

# Discussion of *Globalization and Political Structure* by Gancia, Ponzetto and Ventura

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- Limitations:
  - missing explanation of the initial decline, only of the subsequent rise, in the number of countries



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- A model is followed by narratives focusing on a few historical episodes

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  - If  $P \neq R$ , the world has a two-level governance structure



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# RESULTS

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- In stage 2, the response is to remove the cost of borders by creating international economic unions, thus reducing country size and increasing the number of countries
- The incentive to build empires increases with globalization, but the formation of unions removes this incentive

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- The narratives of historical episodes offer persuasive support to the theoretical results
- In the following I will identify a number of issues worth of further discussion, starting with two preliminary ones

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- Moreover, trade is not only affected by globalization or, more narrowly, by transport costs
- Shifts in either import or export supply, as a result of population growth, capital accumulation, technological change, etc. can also lead to trade expansion, or even reduction (O'Rourke and Williamson)

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- Efficiency as a goal is supposedly shared by people with different distributive preferences, unlike public services which can be a focus of political tension
- However, trade carries redistributive effects and is consequently a main issue on political agendas

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- Further details/examples follow below



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- At the same time, empire building may imply an increase in military technology/spending and conflict
- In the subsequent stage of democratization, when the masses gain power, an increase in the number of countries can occur together with a decline of military technology/spending – in favor of redistributive spending – and conflict – e.g. for humanitarian reasons

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- Exposure to trade affects voting share of far-right parties (Malgouyres)

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- World War I erupted at a time of unprecedented globalization (Bonfatti and O'Rourke)

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- Long standing debate on the economic implications of colonization for colonies
- The assumption clearly does not apply to white, or settler, colonies such as the US and Canada (Acemoglu and Robinson)
- Even for exploitative cases, such as Africa and South Asia, without colonization they may have turned out to be substantially less developed and more closed to international trade (Bertocchi and Canova)



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# MORE ON COLONIES

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- But what about England vs the British Empire, or Belgium vs its African colonies?

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- The former can be interpreted as trade policies applied by symmetric countries or groups of countries (unions)
- The latter are trade policies applied by a country, usually by a union, to a single country of relatively small size in terms of world trade volumes