

The Politicization of Cultural and Economic Difference

A Return to the Theory of Regional Autonomy Movements

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1 Introduction

Regional autonomy movements in Western Europe and Canada first captured popular and academic attention beginning in the late 1960s, when separatist-minded strife in Quebec, Northern Ireland, Scotland, Basque Country, Catalonia, Flanders, Jura and Brittany seemed to suggest that the nationalizing project of the Western nation-state was not as complete as previously thought.¹ In varying degrees, these movements moderated or died away in the course of the 1970s, and the matter received less attention in the 1980s (Newman 1996, Keating 1998). Concern and speculation about regional autonomy movements returned in the 1990s, however, due to the break up of the communist federations (the Soviet Union, Czechoslovakia, and Yugoslavia), developments in Italy, Quebec, Scotland, and Wales, and the long-running violence in Basque Country and Northern Ireland. In addition, a fair amount of prognostication about the future of Europe and of international relations more broadly sees regional autonomy movements as an important clue or bit of evidence. Regional autonomy movements are said to augur the decline or evolution of the nation-state under the pressures of economic globalization, “resurgent” ethnic identities, or the progress of supranational institutions like the European Union.²

There are at least three ways that one might ask the question, Why regional autonomy movements? First, one might ask for an explanation of the apparent increase in regional autonomy movements in many countries over the last 40 years. Theories of nationalism (e.g., Deutsch 1958, Gellner 1983, Anderson 1983) address this issue – albeit often regarding the very long term – and some contributions have focused on the nationalism of “first world” regional autonomy movements (e.g., Connor 1994: ch. 7). Second, one might ask why an active autonomy movement developed in a particular region, perhaps comparing several such cases (e.g., Esman 1977b, Newman 1996, De Winter and Türsan 1998, Gordin 2001). Finally, one might ask *why some regions have seen active regional autonomy movements, while others have not*.

We focus in this paper on this cross-sectional question, which has been relatively ignored to date. We seek to explain cross-regional variation in the presence of regional political parties, all of which have made demands for measures of autonomy from their respective states. We develop a bargaining model in which regional voters choose whether to support a regional political party. If the party receives enough votes, then the center proposes a package of transfers to the region, after which the region votes on whether to remain a part

¹Even earlier, in the 1950s, the South Tyrol problem showed that ethnic conflict was still a possibility in post-war Western Europe, although this conflict was essentially settled by the mid-1960s (Katzenstein 1977).

²See, for example, Kellas (1991), Lynch (1996), Alesina and Spolaore (1997), Bolton and Roland (1997), Alesina et al (2000).

of the state. Although secession is predicted only in unusual circumstances, its possibility creates the “threat point” for center-region bargaining, thus influencing the transfer package offered by the center. In turn, the expected transfers from the center influence whether mobilization behind a regional party is attractive to regional voters in the first place.

The model yields a set of propositions about how economic and non-economic factors should be associated with whether voters in a region will support a regional political party. Our most general result – which holds for any plausible specification of voter preferences over public goods and after-tax income – is that support for a regional party should be greater the larger the *aggregate* GDP of the region. The intuition is that regions that are bigger in this sense pay a smaller cost in public goods for secession or autonomy, and thus can extract more in center-region political bargaining. For slightly less general conditions, we show that substitutability between private and public goods implies that support for a regional party should be *less likely* for richer countries. Finally, our model suggests that there should be no clear relationship between *per capita* income of the region and its bargaining power, and thus it is not clear what relationship with regional party formation we should expect in the data. This last result runs counter to existing theories of regional autonomy movements, which predict such movements depending on the per capita income of the region relative to the center (e.g., Gourevitch 1979, Hechter 1975).

We test these implications using data from 136 regions in nine advanced industrial countries, with “regions” taken as the highest administrative level below the level of the state. We find significant support for the first two implications of the model. Regional GDP shows a strong positive relation with the likelihood of regional party success, while higher country GDP makes it less likely that regions will host regional parties. On the other hand, and contrary to the expected absence of a relationship, the empirical results suggest a weakly positive relationship between regional per capita income and regional party formation. This relationship requires further analysis.

We also consider the impact of a noneconomic factor, the extent of the structural distance between the historical language of the region and the language of the center. Theories of nationalism argue that the greater the cultural distance between a region and its center, the greater the likelihood of a nationalist movement. Primordialists see cultural difference as an enduring and natural basis for political movements (Connor 1994, Horowitz 1985). Modernization theorists argue that economic modernization politicizes cultural difference by making a person’s language, religion, and customs relevant to her prospects for upward economic mobility; thus, nationalist movements are predicted for economically backward regions with significant “preexisting [i.e., premodern] cultural differences” from the center (Deutsch 1958, Gellner 1983, Anderson 1983: ch. 4, Hechter 1975). The problem for both sorts of argument is to specify or measure cultural difference *ex ante* rather than *ex post*. That is,

if we see a nationalist movement in a region of a state, we can always identify some aspect of cultural difference after the fact that may help to “explain” it. But can we identify a measure of cultural distance that differentiates between regions with *and* without nationalist or regional autonomy movements and which can be coded independently of the outcome? If we cannot, then neither the primordialist nor the modernization theories of nationalism and regional autonomy movements have any empirical content.

We employ a measure of linguistic difference based primarily on structural characteristics of the languages involved (Fearon and Laitin 2000). This is codable independently of knowledge of the dependent variable, a regional political party. We find that the distance between the historical language of the region and the language of the center is a significant predictor of regional political parties. However, it is far from perfect, as some primordialist arguments seem to imply. There are numerous regions with structurally distinct historical languages that have no active regional autonomy movement. Further, among regions with a distinct historical language, greater degrees of divergence are not associated with higher odds of a regional party.

The next section briefly reviews the existing literature on the determinants of regional autonomy movements, emphasizing recent contributions in economics. Section 3 develops our model of a bargaining game between region and center, while section 4 presents and discusses the empirical evaluation of this model. The conclusion summarizes the main points of the paper, and discusses possible interpretations of the nature of cultural determinants of autonomy demands.

2 Explanations for regional autonomy movements

Our focus on cultural and economic determinants of regional autonomy and secessionist movements is not new.³ Most work on regional autonomy movements in sociology and political science invokes cultural differences and ethnicity as important factors, but considerable differences of opinion exist about their exact nature and significance. Some authors see them as the main explanation for regional movements, arguing that ethnic ties are stronger than all others. As Connor (1994: 159) states, “the ethnonational bond is stronger than any ties that transcend the national group.” Most analysts disagree with this “primordialist” view, but many consider cultural differences at least a *necessary* condition for regionalist activity

³We do not address the small literature on political and institutional determinants of regional autonomy movements (e.g., Newman 1996, Keating 1988, Meadwell 1991, 1998), which has so far failed to develop general arguments that generate testable hypotheses (Van Houten 2000: ch. 2).

