ECONOMIC FACTORS IN THE SECESSION CALCULUS: A SURVEY

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Presented to the Conference on the Economics of Political Integration and Disintegration
CORE
Université catholique de Louvain
Louvain-la-Neuve
Belgium
24-25 May, 2002.

Preliminary version: comments welcome, quotations not.

I. Introduction

This is a brief survey of how economic factors play out in secessions. It is by no means an exhaustive survey. Instead, this paper aims to lay out a few different ways in which economic considerations affect political decisions and political actions before and during secessions.

It should be clear from the outset that most secessions and attempted secessions are not driven by economic factors. On the contrary, the proximate causes of political action in these instances normally are nationalism, ethnic hatred, revenge, fear of death and so on. There is a sense, of course, in which such motives can be construed as economic: they concern gains and losses of utility arising from alternative courses of action and political arrangements. One may gain utility from participating with others in secessionist political movements, for example, or from slaughtering members of some other ethnic group. But this is a weak and trivial definition of 'economic', in my view. It implies that 'economic' factors are always and universally determining of action in and around secessions and in all other political events as well. In rejecting this conception, I will stick to a narrow construction of 'economic' to mean material self-interest. This very much limits the import of economic factors, of course, because narrow considerations of economic gains and losses are irrelevant in some secessions and only marginal in many other secessionist conflicts. As will become apparent, material self-interest is most important in instances of peaceful secession. But these are not common.

The paper proceeds now to consider some economic benefits and costs that may commonly be taken into account in calculating whether to support (or oppose) secessionist projects. Then the distinction is made between long-term costs (and benefits) and the costs that accompany the transition to sovereignty: in the process of secession the latter costs are very significant. Next there is a discussion of how costs and benefits depend on the actions taken by the other side; that is, the economic calculus is set in game-theoretic terms. There follows a brief discussion of outside actors, for other powers are always involved in secessions. In part VI, the costs and benefits of secession are set in the context of political discourse. In the real world of politics, secession involves debate, and with high levels of uncertainty the probabilities of certain benefits being achieved are framed by competing political leaders. There follows a brief discussion of political polarization, and its effects on the secession calculus. Then the paper reaches a conclusion in which I suggest that the economic calculus generally militates against secession.

II. Common economic benefits and costs in the calculus about secession

Perhaps the most widespread notion associated with the literature on secession in Economics concerns straightforward transfers. Richer regions seek sovereignty (or independence, a term I will use interchangeably despite its entire lack of precision) in order to avoid continuing to pay transfers to other, poorer regions. This is the basic calculus motivating a current in the literature that emerges from the public-finance and fiscal-federalism traditions, the seminal item in which is an early piece by Buchanan and Faith on 'internal exit' (1987). Recent extensions emphasize the role of inter-regional transfers in preventing secession (LeBreton and Weber, 2001). In practice such straightforward considerations of collective material interest have been pretty widespread, animating secessionist attempts in Slovenia, the Baltic Republics, Scotland, the Punjab, Biafra (in part), and Katanga (Bookman, 1993: 95-106). They are associated with resistance to oppressive taxes and inefficient governments, as in the political package assembled by Umberto Bossi and the *Lega Nord* in northern Italy. Similarly, Milanovic (1996) argues that small countries may benefit in several ways by quitting one 'conglomerate' (Yugoslovia or the USSR) and joining another (the European Union). And Hale (2000) shows most convincingly that the wealth of an ethnic region in the USSR was a highly significant predictor of the speed with which sovereignty was declared in the 1988-91 period (though such declarations were not synonymous with genuine secession).

More generally, Bookman (1993: 39) stresses that secessionist movements gain strength as citizens come "to reappraise the costs and benefits of membership in the union". In her view the main issue is economic injustice, which can be perceived both in regions that are more developed relative to the nation and in regions that are less developed.

> Perceptions of economic injustice influence the reevaluation of the relative costs and benefits of belonging to a national union, and when costs outweigh benefits, economic factors are then mingled with ethnic, religious, or cultural factors, to form a set of demands that sometimes take the form of "we want out."'

Cases of economic injustice fuelling secessionist movements in poorer regions include Sri Lanka, East Timor, Quebec, Scotland, Corsica and Bangladesh.

It should be noted, however, that there is a "we" that "wants out", and this in practice is a group defined by language, religion and ethnicity. That is, the cleavages delimiting wealth and peoples tend to coincide when secessionist movements are serious. Even Bossi, his movement stalled, was forced to try to symbolically create 'Padania' by forming a human chain along the river Po (Diamanti, 1997). Similarly Hale (2000) found ethnic groups' distinctiveness to be a significant determinant of the timing of sovereignty declarations, and a strong one. Interestingly, within states that are more or less ethnically homogeneous, 'separatist' movements at the regional and urban levels are clearly driven by differences in wealth (or tax bases), as the public-finance models would predict: see, for example, Brink (2001) in the case of Swedish municipalities.

