

Progressive Protectionism – An Oxymoron or a Viable Development Strategy for Europe?

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Abstract

In the wake of the global financial and economic crisis of 2008, parts of right increasingly challenged the neoliberal ideology with its rhetoric insistence on free trade by calls for protectionism. The European left has struggled to find a coherent position that defies free trade and its social consequences but does not fall into the ‘nationalist trap’ of defending ‘national economic interests’ against external actors. At the heart of this debate, lie two interrelated questions: What kind of progressive strategy could we adopt to transform and/or partially reverse transnational globalisation in order to establish a more solidary mode of living? How relevant are protectionist measures to implement such a strategy? We discuss these questions from a political economy perspective, drawing on different theoretical traditions discussing the potential and challenges of re-localising productive capacities through (selective) delinking in the framework of a broader, multi-scale development strategy. Concretely, we critically analyse Hines’ recent proposal for Progressive Protectionism from the theoretical perspectives of the anti-capitalist strand of the self-reliance debate and of the deglobalisation paradigm. Finally, we present an example for what shape a local development strategy could take today, discussing the ‘community wealth building’-approach implemented in the British town Preston since 2011. Methodologically, the paper draws on an extensive literature review, newspaper articles and a semi-structured interview with a representative of a think tank involved in ‘community wealth building’.

Keywords: protectionism, progressive protectionism, deglobalisation, self-reliance, Preston, community wealth building

Introduction

Since the beginnings of the first industrial revolution, advocates of free trade and protectionism have been in a constant struggle. However, the dominant viewpoint as well as the political orientation backing it have changed over time. In the wake of the global financial and economic crisis of 2008, parts of right increasingly challenged the neoliberal ideology with its rhetoric insistence on free trade by calls for protectionism. Confronted with these nationalist tendencies in the European Union and the USA, the majority of the European left has been struggling to find a coherent position that defies free trade and its social consequences through *dirigiste* measures, but does not fall into the ‘nationalist trap’ of defending ‘national economic interests’ against external actors. These observations left us wondering: What kind of progressive strategy could we adopt to transform and partially reverse transnational globalisation in order to establish a more solidary mode of living? Which role need to play protectionist measures to implement successfully such a strategy? In order to approach these questions, we adopt a historical perspective, by comparing the impact and benefits of protectionist policies both on a spatial as well as on a social level.

Deviating from established positions, we will not argue that protectionism is progressive when it supports catch-up development in the global South, while it is reactionary when it seeks to prevent a region’s, country’s or community’s decline in the global/regional/national division of labour in the global North. Rather, we argue that protectionist policies are progressive when they aim for the contraction of economic cycles, particularly those related to basic needs – independently from their place of implementation. However, some more features have to be fulfilled to warrant the progressive stance of protectionist measures, one being a clear internationalist orientation, challenging uneven development on the global, regional¹, national, and local scales.

After providing a short overview on the history of protectionism, we discuss recent calls for protectionism from different political actors. In the following, we turn to the question of progressive alternatives, reflecting on the relationship between protectionism, delinking and multi-scale development strategies. Therefore, we draw on different theories that promote alternatives to the current relations of production, distribution and consumption. We have therefore chosen three different proposals for a bottom-up development strategy, namely, the anti-capitalist current of self-reliance (Amin 1981, Galtung 1980, 1985; Senghaas 1978), the deglobalisation paradigm (Bello 2009), and the ‘community wealth building’-approach (Democracy Collaborative 2019; CLES 2019). As a case study for the latter, we finally discuss the experience of the city of Preston in the British Midlands, which adopted in 2011 a new local development strategy striving for ‘community wealth building’. Methodologically, this part draws on recently published newspaper articles and a semi-structured interview with one of the policy advisers of this project from the Democracy Collaborative.

A Short History of Protectionism

Trade policy either can actively influence trade relations through the application of protectionist measures or it can foster trade liberalisation through the reduction of trade barriers. Protectionist measures can consist of tariff and/or non-tariff trade barriers. The most famous tariff barriers are duties on specific products or export subventions for products, whose price on the world market is below the price on the domestic market. Non-tariff barriers encompass measures such as technical standards and norms, (voluntary) export restrictions, import quotas, public procurement regulations including environmental and/or social standards and local content clauses (Gabler Wirtschaftslexikon 2018). While tariff barriers have been decreasing during the past decades and have lost much of their impact due to the Washington Consensus and the WTO rules (Wade 2015: 68-72), non-tariff barriers in some cases still constitute relevant restrictions to free trade. Hence, protectionism can refer to many different types of interventions that restrict free trade.

¹ The terms “regional” and “region” refer in this paper always to macroregions, which encompass several countries.

In mainstream economics, liberal approaches advocating free trade have been present since the advent of industrialisation. The Briton Adam Smith was one of the earliest proponents of the free trade idea. He formulated at the end of the 18th century what became the basis of classical economics, namely, the assumption that bigger markets would promote the unfolding of a more efficient division of labour. Consequently, he argued in favour of the reduction of trade barriers. Moreover, he insisted that the absolute cost advantage should become the guiding principle of international trade. Every country should specialise on the export of good(s) that it could produce more efficiently (in less working hours than other countries). David Ricardo modified this theory, arguing that even if the labour productivity of country A was higher in absolute terms for two goods (cloth and wine, in his famous example), a specialisation of country A and B and subsequent exchange of the goods would make sense, because it allowed saving working hours on both sides. This assumption became the guiding principle of classical and neoclassical trade theory. However, neoclassical economics substituted the labour theory of value that had been key for classical economics for the factor endowment theory. Between the two world wars, the neoclassical economists Heckscher and Ohlin argued that a country should specialise on the export of goods based on their abundant factor. Hence, free trade and not protectionism would be the best way to develop for any nation (Becker 2006: 17-20).