(e.g., Hechter 1975, Esman 1977a, Gourevitch 1979, Horowitz 1985, De Winter and Türsan 1998).

Such claims are problematic for two reasons. First, casual inspection of the empirical record suggests that ethnicity is neither necessary nor sufficient for regionalist political activity. Assertive regions such as Lombardy in Italy, Wallonia in Belgium and Canary Islands in Spain are generally not seen as ethnically distinct in their respective states, while culturally distinct regions such as Languedoc and Alsace in France, and Sicily in Italy currently lack politically relevant autonomy movements. Second, to make claims about a causal link between ethnicity and autonomy movements, one needs measures of ethnicity that are independent of the occurrence of regional autonomy movements. Although constructivists have shown that regional and ethnic identities are often as much the *result* as the cause of political activity, the implications of this insight are rarely incorporated in empirical research. Section 4 explores this issue further, and proposes a measure that circumvents the problem.

Economic differences between region and center are the other dominant explanatory factor in the political science and sociology literatures. The main emphasis here is on relative over- or underdevelopment of regions and regional per capita income. Interestingly, Hechter (1975), Gourevitch (1979) and various related strands of research offer diametrically opposed arguments about the economic conditions conducive to autonomy movements.⁴ Based on a study of the United Kingdom’s “Celtic fringe,” Hechter argues that differential industrialization leaves some regions relatively poor and trapped on the downside of the national division of labor. When these poor regions are marked in addition by a distinct ethnicity – which favors intra-group communication and the development of “collective solidarity” (Hechter 1975: 42) – they will be inclined to develop and support autonomy movements opposed to domination by the center. By contrast, Gourevitch argues that poor regions will tend to benefit by their association with a more dynamic center, whereas we should expect separatism of *rich* regions with “ethnic potential” outside of the political center. In the latter case, elites in a dynamic region will wish to break away from less dynamic centers that drag on their growth or after-tax incomes.

Conventional wisdom for advanced industrial states now seems to be that regional assertiveness is mostly associated with richer regions (e.g., Newhouse 1997). However, theoretical grounds for this expectation are poorly developed, and systematic empirical evaluations to adjudicate the debate are lacking. Similarly, it is not clear, theoretically and empirically, how important regional income per capita is relative to other economic factors (such as the

⁴For example, Deutsch (1958), Gellner (1983), Anderson (1983), Rokkan and Urwin (1983) and Horowitz (1985) reach conclusions on the relation between economic differences and regional mobilization similar to Hechter, while Nairn (1977), Bookman (1993), Harvie (1994), Newhouse (1997), and Giordano (2000) appear to side with Gourevitch.

economic size of the region or state) in inducing autonomy demands. This paper begins to address these shortcomings.

More recently, political economists have studied these issues from a different perspective. This new political economy literature developed out of the public finance and fiscal federalism literatures, which analyze the assignment of governmental functions to jurisdictions and the consequences for taxation and public good provision. However, “[i]t goes one step further than these literatures by endogenizing the size distribution of jurisdictions and by using secession or political integration as instruments affecting the size of jurisdiction, the scale of public good provision, and the degree of factor mobility and economic integration across borders” (Bolton et al 1996: 699).

The key insight behind the various analyses of choice of jurisdiction size is the existence of a trade-off between economies of scale in the provision of public goods (favoring larger units) and the possibility to deliver bundles of public goods close to the preferences of the population (favoring smaller units, if we assume heterogeneity of preferences over public goods). Thus, if a significant portion of the population in a subnational unit thinks the costs of receiving relatively undesired national public goods are larger than the benefits of belonging to a larger jurisdiction (e.g., in terms of cheaper public good delivery), then pressures for secession or at least an increase in regional autonomy are likely to emerge.

Alesina and Spolaore (1997) and Alesina et al (2000) propose this framework as a possible explanation for the increase in the number of states around the world, and for the apparent rise in secessionist and regional autonomy movements in recent decades. International economic and political integration reduces the relative benefits of larger units (by reducing trade barriers, providing defence at a supranational level, etc.). This makes smaller units more attractive, because these can deliver public goods closer to the regional or local majority preference. This is one of several possible mechanisms underlying the often stated but rarely explored claim that globalization and European integration induce regional autonomy demands (Van Houten 2001b).⁵

These articles do not explore the sources of preference heterogeneity over public goods, which is necessary if we want to understand cross-national variation in regional autonomy pressures. What factors induce different preferences over public goods and taxation between territorial units in a state?

Bolton and Roland (1997) provide the most elaborate analysis of this question. In their

⁵Contrary to Alesina and Spolaore, Hiscox (2001) argues that the effect of globalization on the likelihood of secession depends on its effect on regional incomes. If it reduces the differences in income between regions, it may reduce incentives for secession.

model, governments provide public goods (defense, a common market, etc.) and redistribute income through fiscal policies. Variation in incomes across voters induces different preferences over tax rates. The interaction between region and center takes place in a democratic context, in which the median voter in a unit decides on the tax rate and possible secession. Bolton and Roland derive three economic “effects” that increase the likelihood of political support for secession. Two of these address the issue of cross-sectional variation.⁶ First, if regional income per capita is higher than the national income per capita, secession will benefit the region, as it can provide the same amount of public spending per capita with a lower tax rate (the “tax base effect”). Second, if the regional income distribution is sufficiently different from the national income distribution, then the median voter in the region may prefer secession in order to get a tax rate more to her liking (the “political effect”). If the gains from a more preferred fiscal policy outweigh the efficiency costs of a smaller political unit, then the median voter will support secession.

But what if the center can prevent regions from seceding by “paying them off” with public policies closer to regional preferences? Bolton and Roland begin to address this issue by considering a two-stage game in which the center can anticipate the decision by regional voters about possible secession, and adjust its fiscal policy accordingly. For efficiency reasons the median voter in the center would like to keep the larger unit together. This is costly, however, when it requires a less preferred fiscal policy (tax rate). If these costs are too large, the center allows secession. Thus, regional autonomy depends on regional and center income distributions, which induce different preferences over fiscal policy, which may or may not be accommodated by the center.

Bolton and Roland’s results depends crucially on the assumption that tax rates must be uniform across the whole state. Break up is always economically inefficient in their model, and would never occur if the center were allowed to compensate regional voters with a different tax rate or targeted subsidies (see section 3). Our model allows center-region bargaining over different tax rates (or fiscal policies) for center and region.⁷ Furthermore, we introduce nationalist sentiments that vary across voters as a source of preference heterogeneity, and we model the decision of voters whether to support a regionalist political party, and thus whether to “regionalize” politics at all. In this way, we take a step towards connecting the political science/sociology and the political economy literatures. Finally, we provide a direct empirical test of the implications of our formal model. The existing political economy literature exclusively focuses on the formulation of theoretical models, or only provides indirect tests (e.g., Hiscox 2001).

