The Economics of Nationalism

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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，这道题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。如果犹豫不决，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

<< 上一页  下一页 >>
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: \(\text{number of obs}=200\)

- a one standard deviation increase in the economic openness reduces nationalism by 0.2-0.9 standard deviation

- economic openness: \((\text{IM}+\text{EX})/\text{GDP}\)

- Instrumental Variable: predicted trade volume from \textit{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

WTO Membership

High-exposure provinces

Low-exposure provinces

Shanghai, Zhejiang, Jiangsu, Guangdong
Unbalanced Change in Nationalism

High-exposure provinces

Low-exposure provinces

1.8 1.9

2

2.1 2.2

nationalism

2001 2007

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

Detrended change of nationalism
Detrended change of openness from 2001 to 2007
Conclusions

• high economic openness, low nationalism

• economic incentives v.s. cultural channels