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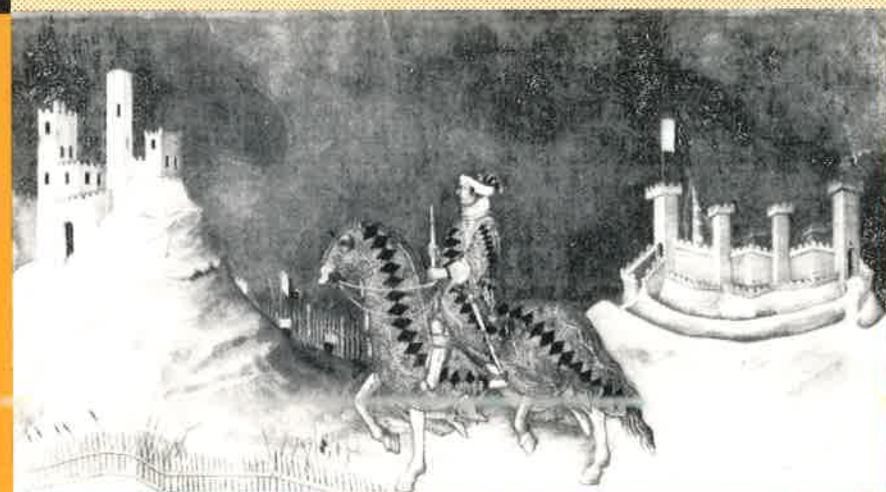
DI ECONOMIA POLITICA

Ugo Pagano

CAN ECONOMICS EXPLAIN NATIONALISM ?



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CAN ECONOMICS EXPLAIN NATIONALISM?

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INTRODUCTION+ .

Nations are large "Imagined Political Communities" that have shaped the last two hundred years of human history.

Each member of a nation knows only an insignificant fraction of the other members; thus any feeling for them involves some "imagination" of their fellow countrymen and some "imagination" of their differences with respect to "foreigners". The Term "Imagined Communities"[1] does not mean unreal or false communities. It simply distinguishes them from communities like the village, the family or the work-place where people have a real chance of interacting and meeting each other, and where their sense of community stems from their direct interaction.

Nations are not "natural" institutions; they are fairly recent "institutional innovations" that have characterised the last two hundred years of human history. Before the 18th century, wars and dynastic policies (in particular, marriage policies!), determined often the composition and the size of political communities; there was no particular feeling of identity with other (temporary) members of a political community that could often speak different languages and share different social customs. In spite of the sense of antiquity or eternity of many nations, the identification of "political communities" with ethnic groups, that is the central idea of nations and nationalism, is very recent[2].

Rational choice and self-interest are the basic assumptions and the starting point of many economic explanations. The fact that from a certain stage of human history so many people have become so ready to die and kill for their "nations" seems to contradict these assumptions: people appear to be much more generous and idealistic and much more cruel and perverse than the assumptions of economic theory seem to imply.

Why, at a certain point in human history, does the "nation" become the "natural" political community? Are there "economic" interests that explain the emergence of nationalism and its re-emergence today? How is it possible that utility-maximising individuals, who may free-ride on so many simple duties of everyday life, may be ready to die for these imagined communities? And how is it possible that the same-

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1 This term is due to Benedict Anderson (1991) and it is also the title of his book.

2 This does not mean that, before that date, there was never a coincidence between political communities and ethnic groups but simply that this coincidence was not considered to be a condition necessary for the viability of a political community. On this point see Anthony Smith (1991) where he also makes an interesting distinction between the experiences of those countries where the coincidence between ethnic and political communities existed before the age of nationalism and those that realised it after that period.

utility maximising individuals who are so peaceful in everyday life can then kill the members of other nations? Can economics explain nationalism, or should we come to the conclusion that nationalism comes from irrational aspects of human behaviour about which orthodox Economics has little or nothing to say?

In order to answer these questions we will start by re-considering the analysis of the division of labour and try to show that nations play a very important role in allowing that division of labour that is associated with market economies. Even if the mutual relationship existing between nation building and the development of the division of labour may cause inefficient institutional equilibria, nationalism must be included among one of the possible causes of the accumulation of wealth.

In the second section we will contrast wealth creation explanations with rent-seeking explanations of nationalism, and we will argue that both explanations can help the understanding of nationalism: some analysis of the different periods of nationalism is necessary to understand which one of these two economic explanations of nationalism is more appropriate.

In the third section we will consider the limits of the economic explanations of nationalism. We will consider some possible extensions of the economic approach that may help to provide some rationale for nationalistic activities that seem to defy any rational choice explanation.

Finally, we will briefly examine whether an evolutionary approach is more appropriate than a rational choice approach in explaining nationalism.

1. NATIONS, MARKETS AND THE DIVISION OF LABOUR.

Adam Smith attributed the "Wealth of Nations" to the division of labour that was, in turn, determined by the extent of the market economy.

Smith's analysis relied on the fact that the division of labour would favour learning by doing: the workers could improve their job specific skills if they specialised in one single activity. Nations should eliminate all the obstacles to trade if they wanted to enjoy the full advantages of the division of labour[3].

3 List (1909, p. 121) pointed out how the principle of the *division* of labour also required "*a confederations or union of various energies, intelligences, and powers on behalf of common production.* The cause of productiveness of these operations is not merely that *division*, but essentially this union". According to List "Adam Smith well perceives this himself when he states, 'The necessaries of life of the lowest members of society are a product of *joint* labour and of co-operation of a number of individuals (Wealth of Nations, Book I. chap. 1)". "What a pity- List adds- that he did not follow this idea (which he so clearly expresses) of *united labour*." By contrast, List followed this idea and anticipated some considerations on the role of the nation in the organisation of the division of labour that have been later independently developed by Gellner (1983, 1987). The roles of nations in creating and sustaining market economies was also the focus of Polanyi (1944).

The division of labour argument was developed on different lines by Charles Babbage (1832).

Whereas Smith saw skills differences as a result of the division of labour, Babbage started from the assumption that individuals are endowed with different skills and have different comparative advantages in various activities. According to Babbage, specialisation is advantageous because it makes it possible to exploit the comparative advantages of individuals.

This principle is similar to that used by Ricardo to explain the advantages of the division of labour among nations. Unlike Smith, Babbage (and Ricardo) saw the differences in skills (and other factors affecting productivity) more as a cause than as a result of the division of labour.

This was not the only difference between Babbage and Smith. Whereas Smith argued that the division of labour maximised the learning that is acquired by doing, Babbage maintained that the great advantage of the division of labour is that it minimises the learning that it is necessary to acquire before doing: the narrower the content of a job, the less is it is necessary to learn before production.

The degree of specialisation that is implied by Smith and Babbage is different. Smith's principles imply that specialisation should not be extremely narrow; otherwise it could prevent, rather than favour, learning by doing. By contrast, Babbage's principles imply that extreme specialisation and job de-skilling may be convenient because they do always decrease the learning required before the doing and allow a better exploitation of given comparative advantages.

Whereas the Smithian principles point to the advantages of a horizontal division of labour where everyone enjoys the learning by doing advantage, the Babbage principle has strong hierarchical implications: the greatest savings on training time are obtained when the most skilled tasks are separated from unskilled tasks and only the people with the greatest comparative advantage are trained for the skilled tasks[4].

