

## **AICGS Seminar Papers**

A Publication of the  
**American Institute for Contemporary German Studies**  
The Johns Hopkins University

POLICY PAPERS #15

### **Globalization and Political Conflict: The Long-term Prognosis**

Lloyd Gruber

Robert Bosch Foundation Research Scholars Program  
in Comparative Public Policy and Institutions  
2001

Associate Professor  
Irving B. Harris Graduate School of Public Policy Studies  
The University of Chicago  
1155 East 60<sup>th</sup> Street  
Chicago, IL 60637  
tel: (773) 702-3245  
fax: (773) 702-0926  
gruber@uchicago.edu

COMMENTS ARE WELCOME!

AICGS would like to thank the Robert Bosch Foundation for funding this AICGS publication as part of the Robert Bosch Foundation Research Scholars Program in Comparative Public Policy and Institutions.

© 2001 by the American Institute for Contemporary German Studies

The views expressed in this publication are those of the authors alone. They do not necessarily reflect views of the American Institute for Contemporary German Studies.

Additional copies of this AICGS Seminar Paper are available at \$3.50 each to cover postage and processing from the American Institute for Contemporary German Studies, 1400 16th Street, NW, Suite 420, Washington, D.C. 20036-2217. Telephone 202/332-9312, Fax 202/265-9531, E-mail: [info@aicgs.org](mailto:info@aicgs.org), Web: <http://www.aicgs.org>

## AICGS POLICY PAPERS

The series *Policy Papers* demonstrates AICGS' commitment to advancing policy-relevant research using the tools of comparative methodology.

Developments in Germany are of interest because of the country's size, location and history. We need to understand public policy in Germany because Germany is a key international partner and because German preferences will continue to be an important ingredient in the formulation of EU policy regimes. Sometimes German solutions to pressing policy concerns are important because they have a "model" character. This is not necessarily a matter of praise or emulation. Indeed, German solutions may be untransferable or undesirable. Nevertheless, the constellation of institutions and practices that makes up Germany's "social market economy" provides the researcher with an unparalleled real time laboratory in organized capitalism. Over a variety of policy issues, comparison with Germany illuminates advantages and disadvantages of options that would not easily come to mind if the German "case" did not exist. Industrial relations, financial institutions, health-care reform, pollution abatement, intergovernmental relations, immigration, and employment training are just a few of the sectors for which a German component might pay high dividends to policy analysis.

A generous grant has enabled us to establish the Robert Bosch Foundation Research Scholars Program in Comparative Public Policy and Institutions. The following papers are the first to issue from the program.

- #1 "Institutional Legacies: Patterns of Skill Formation and Contemporary Shop-Floor Politics," Kathleen Thelen (Northwestern University).
- #2 "Education, Vocational Training and Job Mobility," Thomas Hinz (Ludwig-Maximilians University, Munich).
- #3 "Success and Failure in Training Reforms: France and Germany," Pepper Culpepper (Harvard University).
- #4 "Continuing Training in an Aging German Economy," Jutta Gatter (University of Bremen).
- #5 "Germany's New Long-Term Care Policy: Profile and Assessment of the Social Dependency Insurance," Ulrike Schneider (University of Hannover).
- #6 "Cost Containment vs. Solidarity in the Welfare State: The Case of German and American Health Care Reform," Susan Giaimo (Massachusetts Institute of Technology).
- #7 "Gender Disparities in Higher Education and Academic Careers in Germany and the U.S.," Stefan Fuchs (Institute for Sociology, Ludwig-Maximilians University, Munich).

- #8 “Committee Influence on Conference Bills: An Empirical Analysis of Congressional Bill Tracking Data,” Gabriele Eckstein (Mannheim Center for European Social Research, University of Mannheim).
- #9 “Welfare Reform in the United States: Lessons for a Future Social Federation of the EMU,” Waltraud Schelkle (Free University of Berlin).
- #10 “Mutual Recognition and Standard-Setting: Public and Private Strategies for Regulating Transatlantic Markets,” Michelle Egan (American University).
- #11 “The Evolution of Early Retirement: Explaining Policy Blockage and Policy Frustration,” Isabela Mares (Stanford University).
- #12 “The Future of European Training: Institutions and Politics,” John Jay Tate (University of California at Berkeley).
- #13 “The Relevance of Perceptions in Foreign Policy: A German-American Perspective,” Michaela Hertkorn (Freie Universität, Berlin).
- #14 “Who Writes the Rules of E-Commerce? A Case Study of the Global Business Dialogue on e-commerce (GBDe),” Maria Green Cowles (American University).
- #15 “Globalization and Political Conflict: The Long-term Prognosis,” Lloyd Gruber (University of Chicago).

## TABLE OF CONTENTS

<b>1. INTRODUCTION.....</b>	<b>1</b>
<b>2. GLOBALIZATION AND POLITICAL CONFLICT: THE STORM BEFORE THE CALM? .....</b>	<b>3</b>
<b>3. GROWING APART: GLOBALIZATION, GROWTH AND EQUALITY .....</b>	<b>6</b>
<b>4. INEQUALITY AND POLITICAL CONFLICT: IT IS <i>SPATIAL</i> INEQUALITY THAT MATTERS.....</b>	<b>9</b>
<b>5. GLOBALIZATION AND ECONOMIC SEGREGATION: THE MISSING LINK .....</b>	<b>16</b>
<b>6. POLITICAL CONFLICT VERSUS POLITICAL DISINTEGRATION: WHY BREAKING UP IS HARD TO DO .....</b>	<b>20</b>
<b>7. AN AGENDA FOR FUTURE RESEARCH .....</b>	<b>23</b>
<b>REFERENCES.....</b>	<b>25</b>

## ABSTRACT

The “globalization debate” is often cast as a dispute between the optimists, who see global markets working to all societies’ long-term economic advantage, and the pessimists, who fear that international integration will ultimately discourage long-term economic growth and development. As important as it is, however, the question of how globalization affects long-run economic performance is not the only relevant consideration: what about globalization’s impact on long-run **political** performance? This latter question has not received the attention it deserves.

This paper attempts to redress the imbalance. Its main argument is that political conflict is a function not of aggregate or society-wide inequality, as much of the globalization literature assumes, but of **spatial** inequality: the geographic segregation of differently-endowed societal actors. After laying out this argument, I try to assess globalization’s long-term demographic effects, concluding (albeit tentatively) that globalization encourages economic segregation, which in turn encourages political conflict. I close by considering a possible objection to my emphasis on spatial segregation: by reducing economic barriers to secession, globalization might be thought to diffuse, rather than sharpen, geographic tensions. This line of analysis is, I suggest, politically naive; failed marriages do not always end in divorce.

## 1. INTRODUCTION

Is globalization conducive to long-run economic growth and development? While it would be premature to offer a definitive verdict, the court of economic opinion is clearly in session, and has been for some time. The question of how openness affects economic performance is not a new one, after all; Adam Smith put it onto the agenda back in 1776, and economists have been debating it, painstakingly but productively, ever since.

As for how globalization affects long-run **political** performance, here the state of research – and, as a result, the state of our knowledge – is much less advanced. It is true that political scientists now have a sophisticated understanding of how international trade affects domestic political cleavages. Thanks to the pioneering work of Ronald Rogowski and Jeffry Frieden, we can say with a high degree of confidence that the holders of mobile assets benefit from globalization, while the holders of fixed assets get hurt (Rogowski 1989; Frieden and Rogowski 1996; see also Gourevitch 1978). But this does not tell us whether countries that lower their barriers to international exchange should expect more or less political conflict over time. The answer to that question would depend on the relative power of globalization winners and losers and the intensity – and irreconcilability – of their disagreements.

And yet, from a policy standpoint, the relationship between globalization and political performance is crucial. What is at issue here is nothing less than the future of democracy, of self-government in the classical sense. Democracy is something we care about for its own sake, of course – it produces “civic” benefits – but it also has indirect effects, including (as a large body of economic research suggests) the stimulation of higher and more stable rates of economic growth. And then, too, there is the link between democracy and peace: if globalization leads to the collapse of once-stable democratic institutions, the long-run consequences could be dire indeed.

Motivated by the recognition of how much is at stake – and also how quickly, for better or worse, things are proceeding – this paper inquires into globalization’s long-term domestic political consequences.<sup>1</sup> I should note at the outset that the paper’s discussion will be at a fairly abstract, conceptual level. While there is no substitute for empirical testing, the data on globalization and, especially, political performance are extraordinarily messy. At least as problematic is the future-oriented nature of the question being asked. Even if globalization is wreaking domestic political havoc today – and, again, the numbers do not speak for themselves – this could merely be a case of the storm coming before the calm, the short-term pain leading to long-run gain. How would we know? Normally we would consult the received theoretical wisdom. The problem here is the one just noted: like the empirical literature, the theoretical literature on globalization and domestic political conflict is underdeveloped, offering nothing that could be described as a “conventional wisdom” on the issue. There may be some merit, then, in simply

---

<sup>1</sup> Although we have recently been seeing a wave of anti-globalization protests, to the extent one views this as a nascent “globalization backlash” it includes precious few actual governments. Quite the contrary, the vast majority of states in today’s international system are either already onboard the globalization bandwagon or, like China, hoping to be so in the near future. For present purposes, however, the motivations for globalization are of less interest than its long-term domestic-political repercussions.

figuring out which of the various arguments bearing on the question stand up to close theoretical scrutiny. To the extent that some of these arguments require further theoretical elaboration, there is little to be lost in delaying the empirical part of the analysis. First things first.

To be clear, the goal here is not simply to elaborate on the various theoretical arguments. I also want to make a (theoretical) case for a particular argument, or set of arguments, having to do with the relationship between globalization and spatial inequality. Globalization induces political polarization, this theory goes, by facilitating the spatial segregation of globalization beneficiaries and globalization losers. Though it has yet to make its way into the globalization literature, this line of analysis deserves our serious consideration and, I submit, is subject to further theoretical and empirical work.<sup>2</sup>

The remainder of the paper is organized into five sections, followed by a brief conclusion. The next two sections engage in a bit of preliminary theoretical house-cleaning. The theories examined in section 2 see globalization as promoting long-term political consensus rather than conflict. The intervening variable is growth: the short-term politics of globalization may be turbulent, reflecting integration's short-term economic dislocations; but because globalization generates long-run growth, the political storms associated with its "early" years will eventually give way to a more temperate political calm. If only it were true. One problem is the assumption that globalization promotes long-run prosperity. That may seem uncontroversial, but it is not obvious. Inasmuch as the economic literature equates openness with growth, it does so conditionally – subject to a society's acquisition and maintenance of a particular set of political arrangements. Which raises an interesting question: what if globalization inhibits the functioning of these arrangements, the institutional foundations of long-run, globalization-induced prosperity? One need not be a Marxist to take this possibility seriously, for even if globalization does contribute to a society's aggregate prosperity at time 1 (after the economic dislocations of time 0 have worked their way out of the system), the societal inequities it creates along the way could endure – and, by fueling domestic political conflict, could end up sharply diminishing the society's prosperity at time 2. The theoretical arguments surveyed in the third section of the paper flesh out the underlying logic.

