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The political economy of nationalism and racial discrimination

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Nowadays, class consciousness among members of the Western working class seems to be obfuscated by their nationalist and chauvinist beliefs, as they tend to assume that they have more in common with other members of a nation, people, and/or ethnic group, rather than with other people in similar class positions and with similar economic interests. In this article, we argue that nationalist and racist ideologies can reproduce themselves in the consciousness of the working and capitalist classes because they are present in existing class relations, specifically because of the economic rewards that the members of the business community and white employees can reap as a result of their willingness to discriminate. From an historical materialist perspective, the failure of the labor movement to consistently fight racism can be viewed as the expected outcome of a racial segmentation of the labor market that rewards class compromise by both autochthonous workers and their employers.

1 | INTRODUCTION

In the political economy approach, capitalism embodies, transforms, and ultimately reproduces nationalism and racial discrimination. This paradigm is grounded in the principles of historical materialism to identify and explain the economic factors associated with the agents involved in promoting and perpetuating nationalist ideology and nationalist movements standing for racial discrimination. Seeking a historical-materialist understanding of the complexity of forces behind nationalism and racism entails rejecting the liberal notion that racial prejudice and anti-immigration attitudes exist more-or-less independently of what states, politics, and economics do because they occur prior to or during the emergence of capitalism. According to the modernization theory of nationalism suggested by Gellner (1983), for example, nationalism came into being with the transition from agrarian to industrial society. The age of such transition was bound to be an age of nationalism, as the need in modern industrial societies for an occupationally and spatially mobile labor force required a homogenous

high culture. The state, holding “the monopoly of legitimate education,” is the only institution capable of providing such universal high culture, which plays a key role in defining national identity.

Conversely, Smith (1979), one of the most persistent critics of the modernization theory, focuses on ethnic groups and pre-modern social forms as paramount to the nationalist project. He argues that “a premodern core of ethnic identification forms the basis for the deeply-held sentiments out of which nationalism develops and that such communities have been present throughout human history” (Finlayson, 2006, p. 284). Despite these differences, Smith’s ethnosymbolism and Gellner’s modernization theory of nationalism “are constructed in the superstructural sphere, i.e., in the realm of ideas, values, beliefs, tradition, culture, etc. – not in the sphere of fundamental social-structural conditions” (Berberoglu, 2000, p. 211).¹

The political economy approach to the study of nationalism and racial discrimination also goes far beyond the type of discrimination taken into examination by neoclassical economists (Becker, 1957; Schultz, 1961), who apply the assumption of economic rationality to racial discriminatory behavior. In this view, discrimination is a function of arbitrary decisions, ahistorical prejudices, pre-social tastes, or instinctual aversions carried out by individual employers, employees, and consumers, wherein racial preferences affect their economic behavior.²

By treating nationalism and discrimination as driving forces independent of the relations of production, it is not surprising that the theories discussed above generate similar predictions regarding the expected declining significance of nationalist ideologies as well as the eradication of all forms of discrimination against immigrant labor. The corollary of Gellner’s hypothesis is that once societies have made the transition to industrial society, then the need for nationalism becomes less intense and national identities come to be less salient (Schwarzmantel, 2006, p. 388). In a somewhat similar vein, Smith’s analysis indicates the diminishing significance of nationalism in contemporary politics. By assuming that the construction of a national identity is built upon the reproduction of prejudices based on myths, symbols, and traditions, then one is led to the conclusion that nationalism and chauvinism can be swept away by reason and education. Finally, the mainstream-neoclassical view of discrimination holds that the persistence of racial discrimination and competitive markets are irreconcilable phenomena in the long-run for strong competitive pressures should push employers to use tests and other means of learning about individuals to hire workers on the basis of individual productivity with the goal of maximizing profits. Here too, the prediction is that the tendency in capitalist society is toward reducing discrimination on grounds of skin color or religious differences.

