

City-State Redux:  
Optimal State Size in the Twenty-First Century

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Many aspirants to world domination have paraded across the stage of history. Ghengis Khan, Alexander the Great, Timur the Mongol, Napoleon, and Hitler all exhibited megalomaniac tendencies. But all fell short. The world has consistently proven too big for any one person to fully grasp. Even the longest lasting empires have discovered limits on their ambitions. There seem to be some natural limits on the size of nations. At some point, states get too large to maintain internal cohesion or to effectively defend all of their borders. Empires are prone to overreach.<sup>1</sup> At the same time, there have been several waves of consolidation when smaller political units have found themselves swept into larger agglomerations. The German principalities, the Italian city states, the warlords of China found themselves eclipsed in an international environment that demanded certain economies of scale.<sup>2</sup> History suggests, then, that there are some implicit limits on the size of states, that in a particular international environment there may be particular geographic, economic, political, and even normative incentives that determine an optimal state size.

In this paper I will argue that scholars of international relations can glean important lessons about optimal state size from students of urban politics. The field of urban politics, and particularly local public finance, has been the primary source of theoretical insight regarding the optimal size of political units. Most of the literature in this area has focused on issues involving the exclusive production and provision of public goods. I will argue here that there are also insights to be garnered from the literature on layered municipal political institutions and the shared production and provision of public goods. These insights can help us better understand the political

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I am indebted to Anu Kulkarni, Nathan Barczi, and Matthew MacArthur for research assistance. A conversation with Jim Fearon was of great value in the early efforts on this project.

<sup>1</sup> Snyder, *Myths of Empire*, 1991. Doyle, *Empires*, 1986.

<sup>2</sup> See Spruyt, *The Sovereign State and its Competitors*, 1996.

geography of current trends toward both supra-state globalization and sub-state regionalism.

## **I. The Significance of Optimal State Size**

The notion of optimal state size matters in at least two ways. In the first place, if there are concrete factors that affect the optimal size of states we will see real world results as states that are above or below the optimal do less well in the international system. If these factors change systematically over time, then we should see periods in which larger or smaller states fare relatively better or worse

In addition to these direct and objective effects, theories about the optimal size of states are also important because the theories themselves motivate significant kinds of behaviors. Hitler believed that Germany was too geographically restricted to achieve its full potential and argued that significant expansion was necessary if it was to become a world power.<sup>3</sup> At the same time, Japan believed that it needed direct control over natural resources throughout Asia to sustain its economic growth. Throughout history, empire builders have believed that large size was optimal. Within our own history, Thomas Jefferson was convinced of the importance of size when he negotiated the Louisiana Purchase. And at the turn of the century, American thinkers, led by Alfred Mahan, Halford MacKinder and Theodore Roosevelt argued that the United States needed to adopt a global scale.

The evolution both of the underlying factors that systematically affect optimal state size, and of ideas about those factors can be seen in rough outline by looking at broad changes in the sizes of states over the past several centuries.

## **II. State Size in History**

Throughout history, there have been significant changes in the number and size of states. For example, Hendrik Spruyt has outlined the decline of city-states in the sixteenth and seventeenth centuries.<sup>4</sup> From the late Middle Ages,

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<sup>3</sup> Hitler, *Mein Kampf*, 1971[1925] See especially pp. 643-646.

<sup>4</sup> Spruyt, *The Sovereign State and Its Competitors*, 1994.

large states were better able to solve the commitment problems necessary for effective trade than small states that tried to join together in leagues. The consolidation of city-states into larger nation states at the beginning of the seventeenth century was a direct result of these dynamics. Similarly, North and Thomas point to the emergence of national states as a response to the rise of market economies and new military technologies that increased the optimal size of states.<sup>5</sup>

