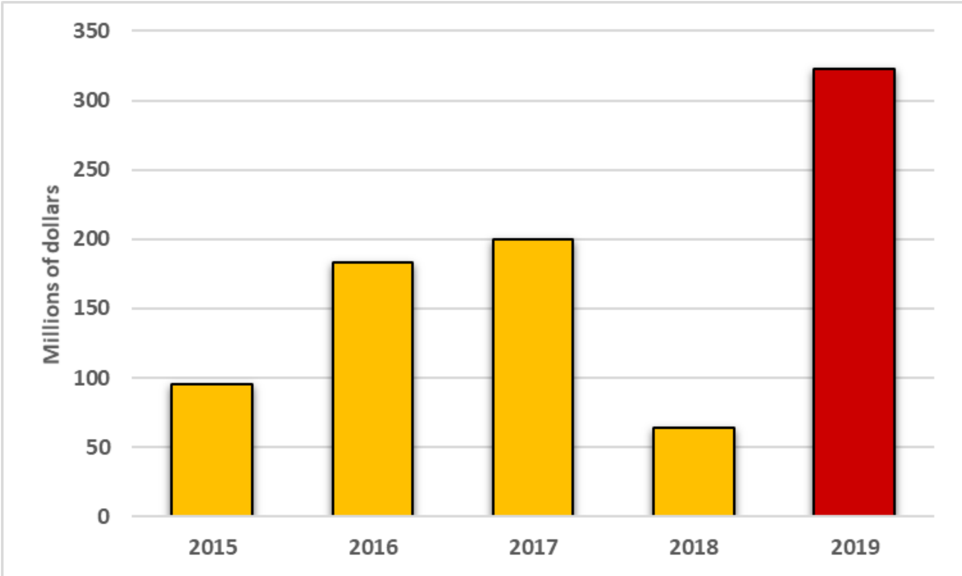
While both countries belong to the Dependent Market Economy family, at the years of transition, Hungary underwent the 'shock therapy' treatment as already remarked and as a result of EU institutional pressure to abolish protection from state-owned firms, the 'model student' has completed its privatization procedure as of the early 00's, while laws regarding takeovers of strategic companies relaxed too. Furthermore, while the Hungarian labor market lost nearly 30% of its jobs, that ratio fluctuated around 20% in Poland, while decisions-makers were reasonable enough to ask for a debt write off (György, 2019). Additionally, the Polish privatization process was more closely bonded to the notion of economic patriotism. Contrary to Hungary, the Polish government held a substantial stake in large, domestically owned enterprises before the financial 'boom' and even when Donald Tusk after 2007 claimed to complete privatizations, after 2010 he altered his position. The Polish State Treasury – the country's privatization agency – collaborated with state-owned enterprises and introduced serious anti-takeover measures, while even though the renationalization of formerly privatized companies was not in plan like in Hungary, the "repolonization" of the banking sector remained a serious thought among decision-makers (Naczyk, 2014). Tusk – a liberal politician – was highly influenced by his post-2010 economic advisor, Jan Krzysztof Bielecki, who once called state-owned firms as "chicken who lay golden eggs", citing the example of Nokia, which was initially state-owned, but soon modernized itself, following the example of Indian and Brazilian counterparts (Naczyk, 2014).

The efforts of Poland did not stop there, as after 2015 the Law and Justice party (PiS) has been keen to promote and invest in local companies aiming to create globally competitive giants, while it is also protecting takeovers in many critical sectors. As the Warsaw Institute highlights in its analysis called "Giants Built on the Fundamentals of Economic Patriotism", Polish companies, built by Polish capital have been performing exceptionally well lately, developing their products and services in Poland and afterwards modernizing, expanding their range to global markets, bringing in generous amounts of profits for the national economy (Giants Built on…, Warsaw Institute, 2020). The institute highlights the example of Drutex, a window manufacturing company which was established 35 years ago and as of the time of writing has emerged among the best of the industry. The Bytow-based enterprise, does not only produce and distribute windows, but it also uses its own know-how and creates its research programs and IT solutions. What is more, it highly benefits the national economy by employing Polish staff and contributing to the state budget. Similar example are clothing and footwear giants, such as CCC, Big Star, Bytom, Badura, Cropp, Reserved, Gino Rossi, Lasocki, Vistula, Wólczanka, or Ryłko and Wojas, who also export their apparel worldwide.