So these are the standard, commonsensical elements of the economic calculus. This is a much more limited view that what is found in recent economic theory. There, more general frameworks for analyzing secession can incorporate a wide range of motivating factors, including differences in policy preferences (Yarborough and Yarborough, 1998), variation in the efficiency of redistribution and mutual insurance, prospects for economies of scale in public-goods provision (Casella and Feinstein, 1992) and even differences in taxation effort (Brosio and Cassone, 2000). In effect, in more general models secession substitutes for Tiebout-style mobility (Bolton and Roland, 1997). And models with very high levels of abstraction endogenize secession, making the number of countries a function of various trade-offs - for example, the benefits of large jurisdictions *versus* the costs of political heterogeneity (Bolton, Roland and Spolaore, 1996; Bolton and Roland, 1997; Alesina and Spolaore, 1997) - and inter-relationships - such as those between the economic value of territory, the cost of tax collection, and military technologies (Dudley 1991).

In the mundane world of secessionist politics, however, as in the recent treatment by Bartkus (1999), economic costs and benefits must be registering with real individuals, or, more commonly, secession must offer the prospect of a different mix of costs and benefits. One such prospect concerns future economic growth. This consideration can be attractive to citizens of both the seceding state and the other ('predecessor') state.

On the one hand, members of an economically stronger unit may be persuaded that separation will increase their growth prospects. This was certainly true in the Czech-Slovak case. There, Vaclav Klaus and his followers feared that continued constitutional uncertainty would hobble post-Communist economic restructuring, as would a loose confederal system of the sort advocated by the Slovaks under Vladimir Meciar. The conviction grew in the Czech lands that in the absence of a 'functional federation' where the central government could make hard economic decisions, the future of the Czechs would be best secured by transforming their republic into a sovereign state (Young, 1994a: 24-37; Pithart and Spencer, 1998). Similarly, the negotiations about the reunification of Cyprus that recommenced early in 2002 are overhung by the drive of the much more prosperous Greeks in the south to enter the European Union. Despite the immense psychological obstacles to giving up on the north (which dictate that no party can advocate finally cutting free of the Turkish Republic of Northern Cyprus), the prospects of powerful economic growth may lead the Republic of Cyprus to enter the EU even though it cements a *de facto* separation (Young, 2002).

But considerations of future economic prospects can also appeal to citizens of the weaker provinces. One common argument is that the unit is poorer precisely because of past or present exploitation by the wealthier region. An echo of this was heard in Slovakia where the adjustment problems were going to be larger because of the disproportionate reliance of its economy on very large Soviet-era factories. More common is the position that sovereignty can accelerate growth because the truncated society will be more homogeneous and will benefit from policies better suited to its economic conditions. These arguments have been heard in Scotland and elsewhere in Europe (Keating, 1996), and they were much in evidence during the 1990s in Quebec. There, sovereigntists took the optimistic view that a cohesive, flexible Quebec society, with a loyal business class and state policies tailored to its needs, would fare better than it did when inserted within the Canadian federation, where adjustment is slow, government is inefficient and conflict-ridden, and policies - because they necessarily reflect an inter-regional compromise - are never exactly suited to its requirements (Fortin, 1991; Proulx, 1991).

An associated argument about growth concerns the new shape of the international economy. Under global and regional trade agreements, support for weaker regions must decline if it takes the form of targetted subsidies, favourable procurement policies and other such discriminatory measures. As well, in the global economy the importance of intra-country (or inter-regional) trade is generally declining relative to international trade, so the ‘home’ market may be portrayed by secessionists as less desirable than it was. In this same context, even more relevant is the argument that access to foreign markets is secured by international trade regimes, so in the new global economic order, small seceding states are less vulnerable than in the past because larger economies cannot close off market access to them. Some of these considerations have appeared in general models (e.g., Wittman, 1991). They certainly have been deployed in the continuing debate about Quebec sovereignty (Latouche, 1992; Young, 1992: more generally, see Bartkus, 1999: 193-201). And the economic success of sovereign Singapore serves as an exemplar to secessionists everywhere.

Two other factors that sometimes enter the economic calculus deserve to be mentioned briefly. The first is language. Secession can allow for control of the domestic language space. This is an important economic matter, as anyone who has been forced to work in a second language understands: performance is inferior. Hence, official-language laws can confer, or maintain, substantial benefits. Such a protectionist capacity may appear less relevant when English is emerging as the new *lingua* *franca*, but this development may paradoxically increase the value of secession and linguistic controls to those who have no capacity in English.

A somewhat related matter concerns immigration. Sovereign states control entry. Now, restricting immigration is primarily a defensive, nationalist and non-economic policy move. The rents this might protect are insignificant in the larger scheme of things - though linked to language the economic effects may be important, as in the Baltic states and Quebec (which enjoys a veto over incoming immigrants). But being better able to retain immigrants can be very important economically. One of the few good arguments for Quebec becoming sovereign is that immigrants, especially from developing countries, would no longer be able to enter and then soon exit to the rest of Canada. They would be committed to reside in Quebec and their integration into Quebec society (and the French language) would be much more certain than it currently is. Of course such benefits have to be traded off against the losses of current citizens who would emigrate if secession is achieved, especially since dual citizenship is unlikely to be allowed by the predecessor state (as in the Czech-Slovak case). Still, in an era where human capital is crucial for economic success, immigration control may be an important benefit.

