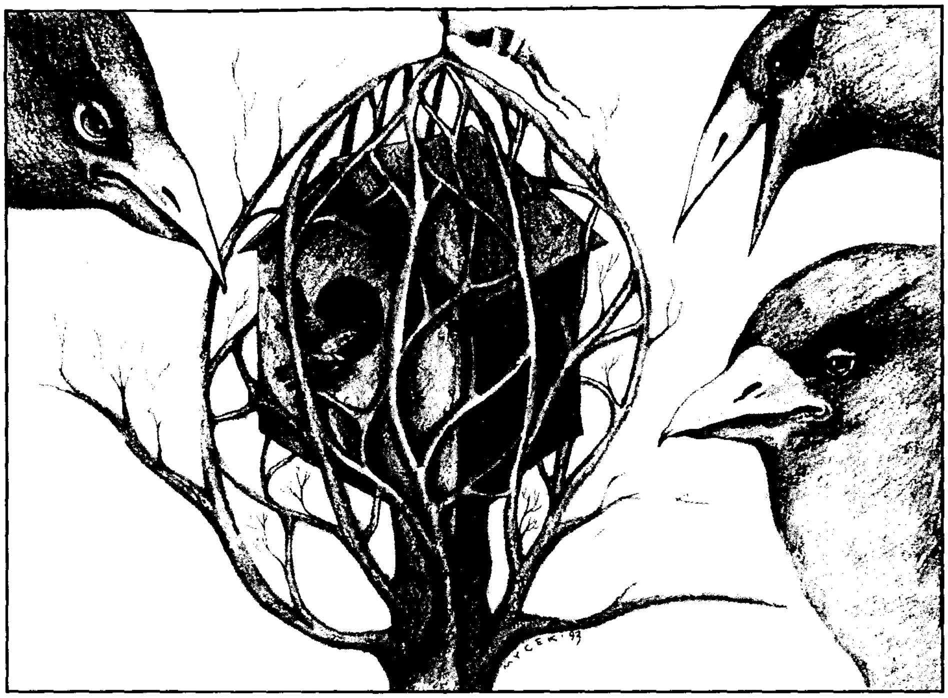
Nationalism and Secession

by Hans-Hermann Hoppe



Anna Myeck-Wodecki

With the collapse of communism all across Eastern Europe, secessionist movements are mushrooming. There are now more than a dozen independent states on the territory of the former Soviet Union, and many of its more than 100 different ethnic, religious, and linguistic groups are striving to gain independence. Yugoslavia has dissolved into various national components. Slovenia, Croatia, Serbia, and Bosnia now exist as independent states. The Czechs and the Slovaks have split and formed independent countries. There are Germans in Poland, Hungarians in Slovakia, Hungarians, Macedonians, and Albanians in Serbia, Germans and Hungarians in Romania, and Turks and Macedonians in Bulgaria who all desire independence. The events of Eastern Europe have also given new strength to secessionist movements in Western Europe: to the Scots and Irish in Great Britain, the Basques and Catalonians in Spain, the Flemish in Belgium, and the South Tyrolians and the Lega Nord in Italy.

From a global perspective, however, mankind has moved closer than ever before to the establishment of a world government. Even before the dissolution of the Soviet Union, the United States had attained hegemonical status over Western Europe (most notably over West Germany) and the Pacific rim countries (most notably over Japan)—as indicated by the presence of American troops and military bases, by the NATO and SEATO pacts, by the role of the American dollar as the ultimate international reserve currency and of the U.S. Federal Reserve System as the "lender" or "liquidity provider" of last resort for the entire Western banking system, and by institutions such as the International Monetary Fund (IMF) and the World Bank. Moreover, under American hegemony the political integration of Western Europe has steadily advanced. With the establishment of a European Central Bank and a European Currency Unit (ECU), the European Community will be complete before the turn of the century. In the absence of the Soviet Empire and its military threat, the United States has emerged as the world's sole and undisputed military superpower.

A look at history reveals yet another perspective. At the beginning of this millennium, Europe consisted of thousands of independent territorial units. Now, only a few dozen such units remain. To be sure, decentralizing forces also existed. There was the progressive disintegration of the Ottoman Empire from the 16th century until after World War I and the establishment of modern Turkey. The discontiguous Habsburg Empire was gradually dismembered from the time of its greatest expansion under Charles V until it disappeared and modern Austria was founded in 1918. However, the overriding tendency was in the opposite direction. For instance, during the second half of the 17th century, Germany consisted of some 234 countries, 51 free cities, and 1,500 independent knightly manors. By the early 19th century, the total number of all three had fallen below 50, and by 1871 unification had been achieved. The scenario in Italy was similar. Even the small states have a history of expansion and centralization. Switzerland began in 1291 as a confederation of three independent cantonal states. By 1848 it was a single (federal) state with some two dozen cantonal provinces.