⁶The third is the “efficiency effect” (reduction of the benefits of large units) already discussed.

⁷Austin (1995) also models a bargaining relation, but makes the unrealistic assumption that seceding regions cannot exclude individuals from other regions from joining their new state.

3 Regional parties and center-region bargaining: a model

Players. We consider a state with n voters, r of whom reside in the “region” and $c > r$ in the “center.” We assume that all voters in the region receive pre-tax income y_R and all in the center get y_C . Thus, the aggregate income, or “GDP,” of the region is $Y_R = ry_R$ and aggregate income of the center is $Y_C = cy_C$. GDP for the country as a whole is $Y = Y_C + Y_R$.

Game structure. The model has three stages. In the first, regional voters decide whether to vote for a regional political party with a platform of independence or greater autonomy for the region. If the regional party fails to garner a sufficient share of votes, the game ends. We assume the threshold is a majority in the region, though this is not necessary.

In the second stage, if the regional party has gained a majority, then politics “regionalizes.” The central government, which at this point represents the interests of the median voter in the center, must now deal with the demands expressed by the representatives of the autonomist party. We analyze this center-region bargaining in a reduced-form way, as a “take it or leave it” offer by the government. The central government offers a pair of tax rates, t_C^o and t_R^o , that will apply to center and regional voters if the region stays within the current political arrangements. The tax rates should be understood as effective tax rates and are meant to incorporate the economic effects of any kind of subsidies or burdens by which national policy can help or harm voters in the region and the center. Note that we are thus allowing the center to “pay off” or punish the region if regional voters bring the autonomist party to power.

In the third stage, the regional voters observe the center’s offer and then vote on increased autonomy or independence (for example, in a referendum).

Payoffs. Voters are assumed to care about their after-tax income and about the amount of public goods provided through taxation. In addition, they may also have nationalist sentiments that are benefited by independence/autonomy or the continued integrity of the state.

By a slight abuse of notation, we will sometimes refer to individual i ’s pre-tax income as y_i , and sometimes as y_R if i resides in the region and y_C if i lives outside the region. After a linear tax of $t \in [0, 1]$ is applied, it falls to $y_i(1 - t)$. If region and center separate, the amount of public goods provided is tY_j , where t and Y_j are, respectively, the prevailing tax rate and aggregate income of the political unit in question. If the state remains whole, then total public goods is tY if politics never regionalized, and $t_C^o Y_C + t_R^o Y_R$ if it did and the center’s offer was accepted.

In the most general case, we represent voter preferences over combinations of disposable income and public goods with a utility function $u(c_i, G)$, where c_i is voter i 's after-tax income and G is total public goods spending for the relevant political unit. $u(c_i, G)$ increases in both arguments.⁸

Finally, voter i in the region also has a value of N_i for gaining independence, while a voter i in the center loses a value I_i if secession occurs ('I' for "Imperial"). Thus, if the region elects autonomy/independence, regional voter i gets a payoff of $u(y_R(1 - t_R^*), t_R^*Y_R) + N_i$, where t_R^* is the tax rate that prevails in the newly autonomous or independent region. A voter i in the remaining "rump" state gets $u(y_C(1 - t_C^*), t_C^*Y_C) - I_i$.

Taxes. Lower taxes increase after-tax income but reduce public goods. Given a level of pre-tax income and a tax base (i.e., total GDP), this tradeoff implies that each individual has a most preferred tax rate, where the marginal benefit of more disposable income $y_i u_c$ equals the marginal cost in foregone public goods, $Y u_g$. Since we assume that incomes does not vary *within* center and region, all regional voters have the same most-preferred tax rate within the unified state, call it t_R , as do voters in the center, t_C . We assume that the median voter chooses the tax rate in the relevant political unit, which in the unified state is a voter in the center (since $c > r$).

Analysis. To solve the game we work backwards from the third stage, where the regional party has formed and the government has made a tax offer of (t_C^o, t_R^o) . At this point, regional voter i prefers to vote for secession or greater formal autonomy if she prefers her "nationalist satisfaction," N_i , together with the material situation anticipated under separation more than her material situation given the center's offer. Formally, a regional voter votes for secession/autonomy if

$$N_i + u(y_R(1 - t_R^*), t_R^*Y_R) > u(y_R(1 - t_R^o), t_C^oY_C + t_R^oY_R), \quad (1)$$

where t_R^* is the tax rate preferred by the median voter within a newly autonomous region.⁹

Assume for the moment that the government at the center would like to make an offer that would keep the region in the country. Then the government wants to choose the offer that maximizes center voters' utilities subject to the constraint that the regional voter with the median level of nationalism prefers to vote against autonomy. Let N_{med} be

⁸Some of the results presented below assume a constant elasticity of substitution utility function, $u(c_i, G) = (\alpha_1 c_i^\rho + \alpha_2 G^\rho)^{1/\rho}$, where $\rho < 1$ and α_1 and α_2 are positive parameters. As ρ approaches zero, this becomes equivalent to a Cobb-Douglas utility function; as ρ approaches negative infinity, we have the case of perfect complements.

⁹As is common, we assume that voters do not play weakly dominated strategies, which implies that they vote sincerely in the last stage of the game.

the nationalism level of this voter. The government's problem is thus to choose (t_C^o, t_R^o) to maximize $u(y_C(1 - t_C^o), t_C^o Y_C + t_R^o Y_R)$ such that

$$N_{med} + u(y_R(1 - t_R^*), t_R^* Y_R) = u(y_R(1 - t_R^o), t_C^o Y_C + t_R^o Y_R). \quad (2)$$

Little can be said about the specific solution to this program without giving more detail to the utility functions. Even without doing so, however, we can draw out some interesting and testable implications concerning regional party formation.

Consider the *first* stage, when regional voters decide whether to support the regional party. If rational, they should look ahead, trying to anticipate what would happen if the regional party gains a majority and then receives the new tax offer from the center. We do not need to know the specific tax deal (t_C^o, t_R^o) to know, from equation 2, that its value depends positively on the median level of nationalism in the region, N_{med} , and on the level of “material utility” regional voters would have if they gained independence or autonomy.