More development-centred, moderately liberal economic approaches formulated critique against these assumptions. First, several objections have been raised against the (neo)classical premises laying the foundation for the recommendation of free trade. For example, Smith and Ricardo assumed constant returns to scale, independently of the traded product. The Graham Paradox later proved that large-scale production of industrial goods reduced the production costs, while it was the opposite with raw material exploitation. Furthermore, a discussion of how specialisation patterns restricted future development path was absent in the mainstream for a long time (Becker 2006: 19). Second, scholars such as Chang (2003) and Wade (2018) argued that free trade theory had not always materialised in practice as its advocates had claimed. In this context, Chang (2003: 12) highlights that “almost all NDCs [now-developed countries, J.E.] used some form of infant industry promotion strategy when they were in catching up positions. Interestingly it was the United Kingdom and the United States (...) that used tariff protection most aggressively.” Notably, between the industrial policy reform of Robert Walpole in 1721 until the country’s transition to free trade in the 1860s, Britain amply used tariff protection (Chang 2003: 5). Due to this, the German economist Friedrich List declared in the 1840s that “Britain’s preaching of free trade to relatively backward nations, like Germany and the USA, was like ‘kicking away the ladder’” (Chang et al. 2013: 45). Third, this led Alexander Hamilton in the USA and Friedrich List in Germany to take inspiration from the British experience. When Alexander Hamilton invented for the USA his infant industry argument (which was later falsely attributed to Friedrich List), he drew inspiration from Walpole (Chang et al. 2013: 45). According to this argument, it takes time to develop productive capacities. Therefore, a period of protection through tariffs, subsidies, investment regulations etc. is necessary. Even the neoclassical economist Ohlin admitted with reference to List that tariff protection of infant industries might be necessary for catch-up development. Going beyond Hamilton, Friedrich List invigorated that the economic dynamics of a country should be domestically oriented, fostering the close linkage between different economic sectors. In order to unfold a more efficient of labour an institutionally and politically bolstered economic space was necessary. Due to this, he argued for the creation of customs unions between states. Trade served insofar as it supported the development of the productive forces. While List only advocated for the control of goods, a few decades later John Maynard Keynes also called for the control of capital flows (Becker 2006: 20-22). At the end of the 20th century, the Listian thought had a revival in the wake of new developmentalism, analysing the experience of developmental states (Chang 2003; Wade 2015, 2018; critical Pradella 2014)

From the perspective of the radical left, Karl Marx and Friedrich Engels came to other conclusions regarding the question of free trade and protectionism by applying a class-based approach. In his speech, *On the question of free trade* (1848), Karl Marx directed himself against the Anti-Corn-League, which large manufacturers had formed. In order to raise the acceptance for their call to abolish the

Corn Law, they promised the workers that bread would become cheaper after the elimination of duties on corn. In 1846, they succeeded in enforcing their interests. However, Marx asserted that the workers would perfectly understand that the actual conflict was between great landowners and large manufacturers. The latter would only have interest in lowering the tariffs and accordingly the price of bread in order to decrease the wages of the workers and, hence, increase their own profits. Therefore, Marx criticised the effects of free trade, because it would lead to decreased prices of all commodities, also of labour. Furthermore, the price of labour would fall relatively more than the price for other commodities (MEW 1972, Vol. 4, 450). At the bottom of this, Marx identified the following mechanism: When the productive capital grows and increasingly becomes export-dependent, the whole system becomes more prone to crisis, because the demand on foreign markets is more difficult to predict. The more frequent crises accelerate the centralisation of capital and the growth of the proletariat. This increases the competition between workers and leads to the decrease of the wages, while the workload for some increases (MEW 1972, Vol. 4, 449-452). Marx concluded that “the workers under this free trade will be hit heavily by the economic laws” if the relationship between waged labour and capital persists (MEW 1972, Vol. 4, 455; translation J.E.).

While Marx criticised that free trade allowed a country to become richer at the expense of others (MEW 1972, Vol. 4, 457), he was also sceptical regarding protectionism, because it would only serve to create large-scale industry in a country, which meant that it would become dependent on the world market. This, in turn, would make the nation dependent on free trade. Moreover, Marx observed that protectionism would develop the internal competition on the national scale. In general, he saw protectionism as conservative and free trade as destructive, because the latter would intensify the contradiction between proletariat and bourgeoisie and therefore accelerate the social revolution. Only due to this assessment, Marx pronounced himself in favour of free trade (MEW 1972, Vol. 4, 457-458). Another interesting observation made Engels (1888) in the introduction to the US-American edition of Marx's *On the Question of Free Trade*. He pointed out that – when British manufacturers had fallen behind US-American producers and the Germans were about to outpace them, too – suddenly, they lost their ‘belief’ in free trade and called for the reintroduction of protectionist measures. Hence, Marx and Engels interpreted the struggle for protectionism or free trade primarily as a struggle between different fractions of capital that was of secondary relevance for the workers’ struggle.

During the past two decades, a controversial debate emerged around the relationship between protectionism and economic nationalism. According to Pryke (2012: 290), “economic nationalism should be understood as the attempt to create, bolster and protect national economies in the context of world markets”. On basis of this definition, Pryke argues that economic nationalism emerged in the 19th century and became a central state policy during the 1950s. Nevertheless, he insists that the increasing world market integration after World War II “undermined the reality and ideology of national economies” (Pryke 2012: 290). Hence, for Pryke economic nationalism is a phenomenon of the past. Critical left-wing scholars argue that “progressive nationalism” (Radice 2000) or “left-wing nationalism” (Ryan/Worth 2010) constitutes an oxymoron, and the ‘methodological nationalism’ lying at the bottom of new developmentalist thinking (Pradella 2014). Consequently, they are sceptical towards economic nationalism, which pretends to protect ‘the’ national economic interests towards third countries and transnational actors, and neglects the issue of class, race and gender discrimination. Indeed, Friedrich List has been criticised for his nationalist position. However, according to Shulman

[t]he nationalist content of List's analysis does not lie in his call for protectionist foreign economic policies, but rather in his emphasis on economic development as a reflection of and engine for national eminence. The identity-driven nationalist obsession with image and prestige fuels a desire for foreign economic policies that maximize the nation's wealth. (Shulman 2000: 373)

In Shulman's (2000) view, economic nationalism and protectionism are not bound together. Rather, a nation can pursue nationalist objectives such as autonomy, unity and identity through economic

closure or openness, depending on its economic strength (Pryke 2012: 283). Becker (2019) shares this position, opposing “free trade nationalism” to (protectionist) economic nationalism (see below).