III. A critical distinction: the long term and the transition

This discussion of the growth prospects for potentially seceding regions has concerned the long run. Can the same economy, as a sovereign state, get onto a higher growth trajectory than it currently occupies? Obviously the answer will depend on many factors - the level of economic integration that continues between the secessor and the predecessor state, the extent of the newly sovereign country's insertion into international regimes, the confidence of foreign investors, and so on. But there is a prior consideration - how costly will be the transition to sovereignty? Most analysts of possible secessions have been at least as concerned with transition costs as with the long run. One reason is that they are more proximate in time, and therefore easier to assess, though still highly contestable. Another is that transition costs can outweigh the long term effects.

Consider a seceding country. Assume that it could achieve within three years a growth rate superior by one per cent to its current rate. Even if it lost eight per cent of potential GDP over the three transition years, all the loss would be recovered in 12 years and real gains would be made subsequently. At normal discount rates the choice of secession would be rational. But if the transition was long (say six years) and difficult (so that 20 per cent of GDP growth was sacrificed during this period) then lost ground would not be recovered for about 27 years. The secessionists would have to value future income, or some non-economic values, very highly indeed to maintain their course. Messy transitions can be crippling (Schroeder, 1992).

There are several components of transition costs. The first is transaction costs. These include the resources devoted to negotiating new constitutional arrangements and settling substantive matters like the division of the debt and assets, trade relations, defence arrangements, citizenship issues, and so on.[1] They also include the costs of transferring programs, revenue sources, and public servants and of

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[1] Many of the matters to be settled in secessions are economic, but they are not treated here in detail. Even in the disentanglement of advanced industrial states, the list of items is surprisingly small. The contentious ones vary substantially: in Norway-Sweden, for example, the hardest to resolve concerned fortresses along the frontier; in Czechoslovakia, very difficult items were cultural properties and secret-police files. On the substantive issues in the hypothetical case of Quebec and Canada, see Young, 1995a: 208-44. In general see Bookman, 1992: 117-44.

re-organizing administrations, as well as the substantial costs to firms and citizens of learning about the new arrangements and accommodating their behaviour to them. But this sort of transaction cost is tiny compared to those that are incurred when the secession is not peaceful. In fact, contested secessions are far more numerous than peaceful ones. Of the 37 secessionist movements examined by Bookman, most of which emerged after the Second World War, only 12 were peaceful: these include six in the USSR (where the central state was collapsing), three in Europe (Catalonia, Lombardy and Scotland), and Tibet, Puerto Rico and Quebec (1992: 31-4). The other movements were violent or full-scale civil war broke out. The most profound decision taken by the predecessor state, then, once the secessor unit has declared its intent to withdraw from the union, is to accept in principle that secession will occur. This bitter and difficult decision marks the fundamental difference between peaceful secessions and those where violence creates enormous 'transaction' costs (Young: 1994c).

Other transition costs may include fiscal costs. When an economically weak region is seceding, it will have to increase taxes to pay for public services that were formerly subsidized and also to cover interest charges on its portion of the national debt. The extent of subsidization is difficult to calculate, and so fiscal costs are contestable; in Canada, this debate about the size of government expenditures in Quebec (and the regional distribution of other benefits conferred through other policy instruments) is generally known as "the battle of the balance-sheets."

More substantial is the final category of transition costs, one that is always present both before and during secessions: uncertainty costs. These arise simply because economic actors have less confidence in their expectations about future conditions. Uncertainty costs occur throughout an economy, involving individuals deciding where to live, firms deciding about investment and purchases, creditors contemplating making loans, and so on. In Canada, a noteworthy study by the Economic Council (1991) focused on financial markets and argued that borrowers would pay extra during any transition to Quebec sovereignty because lenders would be concerned about (1) political risk, or uncertainty over the impact of political and institutional change on public policies, (2) default risk, because of uncertainty about the creditworthiness of the emerging states, and (3) currency risk, arising from uncertainty about future exchange rates. Other analyses highlighted the damage to be caused by decreases in investment, the potential for capital flight and emigration, likely trade disruptions, and the subsequent impacts on unemployment and government revenues of a general "confidence-induced output loss" (Grady, 1991). Of course uncertainty cost estimates depend on many assumptions. As some Royal Bank economists argued (1992: 23), "the things that cannot be measured accurately in the current debate are the things that will have the most important influence on the economic consequences of disunity."[2]

The most important characteristic of transition costs in a secession is that they are variable, for the most part. Certainly, there is some floor level of 'fixed' transition costs - to negotiate, restructure states, transfer programs, and so on - and in any secession there will be some degree of uncertainty, even when negotiations go smoothly. But the bulk of the costs are 'variable.' Transaction costs would swell were there no cooperation in transferring jurisdictions, programs, and especially information. Similarly, uncertainty with its costs is a function of the level of conflict between the states, the gravity of

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[2] The study by the Economic Council of Canada dealt with this problem in building its various scenarios of the constitutional future by ignoring all transition costs in its projections about secession. The Council was quickly abolished. For an account of the Canadian debate about these costs in the run-up to the 1995 Quebec referendum, see Young, 1995a: 94-100.

the issues left unresolved, and the time that passes without a settlement. So, overall, transition costs depend on the politics of the secession. This means that the costs of secession will depend on the interaction between the two sides; hence game theory may provide a useful framework for analyzing the secession process. It also means that where citizens have the luxury of contemplating future economic costs (rather than running for their lives or grabbing their weapons), they will have to estimate probabilities with highly incomplete information. Finally, leaders on both sides will strategically deploy arguments about both short term and long term costs and benefits, in order to advance their causes.