How should one interpret these phenomena? According to

Hans-Hermann Hoppe is a professor of economics at the University of Nevada, Las Vegas, and a senior fellow of the Ludwig von Mises Institute.

the orthodox view, centralization is generally a "good" and progressive movement, whereas disintegration and secession, even if sometimes unavoidable, represent an anachronism. It is assumed that larger political units—and ultimately a single world government—imply wider markets and hence increased wealth. As evidence of this, it is pointed out that economic prosperity has increased dramatically with increased centralization. However, rather than reflecting any truth, this orthodox view is more illustrative of the fact that history is typically written by its victors. Correlation or temporal coincidence do not prove causation. In fact, the relationship between economic prosperity and centralization is very different from—indeed, almost the opposite of—what orthodoxy alleges.

Secession increases ethnic, linguistic, religious, and cultural diversity, while in the course of centuries of centralization hundreds of distinct cultures were stamped out.

Political integration (centralization) and economic (market) integration are two completely different phenomena. Political integration involves the territorial expansion of a government's power of taxation and property regulation (expropriation). Economic integration is the extension of the interpersonal and interregional division of labor and market participation.

In principle, in taxing and regulating (expropriating) private property owners and market income earners, all governments are counterproductive. They *reduce* market participation and the formation of economic wealth. Once the existence of a government has been assumed, however, no direct relationship between territorial size and economic integration exists. Switzerland and Albania are both small countries, but Switzerland exhibits a high degree of economic integration, whereas Albania does not. Both the United States and the former Soviet Union are large. Yet while there is much division of labor and market participation in the United States, in the Soviet Union, where there was virtually no private capital ownership, there was hardly any economic integration. Centralization, then, can go hand in hand with either economic progress or retrogression. Progress results whenever a less taxing and regulating government expands its territory at the expense of a more expropriative one. If the reverse occurs, centralization implies economic disintegration and retrogression.

Yet a highly important indirect relationship exists between size and economic integration. A central government ruling over large-scale territories—much less a single world government—cannot come into existence *ab ovo*. Instead, all institutions with the power to tax and regulate the owners of private property must start out small. Smallness contributes to moderation, however. A small government has many close competitors, and if it taxes and regulates its own subjects visibly more than these competitors do, it is bound to suffer from emigration and a corresponding loss of future revenue. Consider a single household, or a village, as an independent territory, for instance. Could a father do to his son, or a mayor to his village, what the government of the Soviet Union did to its subjects (i.e., deny them any right to private capital ownership) or what governments all across Western Europe and the United States do to their citizens (i.e., expropriate up to 50 percent of their productive output)? Obviously not. Either there would be an immediate revolt and the government would be overthrown or emigration to another nearby household or village would ensue.

Contrary to orthodoxy, then, it is precisely because Europe possessed a highly decentralized power structure composed of countless independent political units that explains the origin of capitalism—the expansion of market participation and of economic growth—in the Western world. It is not by accident that capitalism first flourished under conditions of extreme political decentralization: in the northern Italian city states, in southern Germany, and in the secessionist Low Countries.

The competition among small governments for taxable subjects brings them into conflict with each other. As a result of interstate conflicts, historically drawn out over the course of centuries, a few states succeed in expanding their territories, while others are eliminated or incorporated. Which states win in this process of eliminative competition and which ones lose depends on many factors, of course. But in the long run, the decisive factor is the relative amount of economic resources at a government's disposal. In taxing and regulating, governments do not positively contribute to the creation of economic wealth. Instead, they parasitically draw on existing wealth. However, they can influence the amount of the existing wealth negatively.

Other things being equal, the lower the tax and regulation burden imposed by a government on its domestic economy, the larger its population tends to grow (for internal reasons as well as immigration factors), and the larger the amount of domestically produced wealth on which it can draw in its conflicts with neighboring competitors. For this reason centralization is frequently progressive. States that tax and regulate their domestic economies little—liberal states—tend to defeat, and expand their territories at the expense of, nonliberal ones. This accounts for the outbreak of the "industrial revolution" in centralized England and France. It explains why in the course of the 19th century Western Europe came to dominate the rest of the world (rather than the other way around), and why this colonialism was generally progressive. Furthermore, it explains the rise of the United States to the rank of superpower in the course of the 20th century.

However, the further the process of more liberal governments defeating less liberal ones proceeds—i.e., the larger the territories, the fewer and more distant the remaining competitors, and thus the more costly international migration—the lower a government's incentive to continue in its domestic liberalism will be. As one approaches the limit of a One World state, all possibilities of voting with one's feet against a government disappear. Wherever one goes, the same tax and regulation structure applies. Thus relieved of the problem of emigration, a fundamental rein on the expansion of governmental power is gone. This explains the course of the 20th century: with World War I, and even more with World War II, the United States attained hegemony over Western Europe and became heir to its vast colonial empires. A decisive step in the direction of global unification, therefore, was taken with the establishment of a pax Americana. And indeed, throughout the entire period the United States, Western Europe, and most of the rest of the world have suffered from a steady and dramatic growth of government power, taxation, and regulatory expropriation.