Thus, *regardless of whether a regional voter really wants secession to occur*, she will find supporting a regional party more attractive (1) the better off regional voters would be economically were they to secede or increase their autonomy, and (2) the more nationalist are her co-regionals. The better the region could manage if independent or more autonomous, the more the median regional nationalist must be given to want to stay in the unified state if politics regionalizes. And similarly, greater nationalist sentiment in the region increases the amount of effective transfers the center must offer to keep the region in, which benefits even those regionals who don't care about national independence.

In formal terms, in the first stage regional voters compare their current material utility in the unified state to what they would get for “regionalizing” politics and accepting the offer (t_C^o, t_R^o) . If t_C is the center voter's preferred tax rate in the unified state, then regional voters vote for the regional party in the first stage when

$$N_{med} + u(y_R(1 - t_R^*), t_R^* Y_R) > u(y_R(1 - t_C), t_C Y).^{10} \quad (3)$$

Anything that makes it more likely that this inequality will be satisfied makes it more likely that we will observe a regional party with significant electoral support. Propositions 1-4 summarize some results concerning the effect of variation in (1) nationalist sentiment, (2) regional GDP, (3) country GDP, and (4) regional per capita income on the likelihood of observing a regional party.

¹⁰The argument remains conditional on the assumption stated earlier that the center prefers keeping the region to “letting it go,” which is possible if the median nationalist in the region is quite extreme while the center voters don't care much about the symbolic value of the region (I_i 's tend to be low). See Proposition 5 below.

Proposition 1 *Regardless of specific voter preferences over public and private goods,¹¹ greater levels of nationalist sentiment in the region increase the likelihood of a successful regional party whenever this increases the nationalism of the regional median voter.*

This implication follows immediately from inequality (3). It is hardly counterintuitive, but the mechanism involves more than simple expressive voting based on nationalist sentiment. Here, even regional voters indifferent to nationalism might support a regional party and its efforts to deliberately cultivate nationalist sentiment, in the knowledge that by giving the party a more credible threat in bargaining with the center, all voters in the region can do better.

Proposition 2 *Regardless of specific voter preferences over public and private goods, the greater the aggregate income of the region, Y_R , the greater the likelihood of a regional party.*

Under very general conditions, the model predicts that regional parties are more likely the larger the regional economy. The reason is that a bigger economy makes the regional voters better off in a newly autonomous region regardless of the equilibrium tax rate that will prevail. As a result, a regionalist party will have more bargaining leverage versus the center, which disposes regional voters to support it.¹²

Proposition 3 (i) *Regardless of specific voter preferences over public and private goods, greater country GDP will be associated with a lower probability of a regional party if the region is similar in per capita income to the center (i.e., $y_R \approx y_C$).*

(ii) *Suppose that voter preferences over consumption and public goods can be represented by a constant elasticity of substitution utility function (see footnote 8). Then greater country GDP will be associated with a lower probability of regional parties provided that a voter's most preferred tax rate decreases as aggregate GDP increases (in other words, the elasticity of substitution is positive; formally, $\rho < 0$). On the other hand, if a voter's optimal tax rate increases with aggregate GDP ($\rho \in (0, 1)$), then the probability of a regional party will tend to increase with country GDP for regions with high per capita income, but to decrease for poorer regions.*

¹¹That is, for any $u(c, G)$ that is increasing in both arguments.

¹²Proof of Proposition 2: Let $Y'_R > Y_R$, and let t'_R be the equilibrium tax rate in an autonomous region with total income Y'_R . $u(y_R(1 - t'_R), t'_R Y'_R) \geq u(y_R(1 - t_R^*), t_R^* Y'_R)$, since by definition t'_R maximizes the regional voter's utility given Y'_R . And $u(y_R(1 - t_R^*), t_R^* Y'_R) > u(y_R(1 - t_R^*), t_R^* Y_R)$, since $u(c_i, G)$ is increasing in G . Together these inequalities imply that $u(y_R(1 - t'_R), t'_R Y'_R) > u(y_R(1 - t_R^*), t_R^* Y_R)$, which implies that increasing Y_R increases the left-hand side of (3). This proves the Proposition.

Proposition 3 considers the effect of variation in country GDP, when regional GDP is held fixed. Given our bargaining framework, it is natural to suppose that the bigger the economy of the center, the lower the bargaining power of regional voters since they have to threaten to abandon a higher level of public goods for any given tax rate. There can be an extenuating circumstance, however. If regional voters are poorer or richer than those in the center, they may prefer a different tax rate than the one chosen by the majority in the unified state (i.e., $t_R \neq t_C$). Because they can determine their own tax rate in the new state, this factor can work to offset the price paid in public goods for autonomy.¹³

Obviously, if center and regional voters have the same preferred tax rate in a unified state, then this off-setting factor does not come into play, so that greater country GDP makes support for a regional party less attractive. This is part (i) of Proposition 3. For the case of CES utility functions, part (ii) asserts that positive elasticity of substitution implies the same result. This is arguably the most plausible case, since positive elasticity here means that individuals' preferred tax rates will fall as aggregate GDP increases. Part (iii) asserts that under negative elasticity of substitution, there should be a tendency for the rich regions in large economies to support regional parties more than rich regions in small economies.

Proposition 4 *Nothing in general can be said about the effect of variation in regional per capita income (y_R) on the likelihood that regional voters will support a regional party. However, in the case of simple Cobb-Dougllass utility functions,¹⁴ greater regional per capita income will be associated with a lower likelihood of a successful regional party.*

In the Cobb-Dougllass case – and in fact for any CES utility function – voters' marginal utility for consumption increases with the level of spending on public goods. (Intuitively, one's value for eating out is enhanced if the streets are clean and safe.) This implies that, in effect, voters in rich regions have to give up more material satisfaction to get the quantum of nationalist satisfaction associated with autonomy than do voters in poor regions.¹⁵ Although the effects of income on tax rates make it difficult to prove a proposition along these lines for the case of all CES utility functions, we can say that at a minimum the effect observed for the Cobb-Dougllass case would be present. It might not always be dominant, however, and in any event even the result for the Cobb-Dougllass case depends on the assumption that voter preferences are additive in nationalist and material sources of satisfaction. If we assume, by contrast, that richer voters increase the weight they put on nationalist satisfaction, then

¹³This is the trade-off at the heart of Bolton and Roland's (1997) analysis (see section 2).

¹⁴That is, $u(c_i, G) = c_i^\alpha G^{1-\alpha}$, $\alpha \in (0, 1)$.

¹⁵Other things being equal, such as the aggregate GDP of the region and the country.

one can get a different result.¹⁶ Hence the model has no definite implication about the relationship between regional *per capita* income and the probability of a regional party. This is in marked contrast to the existing political science and sociological literatures on the topic, which focus on relative per capita income or don't distinguish between per capita and aggregate regional income.

