Why is nationalism so widespread today? How does the phenomenon arise? How can its negative consequences be controlled? This collection of essays by economists, sociologists, and political scientists from North America and Europe tries to answer these questions at the forefront of contemporary political discussion. The work differs from others in that the authors' responses are not based on avowed ideological perspectives but are rather drawn from rational-choice analysis, the foundation of social science.

Although each of the contributors to *Nationalism and Rationality* takes a distinctive point of view, the collection, as a whole, focuses on three subjects – the origins of nationalism, whether and why it promotes good or evil, and how to deal with its occasional destructive consequences. Readers will find provocative insights into nationalism through the contributors' diverse diagnoses and prescriptions.

# Nationalism and rationality

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# Introduction

The literature on nationalism is enormous. Economists, historians, philosophers, political scientists, psychologists, sociologists, and other scholars as well as lay observers and commentators have all brought their particular skills and methods to bear on the phenomenon which, it would be easy to argue, has dominated human affairs for a good part of the nineteenth century and throughout the twentieth. The contribution of what we may call the rational choice paradigm to that literature has, however, not been large. The questions posed by the contemporary reemergence of nationalism, often in populations where it had once been virulent but for a good part of this century seemed to have vanished, as well as the challenge of providing answers to these questions based on the assumption of rational behavior, motivated us to choose nationalism as the topic of the Fifth Villa Colombella Seminar.[1]

The papers prepared for the seminar range widely. This notwithstanding, we believe that the collection of papers which follows makes a novel, interesting and rigorous contribution to the problem of nationalism. In particular, one or more of the papers deal with the following three questions that are surely central: (1) What are some of the factors, rooted in the self-interest of actors, which can account for the emergence of nationalism? (2) Is nationalism efficient from an individual and from a social point of view? and (3) Are there effective ways

[1] The Proceedings of the first four seminars have been published: *Villa Colombella Papers on Federalism,* European Journal of Political Economy (Vol. 3, Special Issue, Nos 1 and 2, 1987); *Villa Colombella Papers on Bureaucracy,* European Journal of Political Economy (Vol. 4, Extra Issue, 1988); *The Competitive State. Villa Colombella Papers on Competitive Politics* (Dordrecht: Kluwer, 1991); and *Preferences and Democracy* (Dordrecht: Kluwer, 1993).

of dealing with the inefficient and destructive manifestations of nationalism?

Specifically, a number of papers suggest mechanisms capable of explaining, from a rational choice perspective, the rise of nationalism. To illustrate, Coleman argues that when the allocation of "rights" is in doubt in a given society, different groups will attempt to appropriate these rights to their advantage and use nationalism as a mobilizing force. Hardin proposes an approach to the search for identity and emphasizes that this search and the identity itself act as motivation for nationalism. Congleton models ethnic clubs as suppliers of goods and services and argues that this activity serves as a spur to nationalism. Wintrobe models the central role of families as generators of ethnic capital which can then support nationalism; while Breton and Breton model economic nationalism as a phenomenon which gives rise to asset redistribution between social groups in a jurisdiction and argue that cultural nationalism and xenophobia serve to undergird that redistribution.

Further, a number of papers contain new and provocative analyses of the individual and social efficiency of nationalism, analyses which were only possible because of the systematic application of economic reasoning to the phenomenon of nationalism. Many of the papers that follow stress that nationalism is *individually* rational and efficient. A few also make the point that nationalism can be *collectively* or *socially* inefficient. For example, in Breton and Breton, in Wintrobe and in Coleman individual rationality leads to collective overinvestment of resources in the pursuit of nationalist objectives and is therefore socially inefficient, while in Salmon's paper there is underinvestment in what could be called a "broader" identity – one that is "less ethnic."

The collection contains attempts, especially in the O'Leary and McGarry paper but also in scattered remarks throughout, to examine ways and means of dealing with some manifestations of nationalism.

In addition, some papers are devoted to what we could call the micro foundations of nationalism, while others focus on the big picture from the outset and are, therefore, more macro analytical in orientation. Some are concerned with the forces and mechanisms that root nationalism in ethnicity; others propose an analysis which is consistent with the view that nationalism is not always ethnically based. Some papers or parts thereof are more concerned with what we could call – using the language of "applied welfare economics" – the benefits of nationalism, whereas others focus more exclusively on its costs; in some approaches, it is indeed fair to say, there are virtually no benefits to nationalism, while in others it is the costs that are dimmed.

We provide the barest outline of the papers simply to whet the reader's interest.

James Coleman argues that the allocation of "rights" is central to an understanding of the rise and fall of nationalism and of nationalist struggles within states. He develops a model based on the idea that the struggles arise at points in time when particular allocations of rights have come to be in doubt, so that the struggles are attempts to register a claim for the rights, that is, to have an allocation enforced to the advantage of a particular group. He shows that such struggles can be rational given the benefits that holding those rights confer on group members. Coleman also suggests that one of the reasons why nationalisms and nationalist struggles are often grounded in ethnicity is that members of ethnic groups act together toward a common goal and are acted upon together as members of a common group.