The country moreover, is seeking to become a leader when it comes to e-mobility. Prime Minister Morawiecki in 2016 announced that up until 2025, there will be about one million electric vehicles on Polish roads and these should not be of foreign origin (Morawiecki: Electric mobility…, PaP, 2018). At the same year, the government moved forward with Electromobility Poland, a state-controlled joint venture established in October 2016 by four Polish power companies in order to achieve the former goal (Kość, 2020), namely, to become an electric-vehicle powerhouse in Europe. The country is already involved in e-bus production, while additionally gives home to a large EV battery plant (Taylor, 2018), seeking to make its presence known in what possibly constitutes one of the largest industries in the future. Most recently, the pre-mentioned state-controlled Electromobility Poland, has actually released its own electric car, named Izera, hoping to start production as early as 2023 (Kość, 2020).

Another great example of a large Polish multinational that happily accepts state aid, is CD Projekt Red, a video-game industry leader. At the time of the writing, the enterprise is the highest valued company on the Warsaw Stock Exchange (GPW), overtaking Poland's biggest bank, while it also constitutes the largest gaming company in Europe (Wyrzyk, 2020). This is all, after the company's huge success and best-selling "The Witcher 3" video game and the announcement of its new game, "Cyberpunk 2077". With consumers enthusiastically awaiting the next Polish video-game hit, the government granted CD Projekt Red 7 million dollars in order to develop a robust product, that could be even more successful than the previous ones (Palumbo, 2017). What's more, other gaming developers benefited from funding, including Techland. Once again, the government seems to be trying to develop domestically owned 'champions' that in the future could triumph in global markets in industries that show extraordinary potential and are constantly growing at rapid rates.

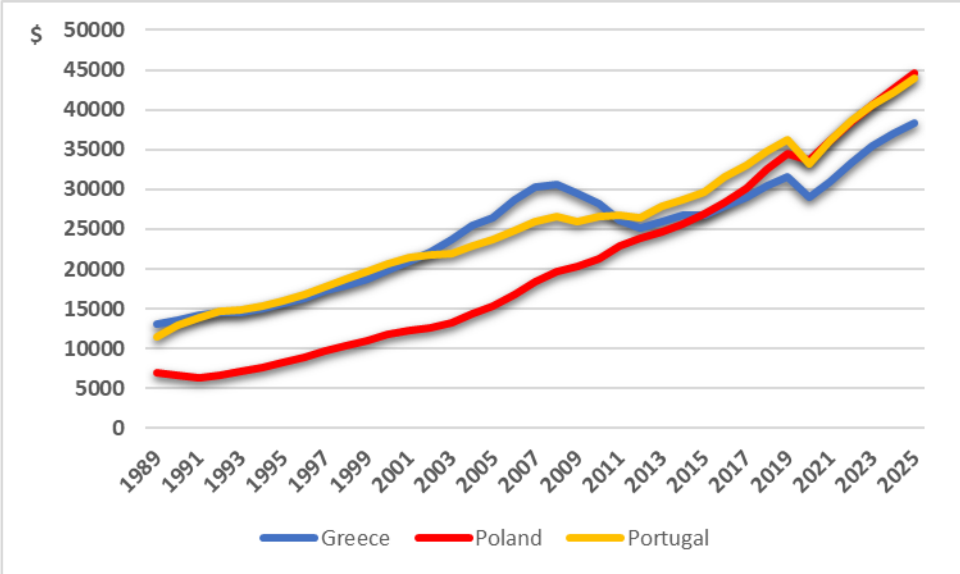
All of this, captured by the so-called "Morawiecki Plan", which aims to secure a sustainable and bright roadmap for the Polish economy in the following decade, with 'national champions' at the heart of it (Czepiel, 2016). The fiscal plan nonetheless, also aids start-ups, with the government being keen to invest vast sums in them and make them competitive at an international scale (Wedziuk, 2016). It is thus not surprising, that Poland is considered amongst the best uprising tech-ecosystems in Europe, with a strong talent pool (Cavallari, 2020) and a great business environment supported by the state, which led the amount of venture capital investment in the country peak in 2019, despite of the industry being at its early stage of development.



