



The Economics of Nationalism

Xiaohuan Lan (CKGSB) Ben Li (Boston College)

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China, 2012 Diaoyu Island, anti-Japanese



2005, Anti-E.U., Turkey



Nationalism

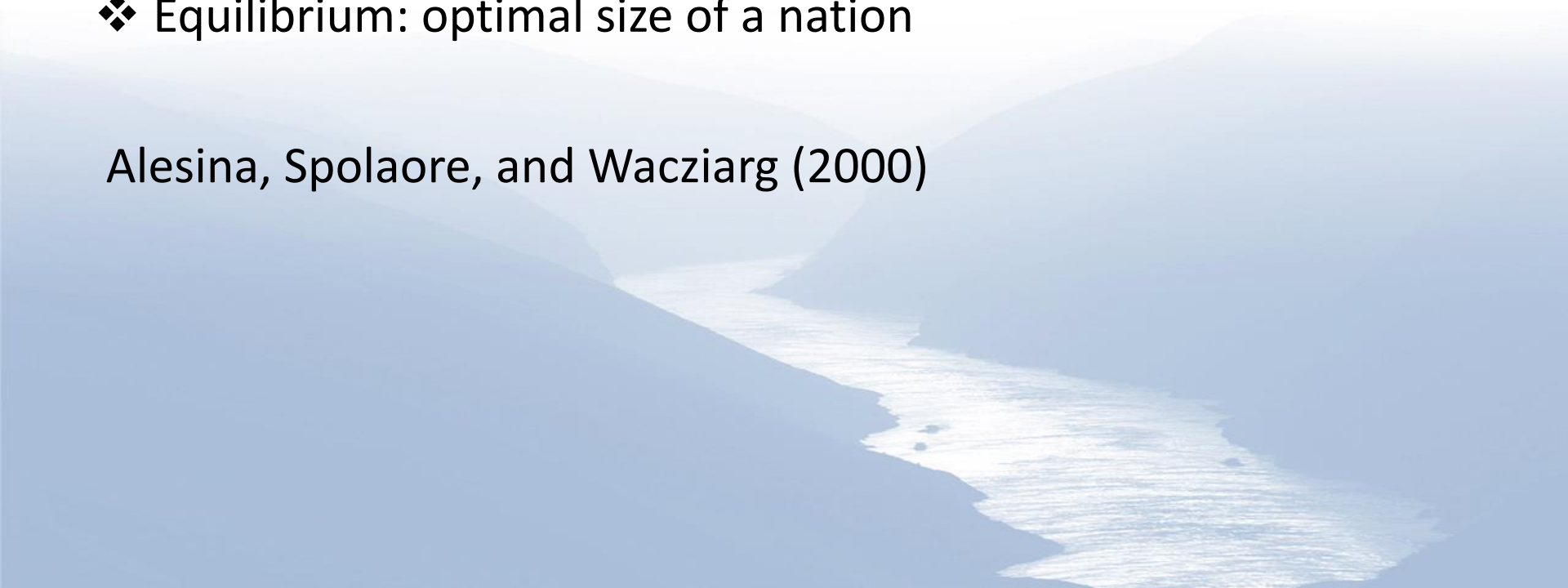
- ❖ Where does “the idea of nation” come from?
- ❖ Within a country, some people are stronger nationalists than others, why?
- ❖ Arguably the most important political ideology in contemporary China
- ❖ Economic logic and empirical test



An economic theory of nationalism (I)

- ***Forming a nation:***
 - ❖ Benefits: lower costs of domestic trade, larger domestic market
 - ❖ Cost: living with people with different cultures or races.
 - ❖ Equilibrium: optimal size of a nation

Alesina, Spolaore, and Wacziarg (2000)



An economic theory of nationalism (II)

