Introduction

It is not easy to see how the more extreme forms of nationalism can long survive when men have seen the Earth in its true perspective as a single small globe against the stars.

— Arthur C. Clarke, 1951

Perhaps dwelling on this insightful comment by the great Arthur Clarke, mainstream economists have only recently started studying the relationship between nationalism within a region and its economic openness. The primal debate around the economics of nationalism concerns the direction of causality between nationalism and openness with nationalism being capable of affecting economic behaviour and vice versa. Using a conceptual framework developed by Lan & Li (2015), this paper tests the hypothesis that regions with higher levels of economic openness will tend to show lower levels of nationalism as they are less dependent on the domestic market. Conversely, areas with greater trade barriers and greater dependency of domestic markets should tend to show higher levels of nationalism. This hypothesis is put to empirical testing using linear regression, instrumental variables, fixed effects estimation and difference-in-difference techniques on inter-regional level data for India and China. Additionally, a cross-country study is carried out for more than 30 nations for the last decade.

Data

A nationalism index is constructed using data from the World Values Surveys (WVS) at the region and country level using responses to multiple statements to measure different dimensions of nationalism. Participants were asked whether they agree or disagree with the following statements:

[N1] How proud are you to be Chinese?
[N2] Strong defence forces rank ______ among important goals of the country, relative to a high level of economic growth, people having more say about how things are done, and trying to make our cities and countryside more beautiful.
[N3] How much confidence do you have in the armed forces, relative to parliament, police, courts and civil service?
[N4] Of course, we all hope that there will not be another war, but if it were to come to that, would you be willing to fight for your country?

Methodology

Using the nationalism index as the dependent variable and economic openness (share of total imports and exports in GDP) as the independent variable along with a host of control variables, the paper used the following econometric techniques to empirically test the hypothesis.

• Ordinary Least Square (OLS) regression
• Two-Stage Least Squares (2SLS) regression
• Difference-in-Difference
• Fixed-Effect Estimation

Inter-Region results for India and China

Province and state level studies carried out for China and India show that overall nationalism has fallen in both India and China with ever increasing economic openness. However, deeper econometric study shows that there is no significant relationship between nationalism and openness and here is no accounting for control variables. Using market potential as an independent variable along with a host of control variables, the paper used the following econometric techniques to empirically test the hypothesis.

Both India and China have experienced an overall decrease in their levels of nationalism since the 1990s. However, looking at this closely however shows that China experienced an increase in both nationalism and openness between 1990 and 2001. In the case of India however this decrease has not been gradual but has been marred by increases in the period 1998-2004 and recently again since 2012. Whether this can be linked to the rise of Hindu nationalist politics in India in recent times is an interesting question for future researchers.

Cross-country results

This paper observed several data methodological errors (duplication of data; method for dealing with missing data) in the cross-country analysis carried out Lan & Li (2015) and conducted the study for the time period 2001-2007 and 2007-2014.

Conclusion

This paper empirically test an economic framework used to rationalize different levels of nationalism across regions within a country. Expanding the definition of nationalism and using a variety of econometric techniques, it found using region level data from India and China as well as cross-country data that the relationship between nationalism and globalisation is quite fragile. Future research along these lines would be interesting as long as it incorporates new data and takes into account exogenous factors that allow the use of advanced econometric testing.

References:


For a comprehensive list of references please contact the author at u57805152@anu.edu.au