The Comeback of Protectionism

In the wake of the financial and economic crisis of 2008, European academics and politicians discussed whether the consequence would be the partial reversal of globalisation, as it was the case following the economic crisis of the 1930s. In 2012, Pryke (2012: 290) observed no general rise of protectionism on a global scale:

The financial crash of 2008 necessitated massive state aid to domestic banks and industry, but the endeavour has been to allow the continued impetus of economic globalisation, not a major reconsideration or reversal. Of course, the turbulence of capitalism will continue to stimulate political reactions, nationalist and other, but this is rather different from what can be properly called ‘economic nationalism’. (Pryke 2012: 290).

However, more recently, different political camps suggested the implementation of protectionist measures in Europe. In the following, we will provide an overview over different proposals, before we turn to the progressive alternatives.

Right-Wing and Conservative Protectionism

When nationalist leaders came to power in the United States and in several countries of the European Union, they attacked free trade on the rhetorical level and later put some of their proposals into action. This is particularly true for the ever more escalating trade war between the USA and China (BBC, 14.5.2019; Kuo/Borger, 21.5.2019), while in the European Union parties from the far right adopted different positions towards protectionism. In a recent study, Becker (2019) demonstrates on the basis of an in-depth analysis of the programmes of European parties of the extreme right that only parties of the national conservative current (in power with Fidesz in Hungary and PiS in Poland) tend towards (protectionist) economic nationalism. However, only PiS is consequent with its attempts to support national capital, while Fidesz combines neoliberal and protectionist viewpoints. Parties from the extreme right in the core countries of the European Union, by contrast, adopt a neoliberal position regarding economic issues, defending free trade due to their economic strength. Becker (2019) terms this stance “free trade nationalism”.

However, it is crucial to mention that also politicians from conservative centre-right parties have pronounced in favour of different types of protectionist measures. For example, shortly after the French election, Emmanuel Macron proposed “smart protectionism” to curtail foreign – mainly Chinese – economic influence in Europe (Chassany, 11.5.2017). Another example represents the recently launched German “National Industrial Strategy 2030”, in which Peter Altmaier, the German Minister of Economy, suggests active industrial policy and a relaxation of the European Union’s competition policy in order to allow European enterprises to form big mergers. Otherwise, it would not be possible to compete with the USA and China in specific fields, in which German and European industries currently lag behind (Altmaier 2019). Only two weeks later, Altmaier presented together with the French Minister of the Economy and Finance, Bruno Le Maire, *A Franco-German Manifesto for a European industrial policy fit for the 21st Century* (BMW 2019), in which they reinforced the main ideas presented by Altmaier. It is crucial to mention that – while Altmaier and Le Maire (BMW 2019: 4-5) declare to “resist all forms of protectionism”, they suggest “effective measures to protect ourselves” and prompt the “Member States to protect Europe’s strategic technologies and assets which are critical.”

Ordoliberalism immediately started to attack these position papers due to their protectionist elements and increased their efforts when Angela Merkel declared to support the strategy (Tofall, 7.4.2019). However, French president Macron aligned with Altmaier’s position. In his open letter *Dear Europe, Brexit is a lesson for all of us: it’s time for renewal* (Macron, 4.3.2019), which appeared in 28 newspapers throughout the European Union, he stated the following:

We cannot suffer in silence. We need to reform our competition policy and reshape our trade policy, penalising or banning businesses that compromise our strategic interests and fundamental values such as environmental standards, data protection and fair payment of taxes; and the adoption of European preference in strategic industries and our public procurement, as our American and Chinese competitors do. (Macron, 4.3.2019)

Importantly, although public discourse ignores the issue, the European Union's anti-dumping duties, mostly used against China, can also be interpreted as a form of protectionism (Kronauer, 3.4.2019).

Noteworthy, right-wing and conservative protectionism share several features. While we can discern a gap between protectionist rhetoric and practice, the speech on protectionism has clearly increased during the last years from both camps. The main objective of the proposed measures is to improve the country's (extreme right) or Europe's (centre-right) position in the global economy. It is conspicuous that possibly diverging capital and labour interests are absent in the debate. Furthermore, they hardly ever touch the issue of uneven development in Europe, expressing itself in a core-periphery divide (Celi et al. 2018; Landesmann/Stöllinger 2018: 9-16; Simonazzi et al. 2013), and the increased polarisation caused by the dynamics of the European integration process (Becker et al 2015; Gräbner et al. 2017, 2018). In addition, they never mention Europe's role in the global North-South divide. Moreover, a tendency exists to favour big national capital over small and medium enterprises (SMEs). Even the *Bundesverband der Deutschen Industrie* (Association of German Industry) criticised Altmaier's industrial strategy for „losing sight of the small and medium-sized businesses“ (BDI 2019).

Progressive Protectionism

From a left-wing perspective, Hines (2017) suggests progressive protectionism as a strategy to overcome the current crisis in the European Union. His proposal targets the open borders for capital, goods, services and people of which the government should reregulate in order to end the rise of the extreme right. However, apart from the United States of America, Hines sees no individual nation state strong enough to implement such changes. However, it would be feasible for the European Union as a bloc. Hines (2017) states that

[s]uch an ambitious agenda will require cooperation amongst regional neighbours and a re-orientation of the end goals of aid and trade rules to help rebuild local economies and local control worldwide. It will enable groupings of countries such as the European Union to challenge open borders and international competitiveness and thus wean themselves off export dependence.