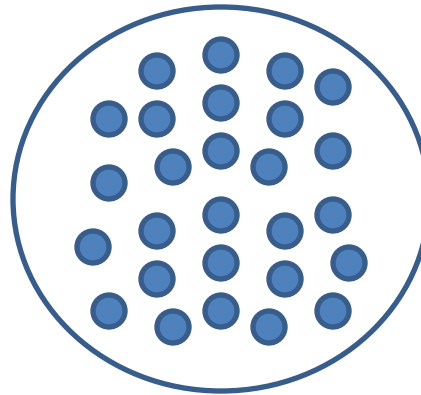
- **Uneven globalization shocks in regions within a nation**
 - ❖ The shocked regions trade more with foreign countries, rely less on the domestic market
 - ❖ Disagreement with the current country size as optimal (prefer a smaller country)
 - ❖ Less nationalistic



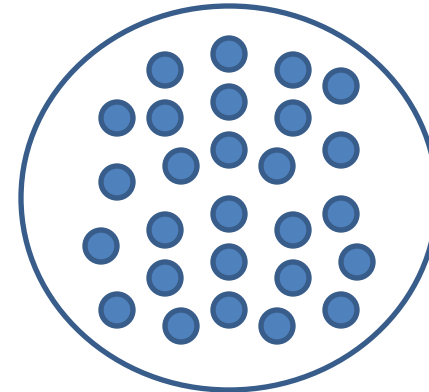
Model Illustration 1

(Country formation)

Home

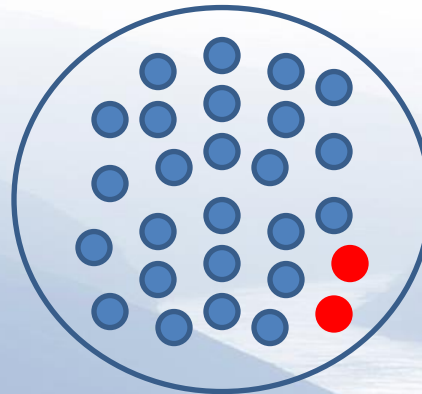


Foreign



(Globalization)

Home



Foreign

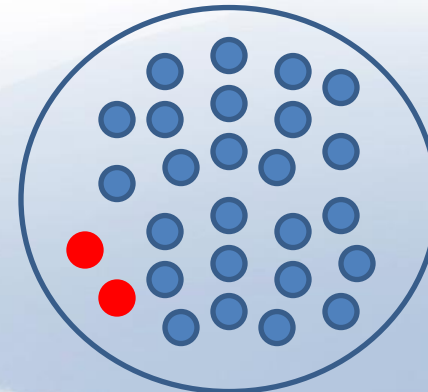
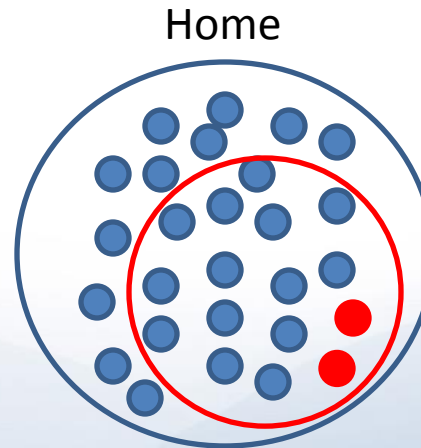


Illustration 2

(Globalization
weakens nationalism)



Empirical Evidence

- ***High economic openness, low nationalism***
 - ❖ Across 200 cities in China in 2009
 - ❖ 20 provinces in China from 2001 to 2007 , before and after the membership of WTO
 - ❖ From 2001 to 2007, across 15 countries



Data I: Chinese Political Compass

请注意，这套题目的目的是区分理念而不是操作手法，也就是说，问题在于你在理想中是否支持，而不是在现实困难面前是否可行。请不要因为具体条件的缺乏而去设想种种复杂背景情况，从而动摇自己意识形态上的坚持。**如果犹豫不定，请选择自己的第一直觉。**

题目共五十道，必须全部回答。选项中没有中立项，这是为了迫使您选出您心里的倾向而不是回避您不愿意考虑的问题。

中国政治坐标系测试 (2012版)

