

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

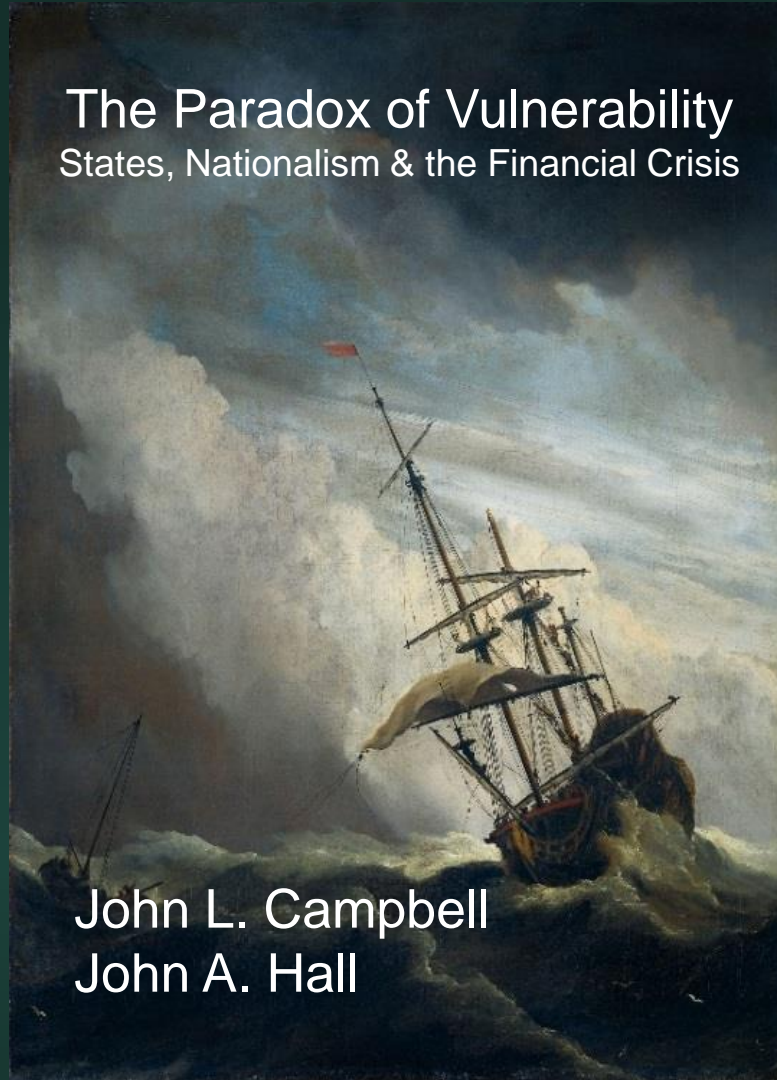
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&  
Copenhagen Business School

May 2017

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States, Nationalism & the Financial Crisis

John L. Campbell  
John A. Hall



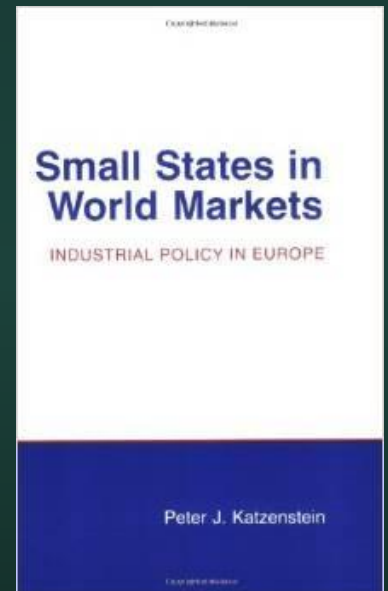
# The Question

- Why are small, homogeneous countries successful?