Reality, however, offers a compelling refutation of such predictions. Unfortunately, the historical evidence shows that nationalism, xenophobia, and racial discrimination are persistent features of contemporary “developed” societies as well as of the daily operation of capitalist labor markets. This leads us to take a dissenting view on the topic, which aims to demonstrate how nationalist ideological beliefs and the dynamics of nationalism and racist prejudices are structurally integrated into labor-capital relations in ways that reinforce each other. By adopting a class-based approach to the study of nationalism and racism, we situate worker and business behavior within the context of capital accumulation, that is, we take into account the social and class structure of the society in which nationalist cultures, national movements, and individual racist patterns of behavior arise.

This should not be taken to mean that the class position of an individual will impel that person toward a predetermined pattern of behavior. Social classes are real groups of flesh-and-blood people whose moral beliefs and internal relationships are shaped by the complex living conditions and institutions in which they are brought up (Hodgson, 2006; O’Hara & Sherman, 2004, p. 980). As Institutional economist Veblen (1919, p. 442) pointed out, the objective conditions of the proletariat do not imply a tendency toward particular patterns of actions tending to social revolution. Indeed,

contrary to Marx and Engels' expectations, the creation of a global market has neither obliterated "national differences and antagonism between peoples" (Marx & Engels, 1998, p. 58) nor given rise to the attenuation of nationalism. In the present day, more than 130 years after Marx's death, it has become clear that solidarity and political alliances have not been formed primarily along *class* lines. More often than not, class consciousness among members of the working class is subordinated to their nationalist and chauvinist beliefs, as they tend to assume that they have more in common with other members of a nation, people, and/or ethnic group, rather than with other people in similar class positions and with similar economic interests (Szymanski, 1983).

The article is organized as follows. In the next section, we recapitulate the radical "divide and conquer" model. This perspective assumes that discrimination supported by the ideology of "national interests" harms all workers and benefits primarily capitalists. After having highlighted the main weakness of this approach, in Section 3, we present an historical-materialist hypothesis that focuses on the intralabor and intracapitalist conflict involved in labor discrimination and nationalist and chauvinistic issues. This framework is used in the last section to analyze the cyclical factors which reinforce and/or weaken racial discrimination patterns as well as nationalist ideology.

2 | THE RADICAL DIVIDE-AND-CONQUER MODEL OF DISCRIMINATION AND THE IDEOLOGY OF NATIONAL INTERESTS

According to the divide-and-conquer interpretation of the bargaining power hypothesis (Bowles, 1985; Reich, 1981), racial discrimination³ is merely a political tool by which a homogeneous bourgeoisie can segment an equally homogeneous working class with the goals of breaking labor solidarity and intensifying labor competition between workers of different national or ethno-religious belongings. By disseminating nationalist animosity among multiethnic working classes, capitalists can successfully divide workers, preventing class unity and unionization, thereby maintaining their bargaining power and control over the "proletariat." The result of this strategy is greater intensity of labor and lower wages. This political explanation of discrimination is often complemented by a mechanistic view of the interaction between politics and economics. The argument at stake is that economic crises lead to unemployment; unemployment leads to increased competition between workers, which in turn lead to hostility, xenophobia, and racism. It should be noted that capital's effort to divide-and-conquer domestic as well as immigrant labor may be difficult to achieve in the face of class solidarity. If, for instance, workers recognize that they have common class interests and act together (for example, by organizing a union) to increase wages and to establish their rights in the workplace, then management will face higher costs and lower profits. But if workers fail to recognize their common interests and therefore are unable to cooperate to achieve these goals, then management can retain the upper hand" (Shulman, 1996, p. 53). Arguably, management has an incentive to "divide-and-conquer" its workforce in order "to prevent subordinate classes from developing an egalitarian ideology which systematically challenges its right to rule" (Callinicos, 2004, p. 176).