Hence, Hines proposes a partial retreat of the European Union countries from the world market, going along with a reshaping of the prevailing foreign policy, trade relations and development cooperation with the global South. The reorientation of aid and trade rules should foster the “rebuilding of local economies and local control worldwide”, while global trade should contract. To this end, he suggests the implementation of “progressive policies from fair tax to limiting arms sales, from decarbonising economies and reducing resource use, to finally escape the realm of moral handwringing and become political priorities” (Hines 2017). Furthermore, he pronounces in favour of controlling and localising finance, redistribution via taxing systems, the introduction of a “site-here-to-sell-here policy” for manufacturing and services on the domestic or regional scale, and the implementation of a local competition policy “to eliminate monopolies from the more protected economies” (Hines 2017).

According to Hines, the free movement of capital, goods, services and people represents a major development obstacle simultaneously for the global North and South. Hines argues that the left should care for those worried about “large scale and inadequately controlled immigration”. Regarding this point, he comments: “The concern is real and has to be politically acknowledged. Most importantly, only when it is will be a movement against the adverse effects of globalisation possible” (Hines 2017). In this context, he criticises the inner-European migration tendencies, because the “present open borders to movement of people within Europe is undemocratic and anti internationalist, as it steals the brightest and the best from poorer countries, for example their doctors and nurses.” Consequently,

Hines argues for the substitution of the Treaty of Rome from 1957 (containing the objective to establish the four 'freedoms') through a "Treaty of Home Europe-wide".

The EU-governments should use the – through border controls – newly gained leeway to rebuild their own economies, concentrating on job creation and strengthening of their local economic activities to

allow national economies to rediversify and prosper by maximising local economic activity. Domestic businesses and funding sources would then meet the needs of the majority in society in all countries. They will do this in a way that reduces inequalities and power imbalances, improves social welfare and job security and adequately protects the environment. The prospect of such increasing economic improvements for the majority could result in widespread political support ranging from those on the left, the centre, the greens through to small 'c' conservatives. (Hines 2017)

According to Hines (2017), these suggestions are progressive, because these "policies respond to the democratic wish of the majority", improve the social conditions inside and among countries, help to improve the conditions in poor countries in particular and increase environmental protection.

From our viewpoint, there are several problems related to Hines' argumentation:

- First, the mere framing of the strategy as 'progressive protectionism' evokes problematic connotations with "left nationalism" (Ryan/Worth 2010) or "progressive nationalism" (Radice 2000). Furthermore, it leads away from the actually proposed multi-scale development strategy that links activities on the local, national, European and – to a reduced extent – international scale.
- Second, while criticising the effects of uneven and combined development of capitalism (e.g. migration), the proposal is not directed against capitalism in general, but against globalisation. In the course of the re-diversification of national economies, Hines (2017) seems to suspect the rise of some type of national progressive alliance aspiring to satisfy the "needs of the majority in society" and reducing social inequality, without any relevant social struggle or mobilisation prior to this. It is not at all clear to us, why this should happen. Regarding his position on migration, it seems that Hines confuses cause and effect.
- Third, Hines takes a rather Eurocentric position when he argues that only the USA would be strong enough to pursue protectionism, while the European countries would not be able to do so on their own. He completely overlooks China in his evaluation, having pursued a domestically oriented, and protectionist development strategy for several decades (Galtung 1985: 101). However, it is also rather surprising that an US-American scholar elaborates such far going proposals for the European Union, but not for his own country.
- Fourth, Hines constantly mixes up different scales for action in his proposal and remains rather vague when it comes to the clear distribution of power between the different scales. While *the* European Union should reintroduce controls for the flows of goods, capital, services and labour, elsewhere he advocates for the rebuilding of national economies and for the promotion of local economic activities. It remains unclear how these proposals relate to each other.
- Fifth, while Hines is rather clear on the measures, he reflects scarcely on the actors that should implement them. For instance, we are asking ourselves which nation states in the EU would support a change of the Treaty of Rome under the current circumstances. Actually, the 'four freedoms' meanwhile form part of all EU treaties referring in one way or another to the European Single Market. Hence, great part of the basic EU legislation would need to be changed. Again, by whom? It is obvious that Hines lacks a class-based approach, which would lead to completely different conclusions.
- Sixth, and related to the question of actors, is the issue of power and geopolitics. Why should the EU or some of its member countries under the prevailing global political and economic conditions stop to compete with other macroregions? As we have shown above, the currently discussed protectionist measures mainly aim at defending European companies against 'unfair' foreign

competition. Hines' proposal would presuppose a greater shift in the existing power relations inside the European Union, but it does not reflect how this could occur.

While protectionist measures are not necessarily right-wing (Komlosy 2017), it is rather untypical for the left to frame their development strategy under the label of 'protectionism'. Different actors² in the global South and in the global North have criticised the hierarchical insertion in the international division of labour as well as the social, political and economic consequences stemming from this. However, they have traditionally taken up a stance on protectionism that defined it as a means, not as a development strategy. The goal consisted in reshaping the prevailing dependency relations, expressed in production specialisation patterns, trade relations and political and military subordination of the (former) colonial countries. In order to promote this transformation, scholars raised calls for self-reliance (Amin, Galtung, Senghaas) and, more recently, for deglobalisation (Bello). For all of them it was clear that "delinking" (Amin), "decoupling" (Galtung) or "dissociation" (Senghaas) from the core countries dominating the world market would be necessary in order to develop self-reliant economic structures. Bello even explicitly points to the need of using protectionist measures to this end. However, they do not put this at the core of their strategies. In the following chapter, we will discuss their main concerns, which were how to organise the partial retreat from the world market and how to stimulate economic subsidiarity. While self-reliance and deglobalisation have mainly been raised as a strategy for and from the global South, we argue that it can also work in the North under specific circumstances. In order to substantiate this claim we will analyse the Preston Model from the perspective of self-reliance.

Progressive Alternatives

In the following, we will oppose to the models of protectionism that we have just introduced another type of strategy. While it also relies on (partial) dissociation from the world market, it does not so for the same reasons as the proposals outlined above. The following chapters will clarify why we consider these approaches more progressive and viable than left-wing protectionism.