IV. Secession games

Some of the literature on secession has a frictionless quality. If efficient outcomes require new institutions then they will emerge; or, in our context, if the costs of cohabitation come to outweigh the anticipated costs of secession, then secession will take place (Friedman, 1977; Wittman, 1991). Such treatments ignore lags observed in the real world, and also the *ex ante* perceptions of actors. In contrast, game-theoretic analyses focus on the strategies involved in secession, aim to clarify actors' preferences, stress the interaction between secessionists and their opponents, incorporate the high degree of uncertainty about the future that is intrinsic to secessions, and, ideally, illuminate particular choices made over the course of the process.

There have not been many applications of game theory to secession, and yet there is not space here for an extended treatment of them (Imbeau, 1991; Brams, 1994: 159-63; Young, 1994b; Young, 1998: see also Grossman, 2002 and especially Bordignon and Brusco, 2001). Still, one example may be of some use. The setup was inspired by the debate in Quebec and the Rest of Canada (ROC) about the likelihood of cooperation in the event that Quebecers voted for secession. Non-cooperation obviously would raise the costs of seceding from Canada, and so the issue was a central one for a long time. In the run-up to the 1995 Quebec referendum campaign and during the campaign itself, in the autumn of 1995, many studies were published indicating that the transition would be difficult, and that long-term cooperation would fall well below what was required to maintain current levels of economic integration. Some statements along these lines were made by a few politicians: the provincial premiers, for example, declared that interprovincial trade agreements should not be taken for granted, post-secession. (Generally, though, the official federalist (No) side refused to discuss this "hypothetical" question: see Young (1995b) and the discussion below.) The sovereigntists, on the other hand, argued that cooperation was inevitable, simply because it would be in ROC's self-interest. Threats of non-cooperation were not credible, and transparently so. The sovereigntists maintained that the leaders of ROC wanted to avoid the costs which Quebec sovereignty would impose, and so of course they would emphasize the difficulties of the transition and the costly absence of long-term economic integration, in order to discourage Quebecers from voting Yes. But at the moment that Quebecers voted for sovereignty, then a ROC aiming to minimize its own losses would immediately change course, and opt for cooperation, issuing joint assurances to diminish uncertainty especially among foreign investors, striving to tranquilly manage the transition, and eventually negotiating an economic association with Quebec that would avoid the costs to itself of fragmenting the common economic space.

Game theory can illuminate the general situation. It can be modelled in many ways, depending on the preference orderings attributed to the two parties, but two common and sensible games are Chicken and Prisoners' Dilemma. Assume the two players are Autonomy, the seceding entity, and

Unity, the predecessor state. The payoffs can be specified as:

C: a compromise on a new set of mutually satisfactory constitutional arrangements,

SA: sovereignty-association, where Autonomy achieves sovereignty while maintaining a high level of economic integration with Unity,

SQ: the status quo, and

RR: a rupture of relations after Autonomy declares sovereignty, possibly entailing military conflict but certainly entailing high costs during the transition.

Now assume that the preference orderings are:

Autonomy: SA > C > RR > SQ

Unity: SQ > C > RR > SA

Note that in Prisoners' Dilemma, the Autonomists really do find the status quo unbearable, preferring the rupture of relations to it. Similarly the Unionists - rather like Vaclav Klaus - cannot contemplate some vague form of sovereignty-association that would hamstring them and cause more damage than a clean split. Figure 1 presents the game (with Autonomy's values on the right within the brackets).

As is well known, there are two stable results to this game, RR and C. If each actor pursues its first preference by adopting a non-cooperative attitude, RR is the result, and this is an equilibrium because neither side has an incentive to shift from there towards cooperation. In order to attain the Compromise result, each player must renounce, credibly, the pursuit of its best alternative. But each also has to demonstrate its readiness to accept RR should the other defect; that is, to make a credible deterrent threat. For example, if Autonomy is conciliatory but Unity remains intransigent, the result would be SQ. Hence, Autonomy would threaten to choose RR

Figure 1: Secession as Prisoners' Dilemma

		AUTONOMY	
		CO	DEF
UNITY	CO	C (3/3)	SA (1/4)
	DEF	SQ (4/1)	RR (2/2)

unless Unity shifts to cooperate. This is a credible threat because with this preference ordering Autonomy would get a better result at RR than at SQ. Anticipating this train of events, the two sides can reach a Compromise.