As I discuss in section 4, however, that logic is not altogether coherent. For when it comes to political conflict, logic suggests it is not aggregate or society-wide inequality that should matter but **spatial** inequality: the geographic segregation of differently-endowed societal actors. After laying out the argument, I try in section 5 to assess globalization's long-term demographic effects, concluding – albeit tentatively – that globalization encourages economic segregation, which, in turn, encourages political conflict.

Section 6 anticipates a possible objection to the paper's emphasis on spatial segregation. If certain spatially concentrated groups within a society are at loggerheads,

---

<sup>2</sup> In laying such emphasis on geographic cleavages, I am departing in important ways from Lipset and Rokkan (1967), who believed the extension of the suffrage would gradually erode the importance of "territorial oppositions" (see esp. pp. 9-14).

secession might seem to offer a natural, conflict-mitigating way out. Indeed, the “exit option” might seem particularly appealing now that globalization has reduced the economic costs of secession for aggrieved subnational groups; in a fully globalized world, these groups could delink from their national economies without any sacrifice in terms of reduced market access. Yet, even if we leave aside the fact that secessions have historically been few and far between, there are a number of problems – conceptually, not just empirically – with this argument. For one thing, secession’s attractions to the rich are much greater than they are to the poor; by removing themselves from the national political struggle, the poor would be denying themselves any claim on the wealth and resources of their (erstwhile) fellow citizens. And though the secessionists’ loss of access to the national market might not be as costly as it would have been in pre-globalization days, it is hard to imagine that their access to international markets would be **better** than the privileged access they had once enjoyed in the national marketplace. While there is more to be said on all of this, the purpose of section 6 is simply to suggest why, globalization’s “disintegrationist” tendencies notwithstanding, the barriers to secession – even for regionally-concentrated subnational groups – are likely to remain extremely high. Failed marriages do not always end in divorce.

## **2. GLOBALIZATION AND POLITICAL CONFLICT: THE STORM BEFORE THE CALM?**

Is a globalization backlash looming just over the horizon? It often seems that way, and the swelling numbers of anti-globalization activists, seen most recently in the streets of Genoa, do little to dispel this impression. First impressions can be deceiving, however, and the notion that a worldwide retreat from the forces of globalization is somehow imminent or inevitable is, I would argue, a case in point.

Why am I skeptical? It is not because I think globalization’s economic benefits are destined to overwhelm its short-run economic costs. Even if they are – and, as I discuss below, this is a big assumption – short-run considerations are what matter most to politicians, and the short-run effects of globalization are not always politically desirable (to put it mildly). When looked at through the eyes of governing elites, globalization often bears a closer resemblance to a zero-sum than a positive-sum game.

But the fact that a country’s politicians “dislike” globalization does not mean they would be better off reversing course (Gruber 2000). As trivial as it may seem, the point is fundamental: the process of international economic integration can create large numbers of short-term losers without necessarily causing that process to collapse. Why not? Because the actors who do **not** dislike globalization, i.e., the winners, may be in a position to “go it alone.” Assuming that this is the case – that the winners would benefit from an open market regime even if they were to be its only members – the regime itself becomes a *fait accompli*, leaving the losers to choose between the view they see as a bad option (voluntarily opening their markets to foreign trade and investment) and an even worse alternative (opting out of those markets and incurring the economic and political costs of exclusion). Under these circumstances, the losers would be foolish to choose the second option. But if they are better off choosing the first, it is only because a third

alternative – returning to the days when **all** countries restricted access to their domestic markets – is no longer in their choice sets. The winners have removed it.<sup>3</sup>

Of course, all of this presupposes that the actors who currently benefit from globalization will remain committed to it. Unlike the losers, the winners – particularly the members of globalization’s “enacting coalition” – are in a pivotal position. Should **they** ever backlash, the globalization bandwagon would come to a sudden, screeching halt. This is most clearly the case for the United States: other powers may be constrained by the fear of backlash-consequences, but no one can doubt that the U.S. has a (real) choice in the matter. For the time being, that choice is to proceed. While the political enthusiasm for globalization in the United States may not be as strong as it was before Seattle (or Prague or Washington or Genoa), the U.S. Congress and president have decided to stay the course. But, again, that is their choice – and there is no reason why they could not choose differently in the future. Should they?

It is an important question. All too often, however, the answers given in the scholarly literature are informed exclusively by economic considerations. While globalization’s long-run economic payoff has been much discussed and debated, globalization’s long-run **political** payoff has received relatively little systematic attention. Will the political storms of recent years give way in the end to sunny skies? Or, to the contrary, are we now seeing the calm before the real maelstrom begins? The truth is we do not know. Not only is there no empirical consensus on these issues; there is, as yet, no theoretical consensus.

Still, if one wanted to make the case that globalization will (eventually) have a calming effect on politics, it would not be difficult. For international economic integration generates prosperity – or so the argument would go – and over the long run, prosperity lifts all boats. People employed in protected industries may suffer in the interim, but ultimately these economic losers will enjoy a higher standard of living. And having been enriched, they will grow less politically demanding, more satisfied, and more complacent. Globalization is conducive, in this view, to domestic reconciliation; it is an effective, albeit perhaps slow-acting, tranquilizer.

Variants of this argument pervade the political science literature. In international relations, students of liberal-peace theory (see, e.g., Oneal and Russett 1997) envision a gradual drying up of territorial conflict, as global interdependence breeds prosperity and prosperity in turn breeds contentment with the geopolitical status quo. Besides, international conflict is costly; war is bad for business. The comparative-politics versions have a similar flavor, only the conflicts at issue here – the political tensions for which prosperity acts as a palliative – are domestic ones. Think of Lipset’s modernization

---

<sup>3</sup> It turns out that in all of the work that has been done on international collective-action problems and their resolution, hardly anyone acknowledges the possibility of status-quo losers. Typically, the literature takes the existence of “gains from exchange” as its theoretical point of departure, with analysts then going on to explain how rational actors might organize themselves most efficiently to realize those gains. But international politics is not only about capturing (or, at worst, failing to capture) gains. It is also about inflicting losses – absolute losses – and, for the losers, suffering them. There is, in short, a power-politics dimension to globalization that operates alongside the more familiar mutual-gains dimension and that may, at times, even overwhelm it. See Gruber (2000 and 2001) for a more complete elaboration of these points.

theory of democracy, for instance, or Przeworski and Limongi's more refined "exogenous" model (Przeworski and Limongi 1997; see also Przeworski et al. 2000). While prosperity does not **cause** democracy in the Przeworski-Limongi model (as it does in the Lipset model), it does at least **stabilize** democracy in those countries that have managed, for whatever reason, to acquire it. How does it do this? Przeworski and Limongi's answer is the familiar one: it breeds contentment and, in so doing, reduces the political stakes.

One implication of all of these arguments is that "go-it-alone power," the status-quo-shifting capability enjoyed by globalization's prime movers, is actually a force for good. Everyone's good! For if countries globalize – even if it is only because their political leaders fear being left behind – the long-term result will be an easing of political conflict. This globalization story thus has a happy ending. The question is whether we should believe it.

One possible objection is straightforward: what if globalization does not generate long-term growth after all? If it doesn't, globalization's long-term political future may not be as rosy as the one I have just been depicting.

The question on the table here is whether open policies are capable of increasing the overall size of a society's economic pie by enough to compensate the recipients of the smaller slices. The standard answer is yes, for at least three reasons: first, trade lowers the prices that businesses must pay for the intermediate goods they use in the production process; second, an open international economy creates a large pool of cheap capital; and third, an open world economy speeds the transfer of productivity-improving ideas and techniques from country to country. Yet, in some of these countries – even in some with highly advanced economies – international economic integration may be a double-edged sword. Leaving aside its long-term distributional effects (which I will address momentarily), there are good theoretical reasons to question whether globalization will deliver long-term **aggregate** growth. It is possible that the pie will shrink, not grow, as globalization proceeds, though, to be sure, the issues involved are complicated and the debate is hardly settled.

Of particular concern in the international economics literature is what I term the Romer Problem (see Romer 1986; also Young 1991; Grossman and Helpman 1991; Krugman and Venables 1995; and Feenstra 1996). If trade liberalization leads developing countries to specialize in the "low-tech" sectors in which they hold an initial comparative advantage, the growth effect of openness could well turn out to be negative. Trade would have the effect of moving resources out of these societies' most technologically innovative industries – the very industries on which their economies' long-run growth depends.

The Romer Problem is an economic problem. But in some societies the biggest obstacles to long-run, globalization-induced prosperity may not be economic at all. Their biggest problem may be the absence of appropriate, prosperity-sustaining **political** arrangements. Without these arrangements – what Rodrik (1997 and 1999) terms "conflict management" institutions – trade flows, and especially capital flows, have a way of generating enormous economic volatility, suppressing long-term investment and, ultimately, growth. Rather than a recipe for long-term prosperity, globalization, in the

absence of democratic (or at least quasi-democratic) political structures, may be a recipe for long-term economic stagnation.<sup>4</sup>

This assessment may not be as gloomy as it appears, however. Many countries do possess these structures and so, by implication, would benefit from globalization. As for the others, perhaps the requisite political institutions could be imposed from outside (cf. Przeworski and Limongi 1997). Even if they cannot impose their will by force, there is nothing to stop the United States (or the EU or Japan) from using other, more subtle forms of power – including go-it-alone power – to encourage the spread of democratic values (or at least the building of democratic institutions) in countries that do not already have them.<sup>5</sup> So maybe globalization really will, in the end, have a calming political influence. Assuming a solution can be found for the Romer Problem (North-to-South compensation?), international trade and investment will eventually make all of us richer, and the political storms of recent years will pass.