Self-Reliance

Starting from the late 1960s until the mid-1980s, the developing countries united in the Non-Aligned Movement (NAM) promoted a development strategy based on three main principles. First, and at the centre of the approach, they put the development ideal of self-reliant development, which implied to rely primarily on one's own resources to diminish – or even abolish – the prevailing dependency relations. Second, they envisioned the promotion of different forms of South-South Cooperation under the label of 'collective self-reliance'. Finally, they aspired to establish a New International Economic Order (NIEO), which strived for changing the relative economic power on the international scale in order to promote catch-up development (Amin 1981: 535). While the NAM protagonists sought to get a bigger share of the core's pie through South-South Cooperation, some scholars – Samir Amin, Dieter Senghaas and Johan Galtung – formulated a more radical position, inspired by the dependency approach (Amin 1981: 534-535; for a more detailed discussion of the different positions see Fischer 2016).

The Egyptian Samir Amin, the German Dieter Senghaas and the Norwegian Johan Galtung shared the viewpoint that under capitalism economic development satisfying the needs of the masses would not be possible for developing countries. Based on the Theory of Peripheral Capitalism, they argued in favour of selective delinking from the global economy in order to promote the development of alternative economic structures. The objective was to use the newly gained development scope to establish closely connected economic cycles between agriculture, capital goods and consumer goods

² The actors have changed over time and vary according to space in consideration. In Latin America, the Economic Commission of Latin America and the Caribbean (ECLAC) promoting import substitution industrialisation (ISI), scholars of the dependency approach, as well as social movements, NGOs and other actors linked to the world social fora raised in different periods criticism.

industries³. Thereby, they aimed at creating a new socioeconomic spatial structure, challenging also the existing internal dependency structures between growth poles and *hinterland*. These newly created entities should develop horizontal relations. Subregional⁴ or regional cooperation between peripheral economies of the same development level should become a relevant driver of these anti-capitalist projects. However, all three kept insisting that self-reliance did not correspond to self-sufficiency or autarchy. According to Senghaas (1978: 86), “selective cooperation with the metropolises is reasonable and desirable, when it fosters a non-discriminatory division of labour”. However, he also admitted (p. 281) that the implementation of these policies would lead to a severe contraction of North-South trade (Amin 1981: 534-557; Galtung 1980, 1983, 1985; Senghaas 1978: 263-291).

It is crucial to highlight that the three scholars put emphasis on different dimensions of the self-reliance approach. Samir Amin constantly voiced the triple demand for national autonomy, collective self-reliance and a new world order, but thought this was only viable through the socialist break with capitalism⁵. Strongly influenced by the African national liberation movements, he put strong emphasis on the importance of national sovereignty: “A genuinely self-reliant development is necessarily that of the people, (...). (...) [A] ‘popular’ development can only be national and self-reliant” (Amin 1981: 547). A position that he maintained during his whole life (Amin 2018). Senghaas (1978: 282-285) and Galtung, by contrast, adopted a stronger multi-scale approach. For them, self-reliance on the national scale was neither sufficient, nor prior or superior to local or regional self-reliance. In fact, both defended a bottom-up strategy, in which local self-reliance was key. Local economic activities should rely on local resources and be determined through local democratic decisions, but form part of a broader development strategy (Senghaas 1978: 274). However, they pointed out that self-reliant communities inside non-self-reliant nations might “not have sufficient strength to withstand economic aggressiveness from without” (Galtung 1985: 9-10). Furthermore, only the state could manage economic cycles that transcended the local scale (Galtung 1983: 111). Therefore, they did not restrict their concept to the local level, although they assumed that “it is only at the local level that self-reliance properly speaking can unfold itself as mass action” (Galtung 1985: 8). Galtung (1980: 20) stated:

Hence, the idea would be that just as local self-reliance has to be protected by national self-reliance and national by regional self-reliance the purpose, the raison d’être of the latter two is to provide a basis for the local self-reliance, and the raison d’être of that again is human self-reliance, the self-reliance of the individual and/or the group.

For the purpose of this paper, Johan Galtung’s elaborations on economic subsidiarity are of particular interest. According to the author, a community should produce every product at the lowest possible scale, relying on one’s own resources. This accounted not only for agricultural products, but also for manufactured goods. Prior to this, democratic processes should decide which goods a society really needed. Galtung suggested in this context to prioritise use value over exchange value. Consequently applied, this development strategy would lead to a re-diversification of economic structures, but also to a moderation of production and consumption patterns. Only goods that a community could not produce at the local scale should be traded inside the nation, and only what a nation could not produce on its’ own should be imported from the region (Galtung 1980: 5-7). Galtung stressed the ecological and social advantages of this strategy. It would reduce transportation routes and unnecessary trade; it would become easier to control production chains and the alienation at the workplace would decrease through the contraction of economic cycles (Galtung 1980: 11-12). Furthermore, his proposal

³ Senghaas (1978: 267) explicitly draws on List’s suggestions to formulate his proposal for a development strategy, which integrates agriculture and manufacturing. Particularly important is the creation and promotion of what De Bernis termed *industrialising industries*: iron & steel, machine construction, metalworking industry, chemical industry and energy production. These industries constitute a precondition for autonomous development (Senghaas 1978: 269-270).

⁴ „Subregional“ refers to several, but not all countries of a region, e.g. the European Southern periphery.

⁵ Galtung would not call himself a socialist, but he denominated self-reliance “profoundly anti-capitalist” (Galtung 1980: 6).

would guarantee the full capacity use of local resources that capitalism usually avoided through trade (Galtung 1980: 9).