The ideology of "national interests" plays a key role in further dividing workers in competitive relations with one another, thus reducing the chances of challenges to the "ruling class" (Cox, 1970). According to Veblen, business defends its vested interests by supporting the myth of "national integrity," that is the idea that class relations are of minor importance in the broader context of national unity and cohesion. Veblen showed that the "ruling class" uses nationalism to inculcate the habit of subordination among the underlying population, disciplining them to business activities by affirming that business' interests are the same as those of the "nation." As Veblen (1923, p. 430)

wrote, “Business-as-usual and the national integrity are joint and integral factors in that complex of habits of thought that makes up the official mentality.”

Against this background, nationalism is not just an “imagined” construct. Rather, it is a product of the interests of a particular class or classes who are the direct beneficiaries of this ideology which presents one class' interests as universal, by advocating national solidarity and action over class solidarity and action. The relegation of class antagonism to a secondary role subordinated to dominant international relations is functional to the adaptation of the domestic business class to the worldwide interstate system (Uemura, 2006, pp. 18–19), as the constant battle which involves national firms against firms in foreign countries requires for the national capitalist class to appeal to the working class. The latter is called to work economically and politically with the capitalist class within the same nation. Together, they “should advance their collective interests against other ‘nations,’ even against those who are in the same classes” (Szymanski, 1983, p. 430). As the primary conflict appears to be the one between domestic and foreign national interests, nationalism tends to unify the “internal,” that is, to incorporate the population of the state into the main body of the nation, which is distinguished from the “external,” and to differentiate “through negative discrimination against whoever does not become part of the nation, sometimes to the point of expelling them from the main body of the nation” (Milios & Sotiropoulos, 2009, pp. 108–109).

In this view, the emphasis of an allegedly ethnic, cultural, and social homogeneity along national-racial lines is nothing but an ideological weapon of the capitalist class, which artificially establishes a racial system of interest identification with workers of the same nationality. Specifically, capitalists consciously use nationalism and racism to pit workers against each other and directly or indirectly reproduce class hierarchies and the social “order.” If workers fight each other on the basis of race and/or nationality, they will find it much more difficult to unite on the basis of class to minimize capitalist exploitation. As a result, class conflict will be offset, managerial control enhanced and wages for both autochthonous as well as immigrant workers kept down.

In practical terms, management may assign autochthonous male workers to the “best” jobs (skilled and/or supervisory jobs), and reserve unskilled jobs for immigrants and/or female workers. Through the hierarchization of the workforce, employers create a sort of caste closure at least for one section of the working class, reducing the chances that it will be compelled to cooperate with other sections of workers, namely the immigrant workers “who have the most to gain from a wage hike or an improvement in conditions” (Shulman, 1996, p. 53). The relative privileges of skill might be strategically used by management to maintain a positive relationship with its white male workers by encouraging them to feel that they have exclusive rights to certain jobs. Thanks to such exclusiveness, domestic workers can come to share a common set of values and interest with management, while coming to believe that they are in fact superior to immigrant or non-white labor.

In other words, by fostering hostility against immigrant or racialized workers, management stabilizes workers over long periods, educating them for work, bonding them to firms and causing them to identify with the ruling class. Discrimination against immigrant workers is, therefore, a tool which performs a dual role within capitalism: a disciplinary function and a paternalistic function. On the one hand, it helps the capitalist class to maximize its profits by having at its disposal an easily exploitable group whose wage is way below its marginal productivity; on the other, it simultaneously minimizes the costs of political disruption, by means of the cooptation of one part of the working class, that is, the so-called labor aristocracy.

The solution would then be to convince the autochthonous members of the working class that they suffer from discriminatory behavior. Once persuaded that immigrant workers represent a potential help in the struggle against capital in the host country, all workers will finally be ready to “unite

and fight” for genuine equality of employment and wage practices.⁴ In a nutshell, the weak commitment of autochthonous workers to this strategy, and conversely their historical effort to exclude and subordinate immigrant workers, becomes merely a question of “false consciousness.”