But perhaps we should not put away our umbrellas just yet. Even if future developments should lead to a world in which all societies possess the institutional foundations for globalization-induced growth – and it is a big “if” – those foundations may not be stable. The political institutions in question may perform well at first, even perhaps (as in the case of the United States) for centuries, only to ossify and deteriorate as a new, more fully globalized world takes shape. Indeed, globalization may itself be their biggest enemy.

### 3. GROWING APART: GLOBALIZATION, GROWTH, AND INEQUALITY

Why might globalization pose a threat to the stability of growth-sustaining political institutions? One reason – a mainstay of the literature – is that it worsens domestic economic inequalities.<sup>6</sup> Most of the economists, political scientists, and sociologists who make this argument take it as self-evident that economic inequities are politically destabilizing, and hence bad for growth, in the societies experiencing them. Attention centers instead on the question of how, and how much, globalization contributes to the problem.<sup>7</sup>

---

<sup>4</sup> One could make a case that developing countries need these structures even more than higher-income countries, since the former are typically less diversified and thus less prone to macroeconomic shocks and disruptions emanating from the global economy. On the relationship between openness and economic volatility, see the contrasting perspectives of Rodrik (1997, 55-57) and Garrett (2001, 20-23). For a range of perspectives on the link(s) between democracy, political instability, and growth, see, in addition to the works already cited, Alesina, Özler, Roubini, and Swagel (1996), Barro (1997), Edwards (1998), Garrett (1998), Quinn and Woolley (1998), Przeworski et al. (2000), and Knack and Keefer (2001).

<sup>5</sup> Indeed, they already are. See my discussion in section 6.

<sup>6</sup> It is also possible that globalization will exacerbate **international** inequality, i.e., the distribution of wealth and resources across states and/or regions, though that is not my focus here.

<sup>7</sup> To be clear, no one would argue that globalization is the one and only cause of domestic inequality. Exactly how much causal weight should be assigned to the lowering of barriers to global trade and investment has emerged as a question of intense scholarly debate, as other factors are clearly also important. Two of these other variables are the weakening of labor unions and technological changes biased in favor of high-skilled workers – though of course each of these developments may itself be caused,

The arguments here can usually be boiled down to two steps. The first involves explaining how it is that globalization creates domestic economic divisions. Of course, all economies – even those that are not open to international trade and investment – reward certain individuals more than others. The claim here is not just that globalization creates winners and losers but that the gap between their respective economic fortunes is now much greater (or will be soon) than the gap that divided the winners and losers of the old, pre-globalization economy.<sup>8</sup>

Next comes the political part of the argument: what are the political implications of this new, and presumably bigger, economic disparity? If we assume (as do the contributors to this literature) that one's political preferences are essentially a byproduct of one's relative economic position, the answer is straightforward. The domestic economic inequalities induced by globalization will become fodder for political disagreements more protracted and intense than those we are accustomed to seeing.

If true, this is obviously cause for concern. But **is** it true? The task of finding out is currently underway: Gini coefficients are at this very moment being crunched and correlated (Deininger and Squire 1998; Keefer and Knack 2001). That is the good news. The bad news is that this may be one of those cases of analysts looking only where the light is shining. It is time to broaden the focus.

As I see it, the case for broadening over (or, ideally, in addition to) deepening is threefold. First, it is possible that the gap between globalization's economic winners and losers is less important than globalization-induced **cultural** divisions. There are a lot of arguments to the effect that a cultural divide is indeed opening up (or widening) in many societies, and that globalization is at least partly responsible. Why assume that the political disagreements engendered by international economic integration are attributable only to integration's economic effects? The most serious disagreements may well concern its social, possibly even its ethical or moral, consequences.

Second, though it may seem obvious, the theoretical basis for concentrating on **relative** disparities, whether economic or (perhaps more importantly) non-economic, is actually rather tenuous and, in any event, requires more systematic attention than it has received thus far in the literature. If everyone is benefiting in absolute terms, perhaps those relative disparities would not matter very much even if they were growing. The fact that globalization enlarges the gap between the winners and the losers – assuming it is true<sup>9</sup> – may be less politically consequential than the fact that some of the relative

---

to some extent, by globalization-induced competitive pressures. For good reviews, see Freeman 1995, Richardson 1995, and Slaughter 2000.

<sup>8</sup> This distinction is important. Frieden and Rogowski (et al) may be right that holders of immobile assets are disadvantaged by globalization, i.e., that they are the losers. But the losses sustained by today's losers may be no greater than those sustained by their pre-globalization counterparts, either relatively (compared with the gains enjoyed by the winners) or in absolute terms (compared with some absolute economic baseline such as the poverty index). On balance, then, it is hard to say whether the total fuel available for political conflict is increasing or decreasing as we move toward a global economy.

<sup>9</sup> There is some question as to whether the Gini coefficients so pervasive in the literature are a good indicator of the kinds of winner-loser gaps that are at issue. What really matters is not inequality so much as polarization, the degree of clustering in a society's population. For an illuminating theoretical

losers are also **absolutely** worse off. If globalization creates political disagreements, this argument suggests, it is because it creates absolute losers.

Third – and this returns to a point introduced in the previous section – it would be a mistake to assume that these globalization-induced political disagreements are always or necessarily about globalization itself. Sometimes that may be the case: the citizens who profit from globalization (materially or otherwise) will want more of it; the domestic actors who do not benefit will want less. In principle, however, the losers could decide that continuing down the globalization path, though it undermines their own economic or other interests, is the most prudent course of action. Why? Because the alternative – retreating from international markets while the rest of the world (or a good chunk of it) remains integrated – could end up doing even more damage. Ultimately, in other words, the losing group’s preference for the “backlash” option would depend on strategic considerations.

But while the losers may not object to the winners’ policy stance on the globalization issue *per se*, they would object – or so one can safely assume – to their preferences on a whole range of domestic redistributive policies. Although heated political disagreements would remain, these (globalization-induced) conflicts would center less around the question of **whether** to integrate into world markets than **how** to integrate, i.e., how aggressively to respond to integration’s various economic and social dislocations. What the losers would demand is not protection but equity.<sup>10</sup>

---

discussion, see Esteban and Ray (1994). Keefer and Knack (2001) question whether the distinction matters empirically.

<sup>10</sup> These equity demands could be addressed both domestically and internationally, in the latter case through the reform and reconfiguration of such institutions as the World Trade Organization and World Bank. In illustrating my arguments, however, I focus exclusively on the domestic arena, where the primary battles have concerned the expansion or contraction of the welfare state.

#### 4. INEQUALITY AND POLITICAL CONFLICT: IT IS *SPATIAL* INEQUALITY THAT MATTERS

As research progresses, we are likely to get a better sense not just of whose interests are hurt by globalization, but also whether those individuals are increasing in number and the winner-versus-loser preference gap is growing. That will not be end of the story, however. In a sense, these findings may not even be relevant.

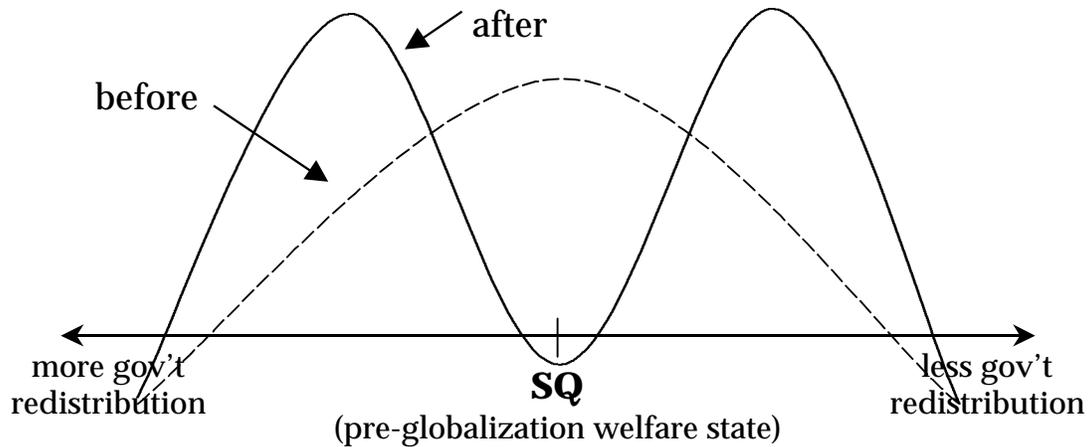
There are several possible pathways from globalization to political turmoil. My point here is that some are neglected, and others – those having to do with the increasing numbers of relative or absolute losers and the intensity of the disagreements between them – may be overplayed.

Suppose, for the sake of argument, it can be shown that globalization does in fact have the polarizing effects discussed above, driving a wedge between the political preferences of different members of society. One might think that these domestic disagreements, being more heated and intense, would wreak havoc on the domestic policymaking process, destabilizing national politics and rendering it more, well, disagreeable. Happily, though, this conclusion does not always follow.

Figure 1 depicts the distributional preferences of a hypothetical society's citizenry both before and after globalization. In the "before" case, the members of the society are in broad agreement on the need for government intervention, though some inhabitants (those toward the left of the political spectrum) would prefer a somewhat larger welfare state while others (those toward the right) would prefer a somewhat smaller one. As globalization proceeds, however, the society polarizes into two camps, one favoring more distribution than was once the norm, the other favoring a substantial amount less. The story, then, is one of increasing preference divergence, increasing differences of political opinion. So how does the story end?