There is also a strong political dimension to self-reliance. According to Galtung (1983: 103-104), to establish self-reliance means to struggle. The scale on which to initiate the struggle depends on the respective political situation. Galtung argued in favour of seizing every opportunity, especially when forces of dependency relaxed, independently whether it was at the local, national or international scale (Galtung 1983: 114). For him, self-reliance was a strategy based on self-emancipation and mass mobilisation. Therefore, he stated that “[t]here is no way towards self-reliance – self-reliance is the way” (Galtung 1980: 124). Furthermore, he made clear that “[s]elf-reliance cannot be at the expense of the self-reliance of others” (Galtung 1980: 4). Due to this, Galtung was not opposed to left-wing movements in the global North promoting self-reliance on their own; on the contrary, he appreciated this idea, because regional self-reliance of the core countries would force the periphery to become even more self-reliant, but also due to the internal effects (Galtung 1980: 15; 1983: 120):

[S]elf-reliance in the Center, particularly when practised at the local level, also gives the overdeveloped, capitalist West a chance to regain so much of what has been lost in recent times: a sense of mastery of local destiny, mobilization of local creativity, less dependence on professionals, less clientelization generally speaking, new technologies (...) with smaller economic cycles that are more aligned with middle-range ecological cycles [and] mass participation (...). Some lowering of purely material standard of living is a very low price to pay for that. (Galtung 1980: 16)

In the following, we will demonstrate that the Preston Model come close to what Galtung had in mind regarding local self-reliance in the global North.

Deglobalisation

With acceleration of globalisation and the enforcement of neoliberal restructuring through the Washington Consensus, Third World developmentalism and the respective debates temporarily disappeared from the scene. Some of the ideas discussed above had a revival in the wake of the alter- or anti-globalisation movement during the 1990s and early 2000s (Bailey 2019: 372-373). For example, Hannes Hofbauer and Andrea Komlosy (1998: 38-39) argued for the creation of a “world domestic economy” (“Welthauswirtschaft”) drawing explicitly on the concept of economic subsidiarity, which they opposed to political subsidiarity that recognises the primacy of the economy. Another attempt to revitalise the discussion on the appropriate dimension for economic cycles came from Walden Bello (2009). His deglobalisation paradigm rests on 11 pillars:

1. Orientation of production towards the domestic market
2. Principle of economic subsidiarity (produce goods at the lowest possible level)
3. Use trade policy to protect the local economy (= protectionism)
4. Implement industrial policy to promote the manufacturing sector
5. Redistribute land and income to foster domestic demand
6. Orientation on high-quality products, not stimulating growth
7. Environmentally congenial technology for agriculture and industry
8. Establish democratic processes for economic decision-making
9. Civil society needs to monitor and supervise the private sector and the state
10. Transformation of the property relations into a “mixed economy”
11. Regional institutions should replace centralized global institutions like the IMF and the World Bank

How these ideas can materialise in practice, and what makes them more progressive than the proposal for progressive protectionism, we will demonstrate discussing the example of the British town Preston.

Community Wealth Building

In the following, we present a successful example for the promotion of local self-reliance in peripheral communities in the European Union. Therefore, we will introduce the strategy of “community wealth building” pursued by the British town Preston, which is in North-West of England. The 140.000-people-town belongs to the 20% poorest communities of England (Albrecht, 7.1.2019). As it was the case with other communities, the central government’s austerity policy following the global financial and economic crisis of 2008 struck Preston hard. Furthermore, after the crisis the big multi-national developer with whom Preston had cooperated for years withdrew completely (Interview McKinley, 12.4.2019). For example, he cancelled to build the shopping mall in Preston’s city centre. However, Preston’s local officials reacted in a creative way to the cuts instead of passing them on to the residents. The story goes back to the year 2013, when Neil McInroy – the director of the Manchester-based think and do tank Centre for Local Economic Strategies (CLES 2019) –, and Matthew Brown, an elected local councillor of Preston came together. McInroy suggested that Preston could react to the crisis by channelling the money of several local institutions into projects in the city. By that time, only 5% of the £750 million local spending power remained in Preston (Sheffield, 13.5.2019).

Subsequently, we will discuss how the Preston Model reflects some of the central ideas of local self-reliance in the present. First, the Preston Model aims at reducing the community’s external dependence, mostly on transnational companies based in Greater London and the South East (GLSE). Instead of redistributive policies, the Preston Model facilitates “predistribution” (Leibowitz/McInroy, 25.3.2019). Thus, the aim is not to balance the unequal distribution of benefits resulting from dependency relations in hindsight, but to change the structures that cause it. Furthermore, this approach aspires to become less dependent on decisions taken somewhere else and to decrease the conditioning of the economic development through external forces. However, it is crucial to highlight that this endeavour is framed positively, promoting the goal of ‘community wealth building’. This approach criticises the unequal distribution of wealth among people and between different communities, nations and regions. Hence, the strategy aims at ‘recapturing wealth’ (McKinley, 12.4.2019).

Second, in the spirit of local self-reliance, Preston aims at relying on one’s own resources, contracting economic cycles for social and ecological reasons. In this endeavour, seven so-called “anchor institutions” are key: the pension fund of the city’s employees, the city administration and the county administration, the local university, the police, the hospital, and the biggest housing corporation. In total, they dispose over 850 Mio. Euro for investments. Their financial resources were synergised and channelled into the region. Currently, they spend more than 25% of them in Lancashire, 220 Mio. Euro, which is twice as much as six years ago (Albrecht, 7.1.2019; for further number see Sheffield, 13.5.2019). Moreover, these institutions pay the living wage, employ people from lower income areas, and allow unionisation (Leibowitz/McInroy, 25.3.2019).

The central tool to use the financial power of the anchor institutions for local development is “progressive procurement of goods and services” from local businesses and socially oriented enterprises (Leibowitz/McInroy, 25.3.2019; Jackson 2016). For example, the renovation of Preston’s market, a £4m contract, was given “almost entirely to local firms, employing worker on the real living wage” and local SMEs were encouraged to apply. The city’s authorities even split the contract into pieces, because they noticed that it was too big for one single SME to comply with (Chakraborty, 6.3.2019; Albrecht, 7.1.2019). They applied the same procedure in the case of a £1.6 Mio. catering contract in order that local farmers could compete (Sheffield, 13.5.2019).