Even if Babbage and Smith principles are different, and their joint application may require some "compromises", their arguments could be somewhat integrated by observing that, within certain limits, the division of labour can decrease the learning that is required before doing, increase the learning that is acquired by doing, and exploit innate skills and comparative advantages. These principles give the reasons for the Wealth of Nations in the double sense that both the division of labour among the individuals of a Nation, and among Nations, both increase productivity[5].

4 On the analysis of the principles of the division of labour see Pagano (1985) and (1991).

5 In these theories, there is a perfect similarity between Nations and individuals. In international trade theory, Nations are simply areas within which factors, and in particular individual skills, can move among different uses without meeting the obstacles that they would find when they try to move factors from one Nation to the other. Individuals are very much the same: they also define areas within which skills can move among different uses without meeting the obstacles that they find when they try to

In spite of all these benefits, national or individual specialisation has the disadvantage that the individuals or nations put all their eggs in one basket. If, as Smith maintains, the division of labour maximises the development of job-specific skills, also implies that one runs the risk of losing much human capital if a particular occupation becomes redundant. The mobility among occupations that is associated with market economies implies that the extent of the market could limit rather than enhance the incentive to specialise in particular occupations.

This point is rather important for our topic. Gellner (1983, 1987) argues that the mobility of people among occupations, rather than the division of labour as such, is the novelty of modern industrial societies. According to Gellner the link between the division of labour and the Wealth of Nations runs also through the development of Nations and Nationalism.

In traditional agricultural societies, the risks of specialisation are negligible. In these societies there is no great incentive to innovate and to exploit the profit opportunities that arise from the application of innovation. The consequent low level of productivity implies that many commodities satisfy basic needs for local markets, for which demand is unlikely to be volatile. The absence of innovation and the relative stability of demand imply that these societies are stationary and the activities of the individual can safely repeat themselves over time. Individuals rarely change their occupations that can be (and often must be) passed on from parents to children. In this situation each occupation can develop its own idiosyncratic culture by which the skills, the "secrets" and the ethical codes are transmitted from one generation to the other.

In traditional agricultural societies cultural differentiation is useful. Culture can specialise to satisfy the specific needs of a particular trade and to favour the cohesion of its members. Cultural differentiation enhances the stability of the society.

In agricultural societies, the language of the people in power is often different from the language of the workers. The written language may not be spoken or be spoken only by priests, bureaucrats and intellectuals. This diversity of languages does not cause particular problems. It can even contribute to the stability of society because it provides a clear sign of the position that is to be occupied by each one of its members.

Linguistic and ethnic differentiation are enhanced by the fact that also spatial mobility is low; again, given that culture is only locally transmitted, this is not a problem but may rather contribute to the spatial stability of society.

Thus the division of labour in traditional societies can be fairly complex. The complexity and the internal differentiation of their cultures can be even more remarkable.

move skills from one individual to the other. It is not surprising that the same principles, such as comparative advantage, apply to individuals and nations even if the nature of the boundaries of individuals and nations are, of course, very different.

It is useful to contrast the characteristics of traditional agricultural societies with those of modern industrial economies.

These societies are characterised by frequent technological innovations and greater volatility of demand; this implies that workers have often to move from one job to the other; the content of the jobs is frequently changing, and the division of labour must often be re-defined. In this situation specialisation can cause greater risks because the skills acquired performing a particular job can easily become redundant.

The risks associated with specialisation in modern dynamic economies can be greatly reduced if the individuals happen to share a general common culture[6].

A common culture allows people to retrain more easily if they must change jobs. For this reason, in an industrial society, the occupational and spatial cultural idiosyncrasies that characterise agricultural societies can no longer be easily accepted. They limit the mobility of people among the different positions of a mutable division of labour. In contrast, a homogeneous culture, by decreasing retraining costs, reduces the risks associated with specialisation and favours the exploitation of the advantages of the division of labour in a changing world.

In a modern industrial society, the division of labour is limited not only by the extent of the market but also by the extent of a certain homogenous culture.

Nationalistic policies favouring the homogenisation of culture can favour the development of the type of mutable division of labour that is associated with market economies. In this sense, nationalism may favour the accumulation of wealth.

The risks associated with the division of labour may be decreased by turning many job specific investments into investments in general culture. Many of the old idiosyncratic secrets of a particular trade can be expressed in a clear language that becomes accessible to all the individuals belonging to the same culture.

Written language and a general culture cease to be the exclusive domain of a certain cast of individuals. They must become the bread and butter of all the individuals because only the individuals who master these general skills are able to enjoy the learning by doing advantages of the division of labour. Only the individuals who have acquired a general culture[7]. can carry (at least part of) what they have learnt by doing from one oceupation to the other.

6 The need for a general common culture is also due to other reasons. The nature of work in modern society is more "semantic" than physical. It presupposes the capacity to communicate with occupants of other positions, and this requires a shared general culture. The whole of education focuses much more on this shared general culture than on special skills that are required later. This does indeed make new training easier, but is already a consequence of the work itself.

7 General culture can be thought of as something applicable to more contexts; it also enhances our ability to learn in some contexts by making us understand what these contexts are and which experiences of other contexts may be applicable. It allows a "learning of a higher order" in the sense that it is about contexts and not simply within contexts. Such a "learning of a higher order" is very important in a dynamic society where contexts are often changing. On the concept of "learning of higher order" see Bateson (1972).

Thus the members of a mobile market society can benefit from the Smithian advantages only if they have had enough general preliminary learning. Otherwise they must rely, instead, on the benefits of the division of labour outlined by Charles Babbage: that some jobs requiring little preliminary training can be separated from those requiring greater skills.

Assembly-line workers do not need much general culture and often do not even need to speak the language of the country where they work. Their extreme specialisation is advantageous not because it allows any learning by doing benefit but because it minimises the preliminary learning that is necessary before doing. The labour market becomes a dual labour market divided between Smithian-type and Babbage-type workers and sometimes in Smithian-type and Babbage-type nations.

Sharing a rich general culture is important if individuals wish to become a Smithian-type rather than a Babbage-type of worker. However a Nation is much more than an institution that favours, and is favoured by, the development of a general national culture. A Nation is also an "imagined community" whose members feel a particular solidarity among themselves. Also, however, the "organic solidarity"[8] of the members of a Nation can be related to the dynamic nature of the division of labour of a modern economy.

Even if having a large group of people share a common culture can reduce the risks associated with the division of labour, these risks are still very considerable in a modern economy. Some learning will still be job specific and will be impossible to employ it elsewhere. Some form of risk sharing (or some form of organic solidarity) becomes necessary to exploit the benefits of a mutable division of labour. The existence of institutions of national solidarity, such as unemployment benefits and subsidised retraining, becomes necessary to induce people to take the risks of specialisation. Otherwise many individuals may choose to forgo the Smithian benefits and to occupy the bottom ranks of a division of labour organised on the lines suggested by Babbage.

The division of labour may be also limited by the extent of national solidarity.

