

THE NEW WAVE OF NATIONALIZATION

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Historical patterns reveal why state ownership is expanding again and how this time is different

Governments are taking over private enterprises and resources at the fastest pace in 50 years. Based on the past century's multiple waves of nationalizations, this shift will alter the world's economic landscape.

Since 2020, governments on every continent have nationalized properties held by their own citizens and by foreign investors. France and Germany took over utility and electricity companies. France put the largest shipyard in Europe under government control. The United Kingdom nationalized railways and steelmaking.

Russia has seized more than \$48 billion in ports, factories, and consumer businesses since it invaded Ukraine in 2022. The United States took a dominant ownership stake in the country's only domestic rare earth producer. And a growing list of countries seized foreign-owned resources such as lithium, gold, uranium, nickel, and even palm oil. Although the valuations are disputed, \$239 billion–\$544 billion in assets was nationalized between 2016 and 2026 alone.

Geopolitical instability, commodity market disruptions, and renewable energy development are driving these takeovers. And as more governments embrace interventionist economic policies, the current wave of nationalizations shows no signs of letting up. These takeovers will change but not slow global economic and financial integration. Instead they may rearrange long-term patterns of international trade and investment.

This is the fourth great wave of nationalizations in the past 100 years. The pace and timing of nationalizations generally reflect a combination of political urgency, monetary conditions, and capital mobility (see Table 1).

The first wave came in the 1930s, during the Great Depression. The second began in the late 1940s as many countries built mixed economies in the aftermath of World War II. In the 1970s, decolonization, the end of the Bretton Woods exchange rate system, energy shocks, and inflationary pressures drove a third wave.



There is considerable variety in the form and content of nationalizations. Not all of them are assertions of government ownership. In some cases, the state's role has been to facilitate the transfer of assets from one private owner to another in a forced sale. Some takeovers are outright confiscations, while others are compensated expropriations. All use political and legal instruments to bring private property under national control and to renegotiate the relationship between the state and capital.

What is distinctive about the rising tide of nationalization in the 2020s? Consider the history of the three preceding waves, each bigger than the one before.

First wave: 1930s

The integrated world economy of the 1870s–1930s rested on two pillars: relatively free trade and the international gold standard. These policies smoothed the way for large flows of foreign investment. Rich economies such as France, Germany, and the UK amassed large overseas stocks of cap-

ital that amounted to between 50 and 160 percent of their own GDP.

Although World War I eroded much of this cross-border capital investment, the conflict did not destroy global market integration. Instead, it reoriented the world economy around US growth in the 1920s, when international investment and trade expanded once again under a revived gold standard.

The Great Depression ended free trade and capital flows and triggered the first global wave of nationalizations. Beginning in 1928–29, a cascading series of crises unfolded in commodity prices, then in stock markets and world trade, and finally in the international monetary order.

To fend off financial system collapse, several countries took over all or a portion of their banking systems. Between 1931 and 1935 the United States nationalized about a third of financial capital, and in Germany more than half of bank capital became state owned. Italy nationalized 20 percent of private industrial and financial assets from 1931

Egypt's President Gamal Abdel Nasser announces the nationalization of the Suez Canal Company on July 26, 1956.

to 1933. State ownership expanded in France, which nationalized its aircraft industry and railroads; the UK, which nationalized coal mine deposits; and Bolivia and Mexico, which took over foreign-owned oil companies.

These measures were often in response to an urgent crisis, and some were later reversed. But because they occurred in the most advanced economies of the era, they had a significant enabling effect on developing economies. Moreover, global trade and cross-border lending shrank dramatically, and many governments imposed capital controls. These developments allowed for nationalizations at relatively little cost, without fear of triggering capital flight or a backlash from international markets.

The 1930s wave of nationalizations was a symptom of global economic and financial disintegration. In the short run, it prevented bankruptcies, but it also segmented national markets and reduced international trade and investment. Over time, greater state ownership gave governments more policymaking autonomy and allowed them to contribute to a new international economic order at the end of World War II.

Second wave: Late 1940s

After World War II, a new wave of nationalizations took place across European, Latin American, and Asian economies.

A mixed economic model emerged in which large-scale public investment coexisted with private market mechanisms. The fixed-exchange-rate system established at Bretton Woods in 1944 brought international financial stability, which aided nationalizations by reducing the risk of capital flight. In many countries, high inflation allowed governments to pick the most propitious moment to buy out private shareholders. And because governments financed nationalizations by issuing bonds, inflation also helped lower the real cost of servicing the debt.

In this way, the UK nationalized the Bank of England and the aviation, coal, telephone, transportation, electricity, gas, and iron and steel industries. France took over the Banque de France; private financial institutions holding 80 percent of bank deposits; the coal, electricity, and telephone sectors; and several major industries. Similar nationalizations occurred in Argentina, Austria, Brazil, Czechoslovakia, India, Indonesia, Iran, Italy, Japan, and in socialist states across Eastern Europe.

This second wave of nationalizations was broader in sectoral focus, more systematic in development, and implemented more gradually than the

hurried actions of the 1930s. This allowed private investors to adjust expectations, reduced economic volatility, and kept nationalizations from upsetting the rapid growth of the first three postwar decades.