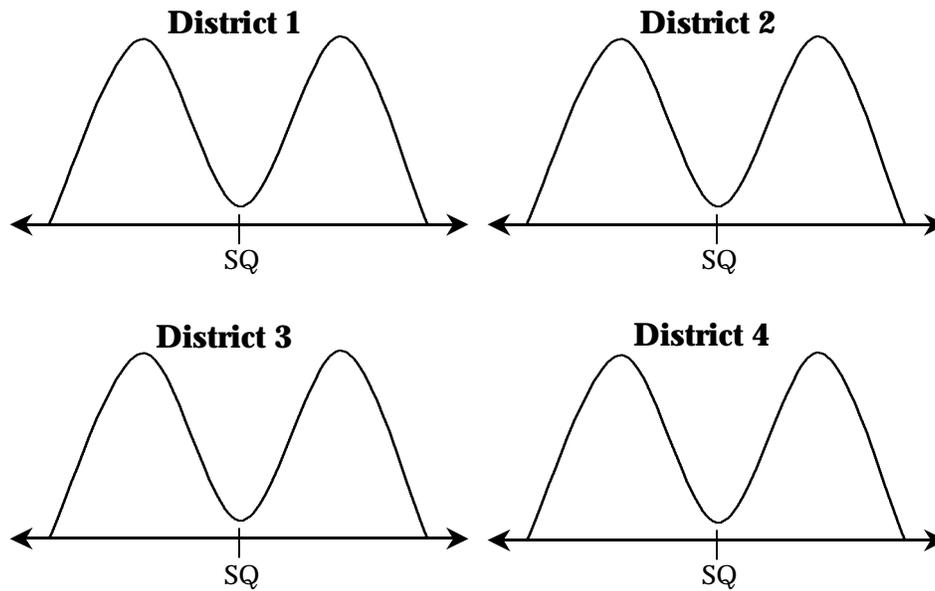
"Badly" might seem to be the logical answer – as the society polarized, its politics would become more conflictual. If the status-quo policy remained in place, it would be because the system was gridlocked – not because that policy was supported (as it had been in the pre-globalization case) by a broad-based societal coalition. In any event, government policy might **not** stay the same; if ever one side were to gain the upper hand, national policy would immediately lurch toward that side's preferred position and away – indeed, far away – from the policies favored by its domestic opponents.

**Figure 1: Societal Preferences Before and After Globalization**



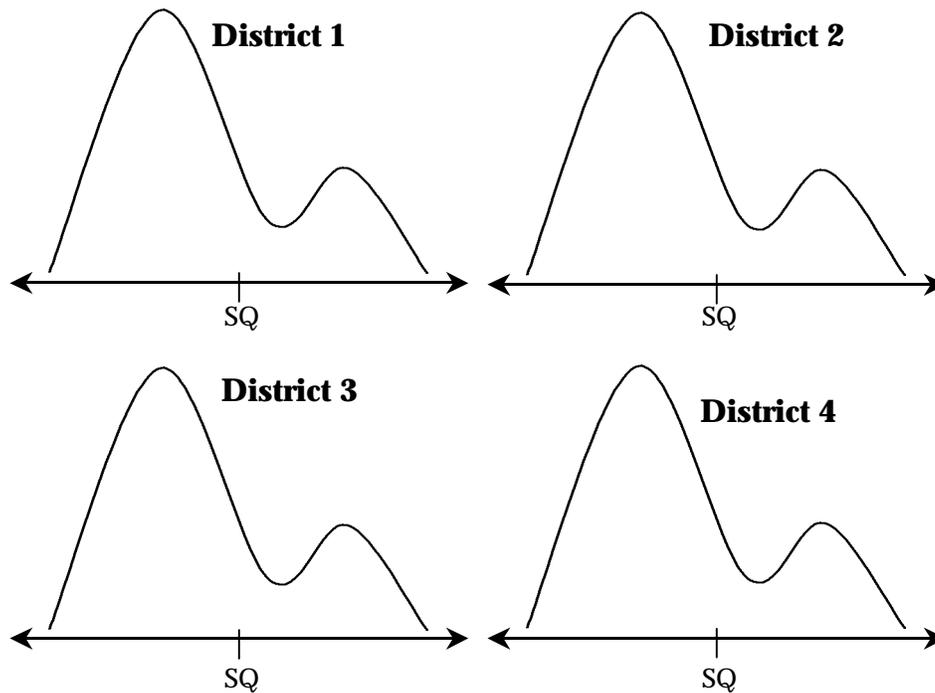
That polarization would produce these effects is not obvious, however. Take a look at Figure 2, a district-by-district breakdown of our hypothetical society. For the sake of simplicity, we will assume for now that the society has just four “electoral” districts (we are also assuming the society is a democracy) and that each of these districts is a microcosm of the larger society: each experienced the same globalization shock, and each polarized in the same way.

Now suppose you are a political representative from one of these districts and you are trying to get yourself reelected to the national legislature. The fact that your constituents are growing more divided does not mean that you must now abandon your support for the government’s pre-globalization policy. If Downsian logic operates, you would continue along as before, embracing a “centrist” redistributive position and, in so doing, assuring yourself the votes necessary for reelection (cf. Downs 1957). And because your three colleagues in the legislature would each run – and win – on that same position, national politics would remain as harmonious as it had always been, globalization’s polarizing effects notwithstanding.

**Figure 2**

To be sure, Figure 2 has each district polarizing symmetrically; the citizens who favor a bigger welfare state are perfectly counterbalanced, in each of the four districts, by the citizens who prefer a smaller welfare state. Yet the lack of association between societal polarization, on the one hand, and political conflict, on the other, does not require that the two sides be evenly balanced. Consider Figure 3, which has the globalization losers who favor expanding the welfare state greatly outnumbering the anti-compensation globalization winners (cf. Frank and Cook 1995). In this scenario, globalization would cause all four of our Downsian politicians to move to the left, abandoning the status-quo policy in favor of (somewhat) greater redistribution toward the poor. In contrast with the previous scenario, this time societal polarization would have real political consequences: it would create a new policy.

What it would not create is political conflict. After all, the four members of the legislature would continue to share each other's views on the redistribution issue; it is just that now these views would be less centrist. The result: no gridlock; no extreme deviations in policy – in short, no political turmoil.

**Figure 3**

The larger lesson here is one that, often gets overlooked in the inequality literature: Globalization may lead to inequality, but inequality need not engender political strife. Quite the contrary, each of the politicians in our examples would have a strong electoral stake in defusing the redistribution issue, perhaps by shifting the political debate toward some entirely new, preferably less divisive set of issues.<sup>11</sup> Yet even if that were not possible – even if redistributive concerns continued to divide their societies at both the district and national levels – that does not mean the country’s **politicians** would have to be divided.<sup>12</sup>

Sometimes, however, things work just the other way – or so I would like to argue – with the severity of political divisions and polarities far exceeding the “underlying”

<sup>11</sup> Which could explain why only some social divisions become “full-blown cleavages embodied in party systems” (Lipset and Rokkan 1967, 14). See also Przeworski and Sprague (1986).

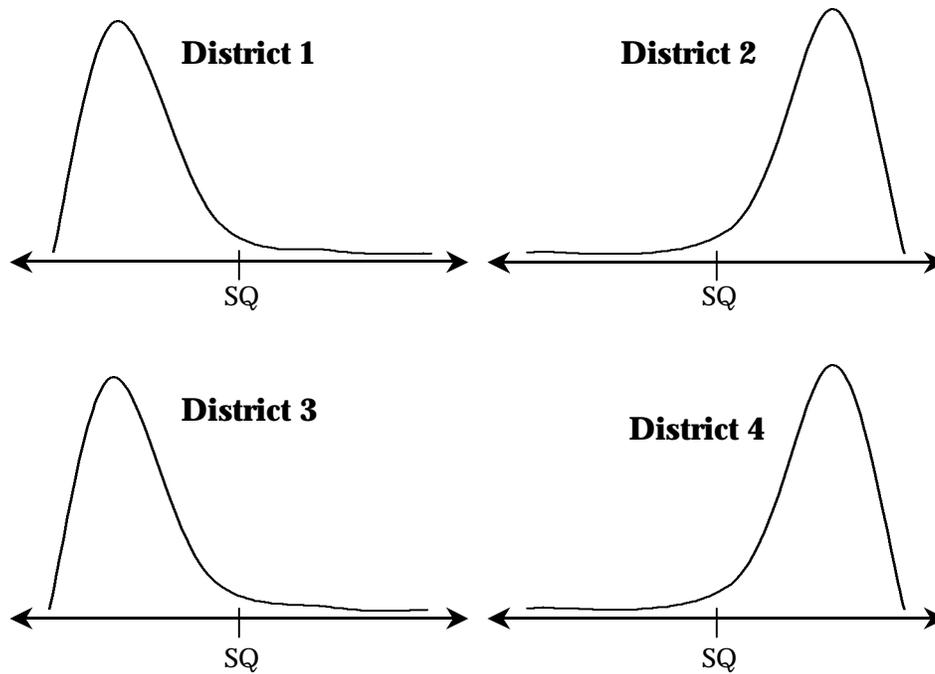
<sup>12</sup> Although not my focus here, the “bowling alone” literature on civic virtue, democratic deliberation, and social capital (see esp. Putnam 2000) may be vulnerable to a similar critique. It would certainly be nice if considerations about the social good dominated private concerns whenever the citizens of a democracy went to the polls or otherwise participated in public life; the virtues of civic-mindedness have been extolled by everyone from de Tocqueville and Mill to Gutmann (1998) and Sandel (1996). The question, however, is whether democracies **require** civic-mindedness. The argument here is that they do not. Democracy-sustaining political compromises can occur in the absence of public-spirited citizens, I would suggest, so long as the politicians they elect have a self-interested, electorally motivated stake in moving to the political center. Social capital is sufficient for democracy, in this view, but it is not necessary.

societal bases for them. How could this be possible? The key lies in appreciating the previously-neglected spatial nature of (some) inequalities. It is when the winners and losers live apart from one another – and, specifically, when they live in different political districts – that the inequality problem really becomes problematic.

To see why, let us return to the hypothetical society of the first three figures, only now let us relax the assumption that the society's globalization-induced preferences are identical across its four electoral districts (see Figure 4). The situation depicted in the new figure is similar to the situation in the earlier figures; here too, globalization has caused the society's preferences to polarize. The difference is that, in this case, the winners and losers are spatially removed from each other, leading to a wide disparity in district-level preferences. The two "left-hand" districts are populated by the losers, their globalization-induced suffering moving their policy preferences toward the left; the winners, meanwhile, happen to be clustered in the two "right-hand" districts, and their welfare-state preferences have been moving toward the right.