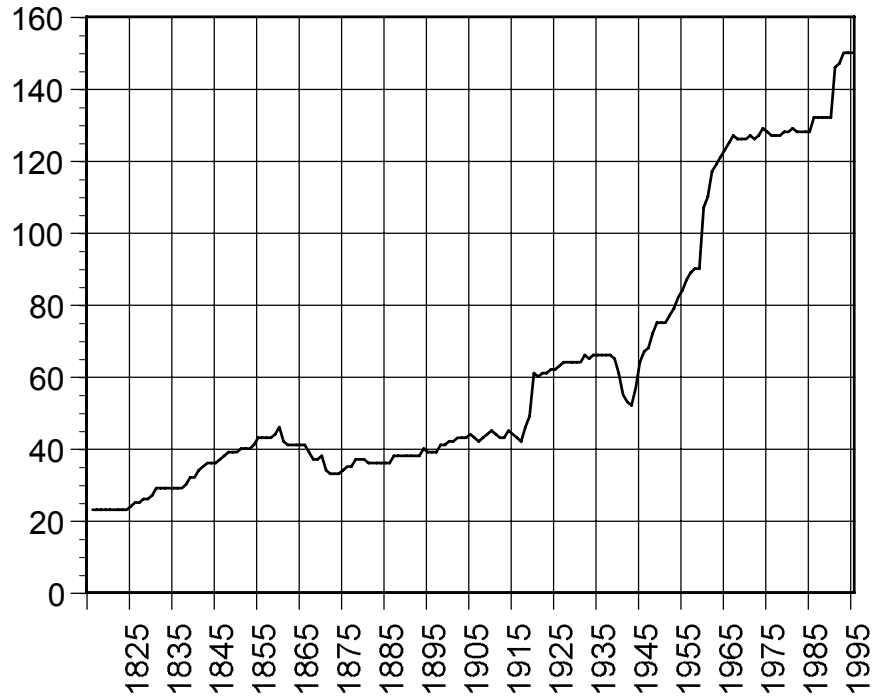
In the hundred years leading up to World War I, the size of the state system changed only incrementally, gradually doubling from roughly twenty-three states in 1815 to some forty-five states by the beginning of the War. In the years since World War I changes in the number of states have been more significant. As shown in figures one and two, there have been three great waves of state creation: immediately following World War I, in the period of decolonization after World War II, and most recently following the end of the Cold War, with break-up of the former Soviet empire. Figure one also shows that the dominant trend of the past two centuries has been the addition of new states to the system. There have been only two periods of significant retrenchment. The period 1860 to 1875 saw the consolidation of the German and Italian principalities into two large national states, and thus the reduction in the overall number of states from forty-six states in 1860 to thirty-three in 1874. The only other period of significant consolidation is the period from 1939 to 1945 when several independent state identities were extinguished in the Nazi program of territorial expansion.

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<sup>5</sup> North and Thomas, *The Rise of the Western World*, 1973.

### FIGURE ONE

Number of States in the International System

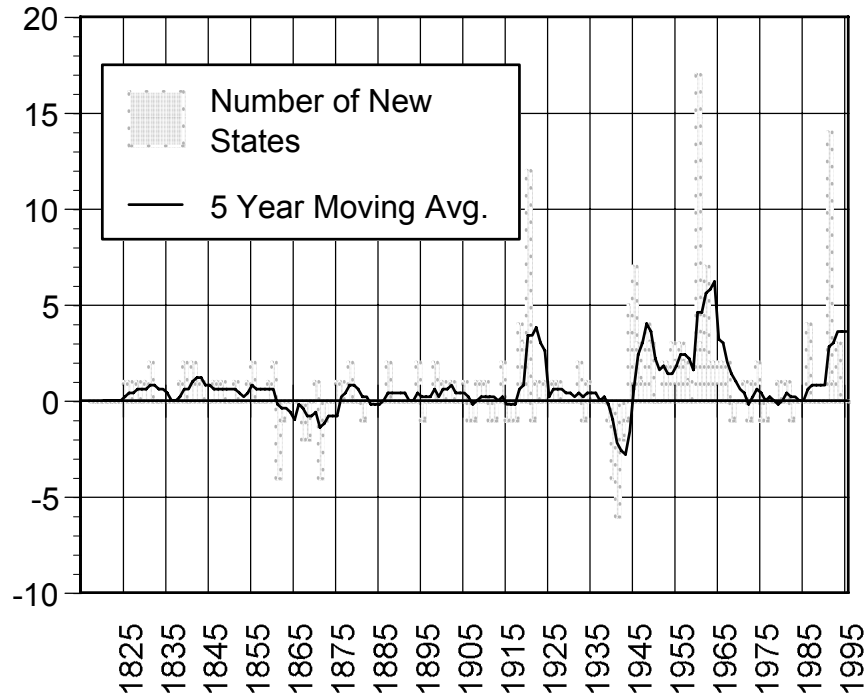


Source: Correlates of War Data.

