The Paradox of Vulnerability: States, Nationalism & the Financial Crisis

John L. Campbell
Dartmouth College
&
Copenhagen Business School

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The Question

- Why are small, homogeneous countries successful?
The Question

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• Peter Katzenstein
The Question

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• Peter Katzenstein
• Ernest Gellner
The Test: Small Countries in Crisis

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- Rule takers, not rule makers.
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Vulnerability of the State

Sense of National Identity & Unity

Thick or Thin Institutional Capacities

Degree of Resilience in the Face of Crisis
The Paradox of Vulnerability

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Degree of Resilience in the Face of Crisis
Case Selection

• Denmark
  – Small & homogeneous
  – Success
Case Selection

• Denmark
  – Small & homogeneous
  – Success

• Ireland
  – Small & homogeneous
  – Disaster
Case Selection

• Denmark
  – Small & homogeneous
  – Success

• Ireland
  – Small & homogeneous
  – Disaster

• Switzerland
  – Small & heterogeneous
  – Success
## The Cases

<table>
<thead>
<tr>
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Denmark: Thick Institutions

- Abdication to experts
- Consultation with others
- 6 bank packages
- High resilience & success
Ireland: Thin Institutions

- Politicians & banks decide
- Limited consultation with others
- Guarantee/state finance
- Troika
- Low resilience & disaster
Switzerland: Thick Institutions

- Experts decide
- Limited consultation with others
- Recapitalization & 2 commissions
- High resilience & success
Punchlines

• Perceptions of vulnerability matter
  – State & nation
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• National identity matters
  – Nominal vs. substantive
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• National identity matters
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• Institutions matter
  – Thick vs. thin

• Resilience matters
Final Caveat

• Lesson for big states: Resilience matters
• Why?
  – Face-paced global economy
  – Vulnerability to more international crises
  – Learning, flexibility are crucial
Thank you.
Further Reading