The preceding results all presuppose that in the game's equilibrium, the center will indeed want to choose a tax offer $t = (t_C^o, t_R^o)$ such that condition (2) is just satisfied, implying that a bare majority of regional voters prefer to remain in the unified state. The center's alternative after a regionalist party takes power is to divide the state deliberately by making an offer that it knows a regional majority will reject. Under what circumstances would the center prefer this course?

Proposition 5 *There is a level of nationalist sentiment, $N^* > 0$, such that if the median regional nationalist has $N_{med} < N^*$, then the center prefers to make an offer that satisfies (2) should politics regionalize. Further, N^* is increasing in the “imperial” value that the median center voter puts on holding the state together (I_{med}). When $N_{med} > N^*$, the center makes an offer than fails to satisfy (2) if politics regionalizes, and a majority in the region support secession.*

Proposition 5 shows that secession only occurs in the model when the region is sufficiently nationalist and in turn the center doesn't care “too much” about holding onto the territory for non-material reasons. Of course, these threshold levels depend on the material trade-offs as well. For instance, the more important are public goods to individual utility, the greater the level of nationalist sentiment necessary to enable secession in the model.

Remark. If we assume, as in Bolton and Roland (1997), that voters care only about material satisfaction (i.e., $N_i = 0$ and $I_i = 0$ for all i), then it is straightforward to show that there is always a tax offer $t = (t_C^o, t_R^o)$ such that all voters prefer a unified state to a “break up.” Let the offer be $t = (t_C^*, t_R^*)$. Then

$$\begin{aligned} u(y_C(1 - t_C^*), t_c^* Y_C + t_R^* Y_R) &\geq u(y_C(1 - t_C^*), t_C^* Y_C) \text{ and} \\ u(y_R(1 - t_R^*), t_c^* Y_C + t_R^* Y_R) &\geq u(y_R(1 - t_R^*), t_R^* Y_R) \end{aligned}$$

since utility is increasing in public goods. Further, both inequalities are strict when $t_R^* > 0$ and $t_C^* > 0$, which is the extremely weak condition that there is always positive demand for

¹⁶For instance, suppose a regional voter's utility in an independent region is $N_i u(c_i, G)$. Then in the Cobb-Douglass case the probability of support for a regional party is independent of regional per capita income.

public goods.¹⁷ Thus, in this case of no non-material nationalist sentiments in the region, the center always wants to choose a tax plan that satisfies (2) and guarantees that center voters' payoffs will be greater than $u(y_C(1 - t_C^*), t_C^* Y_C)$, the utility for separation. "Break up," the determinants of which are the subject of Bolton and Roland, never occurs in equilibrium.

Bolton and Roland get the possibility of an economically inefficient break up by assuming that only a uniform tax rate can be applied over a whole territory, or, equivalently, that the center cannot "pay off" a disgruntled region with some form of transfer. If we made the same assumption ($t_C^o = t_R^o$), we would get their main result as well, that break up is more likely the greater the divergence between center and regional per capita incomes. But it seems implausibly strong to assume that the center does not have the flexibility to pay off regional voters with some kind of tax subsidies or transfers.

4 An empirical analysis of regional parties in advanced industrial states

We now turn to the evaluation of the propositions generated by the model. We first discuss definitional and data collection issues, and then present and discuss our results.

4.1 Data

There are few cross-sectional statistical analyses of regional autonomy movements. Admittedly, regional statistics are less readily available than national statistics, but enough exist to make a first cut.¹⁸ We use data for regions in nine advanced industrial countries: Austria, Belgium, Canada, France, Germany, Italy, Spain, Switzerland and the United Kingdom. We define a *region* as the administrative level in a state immediately below the national level. This gives a total of 136 regions.¹⁹ We recognize that this definition is arbitrary, and often

¹⁷On Hobbes' argument, it is impossible to have a positive income if there is no state, which implies that "reduced form" utility functions over consumption and public goods should entail that there is always positive demand for public goods.

¹⁸Van Houten (2001a) provides a similar analysis but focuses on specific autonomy demands rather than the presence of regional parties as such. Other examples of studies using regional data are Hearl et al (1996), Armstrong and Read (1995), and Rodriguez-Pose (1998).

¹⁹For England, the definition is somewhat problematic, since the so-called 'Standard Regions', which are used here, have no regional governments or real administrations. Since 1994, they do have *Regional Offices*

fails to capture regional economic reality or popular understandings. However, since we are interested in explaining cross-sectional regional variation, we have to use certain units, and by using these administrative units we do not seem to miss any significant cases of regional activism. Moreover, administrative borders often have considerable political relevance, and even those regional movements aspiring to transcend them usually must work within the limits of a given institutional context.

Regional parties. As an indicator for the presence of a regional autonomy movement – our dependent variable – we use the existence of a regional political party.²⁰ A *regional political party* is a party which nominates candidates for elections (including national elections) in a strict subset of the regions in a state (typically just one), and whose platform explicitly appeals to this subset.²¹ Clear examples are the *CiU* in Catalonia, the *PNV* in Basque Country, the *Volkswunie* in Flanders, the *SNP* in Scotland, and also the *CSU* in Bavaria, all parties which nominate candidates in only one region and which, to various degrees, appeal to regional interests in their platforms. It also includes the *Lega Nord* in Italy, which is active in a number of Northern Italian regions (although it originated as separate Leagues, each operating in just one region), but has an explicitly regionalist and on occasions secessionist agenda for the regions in which it operates. It excludes parties that have national aspirations, but are currently not represented in all regions of a state.

Our criterion for the *presence* of a regional party is that such a party needs to have won at least one seat in the national parliament in the 1990s.²² This may seem minimal. However, irrespective of the exact electoral system in place, to win a seat in the national legislature, such a party generally needs to obtain a large amount (and sometimes a majority) of the votes in the region in which it operates. Based on this criterion, we have 23 regions with at least one regional party in our data set.²³

of the Government, perhaps a step towards future regional administrations.

²⁰This indicator may exclude some regions with autonomist activity, although the only case we can think of is Corsica in France. Including this case does not substantively change any of our results.

²¹This definition (and any other definition of a regional party) is, of course, also arbitrary “around the edges” and open to dispute. There are, however, advantages to the consistent application of one a priori plausible definition. See Müller-Rommel (1998) for an alternative definition, which requires regionalist issues to be the *primary*, and not just one, aspect of a party’s platform. De Winter (1998) provides a detailed, mostly qualitative comparative analysis of a number of Western European parties which fit this more restrictive definition.

²²The information on the nature of political parties and election results comes from a wide variety of sources, including Mackie and Rose (1991), Banks et al (1997), Jacobs (1989), Coggins and Lewis (1992), <http://www.electionworld.org>. For an analysis of Western European regional parties in an earlier period, see Urwin (1983).