3 | TOWARD A HISTORICAL-MATERIALIST HYPOTHESIS OF RACIAL DISCRIMINATION AND NATIONALISM

The divide-and-conquer theory discussed in the previous section holds that capitalism tends to reproduce race-based wage discrimination that allows firms to maximize profits in the long run. The weakness of this approach stems directly from a class reductionism which assumes an a priori understanding of the “interests” of both capitalists and workers. To be clear, a basic limitation of the divide-and-conquer model of racial nationalism is that it treats “labor” and “capital” too grossly, as if all workers and capitalists had the same fundamental interests. As a consequence, it underestimates that firms might have different attitudes toward discrimination depending on the degree of competition of the market they operate in. More importantly, this mechanistic approach understates the fact that “the working class is a population that is both heterogeneous and fluctuating, its ‘boundaries’ being by definition imprecise, since they depend on ceaseless transformations of the labor process and movements of capital” (Balibar & Wallerstein, 1991, p. 212).

In fact, the relationship between groups and the definition of groups in one period may be very different from that of another period (Champlin & Wiens-Tuers, 2009, p. 173), as the evolution of technology and the relocation of investment begets diversification in the labor force. Such diversification implies better working conditions and higher salaries for skilled workers, and worse working conditions and lower earnings for unskilled workers. Insofar as skilled jobs are predominantly occupied by national workers and migrant workers are confined to unskilled and low-paid jobs, labor markets become a pivotal terrain for national-ethnic-racial competition in which the former group strives to protect its privileged position within an occupationally stratified system.

The transition of capitalism through different stages of development—from a competitive phase to a monopolistic phase and/or from a phase of material expansion to a phase of financial expansion and vice versa—prompts a plurality of technical labor inputs that in turn affects the degree of homogenization of the labor force. The significant divergence of economic interests between productive and financial capital, competitive and monopoly sectors, national and multinational enterprises, unskilled and skilled labor (depending on the market structure of separate industries), sheds light on the varied and varying stances of capitalists and workers on the issue of racial discrimination and/or labor solidarity.

First, the interest of national firms whose output requires a greater proportion of unskilled workers relative to skilled labor involves two contradictory aspects. On the one hand, they might support the inflow of immigrants labor, in such a way as to maintain a relative over-population, ensure competition on the labor market, and draw new labor power continually from the “industrial reserve army” (Balibar & Wallerstein, 1991, p. 212). On the other hand, they might aim at maintaining discriminatory practices against immigrant workers as “institutionalized racism” artificially enlarges the supply of unskilled labor relative to skilled labor by preventing immigrant workers from rising into the category of skilled workers. At an institutional level, this objective is concretely achieved by the criminalization of migrants, which tends to force them into illegal informal-underpaid economies,⁵ and/or the systematic de-recognition of the skills that foreign workers have acquired in their home countries. This precludes immigrants from joining labor organizations, acquiring further education and training opportunities, “thus reinforcing discrimination in the lowest segment of the labor

market” (O'Hara, 2007, p. 24). The limited upward mobility that follows from the construction of such “artificial barriers” might result in the creation of a large pool of unskilled labor, thereby exerting downward pressure on its remuneration.

The interests of domestic enterprise and large corporations—particularly those which deploy capital-intensive production techniques and which are thus dependent on heavy inputs of skilled labor—are much more complex. Just like the aforementioned firms that specialize in low-skilled intensive production, such companies tend to support the lifting of institutional barriers that limit free movement of labor with the aim of increasing competition in the labor market. Nevertheless, under certain conditions, their economic interests might induce advanced technological firms to believe that racial discrimination is economically dysfunctional because it reduces the supply of skilled labor and creates inefficiencies in the use of human resources. This is particularly true in periods of technological dynamism when demand changes in favor of more skilled labor. Here, discrimination on mobility might decelerate the exit from the unskilled ranks by artificially reducing the size of the skilled labor pool. As a result, the wage cost of large companies is higher than it would be in the absence of discrimination. For this reason, the firms whose technology is increasingly based on the use of skilled labor no longer need racism to discipline dominant white labor, reduce unit labor costs, and sustain profits. Rather, they could economically benefit from an antidiscrimination policy as long as it makes immigrant (skilled) labor more competitive vis-à-vis domestic (skilled) labor.