10. Figure: Venture capital investment in Poland, millions of dollars
Source: Dealroom.co, PFR Ventures

Finally, the social policies followed in the country since 2015 cannot go unmentioned. The Law and Justice Party since its election in 2015 has introduced a set of generous family policies, mainly to face the demographic challenge that is plaguing the region. At the center of these, lies a family program (Family 500+) which grants 500 zloty (approximately 110 euros) for families with children under 18 from the second and onwards, while for low-income households, the social benefit is granted from the first child (Stubbs, Lendvai-Bainton, 2019). Already on that year, the government spent 2,5% of GDP on family policy (Chapman, 2018) – the sixth highest in the EU at that time – while as a consequence of the initiative child poverty was radically reduced (Stubbs, Lendvai-Bainton, 2019). According to estimates, the program has added about 2-3% to disposable income per year to families, while it met an extension in 2019 (Fredriksson, 2019). Furthermore, other favorable social policies, such as abolishing income taxes for people under 26, rising pensions and lowering the income tax by 1% for the general population, have boosted strong domestic consumption in a large market, which has been an important driver of Polish growth (Fredriksson, 2019). What is astonishing in that case, is that the country along with this generous welfare spending, has managed to keep its finances sound, with the budget deficit hovering around 2% of the GDP.

Poland has been called by many the "growth champion of Europe", as it has been probably the most successful in terms of convergence to Western Europe's developed states. The GDP per capita since 1989 has increased at the most robust rate in the continent (Piatkowski, 2018) and according to the IMF data, it surpassed that of Greece and Portugal in 2019. What is more, the country has been one of the fastest growing large economies along with some other Asian tigers and became the first post-communist nation to gain the ‘developed market’ status and join the FTSE Russel list of such (Piatkowski, 2018). And probably the most remarkable fact is, that the success of the Polish case came along with strong inclusion, as wages rose and employment increased, along with declining inequality and poverty (Aldaz-Carroll, van der Brink, Skrok, 2018).



11. Figure: GDP per capita, current prices, PPP: international dollars per capita
Source: IMF

Can this all be attributed to economic patriotism? Of course not, as many factors dictated the Polish success. It is clear nevertheless, that a more patriotic stance of the Polish political economy since its ‘conservative’ privatization era, up until the recent national champion building has played a rather crucial role in achieving economic success. But most importantly, this success has to remain sustainable: Poland might have converged to ‘core’ states, yet, is still far from reaching their levels and of course still has various challenges to face. According to our theoretical framework, economic patriotism in the Polish case while aided Poland’s ‘golden age of growth’, most importantly is laying massive foundations for future convergence.

6.2.3. ‘Authoritarian state capitalism’ or pragmatic policy-making?

Hungary and Poland have probably been the pioneers of economic patriotism in the European periphery, which makes them a prime tiny laboratory, where the convergence problem is sought to be answered based on the rather questionable notion. Both of these states after the financial crisis of 2008 implemented a patriotic strategy, nevertheless in different contexts. In Hungary, the practice functioned more like a reviving tool, trying to reconduct imbalances of the past, thus economic patriotism took a more radical form, including the renationalization or share-acquiring in enterprises. Poland on the other hand, being in a much more ‘favorable’ position, conducted its patriotic economic policies somewhat differently. It is clear, that the country is seeking to elevate ‘national champions’ that can compete in global markets in really competitive industries. Despite these marginal differences, what these states have in common, is the impetuous criticism they receive by the majority of their political surrounding, as many have doubted the legitimacy of the political economy followed in the region.

According to Orenstein and Bugaric, the economic policy followed in Hungary and Poland was built on conservative developmental 'statism', as in both, the approach to the economy has notably been 'populist' in recent years. The two scholars note, that after the crisis "a nationalist, authoritarian populism, combined with a welfare chauvinist social policy" was followed, "promising to protect ordinary people from liberal elites and grow the economy based on economic self-rule and a conservative developmental state" (Orenstein, Bugaric, 2020). Similarly, Schnyder and Sallai are critical about 'Orbanomics', as in their opinion, the Orban government decreased the autonomy of the state and introduced 'authoritarian shareholding', something that made them characterize the case of Hungary as "authoritarian state capitalism" (Schnyder, Sallai, 2020). Stubbs and Bainton in their joint paper have referred to the case of Hungary as illiberal and stated that Poland was functioning under conservative nationalism and an expansionist welfare agenda (Stubbs, Lendvai-Bainton, 2019). Overall, there seems to be a spite tendency towards the economic policies followed by the two states, but are such claims sufficient?