²³These regions are: Flanders, Brussels, Wallonia (Belgium); Quebec (Canada); Bavaria (Germany);

Economic variables. Regional economic data are available from European Union and national statistical publications. We use data for 1995 on regional population, GDP, and economic output and employment by sector of the economy.²⁴ From these data, we calculated measures such as regional income per capita (in absolute terms, and relative to the national average), and the regional share of total country GDP. These variables make it possible to evaluate most of the propositions discussed in the previous section.²⁵

Cultural variables. As discussed in the introduction and section 2, to draw valid inferences about the impact of “ethnic potential” or “ethnic difference” on regional autonomy movements, we need indicators for ethnicity that are neither caused by regional autonomy movements nor more likely to be coded as present just because a movement exists. While many political scientists have asserted the importance of distinct ethnicity and/or regional culture for nationalist and regionalist movements, these claims lack solid evidentiary grounds unless one has a way of coding this factor independent of observed nationalist activism.

We propose to use a measure based on work by linguists who classify languages into “families,” subfamilies, and yet smaller categories according to their structural features (Fearon and Laitin 2000; Laitin 2000). In these classification schemes, a language in effect has an “address” that is summarized by a list of increasingly inclusive groups. For instance, English’s address is “Indo-European, Germanic, Western, North Sea, English,” while Irish Gaelic’s address is “Indo-European, Celtic, Insular, Goidelic.” A natural, if imprecise, measure of distance between two languages is then how quickly their two addresses diverge. For instance, English and Irish diverge at the second step, since both are members of the larger Indo-European family. By contrast, Spanish and Basque diverge at the first step, since Spanish is Indo-European and Basque is an isolate. For cases coded as different

Val d’Aosta, Trentino-Aldo Adige, Sardinia, Friulia-Venezia Giulia, Veneto, Lombardy, Liguria, Emilia-Romagna, Piedmont (Italy); Basque Country, Catalonia, Valencia, Galicia, Canary Islands (Spain); Ticino (Switzerland); Northern Ireland, Scotland, Wales (UK).

²⁴Sources: Eurostat (1996), Eurostat REGIO database, Statistics Canada (1997), ONS (1997), <http://www.statcan.ca>, <http://www.admin.ch/bfs>, <http://www.zahlenspiegel.ch>.

²⁵We also tried to test for Bolton and Roland’s (1997) “political effect” resulting from differences in regional and national income distributions (see section 2). However, while data on national income distributions are generally available, even if inherently problematic (Atkinson et al 1995), such data are virtually nonexistent for regions. We found direct information only for the Canadian provinces (Statistics Canada 1997: 177) and the regions in the UK (ONS 1997: 107). In addition, we estimated income distributions for the regions in Belgium, France, Germany, Italy and Spain by using indicators of economic output (Gross Value Added) and employment by branches of the economy (Eurostat 1994, 1996). This is at most a rough approximation, because the underlying assumption of a direct relation between economic output in a branch and the compensation received by workers employed in that branch is disputable. Using this measure, we find no support for an effect of differences in income distributions on regional activism. However, due to the highly tentative nature of the data, we do not discuss these results below.

languages, the highest level of similarity in our regional data set are Spanish and Aragonese (the dialect of Spanish spoken in Aragon), and Spanish and Asturian (spoken in Asturias), which diverge at the ninth level.

Using Grimes (1996) for the classification data, we constructed a variable LANGFAM, which is the number of the first level at which the historical language of the region and the language spoken at the center (capital) diverge.²⁶ When the regional and center languages are classified as the same, we assigned the value 10, one more than the highest level of similarity of two different languages in the data set. We used the historical language of the region, rather than the language most commonly spoken, because we are seeking a measure of long-standing ethnic and cultural difference, and because a major political project of regional autonomy movements has often been the *revival* of a dormant regional language or dialect (e.g., Laitin 1989). Dormant regional languages provide the potential for a claim of “ethnic difference.” How often, and under what conditions, are these claims made by a successful regional party? Always, as a strong primordialist argument would hold, or only under certain circumstances?

In the statistical analyses below, we actually use LANGDIF as independent variable, which is the reciprocal of LANGFAM. Thus, LANGDIF’s maximum value is 1, which obtains when regional and center languages are from entirely different families (e.g., Spanish and Basque). Its minimum value is 0.1, which means that center and regional languages were classified as the same. Using the reciprocal implies that more weight is given to divergence at earlier levels of structural difference. This seems justified intuitively, since the difference between a Germanic and Romance language seems much larger than that between two Italian dialects, for example. In addition, it makes sense given that politics and arbitrariness enter into the definition of what constitutes a distinct language or dialect at the finer levels of classification. For example, several Germanic dialects are identified in Grimes (1996), even within the Federal Republic, but various dialects of English spoken in the U.K. are not distinguished. So the measure is most reliable for divergence at earlier levels. That said, our results do not change if we use LANGFAM instead of the more conceptually defensible LANGDIF.

The particular strength of this linguistic measure of “ethnic potential” is that except at the level of distinctions among close dialects, it is not very subject to contamination by the presence of nationalist and regionalist movements.

We also coded a variable for *religious difference*, another potential indicator of cultural differences between a region and the center.²⁷ This variable has the value 1 if the religion

²⁶In cases where multiple languages were spoken in a region, we coded the most different language.

²⁷Sources: Lane and Ersson (1999), Barrett (1982), ÖSTAT (1996), Statistisches Bundesamt (1997),

Variable	Mean	Median	St.dev.	Min	Max
Regional party	0.17	0	0.38	0	1
Language difference	0.21	0.1	0.20	0.1	1
Religion	0.18	0	0.39	0	1
Regional GDP (billion ECU)	39.5	21.4	57.2	0.37	412.7
Log(regional GDP)	2.94	3.06	1.34	-1.01	6.02
Country GDP (billion ECU)	754.5	831.4	523.7	177.1	1846.4
Regional GPD/cap (nat avg = 100)	94.1	91	21.8	55	177

Table 1: Descriptive statistics for the variables (non-capital regions, N=127)

with the most adherents in a region differs from the religion with the most adherents in the region in which the national capital is located. However, since the majority of countries in our sample (Austria, Belgium, France, Italy, and Spain) are entirely Catholic and thus do not exhibit regional variation in religion, we do not expect this variable to have a systematic impact on the presence of regional parties. This is, of course, not to deny that religion may be an important factor in ethnic and regional politics in other parts of the world.

Table 1 summarizes our variables. Because the distribution of regional GDP is quite skewed in our sample, we use the logarithm of this variable in our analysis below.