Russell Hardin's paper focuses directly on the issue of the formation of groups such as ethnic groups. He insists that this formation is not "primordial" but rational. Individuals, in other words, identify with such groups because it is in their interest to do so. Individuals may find identification with their group beneficial because those who identify strongly with the group may gain access to positions under its control. Hardin argues that individuals create their own identification with the group through the information and capacities they gain from life in the group. A group gains power to take action against other groups. Therefore, the group may be genuinely instrumentally good for its members who may, in turn, think the group is inherently, not merely contingently, good for them.

Ronald Wintrobe proposes a model of ethnic group competition which rests on the assumption that both entry and exit from ethnic groups are "blocked" – one cannot change one's ethnic background. Ethnic loyalty within the group means that the costs of trading within the group are reduced – ethnic loyalty is, as a consequence, a valuable capital asset – but, because entry and exit are blocked, competition among ethnic groups cannot equalize returns on ethnic capital. It is for this reason that successful ethnic groups tend to engender fear and jealousy, while members of ethnic groups with low returns become stigmatized. Conflict among ethnic groups is, therefore, inevitable and is not reduced by market forces. Conflict between groups is particularly exacerbated when families "overinvest" in the ethnic loyalty of their children.

Roger Congleton argues that the ebb and flow of ethnic nationalism can be explained with a "club" model of the production of ethnic services. He makes the point that from a theory of clubs perspective,

the extent of "ethnic nationalism" is a matter of the extent to which clubs are important sources of services and duties. The more important the services provided by ethnic clubs, the greater is the importance of ethnic affiliation and the more extensive is ethnic nationalism. Assimilation occurs as ethnic group members demand and receive fewer services from ethnic clubs and rely more extensively upon state and community services based on citizenship rather than ethnic heritage. The comparative statics of the demand and supply of ethnic club services thus provides the basis of a model of the intensity of ethnic nationalism.

Congleton then argues that state activities affect the market demand for ethnic services by producing complements or substitutes for ethnic services and/or by adopting policies which affect the cost of producing ethnic services. Moreover, politically active ethnic clubs may be able to influence state fiscal and regulatory decisions in a manner which yields net benefits for their own members but net costs for nonmembers. Because the resources used to provide services are inherently scarce, ethnic rent seeking generally pits the welfare of one ethnic group against that of other groups. Independence movements gain popular support when group members expect to gain more from direct control of a smaller state than they sacrifice by giving up various economies of scale in governance associated with continued membership in a larger multicultural state.

Stéphane Dion proposes a framework to explain why and when a linguistic, religious or ethnic group will want to leave a political union. He studies the case of Quebec. The framework suggested is based on the idea that any secessionist movement is rooted in three basic feelings. First, a feeling of *fear* – a feeling of being weakened or even of disappearing as a distinct people if the group stays in the union; second, a feeling of *confidence* among group members that the group can perform well, or even better, on its own and that secession is not too risky; and third, a feeling of *rejection,* that is, a feeling of no longer being welcomed in the union. Dion then argues that when these three feelings are at high levels, secession is likely to occur. He suggests, based on a careful analysis of the available evidence, that although these three feelings are (at the time of writing) high among French-speaking Quebecers, they are not high enough to lead to a secession from the Canadian federation.

In their paper, Albert Breton and Margot Breton recognize the value of ethnic loyalty and acknowledge that individual members of society will want to invest in that form of capital. They argue, however, that the "elites" of ethnic groupings will find it in their interest to

"exploit" ethnic loyalty by using the state to alter the distribution of tangible assets in a given jurisdiction away from the "foreigners" in that jurisdiction toward themselves. Because of this added value of ethnic loyalty to the "elites," they will want to invest in that loyalty over and above what individuals would themselves commit to that asset. That is how, they argue, cultural nationalism, overinvestment in ethnic loyalty, is related to political nationalism – the use of the state to change the interethnic or international distribution of tangible property, including territory. They also argue that xenophobia is a device that makes it possible for the elites to overinvest in ethnic loyalty.

Ronald Findlay looks at nationalism from the standpoint of the tensions arising from the lack of congruity between the state, as the sovereign authority over a specified territory, and the nation, considered as an "imagined community" bound together by ethnic, religious, or cultural ties. Specifically, Findlay examines some existing theories of nationalism, particularly that of Ernest Gellner, in the light of this relationship and concentrates on some contemporary manifestations of nationalism in the advanced industrial democracies, the former Soviet Union and Eastern Europe, and the Third World, particularly South and Southeast Asia.