In the case of Hungary, Voszka has claimed that the suspiciously increasing state-ownership observed after 2010 did not necessarily serve as a crisis-reviving tool, but rather consists a massive element of Orban's political-economic agenda. Indeed, even though her accusation is partially legitimate, she emphasizes that despite the radically increased government shareholding in recent years, that did not exceed the EU average (Voszka, 2018, 20.). The same applies for Poland, where the share of companies in which the state owns full or majority stakes is similar with that of Western European countries (Kozarzewski, Baltowski, 2019, 25.). The difference is, that there are numerous enterprises which on paper are private, but the state using various tools exercises control over them. One, for instance, is the law adopted by the Polish parliament on 2015, which gives the government the ability to stop foreign acquisitions, if these threaten strategic enterprises. Through this law, the government has blocked numerous transactions and managed to nationalize several power plants (Kozarzweski, Baltowski, 2019, 26.). This was the reason, that it created immediate turbulence before even its adaptation, even though similar regulations exist in several EU member states, including Germany, France and Austria (Caramihai, 2016).

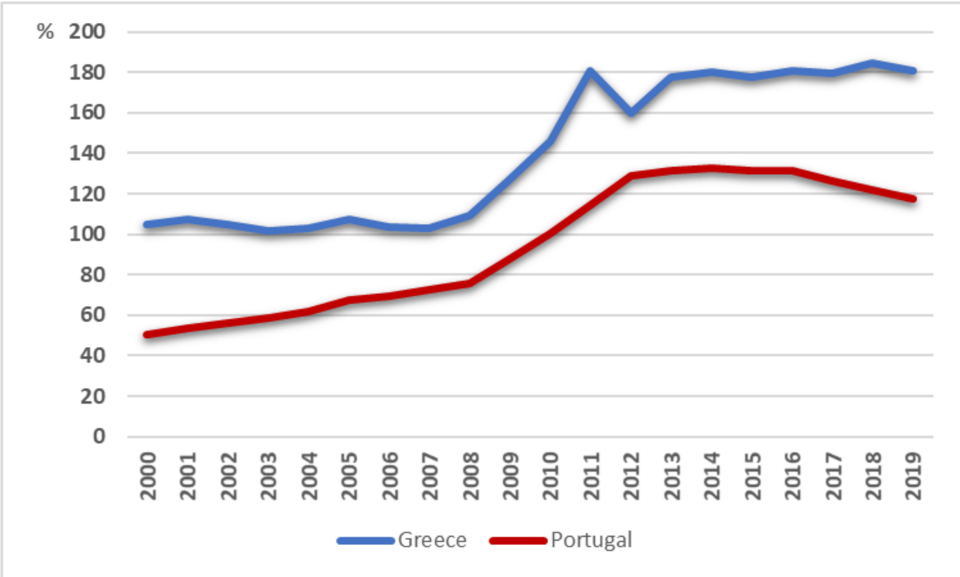
Going back to Hungary, the controversial nationalization of private pension funds, was not only legal, but JP Morgan actually suggested Romania and Croatia to do the same, as according to the bank's calculations this would reduce the debt of these countries by 3 and 18 percent respectively (Nationalization of…, Portfolio, 2018). Furthermore, the sectoral 'crises taxes' imposed on speculative multinationals, which made them complain about being discriminated against, proved to be legal, as the European Court reinforced that they were totally compatible with EU law (Hungary's sectoral taxes…, Hungary Today, 2020). Finally, all of the pre-mentioned malicious characterizations do not explain why businesses are keen to invest in the region. Scheiring Gabor, Professor of Economics at Bocconi University in Milan, in one of his recent studies emphasizes that 'Orbanomics' are not near anti-liberal and anti-business, on the contrary, after 2010, the governmental policies in Hungary increasingly drifted towards a more business friendly set of measures, welcoming foreign investments at a high rate (Scheiring, 2020). Actually, according to a recent research by Startups.co.uk, after Brexit, Budapest is considered the number one destination for start-ups (Watts, 2019), highlighting not only the good business environment in the country, but also its innovation potential. If the given political-economic regime in Hungary would indeed be authoritarian as many suggest, businesses would most likely oppose to settle in.

Summarizing, it is indeed true that both Hungary and Poland have clashed with EU institutions and their political surrounding about crucial and controversial issues, such as migration or the rule of law and in most of these cases, common was the finger-pointing from both sides. In fact, disagreeing is natural and such debates are in the nature of politics. Economic policy implied by the ruling governments however, should not be taken into account with an ideological bias, but rather seen independently. Even though the political context is verily important, it is also crucial to interpret economic policy on its own, in order to take away valuable lessons and identify mistakes. In Hungary and Poland, economic patriotism was truly practiced in a garish but also justifiable way, producing decent results. The hostile attitude towards political beliefs therefore, should not be a sufficient reason to throw away all the valuable lessons that these two cases provide.

