**Latent Economic Nationalism: Determinants and Forms of Capital Controls in the EU**

Capital controls, a policy tool that enable governments to restrict in- and outflows of capital, are often perceived as incompatible with the fundamental principles of freedom in the EU. The *Treaty on the Functioning of the European Union* explicitly states in Article 63 that ‘all restrictions on the movement of capital [and] [all restrictions on payments] between Member States and between Member States and third countries shall be prohibited’ and yet most EU member states do have some forms of capital controls. We use this puzzling observation as a starting point to ask *which factors increase the probability of capital controls in the EU, and which conditions (or combination of conditions) are necessary and/or sufficient for the presence of capital controls among EU member states?*

We conceptualize capital controls as *controls in direct investment* and *controls in portfolio investment* - and test our research question by focusing on the internationalization of national banking systems, national corporatist characteristics, presence of right-wing/populist parties, current account balances, and Eurozone membership.

For the analysis, we apply both statistical and set-theoretical methods. The first part will establish which factors have an effect on capital controls in the EU. The paper then extents the analysis by applying a crisp-set Qualitative Comparative Analysis (QCA) in order to test for the conditions, or combination of conditions, that are sufficient and/or necessary for the presence of capital controls among different EU member states. We also apply robustness checks to our configurational analysis to account for the (potential) impact of the recent European economic crisis on capital controls.

The aim of this paper is to contribute to the literature on economic nationalism which assumes that the main interest of states is the protection of national ‘insiders’ at the expense of ‘outsiders’. While researchers focused extensively on the ideology of economic nationalism and its discursive legitimization, its territorial scope (i.e., supranational, national, or local) and the various policy target groups, little research was conducted on latent manifestations of economic nationalism. By focusing on capital controls we try to provide a first attempt to fill this gap.

**Keywords**: Capital Controls, EU; Economic Nationalism; Set-Theoretical Method; csQCA.