This simple example speaks to the prospects for cooperation during the transition to sovereignty and over the long term, and therefore to the cost-benefit calculation about secession. It shows that in order to achieve their objectives both the predecessor state and the seceding unit must be prepared to endure a situation where relations rupture. A further consideration has to do with whether secession involves ‘one-shot’ or ‘repeated’ games. In the Prisoners’ Dilemma game (and in Chicken too), a credible threat is essential to avoid being left with the sucker’s payoff and to achieve Compromise. The sovereigntists in Quebec argued that threats issuing from ROC about non-cooperation were not credible. But the surest way to have threats be credible is to have made similar ones in the past and to have executed them. If games are to be repeated, therefore, a rational player may accept the short-term losses caused by carrying out a threat in order to establish credibility in a future game where the stakes are greater. Moreover, the best way to ensure cooperation over the long run is to play the meta-game of ‘tit-for-tat’; that is, being cooperative but threatening non-cooperation should the other player defect, and carrying out that threat when defection occurs. In fact, cases of secession always involve repeat play. Geography renders it inevitable that games between the two actors will continue, whatever the constitutional framework. But this does not mean, as the secessionists might insist, that cooperation is inevitable. On the contrary, simple game theory shows that retaliatory non-cooperation may well be the best strategy to produce mutually beneficial compromises over the long run.

Elementary game theory can provide such useful insights into the calculations around secession. But there are limits. It may be best suited to dyadic cases such as Czechoslovakia and Norway-Sweden, and less applicable to those where the seceding unit is one of many, perhaps one with substantial representation within the central government, so that the Other is actually the locus of negotiations. As well, secessions are marked by irreversibilities - the creation of a new currency, for example, or a unilateral declaration of independence or the ‘first shot’ as at Fort Sumter. Therefore it may be impossible to cycle through some outcomes, as it was not feasible to cycle through the (1,1) result in Chicken during the Cuban Missile Crisis since this result was nuclear war (Brams, 1994: 130-8). As well, the depiction of where in the game setup is the status quo is unclear. Did the Czech Republic defect, for example, by pressing market reforms that disproportionally disrupted the Slovak economy? The answer depends on how the issue is framed by the two sides. Similarly, and finally, games are carried on by political leaders, but leaders are constrained by domestic public opinion, and they can also shape it (along with opinion in the other unit). In modern secessions, public opinion is crucial, not only in establishing preference orderings but also in fostering the political solidarity that underpins determined action, and existing game-theoretic models are too simple to capture the interplay between mass publics and leaders. The 'heresthetic' approach outlined in Part VII may help, but first we will turn to another element in the secession calculus.

V. The calculations of other actors

It is not uncommon for secession and calculations about it to be regarded as strictly domestic matters. But this is not at all the case. After the near-victory of the secessionist side in the 1995 Quebec referendum on sovereignty, for example, there was a great wave of interest in the question in the United States, and serious reconsideration of the American position in official and quasi-official quarters (Young, 1999: 82-6).

Bookman (1992: 31-4) presents data about foreign intervention in 37 cases of secessionist movements. She finds 11 cases of intervention, three more of explicit external positions favouring one side or the other, one 'maybe' (but this was Pakistan in Kashmir!), and 21 cases where there was no intervention. But the bar she sets must be a very high one. There was 'no' intervention in the Czech-Slovak case, despite the dictating of conditions by European leaders, and none in the Quebec case, despite American pronouncements in favour of Canadian unity and Charles de Gaulle's famous *Vive le Québec libre* speech. It would appear that there is no intervention only when there are secessionist tendencies in part of a very dominant state, for these cases make up most of the 'no intervention' category: Tibet in China, the Punjab in India, Puerto Rico in the U.S.A., Corsica in France, Scotland in the U.K., and, of course, the former Soviet republics.

But foreign powers are always interested in secessions. There are economic interests at stake of more or less importance, and there is also the issue of recognition. One work that tries to take these factors into account in a systematic fashion is the study by Buchheit (1978), which has been too much neglected, probably because it is apparently normative and philosophical, when in fact it is a noteworthy exercise in *realpolitik*, as this summary shows:

> Perhaps the only certain lesson to be derived from a study of State practice with reference to secessionist self-determination is that, given the present absence of any indisputable rule of international law, a State's response to a particular situation will most often be determined solely by its own political interests. Thus the articulated reaction of most States to a secessionist attempt in an area of the globe which does not directly concern them will tend to be critical of the secession because of its possible use as a precedent for disaffected groups within their own borders. If the State is the victim of the secessionist attempt, of course, there is likely to be an even more noticeable lack of good fellowship all around. In cases where a State is apt to benefit from a secession, either by gaining an ally in the new nation or by weakening an old enemy, it may well adopt a somewhat more latitudinarian view of the scope of self-determination. (105)

In any event, Buchheit analyzes how to ascertain which claims to self-determination legitimately justify secession. He masterfully reduces the extant factors to four - the unity and uniqueness of the group, the extent of oppression it suffers, its viability as a sovereign unit, and the degree of disruption that secession would entail. These are combined in an overall trade-off involving the "internal merits of the claim" and the "disruption factor", both of which underscore the interests and involvement of the world community in any secession.[3]

In my own view, the major outside powers are always involved in secessions, if only by taking a position on recognition and imposing conditions to minimize disruption. When secession occurs peacefully, this is a striking pattern (Young, 1994c: 786-7). In the Singapore-Malaysia case, for example, despite Singapore's move towards nonalignment its partners in the existing Anglo-Malayan

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[3] See Buchheit, "The Calculation of Legitimacy", pp. 238-45 and the diagram in Appendix 2.