4.2 Results

Table 2 shows the results of two multivariate logit regressions, using the presence of a regional party as dependent variable. Model (1) includes variables that are directly relevant to the propositions derived in section 3. Model (2) provides a better overall fit of the data, and gives an indication of a possible source of the apparent relation between the presence of a regional party and the relative regional income per capita. Note that regions in which the country capitals are located are excluded. These regions usually do not show regionalist activity²⁸, and tend to be relatively rich and economically powerful. Therefore, including them would distort the potential relation between autonomist action in ‘peripheral’ regions

<http://www.statcan.ca>.

²⁸With the exception of the complicated case of Brussels, where the *FDF* attempts to mobilize parts of the French-speaking population in the city.

Variables	Coefficients (s.e.)			
	(1)		(2)	
Constant	-7.16	(1.67) *	-8.08	(1.96) *
Language difference	3.03	(1.13) *	3.80	(1.23) *
Log (regional GDP)	1.07	(0.33) *	1.25	(0.38) *
Country GDP	-0.0019	(0.00074) *	-0.0025	(0.00091) *
Relative regional GDP/cap	0.028	(0.013) *	0.027	(0.014)
Dummy for Italy			2.65	(0.74) *
N	127		127	
log L	-44.0		-36.8	
χ^2	29.0		43.4	
% correctly predicted	85.0		89.0	

*: Significant at the .05 confidence level

Table 2: Logit estimates for regional party (non-capital regions)

and their economic situation.²⁹

The results for the language variable support Proposition 1. Language differences and nationalist sentiment are, of course, not the same thing. However, language differences between a region and the center often provide the symbols and markers for nationalist sentiment and activity. The presence of a distinct historical language in a region may proxy for level of nationalist sentiment in that region, or it may provide a focal point around which nationalist mobilization is more easily coordinated.

To illustrate the effect of this factor, consider a region for which all variables have their median values (see Table 1): regional GDP is 21.4 billion ECU, country GDP is 831.4 billion ECU, regional GDP per capita is 91% of the national average, and there is no distinct language (LANGDIF = 0.1). According to model (1) in Table 2, the odds that one or more

²⁹The overall fit of the models is acceptable. The χ^2 values are good, and the “hits-misses ratio” for model (2) is also good. About 83% of the cases in the sample (105 out of 127) have no regional party, which leaves only 17% left to explain by any model. The models presented here manage to account for only some of this variation, but this is to be expected. Thus, the results can certainly provide a useful evaluation of the propositions derived from the formal model.

<i>Regional party</i>	<i>Different language</i>		Total
	No	Yes	
No	73	32	105
Yes	2	20	22
Total	75	52	127

Table 3: Regional parties and language difference (LANGDIF > 0.1)

regional parties will be present in this “median region” are only 6%.³⁰ However, an otherwise similar region with a historical language in a different Indo-European family (LANGDIF = 0.5) has a 19% chance of hosting a regional party. Under circumstances more favorable to the rise of regional parties, the effect of this factor is larger. The odds of regionalist activity in a rich region (regional GDP per capita of 110% of the national average) with a GDP of 60 billion ECU in a relatively small or poor country (country GDP is 500 billion ECU) are 41% in the absence of a distinct historical language, and 70% if there is a clearly distinct language (LANGDIF = 0.5). As anticipated, religious differences between a region and the center do not systematically influence the presence or absence of a regional party. This factor varies little in our sample. Moreover, with the important exception of Northern Ireland, it is hard to think of cases in our sample where religion is an important aspect of the regionalist dynamic (and it is questionable as a causal factor even in Northern Ireland; see McGarry and O’Leary 1995).

Table 3 illustrates that, in our sample, the presence of a distinct historical language is almost a necessary condition for the presence of a regional party. Wallonia in Belgium and the Canary Islands in Spain are the only regions without language differences between region and center that have regional parties. The Walloon case can be explained by the presence of only two major regions in Belgium and the resulting extremely polarized nature of Belgian politics in recent decades, while the Canarian case is probably due to the isolated geographical location of the island.

However, the claim of the near necessity of a distinct language for the presence of a regional party depends on relatively minor language differences. Table 4 shows that this claim no longer holds if one considers only “considerable” language differences (e.g., values

³⁰Given that only 22 of the 127 regions in the sample have regional parties, it is not surprising that the odds for a median region are so low. Therefore, we will also illustrate the marginal effect of a specific factor by looking at a region with more “favorable” conditions for regionalist activity.

<i>Regional party</i>	<i>Significantly different language</i>		Total
	No	Yes	
No	87	18	105
Yes	9	13	22
Total	96	31	127

Table 4: Regional parties and language difference ($\text{LANGDIF} \geq .2$)

on LANGDIF of 0.2 and higher). Since low values on the variable LANGDIF are more arbitrary and harder to justify (see above), we are hesitant to claim that a distinct language is indeed critical for the presence of a regional party. Moreover, this factor is far from a *sufficient* condition for the existence of a regional party, as Table 3 shows. No less than 32 regions are coded as having a distinct historical language without a significant regional party. And if we only look at the set of 52 regions coded as having a structurally different language or dialect, we find that LANGDIF is not a statistically significant factor in accounting for the 20 that have regional party representation. This shows that, for this set of regions, the *extent* of the language difference does not help in predicting a regional party. On the other hand, the three economic variables included in Table 1 are all statistically significant in the analysis of this smaller set of regions. These results suggest that ethnic and economic explanations of regional autonomy movements are complementary.

The results in Table 2 also clearly support Propositions 2 and 3, which hypothesize a link between regionalist activity and the economic size of regions and countries. As predicted by Proposition 2, regional GDP is positively related to the presence of one or more regional parties. This variable has a strong effect. Model (1) predicts only a 3% chance of regional parties in a region with a GDP of 10 billion ECU and median values on the other variables. With a GDP of 75 billion ECU, these odds are already 22%. If the other factors are more favorable due to the presence of a distinct regional language ($\text{LANGDIF} = 0.25$), low country GDP (500 billion ECU), and relatively high income per capita (110% of the national average), then the odds of having at least one regional party are still only 14% if the region is economically small (GDP of 10 billion ECU). On the other hand, the odds for an economically stronger region (GDP of 75 billion ECU) are no less than 59%. This is consistent with our claim that rich regions' greater bargaining leverage versus the center makes them more likely to have successful regional parties.

