

# Globalization and Political Structure

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# Model Driving Forces

► Neat model, some key ingredients:

1. Economies of scale in government cost ( $\phi$ ) vs mismatch in public good preference ( $\delta$ ).
2. International trading costs ( $\tau$ ) < inefficiency of internal inputs production ( $\eta$ ): wedge ( $\gamma$ ) = globalization, i.e. gains from trade).
3. A fraction  $\beta$  of non internationally tradeable goods.
4. Economies of scope: costly trade union ( $\kappa$ ).

► Optimal number of states

→ with union  $S_2^* = \sqrt{\frac{\phi}{\delta}} < \sqrt{\frac{\phi}{\delta - \beta\gamma}} = S_1^*$  without union.

► In the no union regime, globalization leads to larger states.

# What the paper aims to explain

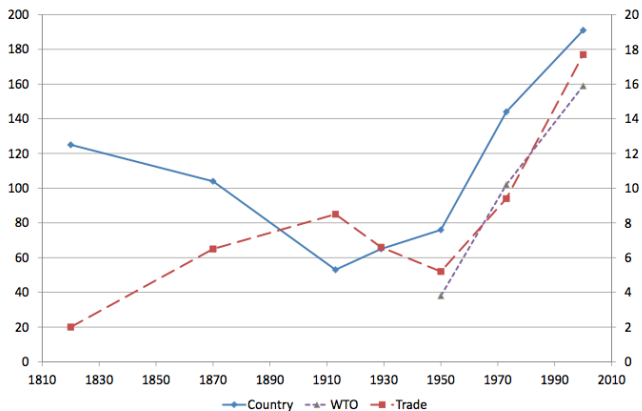


Figure 1: Trade share (right axis), the number of countries and WTO membership (left axis.) See appendix for details on data.

# Difference with Alesina et al. (2000) data

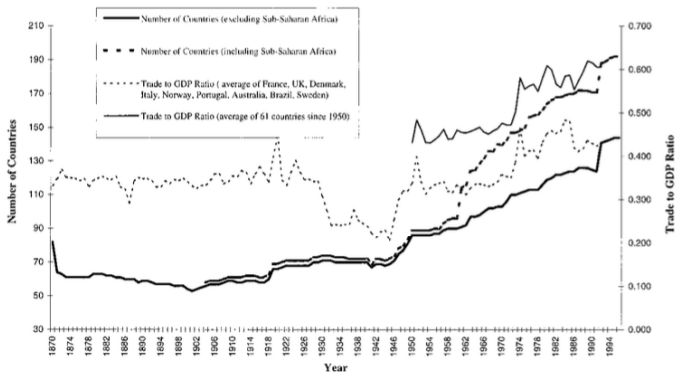


FIGURE 1. TRADE OPENNESS AND THE NUMBER OF COUNTRIES

Difference with previous picture driven by method used to measure number of States in developing world, in particular **Africa**.

# A model of colonization and decolonization?

- ▶ Colonization key for decrease in number of states in nineteenth century.
- ▶ In the model: empire as substitute of union.
- ▶ Gunboat diplomacy: Opium Wars, Commodore Perry Opening of Japan.
- ▶ Additional prediction? Non-colonial countries aggregating during nineteenth century: Germany, Italy and Switzerland.

# Unions

- ▶ In the model, switch to union regime is like a federalist devolution.
- ▶ In reality, not so easy to secede (Quebec, Scotland, Catalonia, Brexit)  $\Rightarrow$  looking at federalism reinforces result.
- ▶ Unions often rather a consequence than a cause of disgregation? (Hanseatic League, Lombard League, Maritime Republics)
- ▶ Trading unions often lead to political unions (Europe. . . ).

# Extensive Margin Globalization and Politics

- ▶ Decrease in share of non-tradeable goods  $\beta$  also a part of globalization.
- ▶ Conjecture: a decrease in  $\beta$  could break a union and lead to larger states.
- ▶ What about politics of trade? Distributive issues are central when talking of trade (Trump...).
- ▶ What about direct effect of transportation costs on government effectiveness?

## It's a nice story: but is it the story?

- ▶ U-shape of relation makes it always possible to match the model to some event.
- ▶ Should authors look more at other historical periods? Cyclical evolution of number of states?
- ▶ Very simple model vs very broad objective. Why is this one the right story? Not much done (doable?) in that respect.
- ▶ For example, could it be that the real driver is institutional strength rather than transportation costs?