Defence Agreement insisted that it continue to cooperate in defence with Malaysia. In Norway-Sweden, the Norwegians not only maintained the monarchy to placate the Great Powers, but they also agreed to place a Bernadotte on the throne and even chose as king a son of the very monarch whose abdication would be occasioned by the secession. And in the Czech-Slovak case, through a face-to-face meeting in London, the leaders of the (then) European Economic Community made it absolutely clear to the prime ministers of the two republics that post-secession economic integration between them could not fall below the framework prevailing in Western Europe (Young, 1994a: 49-52). Finally, were Quebec-Canada relations to spin out of control after a future referendum on sovereignty, and degenerate into disorder, there is no doubt that the United States would take whatever measures were needed to protect its interests (Young, 1999: 137-40). These are all cases of intervention being exercised to maintain stability. In the last class of case described above by Buchheit, intervention may provoke or deepen a conflict. But in any event, consideration of secession might well incorporate the positions of outside actors: they too have an economic calculus.

VI. Economic factors as embedded in the discourse around secession

It is clear now that the economic calculus in secessions is characterized by much uncertainty, and that clarifying costs and benefits is done through interactions with the other side and through interactions between leaders and followers. The calculus occurs in a context like a game, with discourse framing the game and helping to define preference rankings, by filling in the substantive content of future states such as ‘sovereignty-association’. But the situation is even more complex because the economic calculus is not alone in debates about secession. Instead it is related to other dimensions of the discourse in a process that is competitive, both within units where secession is contemplated (our subject here) and between the seceding units (our subject in the following section).

The most rational approach to discourse analysis is that of Riker, who was interested in the relationships between the various dimensions that structure political debates. Now it is clear that in debates about complex matters like secessions, players choose to emphasize the dimensions that favour them and likewise to choose favourable positions upon the various dimensions. The package must be attractive to a majority, constantly repeated and logically coherent, and it must be chosen in anticipation of what the opponent will choose. Riker coined the term ‘heresthetics’ to refer to the art of structuring the dimensionality of debate, and he applied it famously to Abraham Lincoln’s division of the Democratic coalition in his debates with Stephen Douglas (1986). More generally, the aim in heresthetics is to “structure the decision-making situation to the speaker’s advantage and the respondent’s disadvantage” (1986: 8). Barry Weingast (1998: 159-69) has built on Riker’s analysis, again in a study of the attempted secession of the U.S. South, and other scholars have done some simple spatial modelling of heresthetics in normal election campaigns (Hammond and Humes, 1995).[4] Riker’s insights were also applied to the debates during the 1995 Quebec referendum on sovereignty (Young, 2000, adding context to Young, 1999: 38-59). A brief summary of this may be useful.

There were four dimensions to the debate. On the first, national identification, the Yes and No sides basically fought to a standoff. The second was the constitution: the sovereigntists argued it was

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[4] In elections, as these authors put it, “the campaign takes place not by candidates moving their actual positions to optimal spatial locations, which is the essence of the traditional Downsian model, but by using campaign rhetoric and emphasizing issues in such a way that each candidate’s spatial location is perceived by the voters to be closer to theirs than the other candidate’s” (1995: 142).

both a straightjacket and unreformable because of opinion in the rest of Canada, while the federalists insisted that it was flexible and accommodating, and that constitutional change was unnecessary. On the economy, the arguments about costs and benefits were inserted into the game-theoretic context described above, where the magnitude of the costs in the transition and beyond depended on whether cooperation would exist between Quebec and ROC. But a fourth dimension was opened up by the sovereigntists, and it was the crucial one. This was democracy; that is, whether a Yes vote would be accepted as meaning that secession would occur. The federalist side never explicitly said that a majority for sovereignty would be accepted. Instead, the No side's leaders denounced the referendum question as ambiguous and declared the whole issue of what would follow a Yes to be hypothetical. Three days before the vote, Prime Minister Chrétien was asked whether he would accept a 51 per cent Yes vote: "Non, je n'ai pas reconnu rien. Vous ne savez pas le résultat et moi non plus. Les gens auront exprimé leur point de vue. Les méchanismes, après, c'est très nébuleux."[5] There are many reasons for the No side's failure to take a position on the democracy dimension (including the probability that the leadership simply could not contemplate a Canada without Quebec), but this was a crucial *lacuna*.[6] It allowed the sovereigntists to gain along the economic dimension with their argument

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[5] *La Presse*, 27 October 1995 ("No, I haven't recognized anything. You don't know the result and neither do I. People would have expressed their point of view. After that, the mechanics are very nebulous.")