The way the ‘community wealth building’-approach uses public procurement leads to a partial delinking from the national and global market, which advocates of neoliberalism and free trade heavily criticise. However, the Preston City Council insists that they fully comply with EU and UK procurement

law. They apply – based on the UK’s Social Value Act (2012) – a “weighting” system for the assignment of contracts, which includes other criteria apart of the mere price, such as “quality, commitment to apprenticeships, attitudes to skills and training, local labour recruitment, approach to sub-contractors and length of supply chains” (Preston City Council 2019). For example, the size of the carbon footprint or the training of local apprentices have become decisive criteria (Sheffield, 13.5.2019). Furthermore, the Preston City Council rejected claims that their approach would be “municipal protectionism” (Interview McKinley, 12.4.2019), on the one hand, because public procurement was no zero sum game. On the other hand, they did not pick inferior contractors, but those who could compete on “price, performance and quality” (Preston City Council 2019). Moreover, the city council points to evidence that their approach helped SMEs from Lancashire to compete with transnational companies or large companies from GLSE, which would strengthen a more balanced development in the UK (Preston City Council 2019). The money that Preston repatriated came to 80% from multinationals based in London. Hence, it was not the neighbouring county that lost out, but big transnationals (Interview McKinley, 12.4.2019). Because these restrictions applied to public procurement obstruct the free movement of goods, services and capital, we can judge them as some type of protectionism. However, as they pursue the goal of reactivating the local economy by incorporating an ecological and social dimension into the development strategy, we argue that this recourse on protectionist measures serves a progressive purpose.

Third, the ‘community wealth building’-approach puts the satisfaction of the basic needs of the population at the centre. Initiatives related to health care and food production are key. In some instances, projects yielded considerable synergies. For example, the construction of the new student accommodation with capital from the pension fund of the city’s employees paid off twice: While the pension fund securely invested 20 Million Euro in this project, students now have a place to live cheaply (Albrecht, 7.1.2019). In addition, the renovation of the bus station was financed through this channel (Interview McKinley, 12.4.2019). Another example comes from the area of food provision. Earlier 70% of vegetables of Lancashire had gone to other regions, while vegetables had to be imported. Thus, the county administration of Lancashire sought to increase the food sovereignty and reorganised the supply of school canteens a few years ago. In Preston, family businesses now deliver vegetables, meat, and yogurt. In the future, cooperatives like ‘The Larder’ are supposed to fill prevailing provision gaps (Albrecht, 7.1.2019). While initially the city council’s strategy had been to promote local businesses, they shifted their attention towards the creation of “gap cooperatives” that would not compete with existing companies, but aim at filling gaps in the supply chain, thereby “basically creating [their] own protected market” (Interview McKinley, 12.4.2019). ‘The Larder’ is the first cooperative to open in Preston in February 2019. It sells food made from local ingredients and teaches people from poorer areas of the city how to prepare healthy meals (Sheffield, 13.5.2019).

Fourth, the Preston Model fosters that “the local assets including those of the anchor institutions should be owned, managed and developed by the local communities” (Leibowitz/McInroy, 25.3.2019). Hence, they pursue a bottom-up strategy that stimulates the “socially productive use of land and property” (Leibowitz/McInroy, 25.3.2019). A central instrument in this context represent cooperatives. In general, Preston aspires to pluralise the economic property relations: “This means returning public services to direct democratic control by insourcing public goods and services. It’s also about developing cooperatives and locally owned or socially focused enterprises in the public and commercial economy” (Leibowitz/McInroy, 25.3.2019). To this end, the Preston city council recently launched a programme to create worker-owned cooperative businesses. The Open Society Foundation provided large part of the funds for the kick-off of 10 new firms owned and run by the workers. However, after the kick-start the cooperatives will have to work independently. While they are encouraged to cooperate with each other, this is not obligatory. The inspiration for the scheme comes from the Mondragon Corporation Cooperative in the Spanish Basque Country. As soon as the cooperatives are running, Preston’s council leader, Matthew Brown, envisages the creation of a new people’s bank for the northwest, reserving a proportion of its lending for small businesses of the region and also led as cooperative (Chakraborty, 6.3.2019). It will be capitalised with money from the already mentioned pension fund (Interview

McKinley, 12.4.2019). However, it is important to highlight that while cooperatives are often less exploitative than other relations of production, “they hardly break with the imperatives of the competitive accumulation of capital” (Wigger/Buch-Hansen 2013: 623). Thus, cooperatives can be a component of a development strategy that tries to overcome capitalism, but not the single one.

Fifth, the Preston Model relies on the cooperation between with equal partners. By now, already eleven anchor institutions maintain horizontal relations on the local level. However, the main driver of the Preston Model still is the city council, particularly some very engaged councillors. Due to this, McKinley (Interview, 12.4.2019) argued that the population should become more involved in the project in order to understand what is happening exactly, how they can benefit from it and which options they have to get involved. According to McKinley, the city council is already working on this issue.

On a higher level, CLES links Preston with the city of Manchester and 15 other cities in the UK that implement ‘local wealth building’ initiatives. In the city of London, the Boroughs of Islington, Hackney and Camden practice a ‘new municipalism’ inspired by the Preston Model. Moreover, the Labour Party recently established a ‘community wealth building’ unit (Leibovitz/McInroy, 25.3.2019; Interview McKinley, 12.4.2019). The Democracy Collaborative advises the Labour Party on how to develop tools that are applicable in different places (Interview McKinley, 12.4.2019). This role model function of Preston also causes positive effects locally: “There is also a psychology to it. Places like Preston have so frequently been looked down on and made fun of (...) and now they can say: ‘Look what we are doing; we are a model for other places’.” (Interview McKinley, 12.4.2019).