0% 100%

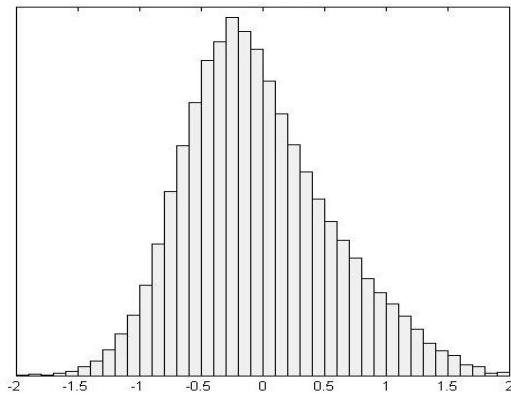
政治类

***如果人民没有受过民主教育，他们是不应该拥有普选权的。**
请选择一个符合的选项

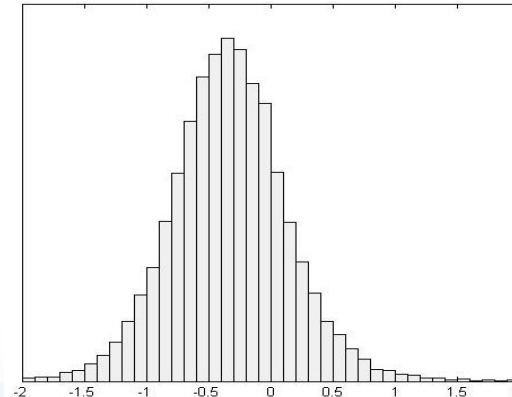
- 强烈反对
- 反对
- 同意
- 强烈同意

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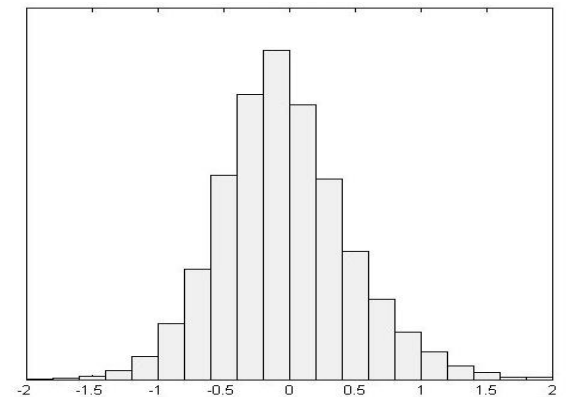
The CPoC Self-Evaluation : [-2, 2] from left to right



Political regime



Economy



Culture

- Strictly anonymous
- IP addresses are identified;
- 2009: 54,602 observations, across 200 cities

Measure Nationalism

[N1] assertion of the national unity (Gellner 1999)

National unity and territorial integrity are the interests of paramount priority for a society

[N2] protecting national interests from other countries (Hobsbawm,1990)