Jean-Dominique Lafay's paper concentrates on what he calls "conservative nationalism" – in contrast to expansionist and separatist nationalisms – which, he argues, is governed by the maintenance of the national *status quo* and the reinforcement of the national identity. Under conservative nationalism, the social games within the nation are played more cooperatively, thus lowering transactions and other like costs. Physical, social, and cultural capital, which also reduces the costs of social interaction, is accumulated and a sense of belonging flourishes. Lafay, then, within a simple median voter model in which principal-agent problems are assumed away and in which competition between political parties is perfect, analyzes the factors that shape the demand for and the supply of conservative nationalism, as well as some of the properties of the static equilibrium. He also considers some factors that can lead to alterations in these equilibrium outcomes.

Ugo Pagano asks whether economics can explain nationalism. To answer the question, he begins by looking at the contribution of nations to the division of labor we observe in well-functioning market economies. He argues that even if "rent-seeking nationalism" can cause inefficient "institutional equilibria," because it supports a division of labor, nationalism may be included among the possible causes

of the accumulation of wealth. Pagano then considers the limits of the economic explanations of nationalism and looks at some possible extensions to the economic approach that may help to provide a rationale for nationalistic activities that seem to defy any rational choice explanation. As part of that exercise, he considers whether an evolutionary approach would be more appropriate than a rational choice approach to explain nationalism; whether it is the "meme" of nationalism, instead of nationalists, that is maximizing its objective function.

Mario Ferrero's paper focuses at the outset on the spread and success of national liberation movements in which the "working classes" were actively involved – a fact which appears to contradict a basic prediction of Breton's (1964) model – and asks what happens when "bourgeois" nationalism à la Breton, which promises no further change beyond the transfer of foreign-held assets and managerial jobs to nationals, is faced with competition from "socialist" nationalism, in which nationalist and socialist goals are merged into one program and leadership is taken by a communist party. Ferrero's basic argument is that, when adequate political entrepreneurship is available, socialist nationalism tends to drive out bourgeois nationalism as a solution to the national question in dependent countries, because it can supply "voters" with a package that bourgeois nationalism cannot match: an enlarged pie available for redistribution to supporters, a redistribution of these benefits among a much broader constituency (the "working class" appropriately defined), and an increased likelihood of success. He also suggests that the current resurgence of aggressive nationalism in post-communist countries is not the legacy of a precommunist past, but the logical product of the redistributions that lay at the roots of the socialist solution to the national question. This is argued by examining the pattern of who is fighting who after the collapse of communism.

Brendan O'Leary and John McGarry develop a taxonomy of macro-political methods that are used to eliminate and manage national and ethnic conflict. Genocide, mass-population transfers, secession/partition, and integration/assimilation are shown to be ways of eliminating national and ethnic conflict. Control, arbitration, federalism/cantonization and consociationalism are presented as ways of managing national and ethnic conflict. O'Leary and McGarry discuss the circumstances under which the various methods are likely to be used, and to be effective. The normative merits of the various methods are also explored. The authors display some skepticism about economic reductionism in accounting for national and ethnic conflict, but they are not skeptical about the possible insights which rational choice or game

theory may bring to the formal modeling of national and ethnic conflict regulation.

Pierre Salmon's paper examines the obverse of nationalism, namely the "transfer" of attachments from a smaller to a larger community through integration. He starts from the observation that European integration looks like a conspiracy and he tries to explain why it takes this aspect. He argues that the main long-run objective of integration, shared by the voters themselves, is to tie together the member countries and that, for that purpose, the building up of attachments to the European Community is necessary. The problems involved in building up or transferring attachments explain why the process of integration is typically roundabout and its objectives disguised. Salmon suggests a model in which the attachments of citizens to their country and to Europe, as well as the powers available to both jurisdictions, are considered as factors of production. Because the distribution of attachments is assumed to be fixed in the short run, a transfer of powers from one level of jurisdiction to the other causes a decrease in the overall level of production. It is only in the course of time that powers, in parallel with a changing distribution of attachments, can be transferred from the level of national states to that of Europe. This process is not reversible in the short run, which means that an integration process of that kind achieves the objective of tying together the member states.

The reader will notice that we are a long way from a tolerably complete, consistent, and empirically relevant theory of nationalism based on the axioms of the rational choice paradigm. We are not even close to the possibility of a generally agreed upon explanation of why nationalism sometimes reveals itself simply as nationalism whereas at other times it disguises itself along ideological lines as communism or as religious fundamentalism; of why nationalism is sometimes racist while at other times it is more tolerant of racial and ethnic differences; and of why it sometimes degenerates into terrorism and inhumanity. So much has to be acknowledged. But the reader will also notice, as he or she tries to synthesize the material in the various papers, that progress has been made. Indeed we believe that many building blocks for what will one day emerge as a rational choice theory of nationalism are discussed in the following pages.

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