Outside the UK, we find elements of an internationalist cooperation. Preston closely cooperates with Cleveland (Ohio, USA) (Interview McKinley, 12.4.2019), one of the USA’s cooperative cities where the Democracy Collaborative pioneered ‘community wealth building’ (Kelly/McKinley 2015; Democracy Collaborative 2019; Sutton 2019). In Europe, Preston has established a formal relationship with the Mondragon cooperatives in Spain to design their cooperative system. Furthermore, other towns in the EU have been inspired by Preston in the wake of a recent movement towards remunicipalisation, for example, Amsterdam. Even more cooperation initiatives are currently in the planning stage (Interview McKinley, 12.4.2019). Hence, Preston’s cooperation network corresponds to Galtung’s (1985: 10) advice that “the local community which wants to be self-reliant should be able to find suitable trained partners within the country, or if not within the country, at least within the region.”

However, McKinley is also aware of the constraints that the local orientation of the hitherto projects imply. “All of these initiatives are really exciting, but we need to get to scale” (Interview McKinley, 12.4.2019). She argues that in order to counter the rise of economic nationalism in the USA and in the EU, it is important to dedicate more attention to trade policy and to reflect what ‘community wealth building’ could look like as an international development strategy. On the one hand, McKinley pointed to the relevance that a turnaround of neoliberal economies like the UK and the US would have globally: “If we can shift those economies in a dramatic way, we can start to see a global shift entirely” (Interview McKinley, 12.4.2019). On the other hand, McKinley explicitly referred to the concept of collective self-reliance that they would study currently in order to understand better how UK and US communities could support ‘community wealth building’ in the global South from a post-colonial stance. Furthermore, McKinley mentioned that a Tanzanian village found out about the Preston Model and is currently screening ways to integrate ‘community wealth building’ into their local self-reliance ideology *Ujamaa* (Interview McKinley, 12.4.2019).

Sixth, and lastly, ‘community wealth building’ comes out of the struggle against neoliberalism. Leibowitz and McInroy (25.3.2019) point out that the goal is to “reorganise the economy away from neoliberalism and towards local economies rooted in social, economic and environmental justice.” However, Preston’s council leader Matthew Brown goes even further when he states the following: “It’s about building an alternative to capitalism – a capitalism that has failed this city and this country” (Chakraborty, 6.3.2019). Along the same lines, McKinley insists that “we need a new political-economic system entirely (...). The goal is a move away from capitalism, to oppose capitalist future,

but working with what we have and what's already there." Coming back to the self-reliance approach, Preston's 'community wealth building' has a clear anti-capitalist dimension. Following Bailey (2019: 372), it could also be termed an "extra-capitalist impulse". It seeks to transform everyday relations in order to challenge the capitalist relations of production. The city of Preston initiated their struggle where they could, but with a perspective transcending the local scale. Further research will be necessary to ascertain the results of this strategy.

A Viable Strategy for Today's Europe

While free trade advocacy and protectionism prevailed simultaneously since the first industrial revolution, neoliberal globalisation starting from the late 1980s seemed to undermine successfully protectionist positions. However, recently, we have witnessed the comeback of protectionism in different political currents. While right-wing and conservative protectionism cares mostly for the ability to compete on the regional and/or global market in order to impede a nation's decline in the international division of labour, left-wing protectionism has traditionally aimed at the contraction of economic cycles. This tended to involve (selective) delinking, thus, the (call for a) partial retreat from the world market. However, "progressive protectionism" as suggested by Hines (2017) was traditionally not the preferred strategy; by contrast, protectionist measures merely constituted a means to an end. In this respect, we can learn from the rich debates of different protagonists from and on the global South. The critique of the subordinated insertion in the global division of labour traditionally led to calls for self-reliance (instead of market-reliance) or, more recently, deglobalisation to overcome dependency relations. Arguably, a left-wing strategy needs to tackle uneven development and social inequality not only within, but also among nations. In this context, internationalism is crucial (O'Brien 2019). Nevertheless, while protectionist measures might be necessary to support such a strategy, they should not constitute its core.

Preston, a city in the North English periphery, has recently put into practice a community-centred development model that could serve as an example for the re-embedding of production and consumption patterns in local structures. The Democracy Collaborative and the Centre for Local Economic Strategies term this strategy 'community wealth building'. They use public procurement in order (1) to contract economic cycles for economic, political, social and ecological reasons, (2) to regain control over centrally-managed value chains, (3) to strengthen small(er) economic actors (cooperatives, SMEs), and (4) to re-establish democratic control over production and investment decisions. Furthermore, they established relations with other communities pursuing similar goals. While critics have denounced these procedures as protectionist, the Preston City Council refuted this allegation (Preston City Council 2019). However, Preston's example might also serve as an opportunity to shift the negative connotation of protectionism in the current public debate, demonstrating how selective protectionist measures can contribute to support a progressive development strategy (Interview McKinley, 12.4.2019).

Protectionist measures *per se* are neither reactionary nor progressive. Rather, it depends on the objectives that they pursue. Progressive development strategies do not aim at increasing the competitiveness of a community/nation/region, but aspire to overcome dependency relations and the related social inequality on different scales, for example, fostering the decommodification of health, education and other social services. Hence, protectionist measures serve as tools to bolster a broader development strategy. However, this strategy is characterised by a second feature that is absent in right-wing protectionism: internationalism. In this regard, O'Brien (2019: 6; 9) makes a useful distinction between statist and society-based internationalism involving popular mobilisation. In the global North, the creation of the second type of internationalism will be crucial in order to put pressure on the governments to stop their imperialist activities in peripheral countries and regions. Inside the EU, this might take the form of „pockets of protectionism“ (Eder/Schneider 2018: 129), which the Southern peripheries can use selectively and temporarily in order to rebuild productive capacities in specific economic areas. Concerning North-South relations, inter-/transnational solidarity movements in Europe should keep criticising European foreign policies that perpetuate the prevailing dependency

relations, such as the Common Agricultural Policy of the EU or the Economic Partnership Agreements (EPAs) with African subregions. A partial retreat of the North from the world market could leave the global South with new margin for development. However, subsequently, new cooperation relations could emerge, where peripheral communities of the core countries relate to communities in periphery countries (Galtung 1985: 14-15) and where more prosperous communities/nations/regions might “give the benefits of exchange to somebody who needs it even when outside the country, even when outside the region” (Galtung 1985: 10).

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Interview:

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