[6] This silence about the future could be seen as a case of a refusal to have a 'secession clause', under asymmetric information (Bordignon and Brusco, 2001: 1813; 1822-28). If so, the strategy backfired.

about the inevitability of cooperation and the minimal costs of the transition to independence.[7] The federalists could not counter predictions of economic cooperation without accepting that a Yes meant secession. This they did not do, and the Yes side's economic arguments almost carried the day: it was along this dimension that they made their gains throughout 1995 (Young, 1999: 39-43).

The conclusion here is simple: the economic calculus is made within a context of debate where other dimensions are also important. As an example, we have explored the heresthetics of the discussion in the case of Canada, but of course each instance is different. The bottom line, though, is that the economic costs and benefits of secession depend greatly on the politics of the transition, and that these are shaped by political argument. We now turn to a process that may diminish the relative importance of the economic calculus.

VII. Polarization

All secessions are marked more or less by polarization. This is a process of growing mutual hostility between two communities, accompanied by a sense among members of each that their interests, broadly construed, are distinct and can only be met through separation. This phenomenon was particularly marked in the case of Czechoslovakia, where public opinion shifted rapidly between 1990 and 1992 towards favouring separation (Young, 1995a: 47-57). The process is depicted in Figure 2 below. Polarization involves interactions between leaders of

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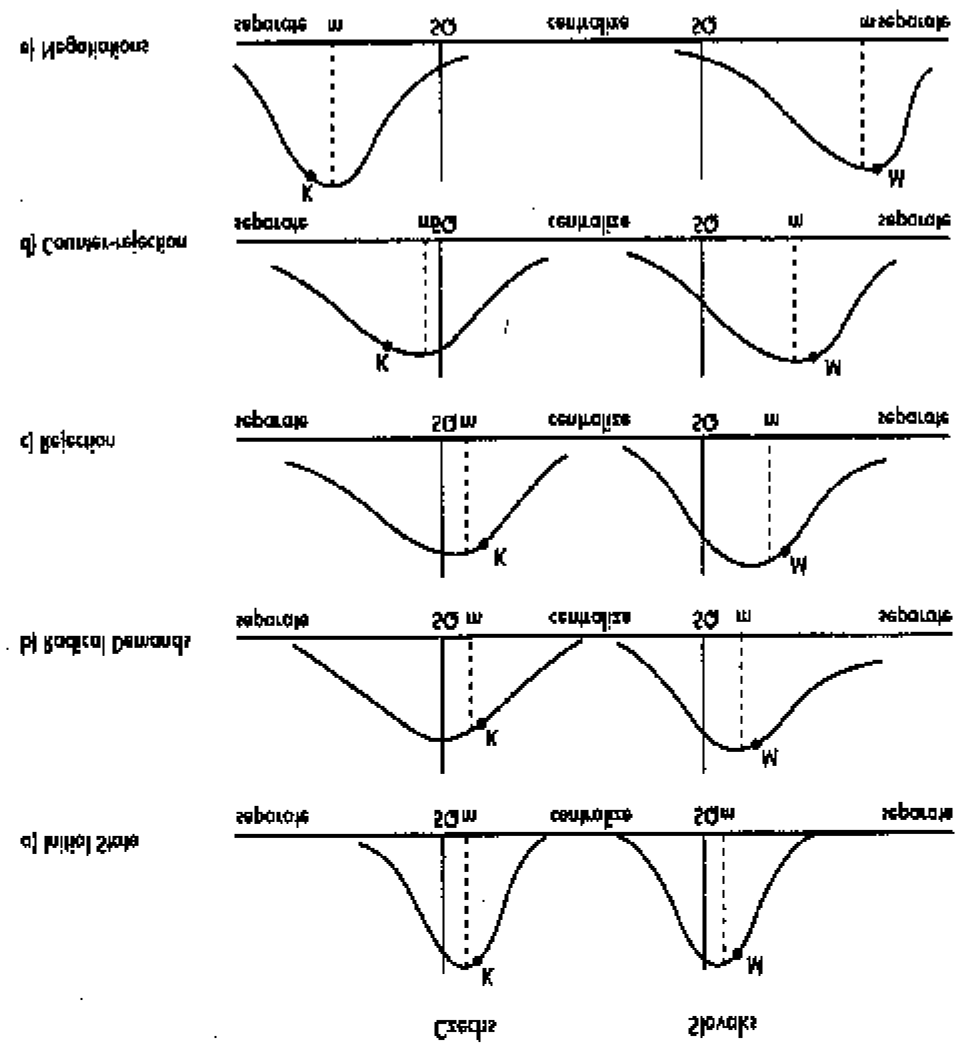
[7] As the Premier of Quebec, the leader of the Yes forces, put it, "For heaven's sake, it's perfectly understandable that before the 30th all of these guys in Ottawa will say no, no, no, no. Well, after the 30th, they might say Yes to a few things." (Montreal *Gazette*, 21 October 1995.)

each side and between leaders and citizens. It is driven by leaders who are competing with others within their own political entity. One leader moves towards a more extreme position (say in Slovakia); this is insulting or unrealistic and is rejected by the Czechs; the rejection legitimizes more extreme positions by leaders in Slovakia; this pushes median opinion among Czechs towards separation; and so on. In this process of “mutually beneficial antagonism”, leaders in both entities consolidate their support by moving towards the extremes, as moderate, centrist forces weaken.