There are two contemporary dynamics that are not captured in figures one and two. As we reach the end of the millenium we are witness to rising pressures for the fragmentation of stable major states in the international system. Consider in this regard the separatist movements in Quebec, Northern Italy, Catalonia, and Scotland. We are also seeing strong pressures for certain kinds of integration in the international system: most dramatically the movement toward European integration, but also the development of regional trade zones and a welter of new regimes governing other kinds of international transactions.

**FIGURE TWO:**

Changes in the number of States in the International System

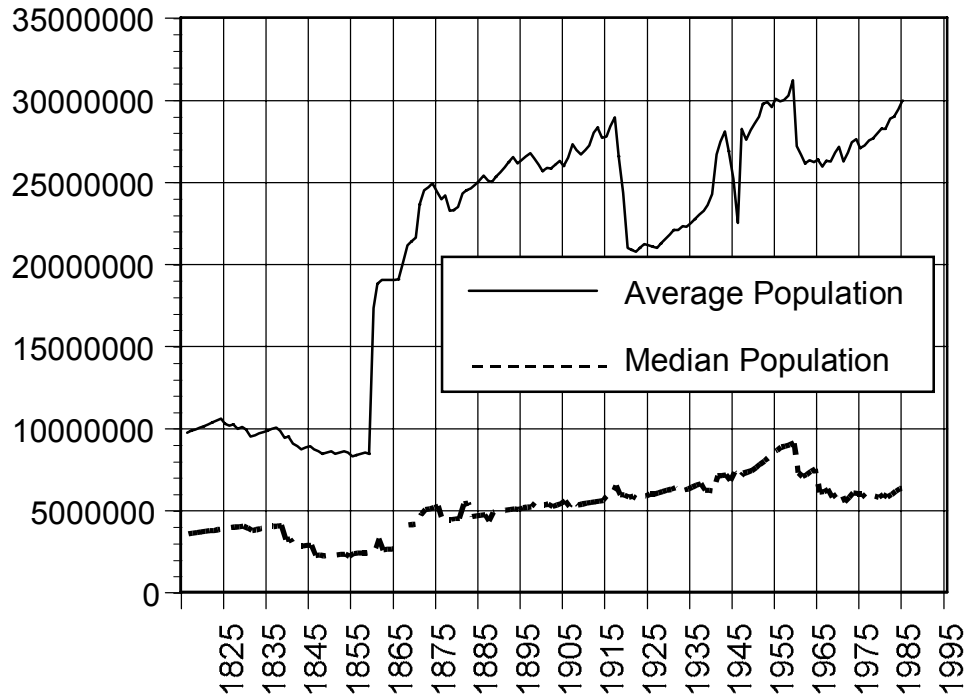


Source: Correlates of War Data.

The increase in the number of states in the international system is an important phenomenon. It is also important to look more directly at the size of states. Without significant changes in land area, individual states have gotten dramatically bigger over the past two centuries through the natural dynamics of population growth. Nonetheless, the median state size has changed much more slowly. Figure Three shows the evolution of the average and median size of states over this period.

### FIGURE THREE

Average and Median Population of States in the International System



Source: Correlates of War Data

### III. The Optimal Size of States

Robert Gilpin has argued that there is a natural equilibrium in state size. Large states do have increased opportunities to take advantage of economies of scale and large resource bases. But with increased size it is increasingly difficult to be sure that individuals and groups receive sufficient shares of any increases in wealth, and thus internal fragmentation begins to set in.<sup>6</sup> Joseph

<sup>6</sup> Gilpin, *War and Change*, 1981.

Strayer identifies this equilibrium as a trade-off between power and loyalty.<sup>7</sup> At the end of the Middle Ages, states were able to increase their power through the creation of empires, but this came at a cost in terms of loyalty. Empires generate enormous amounts of raw power, but lack a high degree of citizen loyalty. City-states, at the other end of the scale, can generate a high degree of citizen loyalty, but generally have lacked the resources to generate large reserves of power.