Thus economic self-interest can provide some explanation for the fact that Nations and nationalism emerged together with the diffusion of capitalism in the 17th century. In a world characterised by mobility across occupations, a homogeneous national culture and national solidarity have much economic importance, and contribute to the wealth of nations. The intolerance for the multiplicity of ethnic groups and cultures (a multiplicity that characterised the former dynastic states) may also have a similar economic rationale.

8 On the difference between the "mechanical solidarity", existing in backward societies, and "organic solidarity" see Durkheim (1933) where he considers the relationship between these types of solidarity and the division of labour.

Investments in "general culture" are general only in the sense that they can be applied in many jobs, but they are specific to that particular culture. If a particular culture fails to develop and, even, to survive, one may lose many valuable investments in human capital. General investments that are specific to a particular culture may be inhibited by these risks. Political safeguards[9], such as the existence of a state that safeguards ethnic investment, can reduce the risks of culture-specific investments. These safeguards not only protect sunk ethnic investments; they also favour new investments in ethnicity - that in turn makes it convenient to invest in new political safeguards. A cumulative causation process between cultural and political nationalism then takes place.

National culture and national solidarity can greatly be enhanced and sometimes be invented by a national state[10]. Thus the emergence of both cultural and political nationalism can be explained by the advent of capitalism.

If certain "political entrepreneurs" can overcome the free-rider problems that characterise collective action, some investment in nationalism will take place and decrease the risks of the mobile division of labour that characterise market economies.

The existence of a mobile division of labour can make it rational to invest in nationalism. However the converse is also true. The existence of a national community can induce rational agents to undertake the risks related to a mobile division of labour.

Thus nationalism and the mobility of the division of labour are self-reinforcing: the existence of a mobile division of labour induces rational agents to invest in the institutions of a national community that favour a mobile division of labour and so on[11]. Durkheim's organic solidarity and Smith's advantages of the division of labour may feed each other in a self-reinforcing circle[12].

In this respect national capitalist economies may describe institutional equilibria. The institutions of nationalism re-create the conditions under which investments in nationalism are necessary through the division of labour of a capitalist economy. The

9 The role of these safeguards for ethnic-specific or culture-specific investments is similar to the role of the safeguards considered for firm-specific investments by Williamson (1985). This similarity becomes even more striking if we accept with Kreps (1990) that the development of firm's culture is the key for understanding its nature.

10 On this point see Hobsbawm (1992) and Hobsbawm and Ranger (1983).

11 Other self-reinforcing mechanisms do not work through the interaction with economic factors. One of them was considered by Ernest Renan in his pioneering lecture given in Paris in Paris in 1882. He claims that "a nation's existence" is "a daily plebiscite, just as an individual's existence is a perpetual affirmation of life". However the results of this plebiscite are self-reinforcing because a nation is "a large-scale solidarity, constituted by the feeling of sacrifices that one has made in the past and of those that one is prepared to make in the future" (Renan, 1882 p. 19).

12 Thus Durkheim's and Smith's contributions, concerning the division of labour, should not be seen as the "private properties" of two different disciplines but as foundations of the analysis of a complex problem.

institutions of capitalism re-create the conditions under which this form of organisation is convenient through the institutions of nationalism[13].

It is in the nature of "institutional equilibria[14]" that a national capitalist economy, enjoying the Smithian benefits, may never take off.

If the institutions of nationalism are missing, acquiring skills is too risky. On the other hand, if people do not have skills, the investments in the institutions of nationalism, that safeguard these skills, are not convenient. Many people who are not able to associate themselves in viable nations may be left at the periphery of the world economy, and at the bottom of a Babbage-type division of labour.

Moreover, it is in the nature of institutional equilibria that one may be stuck in a wrong "nation". Even when a nation of a different size could extend the scope for the division of labour and the efficiency of the economy, solidarity, trust and political safeguards may induce people to make investments that are specific to a certain national culture (and vice versa). This outcome may also arise because the benefits of nationality are unequally distributed. Small groups, enjoying large and possibly unequal benefits, may invest in the formation of nations that are otherwise "inferior institutional equilibria" for the majority of the population.

2. DOES NATIONALISM MAXIMISE THE WEALTH OF THE NATION OR THE RENTS OF THE NATIONALISTS?

The possibility that nationalists may fight for inferior "institutional equilibria" is consistent with Breton (1964) who proposed an "ante-litteram" rent-seeking approach to the study of nationalism[15].

Breton shows how nationalistic investments can be a rational choice for a group seeking particular privileges at the expense of other social groups of the same nation. In particular, the middle class can gain from investments in nationality. Its members can get better jobs when other ethnic groups cannot compete for them. In this way, investments yielding a higher social rate of return are sacrificed for projects that maximise the privileges of the middle class.

Nationalistic investments may have also the result of manipulating the preferences of the working class so that it may even gain some psychological benefits from the

13 The concept of "institutional equilibrium" is a close relative of the concept of "organisational equilibrium" developed in Pagano (1993).

14 Similar inefficiencies arise for the case of "organisational equilibria". See Pagano (1993).

15 Rent-seeking does not occur only in the public sector of the nation but also in the private sector and, in particular, within the firm (Breton and Wintrobe 1982, and Milgrom and Roberts 1990). Again, there is a certain similarity between the problems of a nation and those that arise within a firm. The classic application of the "collective action" failure problem to the explanation of "the raise and fall of Nations" is Olson (1982).

nationalistic policies. However these psychological benefits are only obtained at the cost of losing the fruits of unbiased investment projects yielding a higher rate of return[16].

In these cases nationalists have an effect that is opposite (but not inconsistent with) to that considered by Gellner. Instead of creating cultural homogeneity, solidarity and market mobility, they invent "old" traditions that bring about intolerance and discord. In this way they can break a nation into smaller nation where they can hold the best jobs. They tend to limit, instead of enhance, market mobility and the positive effects of the division of labour. They do not create or enlarge markets but break them. In this way they can gain some rents that would be wiped out by competition in larger national markets.

Other economists have described nationalist movements in way that it is opposite to that taken by Breton. They argue that nationalistic policies are necessary to promote the development of third world countries. Protectionism is seen a way of maximising the wealth of the Nation rather than the rents of the nationalists.

Nationalistic policies based on active protection of the national "infant" industry have characterised the development of those countries that Marxists call now imperialist countries. For instance the father of protectionism Friedrich List (1909) advocated protectionist policies for the German States and formed his views by observing and defending the United States protectionist policies.

According to these approaches, the nationalistic policies followed by less developed countries are a rational reaction to the fact that free trade inhibits their development.

Alternatively, recent dependency theorists (for instance, Palma 1978) have maintained that the system of free trade does not completely inhibit development. However, according to them this development is functional to the needs of the countries of the "imperialist centre"; it does not satisfy the needs of the nations of the "periphery".

According to this approach economic dependency causes political dependency in the sense originally suggested by Hirshman (1945). Even if international trade brings about gains from exchange, the importance of these gains relatively to the size of the national economies is asymmetrical and can cause politic dependency. In turn political dependency can cause economic dependency in self-sustaining vicious circle. The imperialist power can blackmail other nations and inhibit some patterns of development that damages its interests. For instance the imperialist nations may try to concentrate

16 Breton (1964) shows that the nationalistic policies carried out by the Quebecois government were not *income-creating* but *income-redistributing* in favour of the French Quebecois middle class. This redistribution was obtained at the expense of English speaking old middle class *and* at the expense of the French-speaking working class. The working class was, at most, getting some "psychological" advantages.