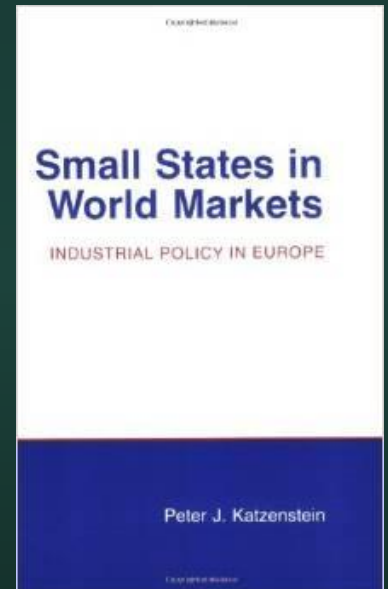
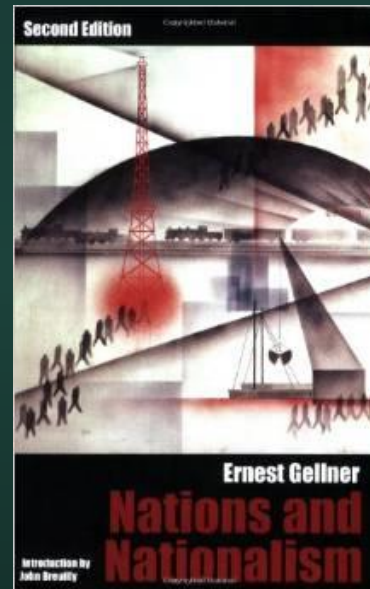
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- Why are small, homogeneous countries successful?
- Peter Katzenstein



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- Ernest Gellner



# The Test: Small Countries in Crisis

- Little is known.



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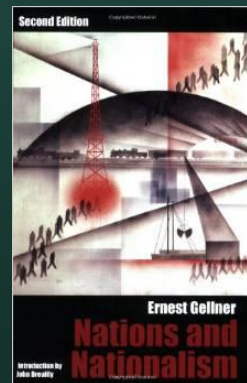
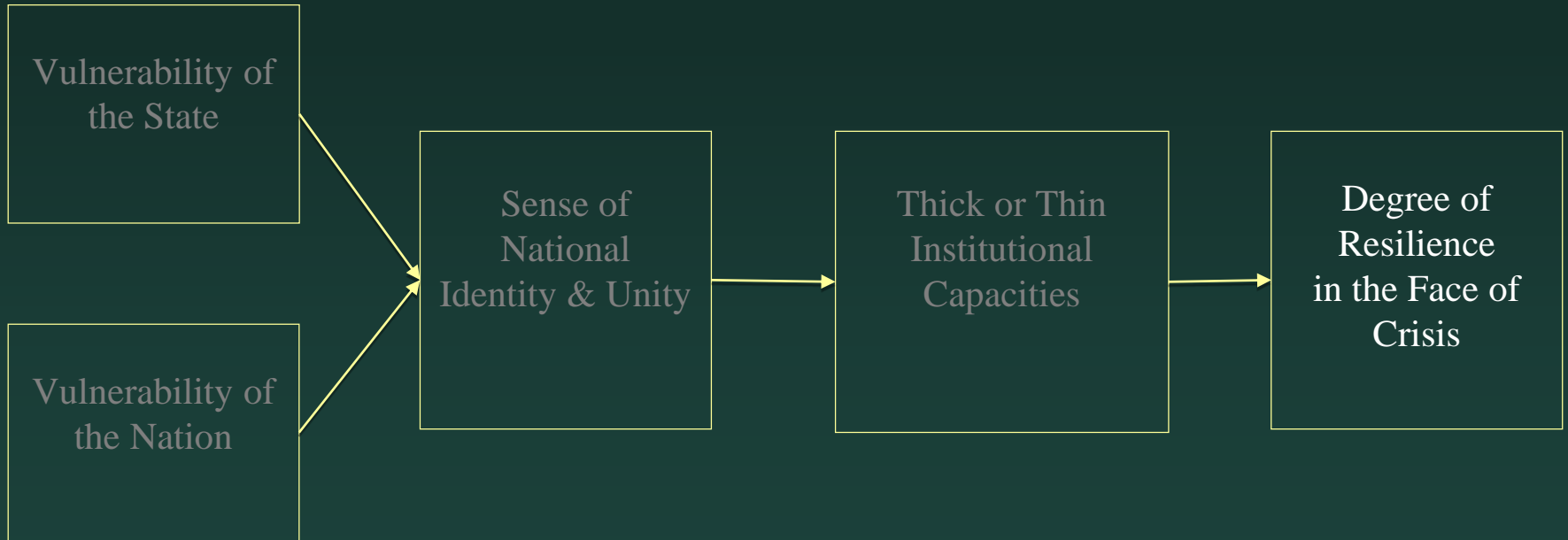