This dynamic has been formalized by both Mancur Olson and William Riker, although in slightly different ways. For Olson, the essential dynamic is that the increasing base of different preferences that require satisfaction decreases the returns to individuals that might otherwise accrue from the economies of scale in the provision of public goods.<sup>8</sup> Riker's formulation appears in his landmark *Theory of Political Coalitions*. According to Riker's 'size principle,' as the size of a political coalition increases, the returns to individual members decreases. Thus, states may try to increase their overall size to increase aggregate wealth, but the marginal benefit to individuals will begin to diminish at some point.

#### **IV. The Local Public Finance Model**

The ebb and flow of both empires and city-states is often attributed to ambitious leaders – Alexander the Great, Ghengis Khan, Napoleon -- or to internal political innovations – The Roman Empire – or perhaps to internal political battles. – the Ottoman collapse. However, the strongest theoretical material on the optimal size of states comes from the literature on urban politics and particularly on urban public finance.<sup>9</sup>

In a seminal article published in 1956, Charles Tiebout postulated that distinct urban communities would form around homogenous preferences for the provision of public goods.<sup>10</sup> People would naturally sort themselves out into communities in which everyone shared a common perspective on the

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<sup>7</sup> Strayer, *On the Medieval Origins of the Modern State*, 1970.

<sup>8</sup> Olson, *The Logic of Collective Action*, 1968.

<sup>9</sup> A survey of this literature can be found in Quigley and Smolensky, eds, *Modern Public Finance*, 1994. See especially the chapter by Scotchmer "Public Goods and the Invisible Hand" 1994.

<sup>10</sup> Tiebout, "A Pure Theory of Local Expenditures," 1956.

appropriate level of public goods to be provided by government. Of course, in the international system individuals have had only limited ability to change communities. But even without mobility, the Tiebout model implies that there will be an optimum size to political units based on the nature of the specific basket of public goods to be provided.

With the collapse of the Soviet Union and the creation of a large number of new states, there has been a renewed interest in the notion of optimal state size. The most significant new work in this regard has been by Alberto Alesina and Enrico Spolaore, who use a public goods model to analyze the optimal size of and number of states.<sup>11</sup>

Alesina and Spolaore's model endogenizes the size and number of states, given the assumptions that government is costly, that preferences are geographically distributed, and that the quality of services is a function of geographic distance from the center. In this model, the size and number of states will be in equilibrium when the individual living at the border is indifferent to changing states.

As useful and insightful as these general models are, they do not get at the exogenous changes that actually determine optimal size. To apply the conceptual insights of a public goods model to the real world, it is necessary to discuss the size-relevant characteristics of the public goods that plug into the equations.

The Alesina/Spolaore model focuses on a single public good. There are, of course, a range of public goods that states provide. The existence of multiple public goods also raises the possibility that there are different optimal sizes for the different public goods. When relevant public goods are of different scales, there may be a need for different sized governing units for the provision of different public goods. There is a strong analog for this situation in the literature on urban public finance. Vincent Ostrom, Charles Tiebout, and Robert Warren suggest in a 1961 article in the *American Political Science Review* that rather than thinking about one all-inclusive urban government it is

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<sup>11</sup>Alesina and Spolaore, "On the Number and Size of Nations," 1995. See also Bolton, Roland, and Spolaore. "Economic Theories of the Break-up and Integration of Nations" 1996; and Alesina and Spolaore, "International Conflict, Defense Spending, and the Size of Countries," 1996.

more appropriate to think about what they call “polycentric political systems.”<sup>12</sup>

The concept of polycentric international governance raises the possibility of changed modes of production for public goods. In Ostram, Tiebout, and Warren’s view a critical innovation for the efficient provision of public goods is the separation of the provision and production of public goods:

“The separation of the *provision* of public goods and services from their *production* opens up the greatest possibility of redefining economic functions in a public service economy.”<sup>13</sup>

To understand the nature of these processes it is useful to delve more deeply into the urban politics analogy. The dynamics of urban change in Southern California in the 1950’s suggests several potentially important lessons for thinking about optimal state size in the twenty-first century.

### **The Lakewood Plan**

In 1954 the city of Lakewood became incorporated in Los Angeles County. The Lakewood innovation was to incorporate a city that was too small to efficiently provide its own public services. Instead, Lakewood contracted with the County of Los Angeles for fire and police protection. In this way, the citizens (and developers) of Lakewood were able to achieve the level of public services they desired without facing the higher tax rate that would have taken effect had neighboring Long Beach annexed the Lakewood community. Public services were produced by the level of government with the appropriate scale, while decisions about what level of services to actually provide were kept within the local community. The institutionalization of the so-called Lakewood Plan led to a wave of small urban incorporations in Southern California.<sup>14</sup>

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<sup>12</sup> Ostram, Tiebout, and Warren, “The Organization of Government in Metropolitan Areas,” 1961. Hedley Bull suggests a similar concept at the international level in what he calls “the new Mediaevalism” Bull, *The Anarchical Society*, 1977, p. 254ff.