What then is the role of secession? Initially, secession is nothing more than a shifting of control over the nationalized wealth from a larger, central government to a smaller, regional one. Whether this will lead to more or less economic integration and prosperity depends on the new regional government's policies. However, the sole fact of secession has an immediate positive impact on production, for one of the most important reasons for secession is typically the belief on the part of the secessionists that they and their territory are being exploited by others. The Slovenes felt that they were being robbed systematically by the Serbs and the Serbian-dominated central Yugoslavian government, and the Baltics resented the fact that they had to pay tribute to the Russians and the Russian-dominated government of the Soviet Union. By virtue of secession, hegemonic domestic relations are replaced by contractual—mutually beneficial—foreign relations. Instead of forced integration there is voluntary separation.

Forced integration, illustrated by such measures as busing, rent controls, antidiscrimination laws, and "free immigration," invariably creates tension, hatred, and conflict. In contrast, voluntary separation leads to social harmony and peace. Under forced integration any mistake can be blamed on a foreign group or culture and all success claimed as one's own, and hence there is little or no reason for any culture to learn from another. Under a regime of "separate but equal," one must face up to the reality not only of cultural diversity but in particular of visibly distinct ranks of cultural advancement. If a secessionist people wishes to improve or maintain its position vis-à-vis a competing one, nothing but discriminative learning will help. It must imitate, assimilate, and, if possible, improve upon the skills, traits, practices, and rules characteristic of more advanced cultures, and it must avoid those characteristic of less advanced societies. Rather than promote a downward leveling of cultures as under forced integration, secession stimulates a cooperative process of cultural selection and advancement.

Moreover, although everything else depends on the new regional government's domestic policies and although no direct relationship between size and economic integration exists, there is an important indirect connection. Just as political centralization ultimately tends to promote economic disintegration, so secession tends to advance integration and economic development. First, secession always involves the breaking away of a smaller from a larger population and is thus a vote against the principle of democracy and majoritarian ownership in favor of private, decentralized property. More importantly, secession always involves increased opportunities for interregional migration, and a secessionist government is immediately confronted with the specter of emigration. To avoid the loss of its most productive subjects, it is under increased pressure to adopt comparatively liberal domestic policies by allowing more private property and imposing a lower tax and regulation burden than its neighbors. Ultimately, with as many territories as separate households, villages, or towns, the opportunities for economically motivated emigration would be maximized, and government power over a domestic economy minimized.

Specifically, the smaller the country, the greater will be the pressure to opt for free trade rather than protectionism. All government interference with foreign trade forcibly limits the range of mutually beneficial interterritorial exchanges and thus leads to relative impoverishment, at home as well as abroad. But the smaller a territory and its internal markets, the more dramatic this effect will be. A country the size of Russia, for instance, might attain comparatively high standards of living even if it renounced all foreign trade, provided it possessed an unrestricted internal capital and consumer goods market. In contrast, if predominantly Serbian cities or counties seceded from surrounding Croatia, and if they pursued the same protectionism, this would likely spell disaster. Consider a single household as the conceivably smallest secessionist unit. By engaging in unrestricted free trade, even the smallest territory can be fully integrated into the world market and partake of every advantage of the division of labor, and its owners may well become the wealthiest people on earth. The existence of a single wealthy individual anywhere is living proof of this. On the other hand, if the same household owners decided to forego all interterritorial trade, abject poverty or death would result. Accordingly, the smaller a territory and its internal markets, the more likely it is that it will opt for free trade.

Secessionism, then, and the growth of separatist and regionalist movements in Eastern and Western Europe represent not an anachronism but potentially the most progressive historical forces. Secession increases ethnic, linguistic, religious, and cultural diversity, while in the course of centuries of centralization hundreds of distinct cultures were stamped out. It will end the forced integration brought about as a result of centralization, and rather than stimulating social strife and cultural leveling, it will promote the peaceful, cooperative competition of different, territorially separate cultures. In particular, it eliminates the immigration problem increasingly plaguing the countries of Western Europe as well as the United States. Now, whenever a central government permits immigration, it allows foreigners to proceed—literally on government-owned roads—to any of its residents' doorsteps, regardless of whether these residents desire such proximity to foreigners. "Free immigration" is thus to a large extent forced integration. Secession solves this problem by letting smaller territories have their own admission standards and determine independently with whom they will associate on their own territory and with whom they prefer to cooperate from a distance.

Lastly, secession promotes economic integration and development. The process of centralization has resulted in the formation of an international, American-dominated government cartel of managed migration, trade, and fiat money; ever more invasive and burdensome governments; globalized welfare-warfare statism; and economic stagnation or even declining standards of living. Secession, if it is extensive enough, could change all of this. A Europe consisting of hundreds of distinct countries, regions, and cantons, of thousands of independent free cities (such as the present-day "oddities" of Monaco, San Marino, and Andorra), with the greatly increased opportunities for economically motivated migration that would result, would be one of small, liberal governments economically integrated through free trade and an international commodity money such as gold. It would be a Europe of unparalleled economic growth and unprecedented prosperity.