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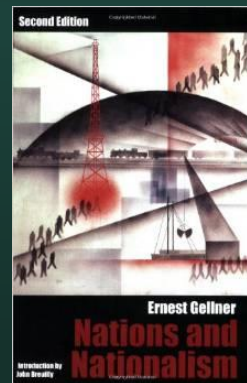
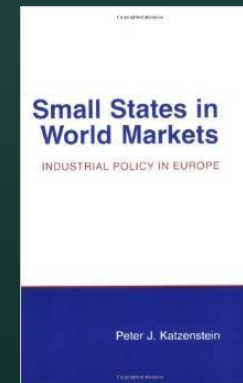
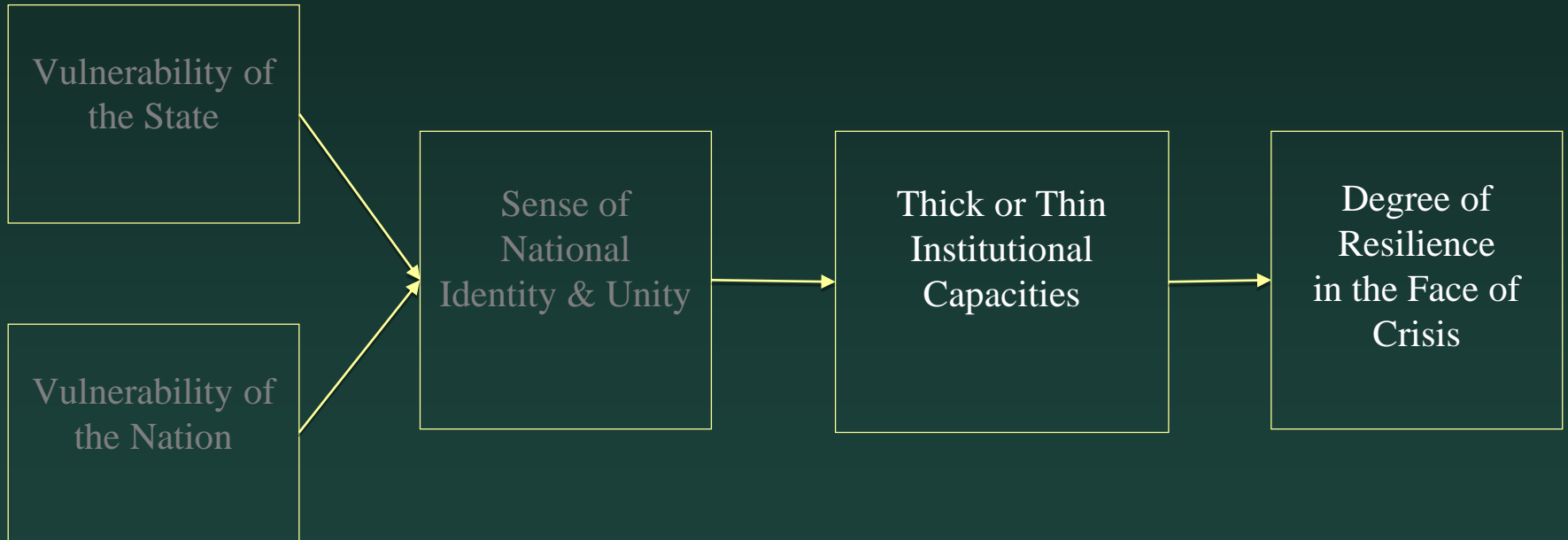
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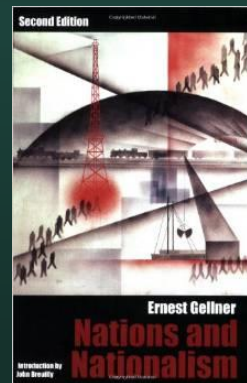