<sup>13</sup> Ostram, Tiebout, and Warren, “The Organization of Government in Metropolitan Areas,” 1961, p. 838.

<sup>14</sup> Miller, *Cities by Contract*, 1981.

In some cases – most notably the aptly named cities of Industry and Commerce – small groups of corporate property owners were able to create cities that consolidated high tax-base properties in a community that could then have very low tax rates. Moreover, the construction of these artificial communities allowed property owners to avoid the expenses of social welfare provision and maintain their own minimum desired public services at a low assessed tax rate relative to their more service intensive neighbors.<sup>15</sup>

The creation of small cities in the greater Los Angeles metropolitan area did not come about because of some fundamental change in preferences. Rather it took place because of a change in the institutional environment that gave cities an external source for public goods that they otherwise could not have obtained as small independent cities.<sup>16</sup> Public goods were produced at the level of government appropriate to their scale and then purchased by the local governments according to citizen demand. City governments could choose whether to provide services through county contracting or to produce the services themselves. This increased the incentives for efficient service production at both levels of government.

The ability of cities to maintain smaller sizes that optimize preference homogeneity by contracting for the public goods that would otherwise require larger metropolitan units to produce is suggestive for a similar dynamic at the international level. Traditional state functions have mitigated against very small state sizes. It is possible that several important current dynamics may lead to a more polycentric system of governance that will allow smaller states

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<sup>15</sup> In both Commerce and Industry sales taxes were adequate to allow the cities to eliminate the property tax altogether. As originally drawn, the boundaries of Industry did not include the requisite minimum of 500 people, so the border was redrawn to include a mental institution with 169 patients. Industry's per capita assessed valuation at the time of incorporation was \$41,865 compared to the county median of \$1,918. Industry continues to allow no new residential building. See Miller, *Cities by Contract*, 1981 pp. 41-54.

<sup>16</sup> Of course, the story isn't quite that simple. County bureaucrats and county fire and police unions worked hard to market their services to small cities. Indeed, the public service unions participated directly in the organizing efforts to legally incorporate the small cities that would then be dependent on county service provision. County politicians also pushed to maintain below cost pricing so that large urban areas that provided for their own policing, fire protection, and other services had to subsidize the small cities that relied on contracted services. See Miller, *Cities by Contract*, 1981, especially pp. 26-33.

to contract for the provision of services that require larger units for efficient production.

## **V. The Functional Basis of State Size**

There are many factors that can influence the optimal size of states. I will suggest here that there are four particularly critical functional issue areas that strongly affect optimal state size. These are economics, national security, human rights, and historical identity. I will argue that in three of these four areas we currently are seeing dramatic changes in the international system. Because of these changes, the twenty-first century may be an era for significant reductions in optimal state size. The most important of these changes has been in the area of economics.

### **A. The Economics of Optimal State Size**

#### **1. International Trade and State Size**

As argued by Spruyt and by North and Thomas, the consolidation of large nation-states came about in large part because of the economic benefits that accrued to size in the late Middle Ages. This incentive structure has persisted for several centuries. One of the central motivations for the creation of the American federal system after the experiences under the Articles of Confederation was the desire to eliminate tariffs between the states. The commerce clause – which some have called the most important clause of the constitution -- explicitly prohibits the American states from regulating the trade between them. Other federal systems have followed this model in their constitutions – for example, Canada, Brazil, and Australia. Large states have been able to create unified market areas in which the institutional framework necessary for trade could be maintained – a single currency; standardized measures; uniform contract law and enforcement mechanisms to ensure the credibility of commitments; and no tariffs.

In a world of trade barriers between nations, size is important to guarantee adequate resources and markets for a robust economy. But our world is increasingly one without trade barriers. This is true both at the global level, where the GATT agreement has significantly reduced tariffs, and

particularly at the regional level, where the European Union, Mercosur, and NAFTA are becoming increasingly significant as free trade zones.