The main claim of Proposition 3, that economically larger countries are likely to give

rise to less regionalist activity, is supported by the negative and significant coefficients for country GDP in models (1) and (2) of Table 2. The estimated effect of this variable is considerable. According to model (1), an otherwise median region in a large country (national GDP of 1200 billion ECU) has only a 3% chance of giving rise to regional parties. These odds are 16% for a similar region in a smaller and/or poorer country (GDP of 300 billion ECU). Moreover, under the more ‘favorable’ conditions mentioned before, the respective odds for a region in these two (hypothetical) countries are 23% and 62%. It is harder to reach conclusions on the more detailed aspects of Proposition 3. In line with the claims in the Proposition, some of the analyses (not presented here) suggest that the negative effect of country GDP on regionalist political activity indeed occurs mostly for regions with average or below average income per capita, while it is less significant for relatively rich regions. However, these analyses are not conclusive.

Proposition 4 states that the effect of regional income per capita is indeterminate in our model, unless one makes specific assumptions about individual utility functions (and under one such assumption, its effect is expected to be negative). The statistical analyses reported in Table 2, however, indicate a *positive* effect of this variable on regionalist activity, although its effect is less certain than for the other independent variables. The variable is statistically significant in model (1), and is close to conventional levels of significance in model (2).³¹ The estimated (though uncertain) effect of variation in relative regional income per capita on the probability of regionalist activity can be quite considerable. According to model (1), a relatively poor (income per capita of 75% of the national average) but otherwise median region is predicted to have only a 4% chance of such activity, while the predicted likelihood for a relatively rich region (income per capita of 120% of the national average) in similar circumstances is 14%. If the other factors are favorable (see above), the odds for these regions are 29% and 60%, respectively.

Model (2) in Table 2 can perhaps provide a better understanding of the performance of the income per capita variable in the analysis. The inclusion of a dummy variable for Italy pushed the income per capita variable away from statistical significance (although primarily by raising the standard error rather than reducing the coefficient), while the dummy variable itself is strongly significant.³² This is not really surprising. As a result of the rise of the *Lega Nord* in the 1980s and 1990s, Italian regions are disproportionately represented in the set of regions with regional parties (see footnote 23). Moreover, the economic differences

³¹Interestingly, this variable is much further from statistical significance in model (2) if we do not ‘log’ regional GDP.

³²Its effect is indeed strong. If we use model (2) to predict the probability of regionalist activity in the (hypothetical) region with ‘favorable’ conditions introduced before, we find that these odds are 91% if this region is in Italy, and only 43% if it is located in another country in the sample.

between the North and South of Italy, which are largely responsible for the rise of this party (in combination with the deep crisis faced by the Italian mainstream parties in this period), are well-known. Thus, the apparent positive effect of the income per capita variable may be partially a result of the peculiar political circumstances in Italy in the 1990s. On the other hand, this empirical result is consistent with much of the literature on regional autonomy movements and demands in political science and sociology (see section 3), as well as with other cross-sectional empirical research on these issues (e.g., Bookman 1992, Van Houten 2001a). It seems clear that more theoretical and empirical reflection is required before we can arrive at a more definitive conclusion about the role of this factor.

5 Conclusion

Polls indicate that most Quebecers do not want to be put through another referendum, but that they believe the threat of separation is useful to bringing about changes in Canada.

“There were no people yelling slogans in the street or things like that,” said Gilles Paquet, director of the Center on Governance at the University of Ottawa.

“Instead, what you saw today,” he said, “is the rational vote by a group that feels it can do better in the Canadian federation by electing a separatist government.”³³

We have argued that in deciding whether to support a political party with an autonomist agenda, regional voters consider both their degree of nationalist sentiment and the economic implications of independence or greater autonomy. In our model, they anticipate that center-region bargaining will occur if separatists or autonomists are brought to power, and that the results will depend on the value of the region’s “outside” option versus the option of remaining in the state. The bigger the region’s economy and the larger its share of the national economy, the better the outside option, and thus the greater the attraction of supporting a regionalist party. This is true both for regional nationalists and those who don’t really care about their national identity. We found strong empirical support for these predictions in the data for 136 regions in nine advanced industrial countries.

We also found strong evidence that culturally distinct regions are more likely to have regional autonomy movements.³⁴ This is hardly a surprise. One need only look at the list

³³Anthony DePalma, “Separatist Premier Keeps Control In Quebec’s Provincial Election,” *New York Times*, 1/12/98, A1.

³⁴Hearl et al (1996) found the same thing, though it is not clear how they coded language differences.

of regional parties to suspect this might be so. However, at least for political scientists who have argued that ethnic attachments always trump economic factors, it may be more of a surprise that economic factors can determine whether similar degrees of cultural difference lead to regional autonomy movements.³⁵

In this respect the evidence is consistent with the core trade-off at work in our model and in those of Alesina and Spolaore (1997) and Bolton and Roland (1997). Economies of scale in the provision of public goods favor larger units, but heterogeneous preferences over the scale or nature of public goods favor smaller units with policies tailored to those with common preferences. A natural interpretation of our variable LANGDIF is as a measure of N_{med} in our model, the median level of (pre-existing) nationalist sentiment among regional voters. In this account, greater language differences mark divergent preferences over public goods.

This interpretation is plausible but not the only possibility. It may be that LANGDIF measures not a level of unchanging affect for regional culture or ethnicity – and thus a preference – but rather the presence of cultural materials that are “lying around” and available to be politicized under the right circumstances (some of which are economic). Higher scores on LANGDIF indicate more materials available for political entrepreneurs to draw on in seeking to build a regional political coalition.³⁶ Consistent with this view is the fact, pointed out in section 4, that almost all the work LANGDIF does in explaining the presence of regional political parties in our sample is in differentiating between regions judged as sharing the center’s language and regions judged to have a different language (by Grimes 1996). If we restrict attention to the 51 regions coded as having a structurally different language or dialect, then we find that LANGDIF is not a statistically significant predictor of the 20 that have regional party representation. By contrast, for this set of 51 regions, regional and country GDP remain strongly significant. Thus, factors other than the degree of cultural difference determine whether *some* degree of cultural difference comes to be politicized.

In this account, ethnic or cultural differences would matter as focal points that aid coordination among voters. Imagine a modification of our model in which the regionalist party competes against *two* national parties in the first stage of the game, so that voters face a coordination problem. Their vote for the regionalist party is wasted unless enough other

³⁵We would also argue that the power of the relationship has often been overstated by analysts who effectively “coded on the dependent variable,” inferring the degree of cultural difference by the extent of regionalist political activity.

³⁶In fact, the same may be true for economic issues. Territorial economic inequalities abound, but they become politicized only in some places and at some times, often as a result of actions by political entrepreneurs. The abundance of government- or party-sponsored research and publicity on intergovernmental financial transfers in regions such as Catalonia, Flanders and Bavaria testifies to this (Van Houten 2000).

regional voters also support it. Arguably, common knowledge of cultural distinctions makes a politician's appeal for votes for an autonomist party more plausible to all.

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