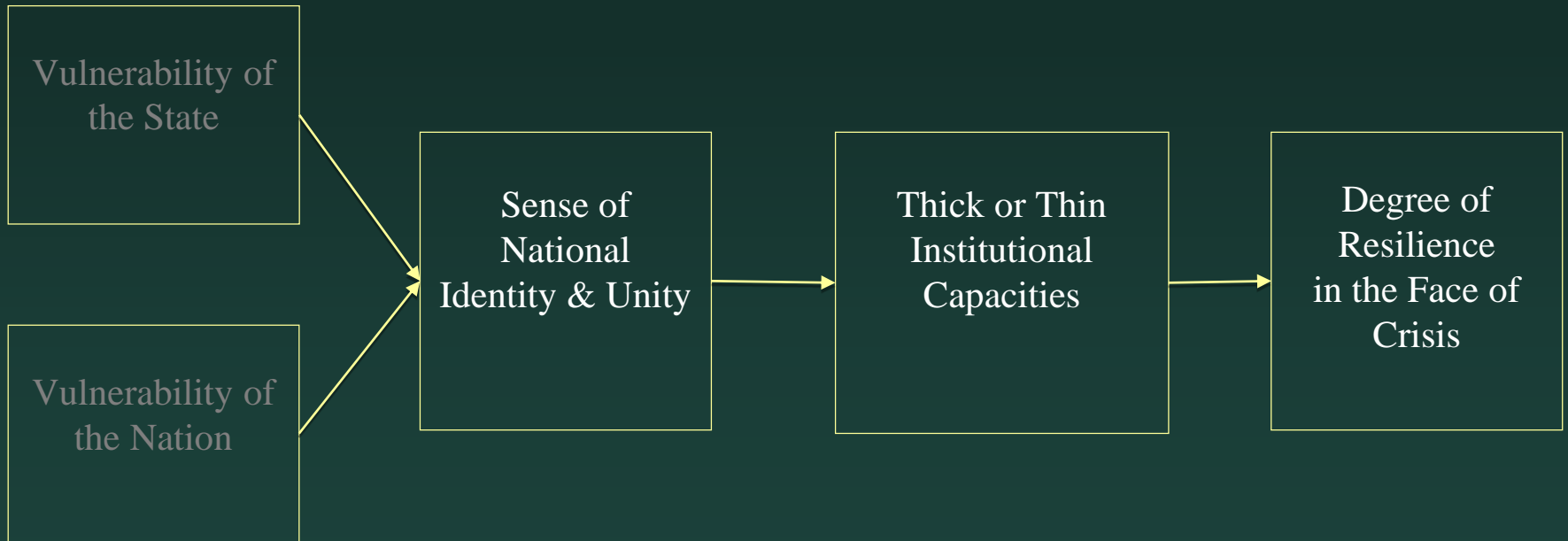
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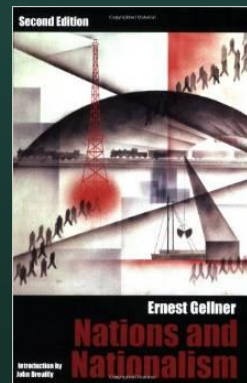
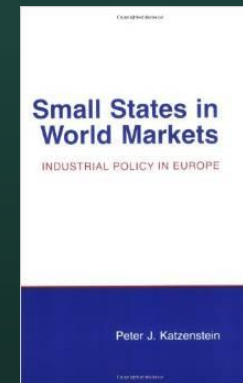
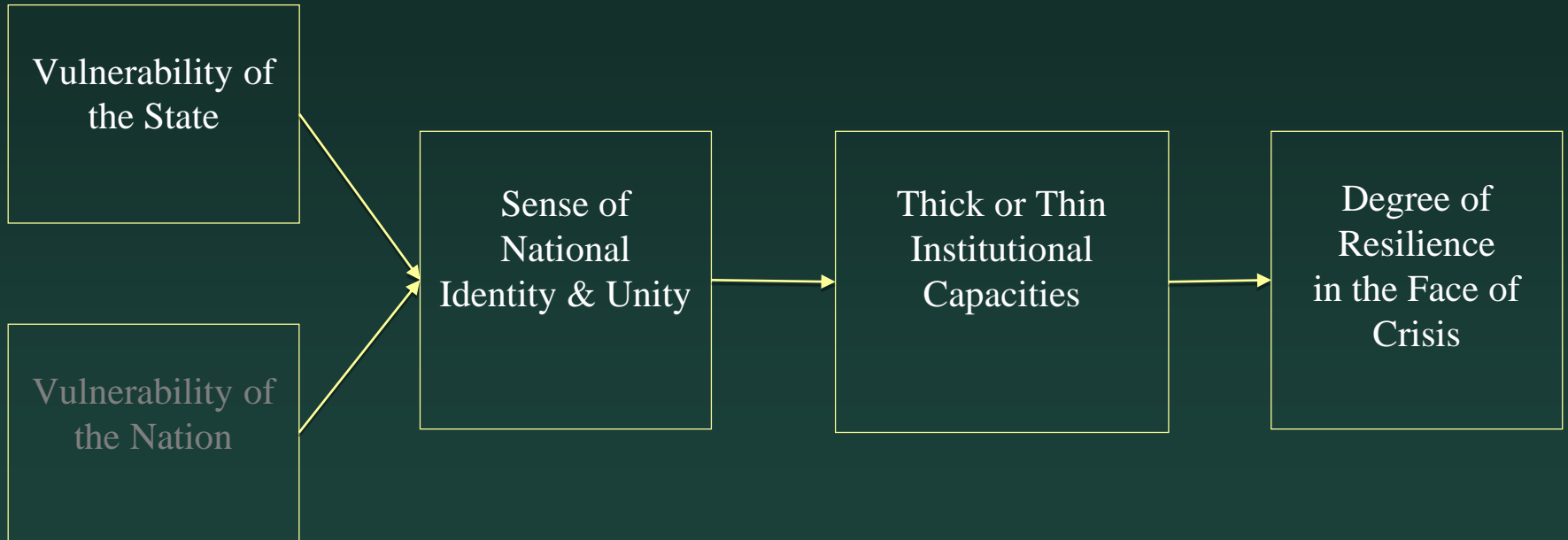