6.3. Portugal's post-2015 patriotic recovery

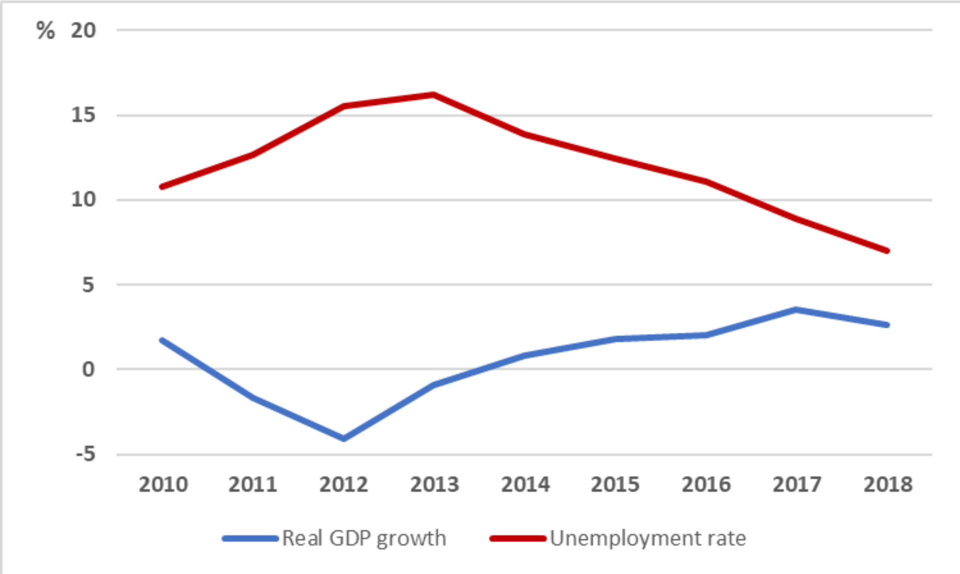
After the controversial cases of Poland and Hungary, another decent example of pragmatic economic patriotism is the case of Portugal. The southern-European country along with Ireland, Greece and Spain was part of the "PIGS" nickname, as the crunch tore its economy totally apart and needed to rush to international financial institutions for help. Portugal's crisis could be described as a hybrid combination of Greece's and Italy's, with the only difference, that it managed to overcome it more successfully than its southern counterparts.

Before the financial crunch, Portugal – similarly to Greece – accumulated foreign debt at a large scale, while after joining the euro, its current account deficit ballooned and at the same time households became indebted with loans. As of the turn of the first decade after the millennium, the country found itself in a rather unpleasant position and concurrently Lisbon negotiated a € 78 billion bailout with the infamous 'Troika', along with austerity measures aimed for the 2011-2014 period. The conservative Coelho government, which was in charge at that time, faithfully followed Troika's neoliberal recovery program, which – as in the case of Greece – included tax hikes, wage and pension cuts and budget constraints. Amongst the measures, working hours increased, state assets were privatized, holiday bonuses were forfeited, while wages and pensions were cut-off by 20% and welfare public spending met a significant decline too (Newell, 2019). As of 2014, the budget deficit fell to 4,5% of the GDP from a staggering 11,2% recorded in 2011 and the current account balance also improved as domestic demand collapsed and corporations were forced to export. At the same time nevertheless, the public debt kept on rising, thousands of enterprises went out of business, unemployment skyrocketed to 17%, while youth unemployment soared to 40% leading many young – but not only – Portuguese to leave the country and find better luck abroad (Wise, Hall, 2019). Portugal, faced probably the worst recession in 40 years and as of 2014 was on the verge of social and economic collapse.