Smithian-types of jobs in their national territories and try to locate the bottom ranks of a Babbage-type division of labour in the third world.

Sometimes nationalists claim that breaking political and economic dependency is strictly related to the end of the relation of "cultural dependency" from the "imperialist" powers. They mean by cultural dependency that the culture that they consume is produced somewhere else and it is not tailored to needs of their nations.

The protection of local culture may however bring about an inward looking provincial mentality that is only in the interest of some "rent-seeking intellectuals". Moreover, local culture may segment the market and limit the advantages of the division of labour on the lines that we have already considered.

However, if the development of local culture has the effect of increasing cultural homogeneity and ethnic solidarity[17], then it can have positive effects on market mobility and deliver some "Smithian advantages" of the division of labour.

By contrast, the role of passive consumers of an alien culture may confine the members of a certain ethnic group to the inferior positions of a Babbage-type division of labour. Skill-saving requires that the jobs needing a more active cultural participation are separated from the other jobs. The members of the periphery happen to have a comparative advantage in jobs characterised by little cultural participation. This reinforces their position of passive consumers of an alien culture and, in a vicious circle, their perverse comparative advantage.

While a self-sustaining situation of cultural dependency is possible, cultural protectionism may make things even worse; only sometimes cultural protectionism may be helpful in breaking this vicious circle. In general, cultural protectionism is a bad way of protecting a culture: each culture can only progress and survive if it is able to integrate in some creative way the best aspects of the other cultures. The exposure of a culture to the outside world may be a condition for its long term survival.

The nationalistic arguments in favour of the protection of jobs from foreign competition are somewhat more convincing than those concerning foreign commodities and foreign culture.

Also, in this case, it is possible to argue that immigration control simply provides rents for the workers that would otherwise be wiped out by the competition of foreign workers.

However, if a state intends to guarantee some form of cultural homogeneity and national solidarity, that may favour Smithian-type specialisation and market mobility, then some immigration control may become necessary. Any attempt to provide everybody with the same basic skills is doomed to fail if it is impossible to limit the access of foreigners to the nation. If the common culture of a national community is to

17 Also on this ground Kennan (1993) advocates the break-up of United States.

be preserved (also for reason other than its economic benefits), the speed of immigration must be compatible with the speed of integration. The feasibility of the institutions of national solidarity (such as full employment policies, unemployment benefits and health insurance) requires that their access is not open to an unlimited number of foreigners.

There is some evidence that restrictions on immigration have come together with the growth of the institutions of national solidarity. Indeed, according to Carr (1945), the approach to immigration problems is the crucial characteristic that distinguishes 20th century from 19th century nationalism[18].

According to Carr the "liberal" nationalism of the 19th century was based on the view that the state should simply defend property rights and not interfere mechanism of national and international trade. The beliefs in the automatic mechanisms of laissez faire, and in the formal divorce between political and economic power, contributed to the relative peaceful relations among nations that characterise the 19th century. During this period, nations are more political and cultural than economic units (or at least many of their members believe that this their nature). For this reason they are not an obstacle to international trade or to factors mobility. Moreover, until 1870, nationalism promotes the unification of smaller states (Italian and German unification) and contributes to the expansion of national markets[19].

Carr maintains that the different characteristics of 20th century nationalism, including its more violent nature, are derived from three factors: the socialisation of the nation, the nationalisation of economic policy and the geographical extension of nationalism.

The socialisation of the nation, that is the bringing of new social strata to full membership of the nation, emerged during the last three decades of the 19th century. "Its landmarks were the development of industry and industrial skills; the rapid expansion in number and importance of urban population; the growth of workers organisations and of the political consciousness of the workers; the introduction of universal compulsory education; and the extension of the franchise" (p. 18). The

18 According to Carr, the difference between these two periods of nationalism start emerging during the last three decades of the 19th century but reveal their unexpected dangerous consequences in the first half of the 20th century when nationalism causes two world wars in the space of a single generation.

19 Even if it is always dubious to formulate these distinctions in terms of a single date, it is convenient to set clear limits to some historical periods with certain common characteristics. However, the choice of the year 1870 can be very misleading without the two following qualifications. Firstly this date is chosen referring only to European, American and Japanese history. Secondly it does simply distinguish between cases of relatively "easy" nationalism from the cases of difficult or impossible nationalism. Before that date, nationalist activity was carried out by peoples who were already endowed with a compact territory and a reasonable homogeneous culture. After 1870, in Europe, the centre of nationalistic activity shifted to Eastern Europe, where this compactness and cultural standardisation did not obtain or could be only obtained by some suitable "ethnic cleansing". However, in our century, in Asia and Africa some nationalistic movements have faced conditions similar to those obtained in Europe before 1870.

democratisation of the nation of 19th century was centred on the assertion of the political claims of the dominant middle class. By contrast, "the socialisation of the nation for the first time brings economic claims of the masses into the forefront of the pictures"(p. 19). The level of wages and employment become central issues in national policy to be asserted, if necessary, against the national policies of other countries[20].

The nationalisation of economic policy was a direct consequence of the extension of national aspirations to the well-being of the entire population. An international economic order could be compatible with national political power only in so far as the economy was not a political issue. When the attention to social issues replaced laissez faire, the single world economy was necessarily replaced by a multiplicity of national economies, each concerned with the well being of its own members.

The socialisation of the nation and the nationalisation of economic policy found their most dramatic expression in the radical changes of immigration policies that occurred after 1919 when all industrial countries closed the frontiers to large-scale immigration.

The 19th century governments could welcome immigration on the ground that a competitive national economy required cheap and abundant labour. By contrast "cheap and abundant"(p. 22) labour could be a fatal political blow for 20th century governments. "Cheap and abundant" labour disappeared from the political dictionary to be replaced by the unappealing words "low wages and unemployment" .

Immigration restrictions clarified that nationality meant not only political but also economic membership in a community. The nation was not only providing national defence, the definition and the enforcement of property rights and a homogeneous culture, but also provided education, skilled jobs, health, unemployment benefits and many public goods. Nationality gave an exclusive membership in the enjoyment of these goods.

The effects of immigration restriction were ambiguous.

On the one hand, unrestricted immigration dilutes the incentives to invest in public goods that are necessary for the well-being of the large majority of the population of the nation[21]. In this sense immigration restrictions can increase the wealth of nations.

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20 Carr (1945, p.19) observes that "the socialisation of the nation has as its natural corollary the nationalisation of socialism" and in a footnote he points out that " it need hardly to be said that the term 'national socialism' is not a 'Nazi' invention". Seers (1982, p. 48) shows how (anti-)nationalism and (anti-) egalitarism can be joined together to draw the ideological map that underlies modern politics

21 We are referring to goods that are public in the sense that it is impossible or very costly to exclude the individuals who live in a certain are from their consumption. They are not public goods in the sense that the quantity and quality of the good consumed by each individual is independent of the amounts consumed by other individuals.

