



Nationalism and economic openness: The cross-country evidence

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Key findings

We examine the relationship between economic openness and some adversarial sentiments of nationalism across 33 countries and 15 years. We find:

- Survey results across the entire period (1999 - 2014) reveal no statistically significant relationship between economic openness and nationalism. Furthermore:
- prior to 2007, economic openness seems related to lower nationalistic sentiment, while;
- after 2007, economic openness seems related to higher nationalistic sentiment. Data from after the Global Financial Crisis show nationalistic and anti-trade sentiment rising worldwide despite a concurrent general trend towards economic openness.

What we knew

- Nationalism has been a powerful global force in the world over for more than 150 years. It plays an important role in nation-building but has also underwritten dictatorship, militarism and aggression.
- Economic theory (see Alesina, Spolaore and Wacziarg (2000) and Lan and Li (2015)) suggests that decreasing costs of trade through globalisation should lead to increased economic integration and lower nationalistic sentiment.
- Lan and Li (2015) provide evidence for economic openness leading to decreased nationalism in China. Their cross-country evidence for the 2001 - 2007 period supports the assertion that countries with higher economic openness have less nationalism.

What we do

- We use data from two sources:
 1. World Values Survey (WVS) data (www.worldvaluessurvey.org) from Waves 4, 5 and 6, covering the years 1999–2001, 2004–2008 and 2010–2014.
 2. Penn World Tables (PWT)
- We combine data on economic openness and country-level gross domestic product (GDP) from PWT with 118,940 survey responses from individuals from 33 countries across the three waves of the WVS.
- We construct three measures of nationalism based upon four questions about:
 - pride in country;
 - importance of strong defence forces;
 - confidence in the armed forces;
 - willingness to fight a war for one's country.



What we know now

- We find no effect of economic openness on nationalism across the 1997 - 2014 period.
- We find a negative relationship between economic openness and nationalism in the early period (1999-2007) and a positive relationship between economic openness and nationalism in the later period (2007-2014).
- All of our estimates control for country-level GDP and characteristics of survey respondents: age, gender, marital status, education and income. We allow for different effects in different time periods and we control for unobservable differences across countries.

What this means for policy

- We know the Global Financial Crisis changed popular views towards economic orthodoxy. It may also have upset the theorised relationship between beliefs about the benefits of trade and people's perceptions and attitudes towards issues such as nationalism.
- Increasing globalisation and trade openness may not automatically translate into a less nationalistic and more peaceful world. Recent events in Ukraine and tensions between China and Taiwan emphasise this, as does the state of world trade prior to World War I.

Where to now?

- Nationalistic sentiment could grow even as economic openness increases for any number of reasons. The costs of country size could be changing, as could the relationship between intra-country diversity, and/or the taste for openness. Trade regimes may be stressed if powerful countries increasingly exert that power, as smaller countries benefit relatively more from free trade than do larger ones –see Alesina et al. (2000).
- Our results suggest more research engaging more countries and longer time periods, and a need for strong identification strategies to disentangle confounding factors.

More information

- Get the full working paper at: <https://cama.crawford.anu.edu.au/publication/cama-working-paper-series/11236/nationalism-and-economic-openness-cross-country-evidence> or the published version at: <https://onlinelibrary.wiley.com/doi/10.1002/app5.337>
- We would welcome the opportunity to present our research to your team and to discuss potential joint research projects on related or similar topics.
- Contact us at robert.breunig@anu.edu.au

References

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- Lan, X. and Li, B. G. (2015). The economics of nationalism, *American Economic Journal: Economic Policy* **7**(2): 294–325.