With regard to multinational companies (MNCs), their approach to immigration is determined by contrasting considerations. On the one hand, low-labor mobility allows them to maintain a competitive advantage over companies operating at national level. The latter, in fact, given the relative immobility of the working class, are forced to rely on a predetermined pool of workers at the country level. Multinational companies, instead, can diversify production among different sites, depending on the relative availability (and price) of labor, and its skills. Furthermore, MNCs are particularly sensitive to the general objectives of the global capitalist system: from this point of view, the maintenance of the wage privileges of the working class of advanced countries is an important factor of systemic stabilization. These countries hold a monopoly of military force, so the maintenance of social peace within them is sufficient to maintain the global capitalist order.

On the other hand, other considerations work in the opposite direction. In particular, the general economic inefficiency created by the immobility of a global factor of production ends up penalizing the multinational companies themselves. These inefficiencies, for example, increase the costs of production of suppliers operating at national level, which therefore have to apply higher prices compared to a scenario of full mobility. From this point of view, restrictions on migratory movements negatively affect the profits of multinational companies. These considerations, based on the criterion of general efficiency, lead MNCs to oppose an approach based on the vertical segregation of labor on the basis of ethnicity: this policy prevents an optimal use of the factors of production and, even if not directly applied by such companies, ends up reducing profit margins. Nevertheless, the artificial restriction of mobility by means of maintaining racial barriers might benefit skilled white-autochthonous workers, who can improve their employment and wage prospects if they can periodically insulate themselves from immigrant labor competition. If minorities are excluded from the “best” jobs, then white males will face less competition for them “This will improve the chances to increase their bargaining power and earn higher wages, get promoted and enjoy job security” (Shulman, 1996, p. 53).

With regard to restrictions on migratory movements, these often enjoy the consensus of the entire indigenous labor force. The latter may think that such policies imply greater bargaining power on the labor market. Furthermore, assuming that the immigrant labor force is on average less qualified than the indigenous labor force, a permissive immigration policy leads to a reduction in the average qualification level of the

indigenous labor force. In turn, this phenomenon causes a shift in comparative advantage in favor of productive sectors that are more subject to international competition (with lower added value) and, consequently, characterized by lower wages for unskilled native workers as well.⁶ Conversely, the positive effect on the latter's real wage deriving from the availability of low-cost goods and services provided by an underpaid immigrant labor force may not be easily perceived by the less qualified sectors of the national working class.

Last but not least, enterprises that are principally engaged in financial intermediation might be sympathetic to immigration by less privileged workers, as they expand the number of low-income "clients" who are forced to rely on financial institutions to meet their basic needs, such as housing, pensions, education, insurance, and so on (Lapavitsas, 2009). As most consumer credit—first and foremost mortgages—is not held by its originators, but rather sold to third parties, it makes sense for banks and brokers to maximize the flow of consumer credit by extending it to those long excluded from mass consumption and home ownership. That is the reason why financial firms involved in the securitization of credits and other assets might support an increase in the inflow of immigrants, whose low-labor wages (because of racial discrimination) are often insufficient to satisfy their consumption needs. The latter can be easily transformed into a lucrative opportunity for financial firms, as it increases financial returns in the form of fees, interests, and commissions (Dymski, 2009, p. 80).

4 | DYNAMICS OF LABOR-CAPITAL RELATIONS INVOLVED IN THE RACIAL DISCRIMINATION AND NATIONALIST ISSUES

Cyclical factors must be taken into account in an analysis of nationalism and racial discrimination, as the interests of various capitalists and workers vis-à-vis discrimination might change over time and "at certain critical junctures in response to certain internal and external factors" (Leiman, 1987, p. 105). The political economy model of discrimination predicts that the intensity of discrimination should fall in expansions and escalate during times of rising unemployment.