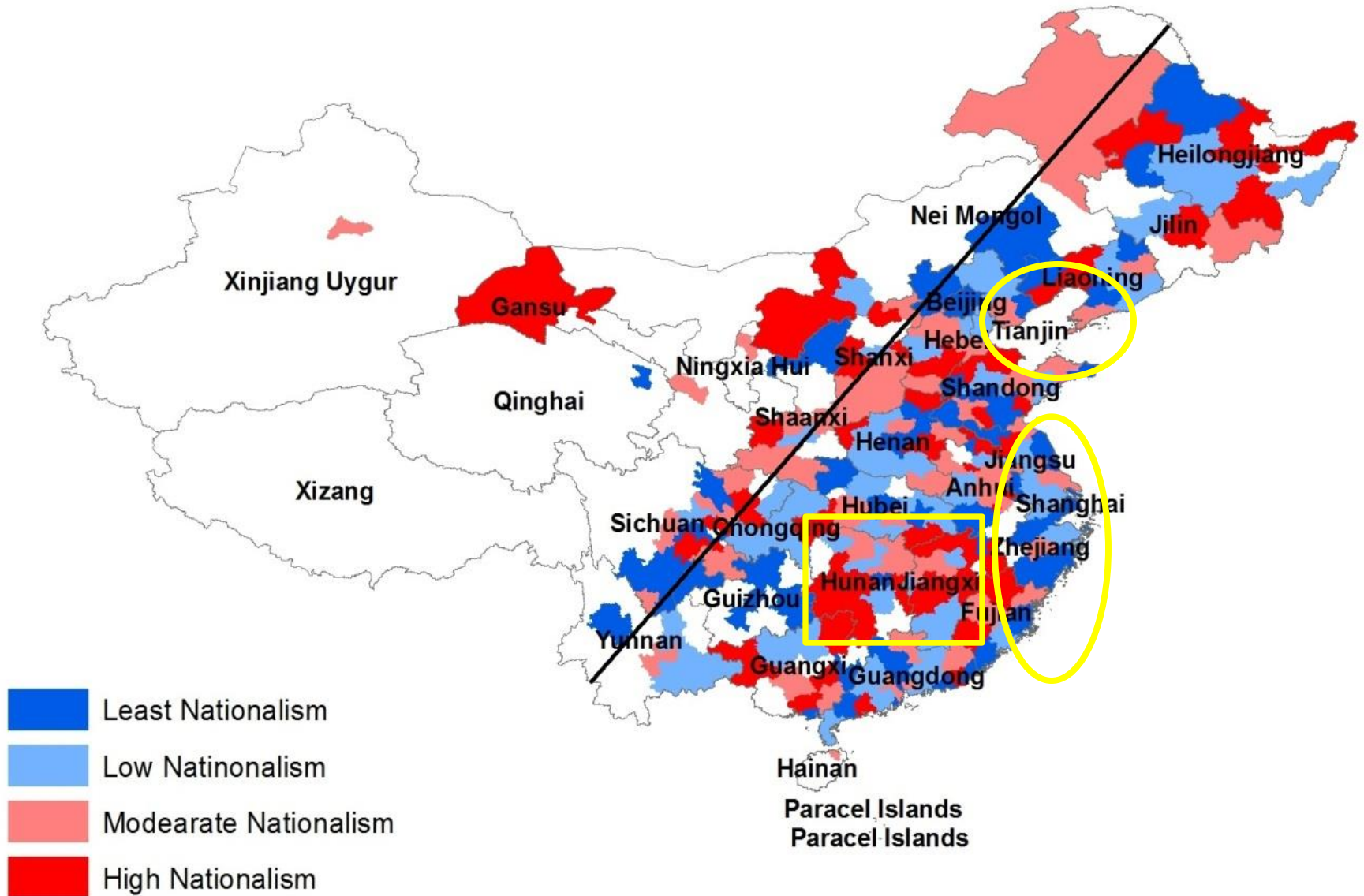
Given sufficient comprehensive national power, China has the right to take any measure to protect its interests

[N3] militarism (Posen, 1993)

All students, regardless of whether they are in college, high school, or elementary school, should attend the military training arranged by the government

[N4] anti-foreign sentiments (Gries, 2005)

Western countries, headed by the United States, will not really allow China to become a world-class powerful nation.



OLS and 2SLS Results: (*number of obs=200*)

- a one standard deviation increase in the economic openness reduces nationalism by 0.2-0.9 standard deviation
- economic openness: $(IM+EX)/GDP$
- Instrumental Variable: predicted trade volume from *gravity equation*