One element that made a large difference was that European economies mainly took over property owned by their own citizens. This meant they could manage the process through political institutions, ensuring greater stability and democratic legitimacy. By contrast, when developing economies took the property of Western investors, the risks were greater, and diplomatic disputes and even direct conflict were real possibilities.

The postwar wave of nationalizations played an important catalyzing role for the world economy. State-owned enterprises took the lead in mobilizing large sums for investment and helped drive rapid economic growth across advanced economies. Although there were inevitable inefficiencies in the allocation of resources, there was a commensurate gain in political control over investment priorities. Countries with high levels of nationalized property did not underperform economies with greater private sector investment until the 1970s.

TABLE 1

Nationalization waves

Each featured a different combination of monetary regime, pricing environment, trends in trade, and sectoral focus.

	Wave I: 1931-38	Wave II: 1945-52	Wave III: 1970-79	Wave IV: 2020-present
Monetary regime	End of gold standard fixed-rate system	Bretton Woods fixed-rate system	End of Bretton Woods fixed-rate system	Floating-rate system
Global price environment	Deflationary	Inflationary	Inflationary	Inflationary
Dominant trend in global trade	Increased protectionism	Increased liberalization	Increased liberalization	Increased protectionism
Sectoral focus of nationalization	Banking and industry	Industry, utilities, transportation	Energy and commodities	Commodities, utilities, mining

SOURCE: Mulder, Nicholas. Forthcoming. *The Age of Confiscation: Making and Taking Property in the Creation of the Modern World*. London: Allen Lane.

Third wave: 1970s

The first and second nationalization waves took place when Western and North Atlantic nations dominated the world economy. The subsequent dismantling of European empires increased the number of sovereign states: UN membership grew from 51 nations in 1945 to 127 by 1970. These new national economies sought to carve out a niche in the global division of labor. But many Latin American, African, and Asian commodity-exporting nations still relied on foreign capital.

Two shocks spurred a surge in nationalizations. The first was the end of the Bretton Woods system. President Richard Nixon's devaluation of the US currency in August 1971 triggered a shock for commodity producers earning export revenues in dollars. Oil producers increased their ownership of foreign-owned petroleum companies to capture a greater share of revenue in a weakening currency.

The 1973 oil crisis caused a massive spike in the price of energy and minerals, which made countries with natural resources eager to ride the commodity boom. Research by Stephen Kobrin shows that the pace of property takeovers accelerated; it peaked in 1975, when 28 countries carried out 83 expropriations—one every four days, on average. Between 1971 and 1980, developing economies nationalized at least \$26 billion in foreign-owned property, or 11 percent of total foreign direct investment in the developing world in 1980.

The third nationalization wave was broader, longer, and the resources involved were more valuable than any that preceded it. The success of early nationalizations encouraged other economies to engage in similar interventions. And the inflation caused by the monetary and energy shocks made nationalizations easier because payments to owners were cheaper in real terms.

Latin American, African, and Middle Eastern economies could thus nationalize large chunks of their resource bases during the 1970s. But the largest nationalization wave in history was ended by the contractionary monetary policies adopted by the Federal Reserve starting in 1979, which brought down inflation and slowed global growth.

The most significant international economic effect of the 1970s nationalization wave was the overhang of sovereign debt it created. Since most developing economies paid compensation to investors, their foreign obligations grew. When interest rates shot up in the early 1980s, this exposed them to great refinancing risks and triggered debt crises from Jamaica to Zaire. In subsequent years, many nationalized assets were privatized as capital markets became more integrated and governments sought ways to reduce public debt.

Fourth wave: 2020s

The current wave of nationalizations originated in the aftermath of the 2008 global financial crisis and emergency takeovers of several major financial institutions. These moves in most cases were reversed as companies were sold back to the private sector, but there have been more permanent nationalizations since the late 2010s. Some were responses to major global demand and supply shocks, such as the 2020 COVID-19 pandemic and the 2022 commodity price surge set off by Russia's invasion of Ukraine.

Other takeovers aim to address broader challenges, such as climate change. The nationalization of minerals for renewable technologies, for example, can enable exporting nations to reap price benefits. Another strain of takeovers reflects national security considerations and the desire of governments to control resources considered vital to strategic competition.

Geopolitical nationalizations will make foreign direct investment between strategic adversaries riskier. However, this will not necessarily reduce overall global economic and financial integration. More trade, lending, and investment may instead flow within geopolitically aligned blocs, and neutral states can attract foreign capital by positioning themselves as reliable intermediaries and safe destinations for investment.

Nationalizations frequently occur in waves because they respond to broad-based external and internal factors. When commodity prices are rising, the prospect of capturing a larger share of export revenues is appealing. Successful nationalizations signal the ease and desirability of such policies to others. This "demonstration effect" helps explain why nationalizations historically cluster in wave-like, procyclical movements.

Governments can nationalize more easily in times of inflation, when the real costs of compensated buyouts are lower. Greater capital mobility, however, usually keeps nationalizations in check by giving investors more exit options and speeding up market reactions that constrain governments. The rise of nationalizations today despite historically high capital market integration points to strong macroeconomic and geopolitical forces that favor takeovers and growing political conviction that nationalizations are a vital instrument of economic policy in an era of goeconomics fragmentation. **F&D**

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