First, from a "labor" standpoint, during periods of rapid accumulation workers' resistance to immigrant employment should lessen because capital is creating new jobs. From capital's perspective, racial discrimination might adversely affect the interests of national corporations, whose demand for skilled labor rises relative to the demand for unskilled labor. As long as discrimination artificially reduces the size of the skilled labor pool, technologically advanced capitalists would face higher costs because labor is generally scarce in periods of cyclical expansion. Therefore, the costs of supporting discrimination rise, as this would impede their profitable operations. As the interests of the dominant sectors of capital are the primary concern of government, (Veblen, 1923) periods of cyclical upturns might witness the passing of antidiscrimination legislation aimed at breaking the industrial segregation barrier and reducing the bargaining power of national workers. Conversely, the achievement of genuine racial integration during periods of sustained capital accumulation might penalize those firms operating in a competitive (labor intensive) sector because it would have the likely effect of decreasing the supply of unskilled labor out of a given labor pool as some immigrant workers would advance into the skilled ranks.

Second, periods of cyclical downturn might result in an increasing incentive to discriminate by national workers. The oversupply of labor at all skill levels that goes hand in hand with the rise in unemployment puts an abrupt end to the perspectives of collective "upward mobility" for autochthonous workers, whereas the ability to protect one's job becomes increasingly important to them as their occupational alternatives diminish. In this scenario, racial discrimination that insulates autochthonous workers from job competition by immigrant workers cannot only improve their employment prospects, but also make their wages more downwardly rigid even if it inhibits wage growth,

unionization, and progressive public policies (Shulman, 1990, p. 6). Thus, white male workers with weaker bargaining power might decide to undermine interracial labor solidarity as labor market conditions deteriorate.

Meanwhile, national capitalists operating in advanced sectors might be willing to buffer white workers, at least partially, against the negative impact of unemployment, whose costs could be shifted onto immigrant workers. The reason behind such accommodation of domestic workers is that capitalists no longer possess the incentive to carry through an antidiscrimination policy to get access to cheaper skilled labor. In fact, the oversupply of qualified labor reduces the cost-inefficiency of discrimination, that is, the managerial risks of hiring less qualified (and less productive) domestic job seekers is reduced, since the search time will not have to be prolonged nor wages raised to find skilled domestic applicants. In periods of high-aggregate unemployment, capitalists are thereby able to reap the political benefits of giving preferential treatment to present or future domestic workers, as it enhances interclass identity of interests and reduces labor solidarity. Nevertheless, immigrant workers may also gain from lower discrimination, as their wages on average are lower than domestic workers, and some employers may prefer to keep them in the event of mass layoffs or plant downsizing. This might have the effects of sharpening the racist tendencies within the autochthonous members of the labor class, as the chances of being displaced by immigrants increase when employment declines.

Finally, periods of financial depression might provoke a sudden change of attitude toward immigration and immigrants on behalf of the financial community. The bailout of financial institutions through government intervention in the event of a financial crisis is often coupled by a severe deterioration of the fiscal balance, as it represents a transfer of liabilities from the market to the state. The ultimate consequence of this development is the advent of a public debt crisis. It is in this context that the expulsion or at least the reduction of (temporary) unemployed immigrant workers and their families serves the purpose of strengthening austerity programs. The cutting of unemployment benefits, educational and health facilities for immigrants and their families is a common way of reducing the total cost of labor as well as to rationalize “unproductive” public expenses. Both maneuvers have the potential effect of holding inflation in check with a beneficial effect on the preservation of the value of financial assets. Conversely, the effect of this policy is ambiguous. While it is true that the reduction of public spending leads to positive outcomes in terms of price containment and the valorization of financial assets, it is also true that the expulsion of a part of the reserve army pushes up wages, creating inflationary pressures.

The fact that the ultimate determinant of racial discrimination is the economic situation does not mean that this is the only determinant. The economic situation is the basis, but the contours of the class struggle and its results decisively exercise their influence upon the political consciousness of the historical agents, and in many cases come to inform the social attitudes of contending classes toward nationalistic values and racial integration.