The model of the European Union is the most dramatic. Within their union, the European states are moving to eliminate the internal role of borders in the movement of goods and people. Citizens of the European states now travel with a common passport and will soon use a common currency. Small regions that are pressing for greater autonomy, such as Northern Italy, Catalonia, and Scotland, face no significant change in their international trading relationships if they succeed in their efforts to secede. In essence, the provision of the public goods required for robust economic activity is increasingly provided by the European Union. States no longer have to worry about being large enough to ensure an optimal variety of internal trading opportunities and the common legal framework for its support.

As the costs of transportation and of moving money and assets decreases, and as free-trade rules in both services and goods proliferate, small communities can increasingly compete for wealthy corporate and individual residents. In the international legal environment, individuals and corporations have no formal standing. They rely on their states to advance their claims and ensure their fair treatment. In the nineteenth and twentieth centuries it has been helpful to have global powers like England or the United States playing that role for you. A more legalized international environment makes small states and big states equal before the law. Thus, as legalization progresses, smaller states will be able to protect the interests of their corporate citizens as effectively as large states. The continuing evolution of standards for free trade decreases the need for large states to provide protection. For example, small states have the same legal rights before the World Trade Organization as do large states. As evidence of the potential impact of these developments consider the fact that Lichtenstein now has nearly as many corporations (25,000) as it has citizens (28,600).<sup>17</sup>

## **2. Resources and Optimal State Size**

Free trade also eliminates some of the most important links between size and economic resources. If states are assured that they can trade for the resources

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<sup>17</sup> CIA World Factbook., 1994.

they need, there is considerably less incentive to maintain those resources within their own borders. Global market systems ensure that resource prices will remain similar regardless of state size. For example, a credible zone of free trade would have significantly changed the argument within Japan about the importance of controlling resources in the period leading up to World War II.

There is a class of resources for which size will still matter, and those are commons resources such as clean air, ocean fisheries, and the like. States will benefit from either being large enough to regulate the use of such common resources and to prevent their overuse, or from creating regional or global regimes to provide this public good. Thus, for example, the 37 U.S. states east of the Rockies have banded together to ask the EPA for tougher regional standards on acid rain.<sup>18</sup> No state has an incentive by itself to impose tougher restrictions, since that would only drive business to neighboring states where they would dirty the common air just as much. A larger unit is needed to prevent over-utilization of the common resource. Once such a mechanism is put in place small states can be as effective at keeping their air clean as the large states that control more of the factories that impact the environment.

Many issues involving common resources are already on a scale that surpasses the current nation state. While they are still in their early stages, we are seeing increasing attempts to create environmental regimes at the regional and global level. These efforts are difficult, of course, because all of the actors will have incentives to understate their demand for public goods in the hopes that others will provide. The recent Kyoto conference on global warming was an object lesson in the difficulty of apportioning responsibility for public goods provision. Nonetheless, there has been considerable growth in regimes to take on these responsibilities. As these regimes become more robust the benefits of large size for individual states will decline. The creation of multiple levels of global governance – of a polycentric international system – increases the economic viability of smaller states.

## **B. National Security and Optimal State Size**

National security is one of the major factors that determine optimal state size. Traditionally, larger states have had more power resources than smaller states. But the relationship between size and power is not obviously unidirectional.

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<sup>18</sup> See [www.epa.gov/ttn/otag/otag.html](http://www.epa.gov/ttn/otag/otag.html).

Logically, optimal size for the purposes of security depends on the technologies of military defense. The technological balance between offensive and defensive capabilities at any point in history is one clear factor. But more subtle variations may count as well. Does the technology of mobility and communication allow large open spaces to be effectively defended, or is defense best organized around small fortifications? Can extensive borders be defended? Kenneth Waltz has argued for the general benefits of nuclear proliferation because of the defensive advantage that will accrue to states that possess even a small number of nuclear weapons.<sup>19</sup> The spread of effective deterrent weapons would decouple the relationship between size and security – although as Sagan points out, not without other potentially very high costs.<sup>20</sup>

Beyond the technological factors that might change the national security dimension of the optimal state size function, a more peaceful world will also be one in which optimal state size might be significantly reduced. The safer the world is, the less the economies of scale of military power will play a role. In this regard, to the degree that the expansion of democracy and of trade make the world more peaceful, as many have argued, the optimal size of states may be reduced.<sup>21</sup>