12. Figure: General government gross debt as % of GDP
Source: IMF

It was only after 2015 that radical change took place, when Antonio Costa, who was the mayor of Lisbon under the years of the crisis, stepped into office. The center-left politician according to many was the mastermind behind Portugal's economic recovery. Costa straight-forwardly ditched austerity by halting privatizations and tax hikes, restoring working hours and holidays and furthermore the prime minister increased pensions and wages, with the minimum wage showcasing a 20% increase just in two years. Of course, Costa's drastic policy changes made him crush with Brussels for reversing spending cuts and allowing the deficit to reach 4,4% over the agreed 2,7%, however in 2016 the Commission granted him a one-year deadline extension to comply (Wise, Hall, 2019). Indeed, Portugal did not only comply, but Costa engineered a remarkable recovery. The country since then beat its deficit targets, GDP started increasing again, while tourism boomed with companies showing better balance sheets due to cuts in VAT and taxes. Furthermore, public debt started declining, with the government being keen to reinvest its income and increase its welfare and infrastructure spending (Newel, 2019). Last but not least, unemployment fell to 6,7% and many Portuguese are encouraged to come back from abroad, with the Costa-government offering them even tax deductions (Wagner, 2018). Costa managed to bring Portugal back from the brink. Domestic demand once again increased, the business climate improved and Portuguese products and start-ups boosted their image, hence their exports (Newel, 2019). What is more, the recovery largely benefited vulnerable people and as Costa has pointed out, "sound public accounts are compatible with social cohesion". (Wise, Hall, 2019).



13. Figure: Portuguese real GDP growth and unemployment rate, annual % change
Source: World Bank, IMF

Of course, many voices suggest that the 'Portuguese miracle' was not totally Costa's accomplishment. Some have argued that the country's recovery can be attributed to the wider recovery of Europe for instance, while the IMF attributed the success to its own policies. Indeed, it has to be taken into account that Portugal entered the recession in a relatively better position than Greece and the relatively high quality of its domestic institutional infrastructure and policy-adaptation capacity aided the previous government to efficiently complete the memorandum of understanding as early as 2015 (Paraksevopoulos, 2017). Nevertheless, this is not a sufficient reason to discredit the post-2015 government's efforts and taking into consideration that austerity massively failed in Greece and not all EU members states recovered at the same rate as Portugal, it becomes evident that Costa's policies were actually quite effective. Yet again, there are reasons for caution. While the country showcased decent economic performance in recent years, the public debt remains one of the highest in the EU and the informal sector covers a large part of the labor market, giving plenty room for improvement for the upcoming prime ministers.

The aim of this subchapter thus, was not to describe the Costa government as an ultimate success, but to highlight that his administration adopted somewhat ‘unorthodox’ policies, with pragmatic economic patriotism envisioned in them. What is more, Portugal’s case makes it obvious that economic patriotism can be implemented at all sides of the political spectrum and that it cannot be confounded with economic nationalism and other radical perceptions that the mainstream usually likes to emphasize. Actually, in the southern-European nation it was a conservative government sticking to neoliberal reforms and a more socialist administration came in to apply policies more favorable for the ‘patrie’, something that was the other way around in Hungary and Poland for instance.

7. CONCLUSIONS

This thesis discusses the reemergence of the notion of economic patriotism in the realm of political economy, after decades of triumphant market-fundamentalism and neoliberalism, along with its relevance to economic convergence. The main emphasis has been on the EU and its periphery, where the long-awaited economic cohesion as a consequence of spatial and political integration has not been achieved. While economic patriotism serves as an umbrella to highlight the contradictory flaws of today's political-economic environment, the concept of Varieties of Capitalism (VoC) consists a key explanatory variable in interpreting fundamental reasons for the divergence observed across the territory of the European Union.

As a result of tight free-market integration in recent years, decisions-makers face the constant challenge of meeting the demands of their electorate in a diversified legal and regulatory, interdependent economic environment, the goals of which constantly confute national ones. The VoC approach provides evidence, that the same is the case within the European Union, where the amalgamation of different capitalist models, which follow dissimilar development trajectories into a single market, led to massive imbalances and allowed limited space for economic policy coordination, thus being a primer factor of divergence.

Therefore, in order to satisfy the demands of the 'patrie', spatially elected political mandates have to become creative and maneuver between constraints and opportunities in this complex contemporary era, which relegated the role of the state to the background. Historical evidence however vindicates, that all of today's developed nations and major supporters of free-market policies have used a mixed political toolkit, compliant with the notion of economic patriotism and actually they still do nowadays in disguise.

Taking into consideration that such policy-making proved to be successful and it does not require any institutional change, it is argued that economic patriotism is an ideal denouement for the EU periphery to speed up the convergence process. In particular, that is proved by three case-studies located in the broader region – namely Hungary, Poland and Portugal – which in recent years have set the theory into practice, indicating greater signs of economic performance and consequently economic convergence.

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