The complete elimination of discrimination might promote a full integration of immigrant workers and their families within the social and economic fabric of the nation. This would foster economic growth by reducing barriers to labor market mobility and expanding the fiscal space for developmental goals. Nevertheless, the long-run political interests of the leading technological sectors might override the economic dysfunctionality of discrimination, as the retention of cleavages between autochthonous and immigrants workers might bolster managerial control over the labor process. Therefore, giving a preferential treatment to autochthonous workers acquires an overwhelming hegemonic importance, as it politically divides the working class and weakens solidarity among workers,

thereby reducing the wage bill. As Shulman (1990, p. 8) pointed out, “segmentation is conjoined with discrimination as a result of profit maximization, not conspiracies.”

The receding of economic factors in favor of political considerations on the issues of nationalism and discrimination might also manifest itself in periods of economic stagnation. Because the economic decline is likely to stimulate radical politics, racial discrimination is highly functional to the ruling class, whose appeal to racism can divert working class attention from the real causes of economic insecurity. This might prevent systemic instability caused by workers' dissatisfaction in the functioning of a market economy, which is inherently unstable, moving through phases of growth and stagnation. As a matter of fact, the crisis of Western capitalism in the 1970s was accompanied by the appearance of new nationalistic struggles that divided the working class along racial lines, which in turn had the effect of undermining working-class solidarity and living conditions.

The primacy of ideological factors over economic ones is even more evident in the current processes of welfare state retrenchment. In periods of fiscal crisis, immigrants are often seen not only as challengers to the organizational (who is entitled) and conceptual (who belong) basis of welfare states. (Geddes, 2005, p. 161) They are also blamed for the high costs of welfare programs. This determines a social “consensus” based on the exclusion and tacit complicity in hostility toward “foreigners” (Balibar & Wallerstein, 1991, p. 219), which helps to discriminate against their access to social benefits—such as medical care, public education, the justice system—and retrench the welfare state while apparently maintaining the legitimacy of the social system. Such a dynamic is even evident in highly developed welfare societies such as the Scandinavian countries.

Here, the relative economic decline and the weakening of corporatist structures since the late 1970s, have all affected the perception of the capacity of Nordic welfare systems to include all their citizens. The pressures of the welfare state have not induced a wholesale abandonment of core welfare state principles. Nevertheless, the well-established combination of universal solidarity, welfare state egalitarianism, and extensive redistributive benefits has been actually compromised by attempts to draw a tighter line around the community of legitimate receivers of welfare state benefits, as these states sought to tighten controls on immigration as well as to reinforce the borders of national welfare against new and unwanted immigration, with immigrants portrayed as a drain on welfare state resources (Geddes, 2003a, 2003b).

5 | CONCLUSION

In this article, we defended a political economy approach to nationalism and racial discrimination, which focuses less on the inborn individual preferences or deeply-held sentiments out of which racism and nationalism supposedly develop, and more on the socio-economic context within which people's decision making takes place. We argued that race consciousness and discrimination (bigotry) bear a systematic causal relation to economic circumstances. Changes in attitude toward racial discrimination can be explained in terms of changes in the composition of competitive and monopolistic sectors; the labor input mix required by changing technology; the cyclical factors affecting labor market conditions such as the intensity of aggregate unemployment and the degree of substitutability between immigrant and domestic workers; and the dynamic of the class struggle, which in turn depends on the level of political consciousness of social agents. Of course, the “degree of discrimination is also influenced by many other factors, such as laws, popular beliefs, social patterns (eg, intermarriage), custom, and so on” (Shulman, 1996, p. 57). However, economic factors that come into play to one degree or another represent the ultimately determining or “last instance” element in the reproduction of nationalistic, xenophobic values, and racial discrimination.