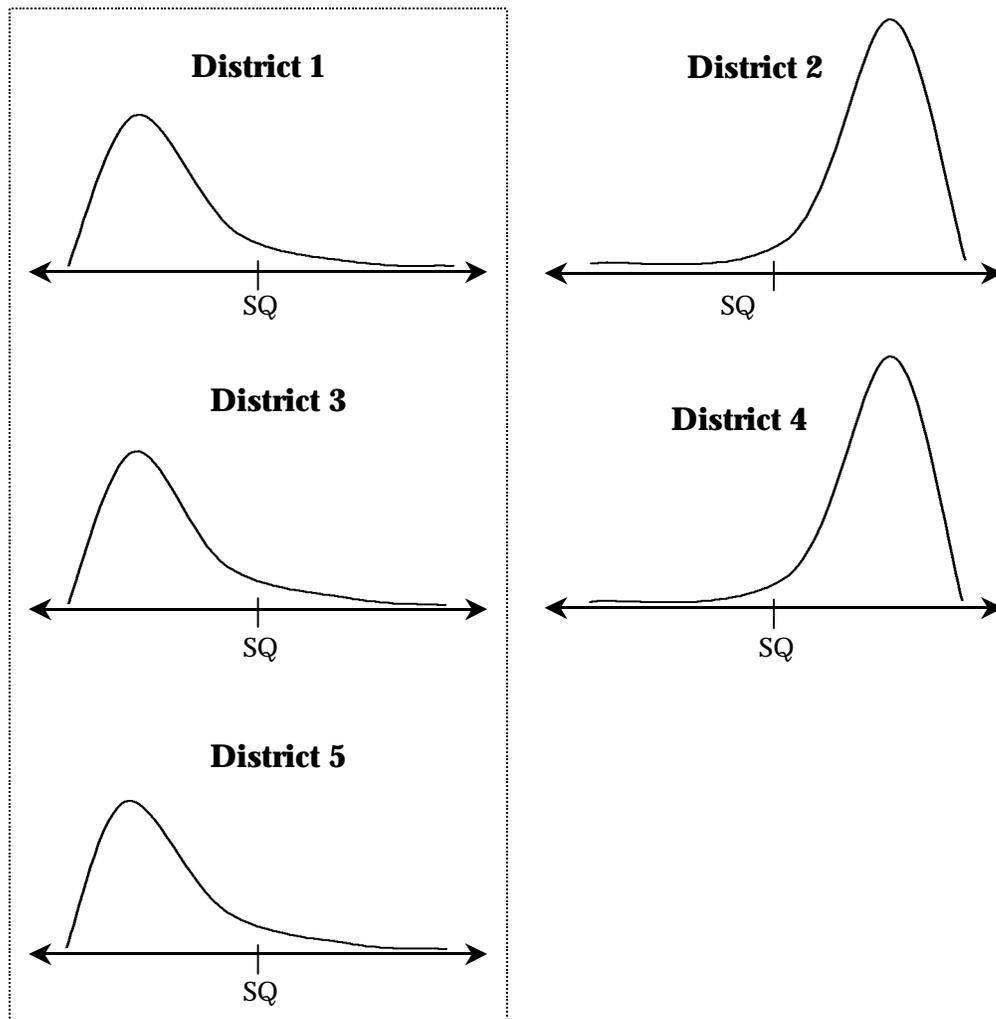
Politically, these spatial differences could wreak havoc at the national level. Districts 1 and 3 would elect politicians who favored expanding the welfare state; districts 2 and 4 would choose politicians who favored scaling it back. In principle, of course, the two left-wing politicians could always work out a compromise with their two right-wing counterparts. Doing so would not be easy, however, and for good electoral reasons. Put yourself in the shoes of district 1's political representative. Were you to agree to a compromise at, say, the point SQ, not only would you have to cope with your constituents accusing you of "selling out" but – more importantly – you would make yourself vulnerable to a (successful) electoral challenge. To drive you from office, a challenger would simply need to enter the race on a platform of SQ-minus-a-hairsbreadth. By promising ever so slightly more redistribution toward the poor, your opponent would capture the vast bulk of your erstwhile supporters and win in a landslide. While the example is stylized, the point is basic: political harmony would require compromise (as it would not in the like-minded legislatures of Figures 2 and 3), and compromise is often difficult.

What if globalization were to create more districts of one preference-profile than of the other? Might the resulting imbalance, by giving one side a clear majority, render such compromises unnecessary? Perhaps, but the fact that one side would enjoy political dominance would not necessarily spell the end of political conflict. It might well have the opposite effect. How? By prompting the other side to leave the game entirely.

**Figure 4**

In Figure 5, that other side is the “right-wing” minority – the constellation of forces opposed to any expansion of the welfare state beyond its status-quo level. Disillusioned with democracy, the inhabitants of Districts 2 and District 4 could decide to form a state of their own. However, secession is not the only way of leaving the game; nor, for reasons I elaborate in section 6, is it usually very realistic. In any event, another alternative exists. Recognizing the futility of **leaving** the state, Figure 5’s spatially concentrated minority might decide to **take it over**, wresting outright control of a decision-making apparatus that, whether democratic or not, had been working against their interests.<sup>13</sup>

<sup>13</sup> Which of these options (if either) the minority chooses would depend on its opportunities and constraints. And these in turn would be conditioned, in part, by geographic considerations. See section 6 for a discussion of these issues as they relate to the exit option, i.e., secession. As for the second option – staging an anti-democratic revolution – the very possibility might seem farfetched. Indeed, one of the central tenets of the comparative literature is that democracies, once established, are stable so long as they remain reasonably prosperous (see esp. Przeworski et al. 2000). But while prosperity may be helpful in smoothing over distributional conflicts, that doesn’t mean it is sufficient to keep democratic regimes from backsliding into dictatorship. The empirical evidence amassed by Przeworski and his co-authors suggests that in countries with GDP per capita of \$6,000 or more, democracy is robust. Yet because the theoretical

**Figure 5**


---

To be sure, the kinds of political conflicts that would arise in Figure 5 societies – conflicts wherein one side seeks a fundamental overhaul of government – are not the same as the political confrontations I described in the context of Figure 4. They are, if anything, even more extreme.

---

underpinnings of this finding are tenuous (as Przeworski himself concedes), one can legitimately question whether it will stand the test of time – or, more importantly, of globalization.

## 5. GLOBALIZATION AND ECONOMIC SEGREGATION: THE MISSING LINK

Missing from my previous discussion has been any analysis of how globalization might produce the kinds of enduring spatial inequalities that (my theoretical argument suggests) are a necessary condition for heightened, and protracted, political conflict. Whether there currently exists an empirical relationship between globalization and spatial segregation is hard to say. The most sophisticated econometric work in this area – that of University of Michigan labor economist Gordon Hanson – examines the relationship between economic openness and internal, region-to-region wage differentials and finds that the two are related (see Hanson 1997; Krugman and Hanson 1993). If anything, Hanson’s findings understate globalization’s wedge-driving capacity, since two regions populated by very different types of individuals – one having a preponderance of high-tech workers, the other populated predominantly by low-skilled workers – could nonetheless have very similar wage levels. It is possible that globalization’s economic beneficiaries (the high-tech workers in this example) would be willing to sacrifice high wages in return for “exogenous amenities” (Rosen 1979) like good weather – think of Palo Alto – or perhaps just for the right to live amongst themselves and not have to interact with their less-skilled fellow citizens. If this were the case, the analysis of regional wage or income differentials could obscure wide disparities in the economic orientations and political preferences of a country’s various regions.

These empirical issues require closer investigation. For present purposes, however, I am more interested in establishing the **theoretical** link between globalization and spatial divergence. To the extent that such a link exists, why does it exist? What is the conceptual logic that leads me to believe it is not merely an artifact of the data or a temporary blip but, rather, an enduring and in some sense “natural” relationship?

The place to start is with the literature on economic geography (see esp. Krugman 1991). Here, then, is a simple theoretical story – one I take to be consistent with this literature yet that represents, at least in its last step, something of a departure as well.

In the beginning, this story goes, markets were too small to support large-scale industrial production – because the barriers to exchange were too high – and people lived scattered about, mostly on farms or in small towns. As technology advanced, however, and the costs of doing business declined, markets grew in size to encompass entire nations. With the growth of (domestic) markets came the rise of cities, concentrations of people and economic activity in a handful of “core” geographic locations. Why urbanization should accompany marketization is not obvious, and there are, in the economic geography literature, at least three different explanations: the **internal-economies** explanation, which stresses the importance of forward and backward linkages (Ades and Glaeser 1995; Fujita, Krugman, and Venables 1999), the **external-economies** explanation, which emphasizes the knowledge spillovers that can occur between firms situated in the same location (Henderson 1988), and the **political-favoritism** explanation, which views urban-biased allocations of resources as the rationale for urban concentration (see, again, Ades and Glaeser 1995; cf. Bates 1981). Of course, the three explanations are not necessarily in competition; if anything, they are mutually reinforcing. Thus it may be that the relatively low price of production inputs and

proximity to customers are what initially lead businesses and workers to concentrate in cities, just as the internal-economies theory would imply, but that once economic activity has “agglomerated,” information about new ideas and techniques spreads more rapidly from firm to firm (the external-economies argument) and politicians become more willing, if not desperate, to satisfy urban demands (the political-favoritism argument). Whatever the specific chain of events, the point is that the extension of markets is good for the nation as a whole – it fuels national prosperity – but it is especially good for those living in the nation’s urban core. In fact, economic growth in the country’s periphery might **decline**, exacerbating any previously existing trend toward urban agglomeration.

“Exacerbated” is not the right word, however, for cities are the country’s engine of growth in this model. And, if this paper’s argument is correct, they are engines of political compromise and stability as well.

It is true that the agglomerating tendencies I have just been discussing would leave each country’s most productive citizens clustered together in the same geographic spaces (cities, regions, et cetera). Yet, those spaces would also be inhabited by the nation’s **least** productive citizens, the losers as it were. The result, owing to this spatial intermingling, would be a moderation, if never a complete cession, of domestic political conflict.

Enter globalization. Over the years, a combination of technological innovations (e.g., air travel) and political innovations (e.g., the inauguration of the GATT and, later, the WTO) have begun to eradicate what were once, at least during the interwar years, insuperable barriers to international economic exchange.<sup>14</sup> One consequence of this development – the creation of a truly international market – has been a gradual weakening of agglomeration pressures and attractions. As Fujita, Krugman, and Venables (1999, 330) explain, “A plant that receives most of its intermediate inputs from abroad and sells most of its output to foreign markets has little incentive to locate in the domestic core, and the diseconomies of agglomeration outweigh the remaining linkage advantages of a core location.” As for the external-economy attractions of city living (and, more importantly, producing), these advantages dissipate as well, since firms no longer need to be located in the same city, or even in the same country, in order to reap the rewards of one another’s innovations. So what happens?