On the other hand immigration restrictions imply that nations cannot acquire some of the skills they need. Skill shortages tended to produce positions of monopoly and other privileges that cannot be easily eliminated by foreign competition. In this sense immigration restrictions impoverish the nation and enhance the rents of particular groups of workers.

A similar ambiguity characterises the various forms of employment protection, job definitions, standardisation, and restrictions based on qualifications, that characterise much of 20th century legislation.

Different forms of regulations may be necessary to induce firm-specific or occupation-specific investments. In the former case, employment protection of a job in a particular firm may be a necessary condition for firm-specific investments. In the latter case, the characteristics of a job, including the pattern of qualifications, are standardised across firms.

Employment protection in a particular firm is associated with the existence of an internal job market and it is related to the bureaucratic complexity of modern firms. This bureaucratic complexity may be the only way to favour exchanges in situations where property rights in skills cannot be legally defined and must be based on the reciprocal trust of insiders (Breton and Wintrobe, 1982).

By contrast, job standardisation may be a way of creating property rights and national occupational markets for skilled occupations. In this way a worker can find the same "slot" defining the same occupation in different firms. Job standardisation implies that firm-specific investments are greatly reduced and replaced by general investments that can be taken by the workers from one firm to the other (Pagano, 1991).

The creation of these national markets may be quite complex; employers, possibly in collusion with their own employees may be tempted to change job specification and make it less general and more specific to the particular needs of their firms. Markets for skilled occupations are a public good and individuals may free ride in its provisions. National employers and employees associations may be one way of limiting this free riding. Active state intervention in educational policy, and definitions of occupational standards, may also be necessary for the institutional viability of occupational markets.

However, state regulations can have the unfortunate effect of segmenting occupational markets into national markets characterised by different systems of regulations. They reinforce the obstacles to free movement due to immigration control and share with immigration restrictions the ambiguity that they can have either wealth-creation or rent-seeking consequences.

The socialisation of the nation and the nationalisation of economic policy, that started in the last decades of the past century, show how the state can improve the institutions of national solidarity and national culture that are the conditions for an efficient division of labour within the nation. We have seen in the preceding section how the interaction of these elements may imply self-sustaining inferior equilibria by which people may be stuck in the wrong division of labour and the wrong nation. Also this limitation of nationalism becomes more clear after 1870.

The year 1870 marks the end of relatively "easy" nation building: before that date, new nations could easily be defined either because nation building was attempted where some administrative units pre-existed the formation of the nation or because it was attempted where a high degree of cultural homogeneity existed over a compact territory before political unity.

Before 1870, nationalism helped the extension of markets: nationalists abolish local feudal rights, trade restrictions imposed by the "mother country", or artificial confines that make the size of the state smaller than the nation.

After 1870, smaller ethnic groups, dispersed and mixed with other ethnic groups in the same territory, tried to acquire a status of nations. Nationalism becomes often associated with separatism and intolerance. The inflation of nationalism tends often to break instead of creating markets. Rent-seeking explanations become more convincing than wealth creating explanations of nationalist activities[22].

The disastrous experiences of the first half of the century have given nationalism a sinister connotation. After the second world war, for many years, with the exception of the "national liberation movements", nationalism has been replaced by the allegiance to universalistic values such as the free world and communism. Still, national states were the basic organisational form during the post-war period and nationalism has vigorously re-emerged immediately after the definitive end of the conflict between the "free" and the "communist" world.

Since 1989 nationalism has re-emerged with all the terrible ambiguities that have characterised its history. However "internationalism" and "cosmopolitanism" are also not free from ambiguities. The formation of larger communities can mean that many of the functions that were gradually acquired through the socialisation of nations and the nationalisation of economic policy are transferred to wider organisations. These organisations can better perform these functions in world made smaller by multinational firms[23] communication, media transports and pollution and where national wars can mean the end of human-kind.

However the decline of the national state may involve the setting aside of those institutions of national solidarity that have gradually emerged after 1870 and that have grown considerably after the second world war. Those who advocate the decline of the powers of the national state have sometimes a vested interest in the dismantling of the

22 This does not mean that there are not many recent cases in which a wealth-creating explanation of nationalism is more appropriate. For instance, the case of South Korea shows how "nationalistic" state intervention can contribute to development of a country. On this issue see Chang (1991).
23 On the re-definition of national policies in the age of multinational firms see Reich (1991).

institutions of national solidarity. Others try to re-build the same institutions in wider communities.

Either nationalism or the rejection of nationalism can be due to "general" or to "particular" interests. However, in both cases, the contrast between rent-seeking and wealth-creation approaches should not be overstated.

In many cases both explanations may apply; in some other historical situations only one explanation is appropriate. Moreover both approaches explain nationalism as a rational choice of agents who seek to increase their welfare. In this way they come to share the assumption that factors such as national identity, pride and power play a negligible or, at least, a subsidiary role in explaining nationalism. For these reasons we can label both explanations as an "economic" explanation of nationalism.

3.WHAT DO NATIONALISTS MAXIMISE?

Breton points out that "nationality" is a public good. This should imply that each individual should shirk and contribute very little to the production of nationality.

In this respect it should not be relevant whether the returns of the public good are only the rents gained by the group making the investment in nationality or also the returns generated by the development of the entire Nation. If the individuals cannot find a solution to the usual free-rider problem they will under-supply investments in nationality.

This free-rider problem should give some hope to those who dislike nationalism. Unfortunately, experience does not seem to support this speculation. Every day we learn from the media that (too) many people are ready and, often happy to sacrifice their wealth and their life for their nations[24]. These sacrifices are not easy to explain for an economic approach where people seek to maximise their wealth [25].

We will try to explain the readiness of people to engage in nationalistic activities by addressing ourselves to the following facts. Firstly, many people participating in nationalistic activities claim that living together with people of other nationalities is challenging or preventing them from expressing their *way of life* and destroying their *identity*. Secondly, sometimes national groups seem to accept "cohabitation" with other national groups only if they have the "*power*" to rule the country. Thirdly, people are sometimes *ready to sacrifice their wealth and life* for these struggles for national identity and power.

24 And perhaps, the same people shirk when the public good to be provided is a cleaner public toilet!
25 In the traditional economic approach consumption goods and leisure are the objective of the utility function. Work is simply considered as forgone leisure and is not satisfactorily treated in this approach (see Pagano, 1985). On the other hand it is possible to give a more general interpretation to the economic approach .

Can economics explain these facts? Can we redefine utility maximisation to explain nationalistic behaviour? Do nationalists maximise anything or are they crazy and irrational?

In this section I will try to give a positive answer to these questions. The answer will be based on two possible "extensions" of the textbook description of maximising behaviour; the first considers that individuals take also into account *symbolic utility* whereas the second examines the consequences of the possibility that individuals derive utility from *positional goods*.

Utility maximisation should not only take into account the utility of what *we have* (and the activities that we carry out) but also the utility that we get from what (we think) *we are.* In his book *The Examined Life* Robert Nozick has called this type of utility *symbolic utility* . The idea of symbolic utility has caused a radical change of his views about state intervention in the distribution of wealth. Many of our actions give us symbolic utility in the sense that they increase our welfare by defining what we are in a way which we find desirable. For instance, we may vote, in spite of the gap existing between the effect of our vote on the outcome of the election and the effort of voting, because we want define our political identity; similarly we may want to decide to redistribute wealth because we want to define ourselves as part of a community which cares for its members.

