



## Book Review

### The Size of Nations

Alberto Alesina and Enrico Spolaore,  
MIT Press: Cambridge, MA, 2003, 261pp.

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Imagine that the typical 50-page limit was removed from a journal article, not once but twice, giving the authors room to roam. That is basically what one has with this very interesting book. If you have already read Alesina, Spolaore, and Wacziarg, ‘Economic Integration and Political Disintegration,’ *American Economic Review*, 2001, and Alesina and Wacziarg, ‘Openness, Country Size and the Government,’ *Journal of Political Economy*, 1998, you won’t find any big surprises in this book. The same basic model, economic agents distributed uniformly along the unit interval, is used to deliver useful results on the optimal size of jurisdictions – here thought of as states – when determined by majority rule, as well as when determined by rent-maximising autocrats (the leviathan model).

The basic insight is easily comprehended. Size is beneficial: a bigger state can deliver more public goods (especially security and defence) and has greater weight in international affairs, such as trade negotiations. The extreme case of a big state is a hegemon, a role currently held by the USA. One of the very interesting implications of the model, which the authors could have pushed much further, is the foreseeable end of American hegemony. Once the USA no longer has the world’s biggest economy – an event that should take place well before 2050 – its current hegemony would cease.

At the same time, size brings with it heterogeneity costs. The further one is from the centre of a state, the more remote and peripheral one is. This has cost consequences. A remote region is much more likely to want to secede from a state than a central region. This implication of the model has convincing practical applications. Take France in the past two centuries. The restless parts of France have been places like Brittany and Corsica, far from the centre, while Paris has never even considered leaving France. The equilibrium size of a state is driven by the trade-off between public goods economies of scale and rising heterogeneity costs. So don’t expect One World anytime soon!

All this will be familiar to readers of the two articles, but book length gives the reader more context and more applications. By far the most



convincing to this reader is the analysis in Chapter 12, 'The European Union.' The authors first describe the policy competences of the EU, in four categories (economic/social, sectoral, external, justice/home affairs) and at three levels (extensive, shared, limited). They find a considerable mismatch between public goods economies of scale, which the model predicts the EU would be best suited for, and heterogeneity areas, which the EU's own principle of subsidiarity suggests would be best suited for national and regional governments. Part of the explanation for this mismatch is the EU's 'relatively uncontrolled bureaucracies' (p. 213). Their take on the constitutional process at the time of writing was quite cautious. Indeed, anyone agreeing with their analysis had to expect that EU Constitution project to founder – as it has in mid-2005.

Rather less convincing is the big sweep of history chapters, of which there are several. Here the focus is on Chapter 11, 'The Size of Nations: A Historical Overview.' The big picture is (small numerous states, small open economies, somewhat democratic) before 1500. This is followed by nation-building by autocrats leading to (less numerous states, large closed economies, fairly autocratic) up to 1945. Finally, we have the post-War, and recently, the post-Cold War world, rather like that prior to 1500, only with a lot more democracy. Whether this level of temporal aggregation is useful, is really beyond economics: historians are better able to judge. But even to this reader some things are odd. First, there is no mention of the City State Leagues – the Hanseatic League of Northern Europe, the Rhine League inside the Holy Roman Empire, the Northern League in Italy. Surely these leagues are a part of the story pre-1500. The one-sentence verdict on the fall of the Ottoman Empire ('diversity') seems somewhat simplistic. The reference to 'astrological measurements' as driving the colonial borders of Africa (p. 197) seems far-fetched. The reference to the partition of Germany in 1945 as 'artificial' (p. 200) flies in the face of the vast amount of evidence from the Potsdam Conference in July of that year. Although I could go on, the space for a review is limited. Suffice to say, the reader may come away from the big sweep of history less than convinced.

Still, this book is a fine read. Even if you have read the two big mainstream articles already, you will get a lot out of the extended versions. If you haven't read those two articles already, read the book. I guarantee plenty of food for thought. Why are there almost 200 states in the world today? Alesina and Spaolare have the answer.

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