Liberated from the cities and regions where the logic of agglomeration had compelled them to set up shop, innovative industries relocate (though, in practice, the “relocated” companies may be new ones). Where do they go? Since they can locate virtually anywhere, they naturally migrate toward the part(s) of the country with the nicest site-specific resources and amenities – again, think of Palo Alto or, in regional terms, the “New South.” During this transition, the countries in question would experience faster growth in their cores than in their peripheries, just as before. Only now, these cores would consist of exclusive winners-only enclaves, be they regions, cities, or suburbs. Why wouldn’t the globalization losers relocate to those same areas? Overt discrimination may play some role here, though purely economic forces would probably matter even more. I noted earlier that the winners might be willing to take an income “hit” for the

---

<sup>14</sup> “Globalization” here refers to any development that reduces the costs of transacting across national borders. On the history of globalization, see O’Rourke and Williamson (1999).

luxury of residing in an exclusive, amenity-abundant community. Even with this sacrifice, however, the beneficiaries of globalization would be in decidedly better financial shape than their globalization-suffering fellow citizens. And because their pockets would be deeper, one can also assume they would be willing to expend greater resources on housing costs, bidding up the price of real estate beyond what the less well-endowed losers, trapped in their own exclusive (but less amenity-rich) communities, could afford to pay.

All of which is to suggest that globalization's effect on **domestic** interdependence is the opposite of its (famously positive) impact on **international** interdependence – and this, potentially, is a big problem. In addition to driving a wedge between the preferences of those whom it benefits and those who get hurt, globalization may also cause the two groups to become more isolated spatially. And that geographic isolation would in turn have the effect of magnifying, as well as unifying, each block's political voice – particularly, as I argue below, in societies governed by plurality electoral systems with single-member districts.<sup>15</sup>

True, the decline of domestic interdependence has many different causes, and it is not as if dispersion pressures would altogether evaporate if countries were to de-globalize and return to the days when markets were primarily domestic. Inasmuch as we have recently been seeing a decline in domestic interdependence, some part of that decline is surely a product of “exogenous” dispersion forces having little to do with globalization: the rise of the service sector, for instance, or the worsening of urban pollution. Still, one could argue that these exogenous forces have largely run their course, and that their marginal impact is rapidly diminishing, whereas the forces of globalization are only now beginning to pick up steam. If this is correct, it suggests that the political problems associated with declining domestic interdependence may only get worse over time. So much for “the end of history” (Fukuyama 1989).

Recognizing that correlation is not causation and that more careful empirical work is urgently needed, it is interesting to note that integration into world markets has been accompanied in many societies by (what appear to be) deepening geographic cleavages, ethnic and economic alike. My own list of “trouble spots” would start with today's increasingly integrationist China.<sup>16</sup> In Europe, meanwhile, the list would include Italy,

---

<sup>15</sup> While I have been focusing here on the question of whether it depresses domestic **economic** interdependence, it is possible that globalization also diminishes the spatial integration of different **non-economic** groups. How? By weakening the agglomeration forces that sustain cosmopolitan, multiethnic cities. The extent to which globalization does, in this way, promote ethnic or cultural clustering is a question I leave for future research.

<sup>16</sup> A period of regional income convergence during the late 1970s and early 1980s was followed in China by a period of increasing regional asymmetry, with the coastal areas, particularly the region around Hong Kong, enjoying spectacular rates of growth while the interior of the country suffered the effects of a “geographic poverty trap” (Ravallion and Jalan 1999; see also Raiser 1998 and Jian, Sachs, and Warner 1996). By the 1990s, notes a veteran observer of Chinese politics “the coastal regions were ... exhibit[ing] a decreasing willingness to pay tax to the center in order to equalize the patterns of growth” (Segal 1994, 15).

China is by no means the only Asian country experiencing internal, economically-driven (i.e., not simply ethnic) tensions between various regions. Consider Indonesia. In the late 1950s, Indonesia's national authorities successfully, albeit repressively, countered a secessionist threat from the country's

Belgium, and the UK (though their openings are hardly recent), as well as Spain, Ireland, and virtually the whole of Central and Eastern Europe. Of course, there is also Africa – it would be difficult to name a country in Sub-Saharan Africa that is **not** driven by political-geographic cleavages (see esp. Herbst 2000) – and, moving on to the Americas, there are the cases of Mexico, Canada, and even, perhaps, the United States itself (see Gruber and Gaines 2001).<sup>17</sup>

Not that the prognosis for all of these countries would look the same, of course. Not only might their degrees of spatial inequality differ (in either direction); their electoral systems could – and, in most countries, do – differ as well.

Although I have not emphasized it in my discussion thus far, this last point is crucial: holding other things constant, different electoral systems will lead to different degrees of political conflict. Thus, proportional representation (PR) systems, to varying degrees, diminish the importance of geography. In the limit, when an entire nation comprises a single electoral district (e.g., Israel, the Netherlands), there is only one electorate, and the degree to which its various traits are reflected in the party system is a function of such factors as elite strategy, the ease of party formation, the skill of large parties at “brokerage” politics, and so on. What does **not** matter is the spatial distribution of voters of different types.

By contrast, in a system in which districts are of small magnitude, the way that the nation is partitioned by electoral boundaries is a critical step in the preference-to-policy mapping function. The upper limit for importance of electoral boundaries is the single-member plurality systems used in elections to the U.S. House of Representatives, as well as the British, Canadian and Indian Houses of Commons. The combination of plurality rule (which is potentially **very** unproportional) and low(est)-magnitude districts ensures that variance in district traits is an important feature of the system. For any given trait, the nation is not characterized solely by its national distribution of individual voters, but also by a set of district distributions, and, in turn, distributions of district summary statistics such as mean, median, and so on. The bottom line is that spatial inequality’s conflict-causing potential is mediated, to some extent, by electoral rules (cf. Lipset and Rokkan 1967). Or rather, my theory predicts that it should be; if this turns out not to be the case, then the theory is deficient.

Which is precisely why any empirical analysis of my theoretical claims must ultimately be cross-national: the more electoral variation, the better. Given the methodological difficulties noted earlier (not to mention the more mundane data-gathering hurdles), demonstrating the argument’s empirical plausibility for a single case

---

resource-rich outer islands of Sumatra and Sulawesi. Today, the pressures for outright secession have waned (Mydans 2001), but serious regional fissures remain. On one end of the spectrum are the impoverished East Timorese; on the other are the relatively prosperous residents of Atjeh, an oil-rich province located on the northwestern tip of Sumatra. In India, a political-geographic divide separates the “high-tech” states of the southern peninsula – Tamil Nadu, Kerala, Andhra Pradesh, and Karnataka – from the rest of the country. And finally, though the scale may be smaller, the situation in Vietnam is much the same: an impoverished north; a vastly more prosperous south.

<sup>17</sup> For a related argument about the United States, see Arthur Schlesinger’s *The Disuniting of America* (1992); also Reich (1991), Kaus (1992), and especially Jargowsky (1996 and 1997).

may be all that one can reasonably expect at this stage of the game. But that game has really only just begun. My hope is that this brief empirical exercise will serve as the foundation for a “progressive” research program (cf. Vasquez 1997), a theoretical **and empirical** edifice whose exact size and shape will emerge in the years ahead as political scientists begin focusing in on the spatial dimensions of the larger globalization story.

## **6. POLITICAL CONFLICT VERSUS POLITICAL DISINTEGRATION: WHY BREAKING UP IS SO HARD TO DO**

In some ways, the single-member districts of the United States make it an easy case for the paper’s theoretical argument. In other respects, however, the U.S. is a difficult case – most obviously because of the immense size of its internal market (Gruber and Gaines 2001). If globalization-induced polarization is happening in the United States, a country that has been relatively unaffected by the globalization phenomenon, one can reasonably conclude that it is happening elsewhere as well. In fact, the U.S. case is revealing in another way too. As divided as its internal politics may be, the United States is not about to break up into two separate nations.

Therein lies an important point. Put simply – lyrically? – breaking up is hard to do.

But perhaps it is getting easier. In suggesting that the winners and losers are stuck with each other, perhaps I am being excessively pessimistic. Although I may be right that globalization’s long-term spatial effects are divisive, one of globalization’s **other** effects is, after all, the easing of barriers to political secession (Alesina and Spolaore 1997; Bolton and Roland 1997; Gourevitch 1979). From this, one might conclude that the kinds of worrisome political tensions I have been describing – should they in fact materialize – could be averted relatively easily, with each side volunteering to break off and form a new state of its own. The prediction? A proliferation of new, more optimally-sized (i.e., smaller) nations.

True, these smaller political units would have a harder time exploiting economies of scale in the provision of public goods. But this disadvantage may not be very great, whereas the political advantages of smallness – reduced preference heterogeneity, more responsive government, and the like – could turn out to be huge. While the secession option may not have been economically attractive in a world of high international trade barriers, subnational groups now have the option of integrating directly into the international economy. Maintaining access to one’s “home” market is no longer as important as it used to be, and losing that access no longer as costly.

All that said, the notion that globalization facilitates the (peaceful) breakup of a society’s various subgroups assumes a lot. For starters, it requires that these groups live in territorially distinct regions of that society, as opposed to being scattered throughout. The degree to which the opponents of a country’s government are spatially intermingled with government supporters could have a profound, albeit electorally mediated, effect on whether the opposition camp decides to secede. For now, however, let us just consider the extreme case in which the government’s opposition comes from one (geographically-

contiguous) part of the country, and its supporters all live together in another. Would either faction be tempted to break away?<sup>18</sup>

The answer in most cases would still be no. Inasmuch as globalization increased the attractiveness of the secession option, it is doubtful that it would do so by enough to tip the scales for the society's poorer citizens. Although there are exceptions (Slovakia springs to mind, though the case is more complicated; see Leff 1997), it is usually the richer parts of a country that pose the greatest secessionist threat. And for good reason: were it to create a new state, the poor faction would lose its privileged economic access to the markets of the country it had left behind. In addition, it would also give up its prior claim, assuming it had held a political majority, on the wealth and resources of the new country's more prosperous (but now politically sovereign) inhabitants.