We can obtain traditional utility maximisation as a particular case of the symbolic utility framework. In principle we may also like to see ourselves as individuals who maximise *only* the utility obtained from traditional consumption goods.

However this is only one particular possibility and does not seem very appealing: when we define ourselves in this way, we immediately hit the limitations due to the shortness of our life and to the relative fragility of our existence. In theory "rational individuals" should maximise taking the constraints of their life as given.

Unfortunately these constraints do not gently bind us; often we hit them in a very painful way; for this reason we try to re-define ourselves in such a way that these constraints look less binding and become more acceptable. This is usually done by defining ourselves as members of something larger that does not share the same limitations. Suppose that re-defining ourselves as members of a nation relaxes these constraints and make us feeling that we overcome these limitations. In this case utility-maximising persons may happily and rationally die for their nation and enjoy being part of something that will never die.

This extension of the economic approach is consistent with the explanation of the origin of nationalism that is offered by Benedict Anderson in his beautiful book *"Imagined Communities"*. Anderson observes that "no more arresting emblems of the modern culture of nationalism exists than cenotaphs and tombs of 'Unknown Soldiers'. The public ceremonial reverence accorded these monuments precisely *because* they are

deliberately empty or no one knows who lies inside them, has no true precedents in earlier times" (Anderson, 1991 p. 10). Why do people feel such a sense of solidarity for somebody that they only know to have died for the national cause[26]? Why do not they express the same feeling of solidarity for people who die for other causes? Why is it so difficult to imagine a Tomb of the Unknown Marxist or a cenotaph for Fallen Liberals

The reasons for this particular status of nationalism is that, unlike Liberalism and Marxism, nationalism is much concerned with death and immortality. In this respect nationalism has a strong affinity with religion. Like religion, nationalism transforms the contingency of human life into continuity and reduces the anguish that may come from the awareness of its fragility.

The 18th century did not simply see the rise of nationalism but also the crisis of a Christian vision of the world. The Enlightenment could successfully destroy paradise and salvation but not the needs that they satisfied. "Disintegration of Paradise: nothing makes fatality more arbitrary. Absurdity of salvation: nothing makes another style of continuity more necessary. What was then required was a secular transformation of fatality into continuity, contingency into meaning" (p. 13). The nation was well suited to this purpose. Even when the nation had been just invented, it was supposed to exist since time immemorial well before its political expression in a national state. It was also supposed to last for ever and realise its "mission" in the world. The members of the nation could believe that, in spite of their individual contingency, they shared the immortality of their imagined communities.

Religion and nationalism could be seen as alternative ways of attaining symbolic utility and the crisis of the former favoured the raise of the latter. Also the crisis of Marxism (and consequently of the defence of the free world) has perhaps favoured the recent re-emergence of nationalism in a similar way.

The considerations made above seem to imply that an extended rational choice framework could explain the demand for alternative sources of symbolic utility and, therefore, the raise of nationalism when alternative means of getting it become less appealing.

The idea that people choose the sources of symbolic utility that best satisfy their needs is however somewhat contradictory. The point is that often people can attain symbolic utility only if they believe that religion or nationality constitute their identity independently of their choice. An identity that is chosen by an individual would seem to share the contingency and limitations of the individuals. In order to satisfy the need to

26 Ernest Gellner has pointed out to me that in "his" village in Liguria there is a shrine dedicated to the victims of *all wars*, without any restriction! However, this shows how "internationalist" feelings of solidarity adopt and generalise the symbols used by nationalists.

relax the constraints of individual life, an identity must be such that individuals feel that they are not choosing their identity but rather that the identity has chosen them.

A God or a Nation that are chosen to maximise our utility are meaningless and are useless to overcome the fragility and the contingency of our lives. This need can be only satisfied if we believe that God or the Nation have chosen us in order to realise their wills. Only in this way can the individuals believe that they are now part of something bigger that survives their bodies.

"Dying for one's country, which one does not choose, assumes a moral grandeur which dying for the Labour Party, the American Medical Association, or perhaps even Amnesty International can not rival, for these are all bodies one can join or leave at easy will."(p. 144). According to Anderson, the fact that we can choose to join these association inhibits our commitment to their goals. If we are aware of the fact that these institutions represent our interests, our actions do not acquire an aura of purity. Only this purity can make us feel part of a great cause that overcomes the limitations of our existence. "Ironically enough, it may be the that to the extent that Marxist interpretations of history are felt (rather than intellected) as representation of ineluctable necessity, they also acquire an aura of purity and disinterestedness."[27]

In spite of the fact that individuals are engaged in these exercises of self-deception[28], nationalism and other sources of symbolic utility can perhaps be seen as substitutes. If this view is correct, one way of limiting the excess of nationalism is to supply alternative means of obtaining symbolic utility in the post-1989 world. For instance, it is an open issue whether the ecological movement[29] can supply this alternative and make people feel that they have been chosen to save the world. It would be a very good outcome also for people who do simply believe that they choose to save it.

A second extension of traditional utility maximisation may help to explain nationalism: to consider power and prestige and, not only wealth as legitimate

27 Anderson (1991, p. 144). On the other hand, Robert Meister (1990, p. 24) argues that "Marx's political identification with the interests of the proletariat was a conclusion not an assumption. This makes his analytical framework especially relevant for those who may doubt his conclusion, but for whom the question of political identity remains important".

28 On the relationship between self-deception and rational choice see Elster (1993). Although self-deception could be a "rational" way of dealing with ourselves this pushes the limits of rationality to a point where this concept may become an obstacle to the understanding of complex organisations. According to Simon (1991) the existence of complex organisations may be explained by the limits of human reason.

29 An advantage of the ecological movement is that it can offer an identity that, as in the case the great religions, is related to the role of human-kind in the Universe. This does not mean that a new ecological identity cannot be constructed by referring to natural sciences. In her book *The Ecological Self* Mathews shows that modern physics, and in general modern science, are very well suited to the construction of this identity.

arguments of the utility function. In this way also *national* power and prestige can be integrated in economic analysis.

Power and prestige have some characteristics that distinguish them from other goods. We can easily imagine a society where everyone consumes large quantities of goods such as rice, cars and housing space. It is much harder to imagine a society where everyone consumes large quantities of power and prestige. Saying that everyone consumes power and prestige is tantamount to saying that nobody consumes these goods.

Any positive amount of power and prestige must be jointly consumed with negative quantities of it: it seems impossible to exercise power if somebody does not undergo the exercise of this power or, in other words, it is impossible for somebody to dominate if somebody is not dominated: positive power must be jointly consumed with negative power[30] .In a similar way it is impossible for somebody to consume prestige or "social superiority" if others do not consume some social "inferiority"; again positive and negative amounts of the good must jointly be consumed.