A historical-materialist perspective helps to illuminate the fundamental realities of nationalism and discrimination by recognizing that these phenomena are rooted in the continually changing socio-economic structure of capitalism. As Wilson (1995, p. 3) puts it, “racial antagonisms are the products of situations – economic situations, political situations, and social situations.” As such, discrimination and nationalism cannot be logically preordained, as the radical and neoclassical interpretations would have it. In fact, it would be misleading to view hegemonic ideas of nationalism and racism simply as weapons against “class consciousness.” In a similar vein, it would be mistaken to reduce the racism and nationalist tendencies of the business community to a psychological “taste for discrimination” inherent to its members.

From a methodological point of view, this means that nationalist beliefs and racial discrimination in the labor market must be empirically understood in terms of the circumstances that give rise to them and cause them to change. The intensity and patterns of discriminatory behavior by firms and workers is mediated by political and aggregate flexible economic conditions, in the sense that it is a function of concrete historical situations that balance the costs of continuing discrimination against that of ceasing discrimination. For instance, nationalist and racist values can be rejected by specific fractions of the ruling class, insofar as they consider discrimination economically untenable and/or they regard free mobility of people across national frontiers as advantageous in furthering their own long-term interests. In a similar vein, “if racially dominant workers seek to climb, rather than smash, the wage hierarchy, then the practice of racial solidarity in the pursuit of income and employment stability has, at the very least, a contingent rationality” (Williams, 1992, pp. 227–228).

To conclude, racism and nationalism do not survive merely as a predominant ideological facet of social relations, because “these relations have to carry a practical legitimacy in everyday terms for both the rulers and the ruled” (Carter, 2008, p. 434). Nationalist and racist ideologies can reproduce themselves in the consciousness of the working and capitalist class because they are present in existing material relations, specifically because of the economic reward that members of the business community and white employees can receive as a result of their willingness to discriminate.

ENDNOTES

¹Indeed, Smith shares with Gellner the idea that nationalism inverts the “base-superstructure” metaphor of the Marxists, and that the cultural base of history and language builds “the ‘corresponding’ economic, class and bureaucratic superstructures” (Smith, 1979, p. 186).

²According to neoclassical economics, discriminators are either maximizing their utility or minimizing their perceived risk. Discrimination consists of individual preference or statistical discrimination. The former affects the employer's hiring decision because prejudice blinds the employer to the true monetary costs associated with hiring a particular worker. The latter is a choice made under conditions of imperfect information, leading to differential treatment of equally skilled workers belonging to different racial groups.

³Racial discrimination on the labor market is defined as the offering different wages and job opportunities to similar individuals who differ by color of skin, ethnicity of nationality.

⁴Likewise, it would be sufficient to warn employers against the inefficiencies brought by the underutilization and misutilization of foreigners as a result of nationalistic preferences, had them taken into account during their decision-making process.

⁵In this regard, the role played by EU institutions is contradictory. The goals indicated by article 7 of the Schengen Agreement that defines border controls are (a) the freedom of internal migration granted to European citizens and (b) the increasing restraints upon noncommunitarian citizens from entering the European Union. As noted by Carchedi and Carchedi (1999), the sharpening of control on non-EU immigrants does not mean that extra-European immigration has stopped. What it means is that legal immigration has drastically fallen while illegal immigration continues due to the pull of those EU enterprises which can survive only thanks to the intensive employment of a large unskilled labor force which is provided by resorting massively to clandestine immigration. From a political point of view, the fact that extra-UE immigration is construed as a criminal

problem legitimates not only anti-immigration policies at the national and supranational level, but also xenophobic groups advocating racist ideologies and extreme nationalism.

⁶Most evidence shows a strong correlation between salaries of the unskilled workers and general level of education. As Enrico Moretti (2012, pp. 97–98) pointed out: “Brain hubs pay high average salaries to nonskilled workers too. Thus, a worker’s education has an effect not just on her own salary but also on the entire community around her. [...] The earnings of a worker with a high school education rise by about 7 percent as the share of college graduates in his city increases by 10 percent.”

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