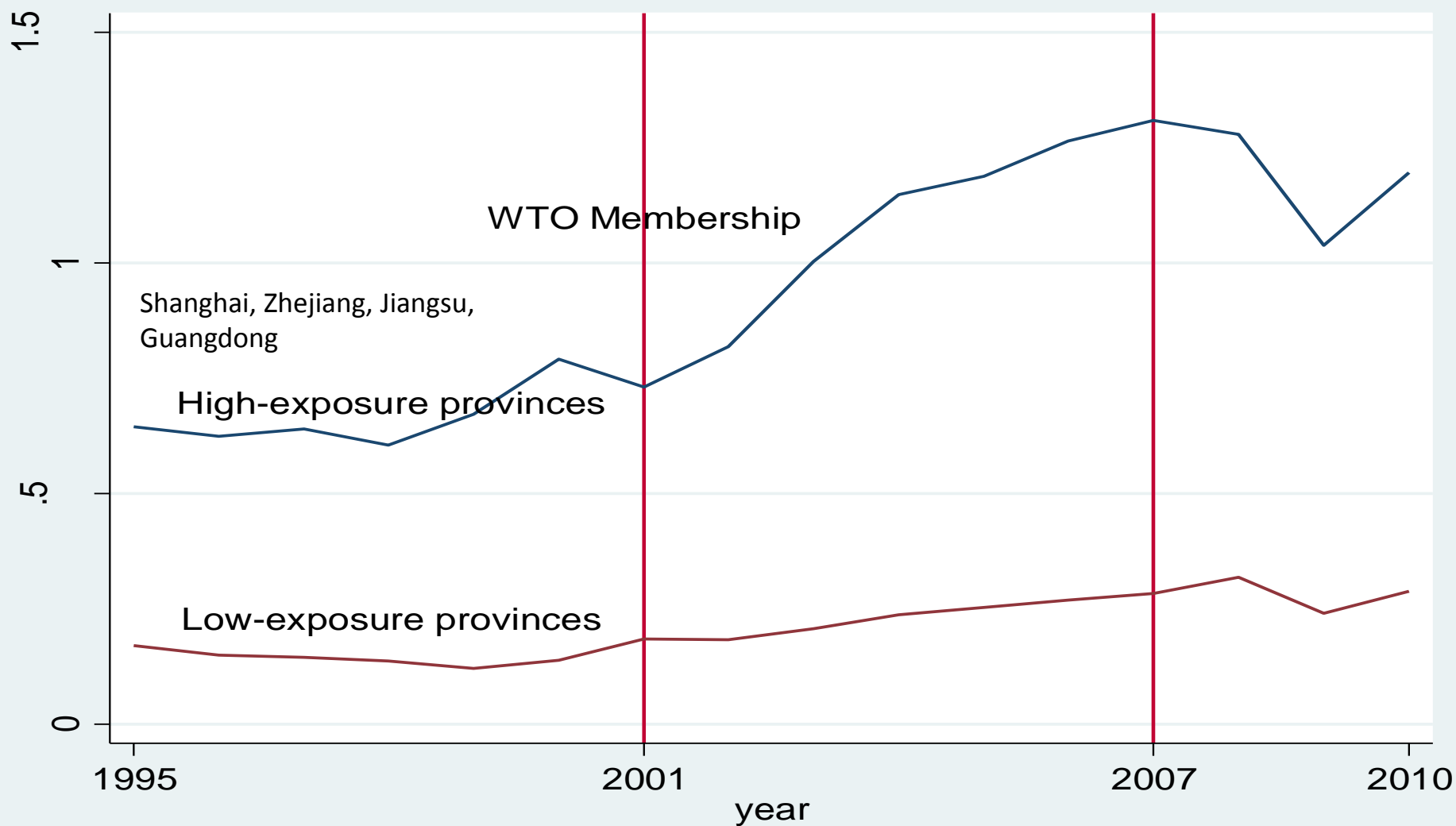
Analysis within China, over time

- The natural experiment: a member of the WTO before and after 2001

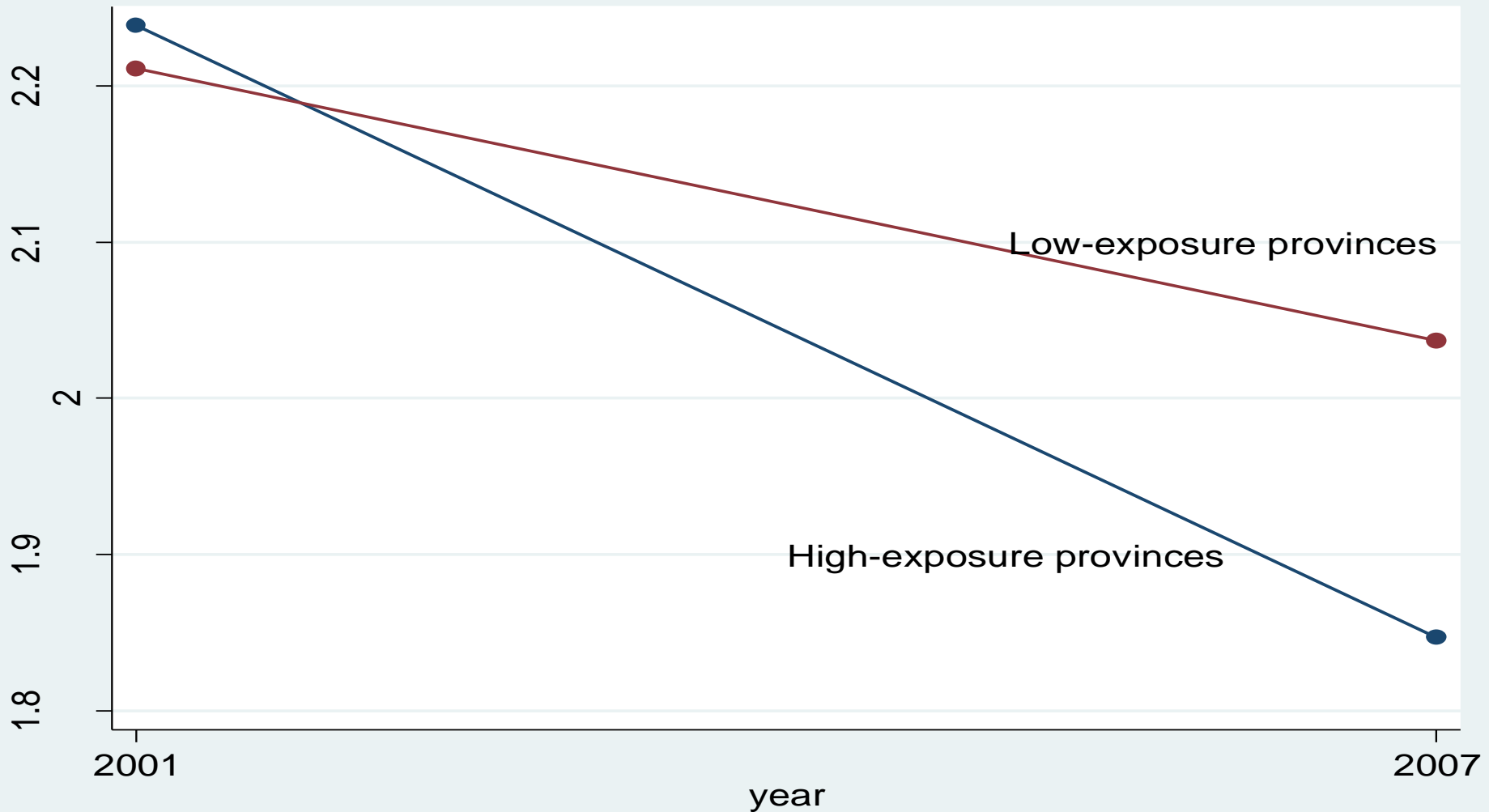
World Value Survey in China (WVS), 2001 and 2007

- ❖ Advantages: the independent data source; widely used; individual-level demographic variables
- ❖ Disadvantages: small number of observations (2, 038); province-level analysis