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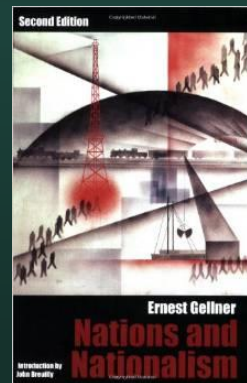
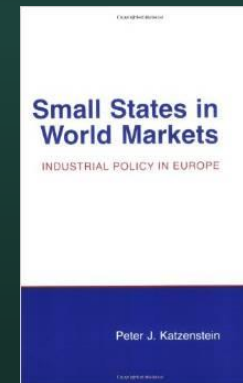
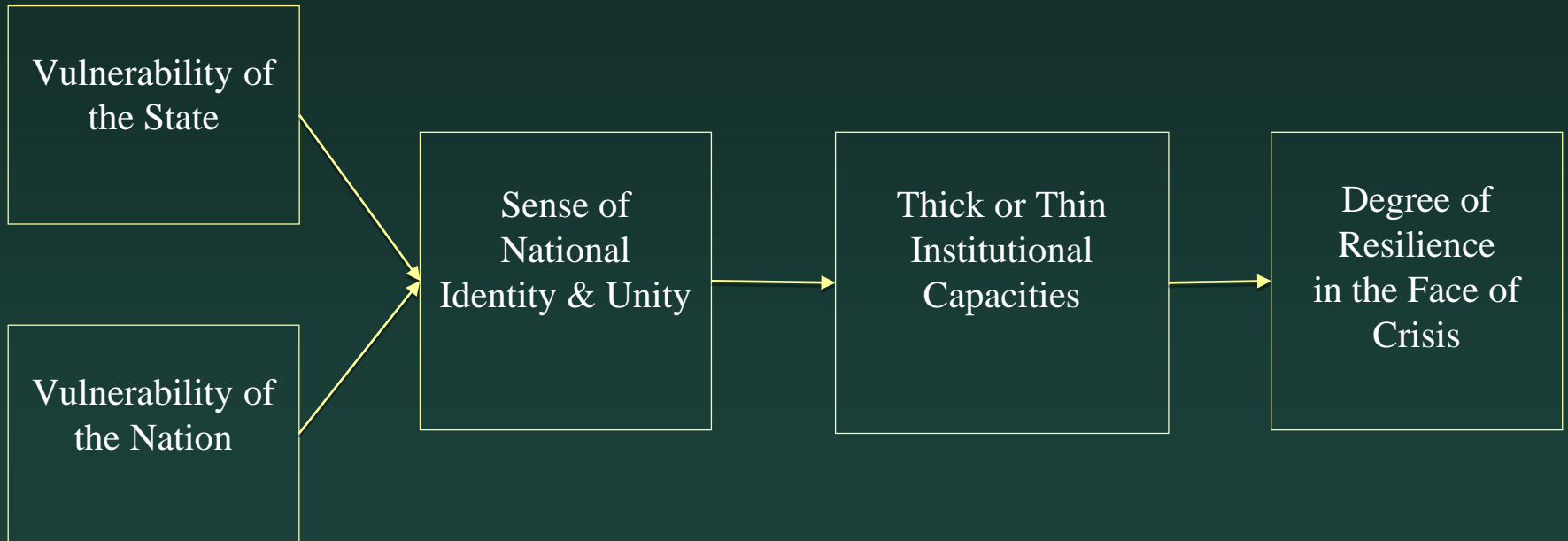
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# Case Selection