Polarization seems to be driven mainly by symbolic actions rather than economic ones. In the Canadian case, support for sovereignty in Quebec spiked very sharply after the failure of the Meech Lake Accord, a constitutional reform package that was decentralizing and also recognized Quebec’s distinctiveness (Dion, 1995). In Czechoslovakia, polarization was driven by events like the publication by some intellectuals of a Declaration of Sovereignty of Slovakia, the Czechs’ rejection of confederalism and the equality it symbolized, and the blocking by Slovak deputies of Vaclav Havel’s re-election as President.

Despite its symbolic roots, polarization has real economic consequences. It makes the attainment of future cooperation more difficult and therefore raises the cost of the secession. As Watts (1971: 69) delicately put it: “Whenever secession has occurred, it has inevitably been accompanied by sharp political controversies which are not easily forgotten...the resentments

FIGURE 2: Polarization of Constitutional Opinion



SQ = constitutional status quo
K = Klaus's position
M= Meciar's position

m= median opinion

aroused by the circumstances occurring at the time of separation have tended to persist and to discourage the subsequent creation of a looser form of association between the territories concerned." A second effect is that polarization decreases the relative importance of the economic calculus in the overall choice about secession. Rising nationalism, ethnic identification, fear and hate all mean that rational calculation of economic consequences diminishes in weight. At the extreme, when fighting and atrocities begin and attract retaliation, material self-interest pales. It does not take many bodies in the street to achieve this effect.

Polarization involves growing estrangement between two communities, and, generally, an increase in solidarity within each one. Theoretical work focusing on these processes is scarce, and has concentrated mainly on class cleavages (Esteban and Ray, 1994). But there certainly is scope for applying to polarization and secession some game-theoretic and other models derived from the study of class conflict and labour relations (Alesina and Drazen, 1991). This effort could greatly increase our understanding of secession, because polarization is the process that most often overcomes the bias towards the status quo which economic calculations produce.

VIII. Conclusion: the appeal of the status quo

In conclusion, our survey suggests that economic calculations about material costs and benefits seem, overall, to brake secessionist tendencies. We have seen several reasons for this, and here can posit more.

First, there are asymmetries between gains and losses. Unless the benefit/cost ratio of exit is very large, as in the case of the Baltic states for example, then secession will bring some certain losses, while the gains are longer run and only potential. This suggests that it will be easier to mobilize the anti-sovereignty forces than citizens who are pro-secession. (The parallel in collective action generally is the higher probability that individuals will join large interest groups opposed to announced government policy that promises to harm them more readily than they will join groups seeking potential policy benefits.) Moreover, at least according to prospect theory, economic actors give more weight to potential losses than to gains (Kahneman and Tversky, 1979). This induces caution about secession.

As well, there is the danger of irreversibilities, which can create very large losses. The best example, probably, is the introduction of a new currency. There is also the fact that great powers will impart a message in favour of the status quo, since continued stability benefits them (except perhaps in situations of duopolistic competition, such as during the Cold War - as was hinted by Buchheit in the long quotation above).

Finally, there is the strong probability that seceding entities will encounter non-cooperation from the predecessor state during the transition and beyond. Depending on the relative power of the units and the degree of integration of their economies, this could entail very large costs. It is true that the question of future economic cooperation is tied in with other dimensions of the discourse around secession, and that this may have the effect of increasing sovereignty support. For example, threats of non-cooperation rather contradict appeals to a sense of common history and nationhood. Nevertheless, in the absence of repression and polarization, the prospect of a rupture of economic relations will tilt the economic calculus towards the status quo.

All of this may explain why secessionist movements have not been successful in industrialized welfare states. This result has been noted by Hechter (1992), who shows how difficult to attain are the structural preconditions for secession. Similarly, Dion (1996) argues that secessionist movements must be able to mobilize majorities which both fear that their situation will deteriorate within the existing union and yet also have confidence that the group can perform better as an independent state and that secession is not too risky: these conditions are contradictory enough that they are unlikely to be strongly present simultaneously.

In general, as functioning democracies, industrialized welfare states assure that large minorities have effective enough representation in the national government and sufficient authority over significant functions that they cannot persuasively be portrayed as oppressed. So secession becomes primarily a choice involving the calculation of costs and benefits. Second, despite international and regional integration, modern states still shape domestic economies through regulation, spending and other policy instruments. This embeddedness of governments in the economic order means that large costs may accrue should the political and constitutional system be subject to non-incremental change through the shock of secession. Finally, secessionist states must be prepared to embrace a movement towards autarchy, at least in the short term, in order to achieve longer term economic cooperation. But the citizens of modern welfare states are aware enough of the discomfort caused by mild recessions. The prospect of a 5 per cent or 10 per cent drop in GDP induces great caution among potential secessionists. At the same time, and for similar reasons, among citizens of the predecessor state the prospect of secessionist movements fracturing their economies induces a willingness to compromise. The result, and the norm, is constitutional flexibility and incremental constitutional accommodation.

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