Unlike traditional economic goods, power and prestige inevitably involve a particular relationship *or position* of one individual with respect to other individuals; for this reason, following Fred Hirsh's terminology, we can call goods like power and prestige *positional goods.* In traditional economic theory we usually consider two types of goods (and their intermediate combinations): private and public goods.

Private goods are characterised by the fact that other individuals consume a *zero amount* of what I consume: the other individuals are excluded from the consumption of my private goods.

This exclusion is impossible in the case of a public good. In the case of a pure public good another agent consumes the *same positive amount* that I consume.

We may say that a pure positional good is a good such that another agent consumes the *same but negative amount* as that which I consume. In this respect positional goods define a case that is polar to the case of public goods[31].

It is not surprising that the problems of positional goods are opposite to the problems of public goods: it is very likely that we will have over-investment in positional goods when all the agents try to consume positive amounts of these goods. "Positional competition" is much harder, and sometimes more violent, than competition for "private" goods.

Consider the case that if all the individuals work harder they may all consume more private and public goods. Even when this is not possible and there is a problem of

30 Parsons (1986) disagrees but, as Aron (1986) maintains, he seems to be confusing the power over somebody with the power to do something. The former (and obviously not the latter) is a zero-sum good. On the concept of power see also the other essays collected in Lukes (1986).

31 This definition is given in Pagano (1990). A different definition, based on rank, is given by Frank (1985).

natural scarcity (so that some goods are in fixed supply) the egalitarian distribution of these goods is not incompatible with their positive consumption.

The same is not true for positional goods like power and prestige: if we all work harder none of us can consume more of them; moreover no positive and egalitarian distribution of them is simultaneously possible: in some ways *social scarcity* constrains the welfare of human kind much more than *natural scarcity*.

If power and prestige are positional goods *national* power and prestige are simultaneously public and positional goods: they are a public good for the members of the same national community and they are a positional good for the members of other national communities. The usual argument, based on the public good view of "national defence", implies that there is a tendency to under supply national power and prestige; by contrast the positional nature of national power and prestige implies that there may be a terrible tendency to over-invest in nationalistic activities - a tendency which the acquisition of wealth and consumption goods can only partially explain.

Indeed economists like Schumpeter and Keynes were aware of the importance of something like positional goods in the explanation of nationalism.

According to them the rational desire to accumulate wealth that is the characteristic of capitalist society cannot be the cause of nationalistic policies. They maintained that the desire to accumulate wealth could inhibit nationalism.

In his book *Imperialism and Social Classes* Schumpeter challenged the thesis of the Marxists and maintained that capitalists were not "imperialist" but rather peaceful. Peace was necessary for the expansion and the security of industry and commerce that were their most typical activities. Imperialism[32] was the expression of pre-capitalist social forces and ideas (such as national glory and power) which still survived in the capitalist societies. The capitalist attitude to look rationally for economic opportunities to increase wealth would have eventually attenuated nationalistic feelings.

In his *General Theory* (p. 374) Keynes made a similar point arguing that some dangerous tendencies of humankind, such as the insane passions for exercising authority and power, could be channelled in the tendency to accumulate wealth. Keynes was aware of the fact that the former can be a means to the latter but he pointed out how it can also be an alternative to it.

In his beautiful book the *Passions and the Interests* Hirshman showed that this type of argument was in fact used to support the expansion of commerce and capitalism before they spread on a massive scale; commerce and capitalism were expected to make men kinder and sweeter. According to this view, the passions of military aristocracy in search of prestige, glory and power would have been replaced by the dull but peaceful pursuit of economic interests typical of capitalism. Market

32 For a survey of the theories of imperialism see Hobson (1938).

competition for goods and services with all its hardship was supposed to replace a much harder competition: that for honour, glory, power and prestige.

Thus peaceful and reasonable capitalists may have the merit of replacing zero-sum rivalries for prestige and power with the gains from trade typical of market competition; the maximisation of wealth gives us peace and freedom from nationalistic passions.

In my opinion this last view is too extreme. Rational activities intended to increase our wealth can sometimes explain nationalism and nationalist policies on the lines considered in the first two sections of this paper[33].

However, some extensions of the economic approach are necessary to explain some aspects of nationalism. Symbolic utility and positional goods can offer a way to make the generosities and the atrocities of nationalism compatible with rational choice types of explanations. Individuals may wish to define themselves as members of powerful nations and may wish to consume pride and superiority with respect to other national and ethnic groups. Unfortunately, if many national groups share these wishes, then an over-investment in nationalism takes place. This over-investment by possibly rational agents may perhaps help to explain some of the most regrettable aspects of our age.

4. DO NATIONALISTS OR NATIONALISM MAXIMISE THEIR FITNESS?

In the preceding section we have seen that there are possible ways of defending the thesis that nationalists "make rational choices" that explain their behaviour. We have seen that this explanation has the limit that nationalism can be a source of symbolic utility only when people believe that they have not chosen to be nationalists. However, is there an alternative explanation for nationalistic behaviour that can put on some relatively firm ground the idea that the individuals do not choose to be nationalistic but may be rather "chosen" by nationalism?

In my opinion the recent evolutionary approach can help us a great deal.

Evolutionary biology uses many of the tools that are also used by economists: maximisation, equilibrium and stability are concepts used by both discipline. However one relevant difference is that whereas evolutionary biology explains the behaviour of the animals in terms of maximising behaviour, the optimising units are not the

33 Moreover, it is doubtful that under capitalism the desire to accumulate wealth replaces the need for power, prestige and other positional goods: in many cases they are not substitutes but they are instead (strictly) complementary goods.

individual animals but genes. Genes can maximise their fitness even when this is inefficient for the individuals or even for the species.

Consider a bee sacrificing its individual existence for its own "people": biologists would not explain this behaviour by referring to the maximising behaviour of the "nationalistic" bee but by referring to the maximisation of the "nationalistic gene" acting in the bee.

The gene is ready to sacrifice the individual bee to increase its own fitness. The bee may be irrational but, in some particular way, the gene is rational even if not intentionally rational. Bees with "nationalistic" genes will better be able to defend their offspring and reproduce faster: in the long run only bees having "nationalistic" genes will survive. "Nationalism" maximises its fitness while many individual "nationalists" die.

We have used the term "nationalism" to suggest that there are mechanisms by which, in principle, the maximisation of something other than utility of the individual agent could explain the emergence of some strong identification with a certain group that, as in the case of nationalism, can even lead to the extreme sacrifice of the individual.

However this analogy can be very misleading without some qualifications.

In the first place cases of extreme altruism such as that of the bee are very uncommon in the animal world. They are limited to cases, like those of "social insects" where an entire population shares a single parent and a large fraction of her genes. In this case it is in the interest of the gene to sacrifice one individual "transmitter" in order to increase its own fitness. In cases of unrelated individuals the fitness of the selfish gene would run against this generous attitude[34].

In the second place unlike what I have termed "bees' nationalism" human nationalism is largely a *social attitude* that is culturally and not (only) genetically transmitted.

In spite of these considerations it is possible to apply some kind of evolutionary reasoning to the case of human societies that may offer some justification for the type of self-sacrificing "irrational" behaviour that is sometimes associated with nationalism.