The poor, then, might not **want** to secede.<sup>19</sup> Quite the contrary, they would have a big financial stake in seeing that "their" state remained intact. How? By reducing the attractions of secession for those of their fellow citizens who would normally find it desirable.

Appealing to outsiders could be one means to that end. The intervention of outside actors, and of the United States in particular, could greatly influence the incentives and disincentives of the secession option. If U.S. policymakers decided it was in their interests that other societies remain unified, they could take steps to ensure that the disincentives dominated.<sup>20</sup> Most importantly, the United States could establish a policy of trading only with existing (i.e., unified) polities.

Why would U.S. policymakers want to use their economic leverage in this way? One might think they would **support** the formation of new "breakaway" states, and so, far

---

<sup>18</sup> To be sure, this scenario lies at one end of a spectrum of possibilities. For theory-building purposes, however, it often makes sense to begin with the simplest case. Good examples here, all touching on similar questions, are Alesina and Spolaore (1995), Bolton and Roland (1997), Casella and Weingast (1995), Garrett and Lange (1995), Fearon and van Houten (1998), and of course Olson (1993 and 2000).

<sup>19</sup> A possible exception would be if the poor region were characterized by higher levels of income inequality than was the case for the state as a whole. In that event, a poor-group secession would allow the new state to tax its richest inhabitants at a steeper rate than had been in effect prior to the secession. This theoretical possibility is explored by Bolton and Roland (1997), though whether it fits any real-world cases is an open question. See Fearon and van Houten (1998); van Houten (2001).

<sup>20</sup> One implication is that the United States can, if it chooses, wield great influence over the internal political structures of other countries. This is not the conventional wisdom. To the contrary, there is today a growing consensus that, short of long-term occupation, the U.S. simply no longer has the means to shape the domestic political institutions of other countries. While it may not like seeing once-stable societies break into warring factions, there is little the Americans can do about it unless they are prepared to use force. And even force itself is problematic; because it has to be credible, coercion does not always work very well as a tool of foreign policy, not even for hegemonic powers like the United States. Following this chain of logic, analysts from Samuel Huntington to Paul Kennedy have been urging U.S. foreign policymakers to abandon their interventionist "crusade" for democracy. If the citizens of newly established democratic states find it impossible to reconcile their differences, the United States will not be able to make them. Nor, these analysts assert, is it a small task for the U.S. to restore democracy to states that have lost it or, indeed, never had it, as demonstrated by the country's failures in Cuba, Haiti, and now, some would argue, Russia.

from shutting them out of U.S. markets, would offer them preferential access.<sup>21</sup> Leaving aside the fact that the United States itself was once a breakaway state, the best argument for the U.S. agreeing to do business with outwardly-oriented, autonomy-seeking minorities is that it would greatly bolster the economic performance of their new states, should they ever be permitted to gain their independence. Confident that their new nations would be economically viable, the minority factions would have less need – and hence less inclination – to assume direct control over their “home” societies, the majority of whose inhabitants had supported, and indeed had themselves democratically elected, politicians with very different preferences (recall Figure 5).

This is a happy scenario. But there is, as always, another side to the story.

Consider the majority’s point of view. By opening its markets to the globalization-friendly minority, the United States would be encouraging the minority to secede. Were that to happen, a democratic state would be denied its primary source of funding for redistributive programs, not to mention its major source of productive investment. And so the citizens of that state would probably not look very kindly on the United States. But, again, the United States has the power to prevent all of this from happening. And its leaders would probably use it – even, one suspects, without being asked.<sup>22</sup>

Not that outside intervention would always be required, of course. The “rump” government might be able to prevent its secession-minded opponents from breaking away even without the assistance of the United States or other external actors – most obviously, by defeating the secessionists militarily. While this assumes that the state’s government would be willing to go to war to put down its secessionist rebellion and preserve the union, that seems more realistic than assuming that the secessionists would be willing to go to war (against a government-funded military no less) to break it apart.

It might be objected that members of the majority, by muzzling the wealthier minority’s secessionist ambitions, would be undermining their own economic prospects. If the human-capital-endowed segments of a country’s population are unhappy, and they cannot leave, perhaps they will just refuse to invest and innovate, reducing the size of the economic surplus available to their oppressors. On the other hand, the resulting economic slowdown may not be all that severe.<sup>23</sup> It is certainly true that holders of

---

<sup>21</sup> The United States does not currently have a coherent policy on self-determination, be the “self” in question an ethnic minority or (my focus here) an economic one. See Halperin and Scheffer (1992).

<sup>22</sup> Although I concentrate my attention here on U.S. policy, I want to emphasize that the basic thrust of my argument would apply to the European Union as well. Lest one doubt that EU accession rules can affect the internal structure of non-EU states, read Carol Skalnik Leff’s (1997) fascinating study of Czechoslovakia’s “Velvet Divorce” in 1992. Had the members of the EU made it clear that breakaway states would not be welcome in their newly inaugurated Internal Market, Leff’s account suggests that the citizens of the Czech Republic would never have been willing to secede from their poorer (hence less EU-ready) Slovakian neighbors. See esp. Leff 1997, chap. 8.

<sup>23</sup> And even if it was, such a downturn would not necessarily spell the end, through electoral defeat, of the society’s minority-oppressing government. Nor, assuming the government did manage to remain in power, would it necessarily face an **external** threat. In the past, slow-growing societies risked being taken over or destroyed by their faster-growing neighbors. Economic selection pressures have been weakening over time, however, a consequence of the rising economic and (especially) political costs of modern

capital enjoy a privileged position in democratic societies; because capitalists can always exit (i.e., disinvest), democratic governments concerned about economic outcomes must cater to their demands.<sup>24</sup> And as globalization proceeds, capitalists gain a whole new array of exit options, raising their political clout by even more (see, e.g., Alesina and Spolaore 1995; Rodrik 1997). But the extent of globalization and, by implication, capital's ability to exit are (to at least some extent) policy variables: governments can close them off without altogether undermining their societies' prospects for economic growth.

How is this possible? The key point is that innovators will innovate and capitalists invest so long as they expect positive returns and, importantly, **these returns are the largest available**. And that being the case, one would expect the beleaguered majority to go out of its way to close off these alternatives – including the alternative of physically migrating to other, higher-returns societies. There is no reason to think this strategy would always work, of course. Or that, because it worked for a while (think of the Soviet Union during the early decades of the cold war), it would work forever (think of the Soviet Union today).<sup>25</sup> My point is simply that the citizens threatened by a secessionist movement would not have to take their predicament lying down. They could call out the troops (or threaten to) and plug up their “brain drains” without necessarily shooting down their economies in the process.

## 7. AN AGENDA FOR FUTURE RESEARCH

The past fifteen or twenty years have been marked by a rapid and, in many ways, unprecedented increase in international openness. This extension of markets, nurtured and sustained by a complex array of overlapping intergovernmental and supranational institutions, has clearly benefited some states and the government officials who preside over them. However, the fact that international economic integration has worked to some people's advantage does not mean that everyone views it as a good thing. Indeed, some government leaders – even some who have taken a seat on the globalization bandwagon voluntarily, without in any way being subjected to coercive pressure or bullying – see themselves as globalization losers: global economic integration represents more of a threat, in their view, than an opportunity. For students of international politics, the big question for the future (or so it seems to me) is how these losers will respond should globalization's economic and political toll continue to rise – and how that response, in turn, will affect the prospects for democracy and geopolitical stability in the years ahead.

---

warfare, as well as the declining geostrategic value of physical territory, i.e., land. See Kaysen (1990) and Rosecrance (1999), among others.

<sup>24</sup> The term “privileged position” comes from Lindblom (1977), though the same theme also runs through the writings of Marx and – more recently – Przeworski and Wallerstein (1988), Garrett (1998), Rogowski (1998), and Boix (2000).

<sup>25</sup> Although the difficulty of restricting cross-border flows of goods and capital is a recurrent theme in the IPE literature, the most important constraint that governments may run up against in their efforts to manage globalization may well be the least studied: the difficulty of restricting cross-border flows of people, particularly those who are well-endowed with human and/or physical capital.

If national policymakers are to guide or “manage” globalization effectively, they will need answers to these questions. But it is not just their salience for policymakers that makes this new line of inquiry so exciting. As I hope my preliminary discussion here has demonstrated, thinking through globalization’s long-term logic can also be expected to provide insight into political geography questions of historical interest and enduring social-scientific controversy, questions which, using the tools of rational choice theory, econometrics, and historical analysis, I am currently – and enthusiastically – pursuing.

## REFERENCES

- Ades, Alberto F., and Edward L. Glaeser. 1995. Trade and Circuses: Explaining Urban Giants. *Quarterly Journal of Economics*, 110, no. 1 (February): 195-227.
- Alesina, Alberto, and Enrico Spolaore. 1995. On the Number and Size of Nations. Working Paper no. 5050. Cambridge, Mass.: National Bureau of Economic Research.
- Alesina, Alberto, Sule Özler, Nouriel Roubini, and Phillip Swagel. 1996. Political Instability and Economic Growth. *Journal of Economic Growth*, 1 (June): 189-211.
- Barro, Robert J. 1997. *Determinants of Economic Growth: A Cross-Country Empirical Study*. Cambridge, MA: M.I.T. Press.
- Bates, Robert. 1981. *Markets and States in Tropical Africa*. Berkeley: University of California Press.
- Boix, Carles. 2000. Democracy and Inequality. The University of Chicago. Ms.
- Bolton, Patrick, and Gerard Roland. 1997. The Breakup of Nations: A Political Economy Analysis. *Quarterly Journal of Economics*, 112, no. 4 (November): 1057-90.
- Casella, Alessandra, and Barry R. Weingast. 1995. Elements of a Theory of Jurisdictional Change. In Barry Eichengreen, Jeffrey Frieden, and Jürgen von Hagen, eds., *Politics and Institutions in an Integrated Europe*, Berlin: Springer, 11-41.
- Deininger, Klaus, and Lyn Squire. 1998. New Ways of looking at Old Issues: Inequality and Growth. *Journal of Development Economics*, 5, no. 2: 259-87.
- Edwards, Sebastian. 1998. Openness, Productivity, and Growth: What Do We Really Know? *The Economic Journal*, 108 (March): 383-98.
- Esteban, Joan-María, and Debraj Ray. 1994. On the Measurement of Polarization. *Econometrica*, 62, no. 4 (July): 819-51..
- Fearon, James D., and Pieter van Houten. 1998. The Politicization of Cultural and Economic Difference: A Return to the Theory of Regional Autonomy Movements. Paper prepared for the Annual Meeting of the American Political Science Association, Boston, MA, September.
- Feenstra, Robert C. 1998. Integration of Trade and Disintegration of Production in the Global Economy. *Journal of Economic Perspectives*, 12, no. 4 (Fall): 31-50.
- Frank, Robert H., and Philip J. Cook. 1995. *The Winner-Take-All Society*. New York: The Free Press.
- Freeman, Richard B. 1995. Are Your Wages Set in Beijing? *Journal of Economic Perspectives*, 9, no. 3 (Summer): 15-32.