- Denmark
  - Small & homogeneous
  - Success





# Case Selection

- Denmark
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- Ireland
  - Small & homogeneous
  - Disaster



# Case Selection

- Denmark
  - Small & homogeneous
  - Success
- Ireland
  - Small & homogeneous
  - Disaster
- Switzerland
  - Small & heterogeneous
  - Success






# The Cases

	<b>Denmark</b> 		
<b>Interests</b>	High vulnerability		
<b>Ideas</b>	High national solidarity		
<b>Institutions</b>	Thick Expert Consensual Open		
<b>Resilience</b>	High		

# The Cases

	Denmark 	Ireland 	
Interests	High vulnerability	Mixed vulnerability	
Ideas	High national solidarity	Mixed national solidarity	
Institutions	Thick Expert Consensual Open	Thin Political Patronage Closed	
Resilience	High	Low	

# The Cases

	Denmark 	Ireland 	Switzerland 
Interests	High vulnerability	Mixed vulnerability	High vulnerability
Ideas	High national solidarity	Mixed national solidarity	High national solidarity
Institutions	Thick Expert Consensual Open	Thin Political Patronage Closed	Thick Expert Consensual Closed
Resilience	High	Low	High

# 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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  - State & nation
- National identity matters
  - Nominal vs. substantive



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- 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

2017. *The Paradox of Vulnerability: States, Nationalism and the Financial Crisis*. Princeton University Press.
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