In his popular book the *Selfish Gene* Dawkins has pointed out that the validity of evolutionary models is not limited to biology but it can be extended to all the cases where some *replicators* interact directly or indirectly.

34 However, some co-operative behaviour can evolve among animals engaged in repeated interactions ; a bat can find it convenient to donate blood to other unrelated bats that are starving. The temptation of defecting is offset by the future gains of co-operation that can arise when the bat is starving (Dawkins, 1989 p. 231). However, unlike for bats, that donate the blood (taken from somebody else), there is no future "repeated game" for the "nationalistic bee" that sacrifices itself. In this sense the biological implications of Axelrod (1984) do not work for the "nationalistic bee".

Replicators are units having the property of creating copies of themselves. In biology these units are the genes. However in different evolutionary contexts other units share these characteristics. Units such as ways of behaving or ideas are not genetically transmitted but can be replicated by imitation and by a limited amount of learning. Especially in the first years of life, imitation can be often unconscious . However in many cases, especially if the environment is sufficiently stable, imitation can also be a rational alternative to costly individual learning.

To emphasise the analogy with *genes* Dawkins calls *memes* the "cultural" replicators that can flow from one generation to the other[35]. Even if we do not assume that culture can be encoded as discrete "particles", it is important also to emphasise that different aspects of a culture may survive better than others. Also memes maximise their fitness in a given environment.

Can the maximisation of nationalistic "memes" explain nationalistic behaviour? Is nationalism, when commonly adopted by the members of a population, a strategy that cannot be invaded by a mutant strategy or, in more technical terms, is nationalism a "culturally stable strategy"[36]?

According to Dawkins "memes for blind faith have their own ruthless ways of propagating themselves. This is true of patriotic and political as well religious blind faith (198)"[37]. However, Dawkins does not explain how nationalists can resist the invasions of "unpatriotic mutants" that free ride on the public good that is offered by their fellow countrymen.

An explanation of the resistance of nationalistic altruism to unpatriotic behaviour is offered by Boyd and Richerson in their stimulating book *"Culture and the Evolutionary Process"*.

Boyd and Richerson claim that one alternative way of explaining the evolution of altruistic co-operation is by imagining that individual selection within each group of individuals supplying a public good occurs together with selection among groups. If the marginal benefit of investing in the public good is greater than its marginal cost, then groups with a higher proportion of co-operators will enjoy a higher fitness. Selection among groups will imply that the number of co-operators will increase in the

35 For an application of the concept of memes to economic problems see Hinterberger (1992).

36 On the concept of culturally stable strategy (CSS) and its relation with evolutionary stable strategy (ESS) and developmentally stable strategy (DSS) see Smith (1982) and Boyd and Richerson (1985).

37 Even if at later stage nationalism becomes a way of getting symbolic utility alternative to universal religions, there is a close relationship between "tribal patriotism" and religion. In his *Elementary Forms of the Religious Life* Durkheim showed that in primitive societies there was a universal tendency to believe in "tribal" Gods and that the cult of God was a way of expressing the force and the unity of those societies. Primitive Gods were "patriotic" Gods. It is not hard to give a "mimetic" interpretation of this universal tendency. Societies that had not developed cultural practices able to transmit patriotic feelings could not survive against those which were able to do so In this respect it was ironically true that primitive Gods created primitive societies and that primitive societies survived only thanks to their Gods.

next generation. On the other hand the selection within each group will imply that within the same group co-operators enjoy a fitness lower than free-riders. Selection within groups will therefore have the opposite effect: it will imply that co-operators will decrease in the next generation.

Boyd and Richerson come to the conclusion that "co-operation will increase in the whole population only if selection among groups is a stronger force than selection within groups" (p. 230).

Boyd and Richerson observe that the theoretical arguments against group selection for the case of large groups are based on a model that assumes genetic inheritance where selection and migration constantly erode the variation among subpopulations[38]. In the case of cultural inheritance imitation can amplify the differentiation of the common characteristics of large subpopulations. Even in the case of large groups, group selection, based on cultural inheritance, may be a strong force.

The extinction of the groups characterised by a low level of co-operation does not entail the physical death of the individuals. The Boyd and Richerson model only requires a break-up of the group and the dispersed emigration of the individuals of the dissolved group to the other groups. If the size of the group that breaks up is not too large in relation to the entire population, the imitation mechanism will imply that the immigration of the members of the dissolved group does not change the characteristics of the other groups: in each group the few immigrants will imitate the behaviour of the pre-existing members. In other words what matters for having this type of selection process is cultural extinction; physical extinction may be unnecessary[39].

According to Boyd and Richerson the human group that seems to satisfy the requirements of their model is the ethnic group. Ethnic groups are characterised by the fact that the flows of cultural traits within the groups are greater than those among groups. Co-operation within the ethnic group and conflicts and wars among ethnic groups are predicted by the model as interrelated consequences of a model of cultural evolution.

In an interview on the New York Review of books Isaiah Berlin (Gardels, 1991) has made a distinction between two concepts of nationalism: the first is not aggressive and stresses co-operation, solidarity and familiarity with fellow countrymen while the other is aggressive and stresses conflict, violence and hate for foreigners. The Boyd and Richerson analysis implies that, even if it is possible that there are two different

38 Thus biological selection cannot be used to justify the efficiency of the organisations of the species and cannot be the basis to justify the efficiency of human organisations. On this point see Hodgson (1993).

39 Cultural group selection must be distinguished from the genetic selection that underlies the theories of racism. Indeed, the ease by which one culture may quickly spread among so many different individuals implies some fundamental biological unit of human-kind. On the story of racism see the beautiful collection of essays edited by Imbruglia (1992) that, unfortunately, is not available in English.

nationalistic "memes", their cultural fitness may have been interdependent. No co-operation and solidarity associated with the first meaning of nationalism would have evolved without the conflicts and wars associated with the second meaning of nationalism.

Can the "good nationalistic meme" be dissociated by its bad fellow meme? Can the "bad nationalistic meme" stop maximising its fitness that, having already made so many victims, can now cause the extinction of human-kind? Can we do much against the genes and memes that sometimes rule our minds with such devastating consequences? Can individual utility maximisation and rational choice prevail on the replicators that maximise *their* fitness in *our* minds?

We will not even try to answer. We will simply try to get some encouragement by the words that can be found at the end of the first edition of the *"Selfish Gene":*

"We are built as gene machines and cultured as meme machines, but we have the power to turn against our creators. We alone on earth, can rebel against the tyranny of the selfish replicators". (Dawkins, 1989, p. 201).

CONCLUSION.

Can economics explain nationalism?

In my opinion the theories that we have considered should not be regarded as mutually exclusive explanations; each one of them can rather give some contribution to the explanation of some aspects of nationalism. Wealth creation and rent-seeking, symbolic utility and positional goods and, finally, the selfish replicators that maximise their fitness in our minds are all concepts that can help towards the understanding of this complex phenomenon.

One may question whether some of these theories do really belong to economics. I have no answer to this question: an answer requires some agreement on the evolving boundaries of our discipline and some evaluation of the kind of fitness that is maximised by these boundaries. Both things are beyond the scope of this paper. Moreover the relevant question may simply be: can *we* explain nationalism and suggest what can be done against its nasty consequences?

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