- Frieden, Jeffrey A., and Ronald Rogowski. 1996. The Impact of the International Economy on National Policies: An Analytical Overview. In Robert O. Keohane and Helen V. Milner, eds., *Internationalization and Domestic Politics*, New York: Cambridge University Press, 25-47.
- Fujita, Masahisa, Paul Krugman, and Anthony J. Venables. 1999. *The Spatial Economy: Cities, Regions, and International Trade*. Cambridge, Mass.: M.I.T. Press.
- Fukuyama, Francis. 1989. The End of History. *The National Interest*, 16 (Summer): 3-18.
- Garrett, Geoffrey. 1998. Global Markets and National Politics: Collision Course or Virtuous Circle? *International Organization*, 52, no. 4 (Autumn): 787-824.
- Garrett, Geoffrey------. 2001. The Distributive Consequences of Globalization. Yale University. Ms. January.
- Garrett, Geoffrey, and Peter Lange. 1995. Internationalization, Institutions and Political Change. *International Organization*, 48, no. 4 (Autumn): 627-655.
- Gourevitch, Peter. 1978. The Second Image Reversed: The International Sources of Domestic Politics. *International Organization*, 32 (Autumn): 881-912.
- Gourevitch, Peter. 1979. The Re-emergence of "Peripheral Nationalisms": Some Comparative Speculations on the Spatial Distribution of Political Leadership and Economic Growth. *Comparative Studies in Society and History*, 21, no. 3:303-22.
- Grossman, Gene, and Elhanan Helpman. 1991. *Innovation and Growth in the Global Economy*. Cambridge, Mass.: M.I.T. Press.
- Gruber, Lloyd. 2000. *Ruling the World: Power Politics and the Rise of Supranational Institutions*. Princeton, N.J.: Princeton University Press.
- Gruber, Lloyd. 2001. Power Politics and the Free Trade Bandwagon. *Comparative Political Studies*, 34, no. 7 (September): 703-741.
- Gruber, Lloyd, and Brian J. Gaines. 2001. Globalization and Political Conflict: The Long-term Prognosis. Paper prepared for delivery at the Annual Meeting of the American Political Science Association, San Francisco, August 30-September 2.
- Gutmann, Amy. 1998. Freedom of Association: An Introductory Essay. In Amy Gutmann, ed., *Freedom of Association*. Princeton, N.J.: Princeton University Press.
- Halperin, Morton H., and David J. Scheffer (with Patricia L. Small). 1992. *Self-Determination in the New World Order*. Washington, D.C.: Carnegie Endowment for International Peace.
- Hanson, Gordon. 1997. Increasing Returns, Trade, and the Regional Structure of Wages. *Economic Journal* 107: 113-133.
- Henderson, J. Vernon. 1988. *Urban Development: Theory, Fact and Illusion*. Oxford: Oxford University Press.

- Herbst, Jeffrey I. 2000. *States and Power in Africa: Comparative Lessons in Authority and Control*. Princeton, N.J.: Princeton University Press.
- Jargowsky, Paul. 1996. Take the Money and Run: Economic Segregation in U.S. Metropolitan Areas. *American Sociological Review*, 61 (December): 984-98.
- Jargowsky, Paul. 1997. *Poverty and Place*. New York: Russell Sage Foundation.
- Jian, Tianlun, Jeffrey D. Sachs, Andrew M. Warner. 1996. Trends in Regional Inequality in China. NBER Working Paper No. 5412. Cambridge, Mass.: National Bureau of Economic Research. January.
- Kaus, Mickey. 1992. *The End of Equality*. New York: Basic Books.
- Kaysen, Carl. 1990. Is War Obsolete? A Review Essay. *International Security* 14, no. 4 (Spring): 81-103.
- Keefer, Philip, and Stephen Knack. 2001. Polarization, Politics, and Property Rights: Links Between Inequality and Growth. Washington, D.C.: World Bank.
- Krugman, Paul, and Gordon Hanson. 1993. Mexico-U.S. Free Trade and the Location of Production. In Peter M. Garber, ed., *The Mexico-U.S. Free Trade Agreement*. Cambridge: MIT Press, 163-186.
- Krugman, Paul, and Anthony J. Venables. 1995. Globalization and the Inequality of Nations. *Quarterly Journal of Economics*, 110, no. 4. (November): 857-880.
- Leff, Carol Skalnik. 1997. *The Czech and Slovak Republics: Nation versus State*. Boulder, Colo.: Westview Press.
- Lindblom, Charles E. 1977. *Politics and Markets: The World's Political-Economic Systems*. New York: Basic Books.
- Lipset, Seymour Martin, and Stein Rokkan. 1967. Cleavage Structures, Party Systems, and Voter Alignments: An Introduction. In Seymour Martin Lipset and Stein Rokkan, eds., *Party Systems and Voter Alignments: Cross-National Perspectives*. New York: The Free Press, 1-64.
- Mydans, Seth. 2001. Indonesia May Crumble Without Falling Apart. *New York Times*, July 29.
- Olson, Mancur. 1993. Dictatorship, Democracy, and Development. *American Political Science Review*, 87, no. 3 (September): 567-576.
- Olson, Mancur. 2000. *Power and Prosperity: Outgrowing Communist and Capitalist Dictatorships*. New York: Basic Books.
- Oneal, John R., and Bruce M. Russett. 1997. The Classical Liberals Were Right: Democracy, Interdependence, and Conflict, 1950-1985. *International Studies Quarterly*, 41: 267-294.
- O'Rourke, Kevin H., and Jeffrey G. Williamson. 1999. *Globalization and History: The Evolution of a Nineteenth-Century Atlantic Economy*. Cambridge, Mass.: M.I.T. Press.

- Przeworski, Adam, and Fernando Limongi. 1997. Modernization: Theories and Facts. *World Politics*, 49 (January): 155-183.
- Przeworski, Adam, and John Sprague. 1986. *Paper Stones*. Chicago: University of Chicago Press.
- Przeworski, Adam, and Michael Wallerstein. 1988. Structural Dependence of the State on Capitalism. *American Political Science Review*, 82, no. 1 (March): 11-29.
- Przeworski, Adam, Michael E. Alvarez, José Antonio Cheibub, and Fernando Limongi. 2000. *Democracy and Development: Political Institutions and Material Well-Being in the World, 1950-1990*. Cambridge: Cambridge University Press.
- Putnam, Robert D. 2000. *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon and Schuster.
- Quinn, Dennis P., and John T. Woolley. 1998. Democracy and National Economic Performance: The Search for Stability. June 17. Ms.
- Raiser, Martin. 1998. Subsidizing Inequality: Economic Reforms, Fiscal Transfers and Convergence Across Chinese Provinces. *Journal of Development Studies*, 34, no. 3 (February): 1-26.
- Ravallion, Martin, and Jyotsna Jalan. 1999. China's Lagging Poor Areas. *American Economic Review (Papers and Proceedings)*, 89, no. 2 (May): 301-305.
- Reich, Robert B. 1991. *The Work of Nations: Preparing Ourselves for 21<sup>st</sup>-Century Capitalism*. New York: Knopf.
- Richardson, J. David. 1995. Income Inequality and Trade: How to Think, What to Conclude. *Journal of Economic Perspectives*, 9, no. 3 (Summer): 33-55.
- Rodrik, Dani. 1997. *Has Globalization Gone Too Far?* Washington D.C.: Institute for International Economics.
- Rodrik, Dani. 1999. Institutions for High-Quality Growth: What They Are and How to Acquire Them. Paper prepared for the International Monetary Fund Conference on Second-Generation Reforms, Washington, DC, November 8-9.
- Rogowski, Ronald. 1989. *Commerce and Coalitions: How Trade Affects Domestic Political Alignments*. Princeton, NJ: Princeton University Press.
- Rogowski, Ronald. 1998. Democracy, Capital, Skill, and Country Size: Effects of Asset Mobility and Regime Monopoly on the Odds of Democratic Rule. In Paul W. Drake and Mathew D. McCubbins, eds., *The Origins of Liberty: Political and Economic Liberalization in the Modern World*, Princeton, NJ: Princeton University Press, 48-69.
- Romer, Paul M. 1986. Increasing Returns and Long-Run Growth. *Journal of Political Economy*, 95, no. 5: 1002-37.
- Rosecrance, Richard N. 1999. *The Rise of the Virtual State: Wealth and Power in the Coming Century*. New York: Basic Books.

- Rosen, Sherwin. 1979. Wage-Based Indexes of the Urban Quality of Life. In Peter M. Mieszkowski and Mahlon R. Straszheim, eds., *Current Issues in Urban Economics*. Baltimore: Johns Hopkins University Press.
- Sandel, Michael J. 1996. *Democracy's Discontent: America in Search of a Public Philosophy*. Cambridge, MA: Harvard University Press.
- Schlesinger, Arthur M. 1992. *The Disuniting of America*. New York: W. W. Norton and Company.
- Segal, Gerarld. 1994. *China Changes Shape: Regionalism and Foreign Policy*. Adelphi Paper No. 287. London: Brassey's for International Institute for Strategic Studies.
- Slaughter, Matthew J. 2000. Trade and Labor-Market Outcomes: What About Developing Countries? Paper prepared for NBER Inter-American Seminar on Economics.
- Vasquez, John A. 1997. The Realist Paradigm and Degenerative versus Progressive Research Programs: An Appraisal of Neotraditional Research on Waltz's Balancing Proposition. *American Political Science Review*, 91 (December): 899-912.
- Young, Alwyn. 1991. Learning By Doing and the Dynamic Gains from Trade. *Quarterly Journal of Economics*, 106, no. 2 (May): 369-406.