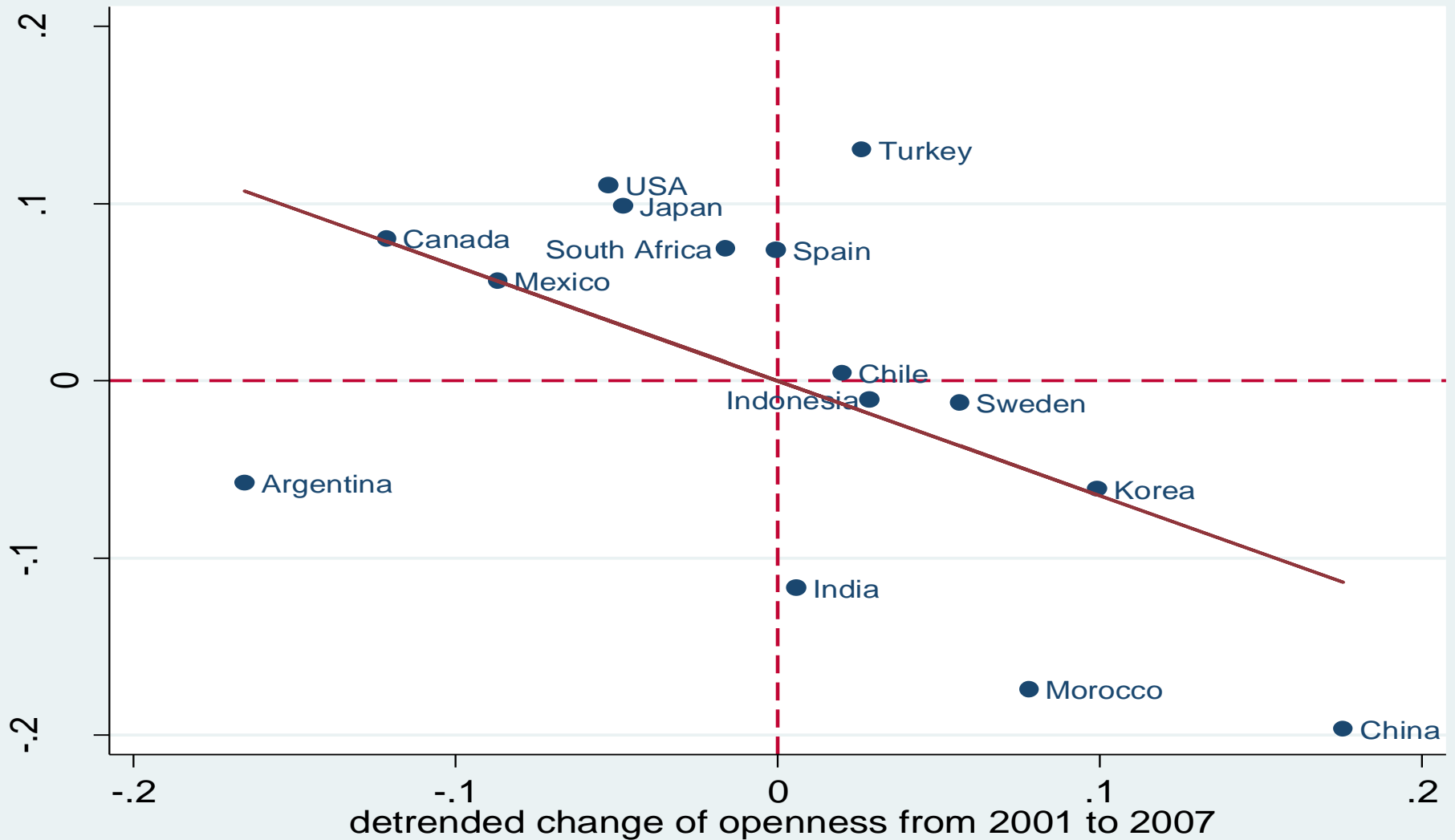
Unbalanced Effect of the WTO on the Trade Volume of 20 Provinces



Unbalanced Change in Nationalism



Cross-Country Analysis: change in nationalism v.s. openness 2001 to 2007



Conclusions

- high economic openness, low nationalism
- economic incentives v.s. cultural channels