The contract cities model points to other important sources of variance in the relationship between security issues and optimal state size, as well. In particular, the optimal size of states may vary if states can “contract” with other entities for national security. Up until the late eighteenth century, states could hire mercenary armies.<sup>22</sup> This system gave advantages to wealthy states regardless of their size. The innovation of the *levee en masse* after the French Revolution and the delegitimization of non-national soldiers in the nineteenth century significantly changed this equation.<sup>23</sup> In the modern era, the notion of collective security raises new possibilities of functional contracting for even this most essential duty of sovereignty. To the degree that regional military organizations can provide for regional security, the size of the units within the

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<sup>19</sup> Sagan and Waltz, *The Spread of Nuclear Weapons*, 1995.

<sup>20</sup> Sagan and Waltz, *the Spread of Nuclear Weapons*, 1995.

<sup>21</sup> See, for example, Russett, *Grasping the Democratic Peace*, 1993, Rosecrance, *The Rise of the Trading State*, 1986. Similar arguments can be found dating back to Angell's *The Great Illusion*, 1910.

<sup>22</sup> Thomson, *Mercenaries, Pirates, and Sovereigns*, 1994.

<sup>23</sup> Howard, *War in European History* 1976.

region becomes increasingly irrelevant. Thus, the success of the NATO umbrella decreases the costs for the creation of new state units within NATO.

The most dramatic recent example of contract security is provided by the Gulf War. In that conflict, one group of states provided the financing for the war against Iraq, while a different group of countries provided the security. The total cost of the war to the United States, for example, was estimated at 61 billion dollars. Fifty-four billion dollars was pledged against that amount by other countries.<sup>24</sup> Although Kuwait provided over sixteen billion dollars to fund the war effort, the contributions of Kuwait's own military forces in the recovery of Kuwaiti territory were relatively minor – some 7,000 troops and fifty jets.<sup>25</sup> The division between financial and material support for the allied cause in that conflict is illustrated in Table One, below.

As with the environmental issues discussed above, the difficulty in providing national security as a contract service is that many security problems affect large areas, and thus are public goods among states. Individual states will have an incentive to understate their preference for the provision of security. Without a system of taxation or dues assessment, it will be difficult to reach the socially optimal level of security in a more decentralized system. Nonetheless, the incentives structure will still move towards smaller states to the degree that the dynamics I have described above continue to hold.

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<sup>24</sup> “Foreign Contributions to the cost of the Persian Gulf War” Hearings before the Committee on Ways and Means, House of Representatives, 102<sup>nd</sup> Congress, First Session, 7/31/91. Serial 102-65.

<sup>25</sup> Miller, *Following the Americans to the Persian Gulf*, 1994.

**Table One**

Major contributors to the UN side in the Gulf War.<sup>26</sup>

<b>Country</b>	<b>Ground Troops</b>	<b>Reimbursements (millions \$)</b>	<b>Casualties</b>
United States	330,000		148
Egypt	35,000		14
Britain	25,000		20
Bangladesh	6,000		
UAE	10,000	4,087	
Kuwait	7,000	16,006	
Morocco	1,500		
Saudi Arabia	45,000	16,839	
Pakistan	5,000		
Syria	20,000		
France	10,000		2
Germany		6,572	
Japan		10,072	
Korea		355	
Other		21	
<b>Total</b>	<b>494,500</b>	<b>53,952</b>	<b>184</b>

Sources: Troop numbers are from Miller, *Following the Americans to the Persian Gulf*, 1994. Financial pledges are from U.S. House of Representatives, Ways and Means Committee Hearings, 7/31/91 Serial 102-65.

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<sup>26</sup> This table lists monetary and in-kind contributions to offset U.S. costs and ground troops. I have not listed contributions of air and naval forces. There were also significant donations to the frontline states to offset economic losses in the conflict.

### **C. Human Rights and State Size**

A third functional area in which size matters is human rights. Traditional political theory has held that democracy and the protection of individual freedoms requires a small state size.<sup>27</sup> But the desire to secure rights for others has led to pressures for larger state size. Sometimes this dynamic is clearly just an instrumental logic for ambitious politicians. Political entrepreneurs who want to govern larger areas create nationalist images – ‘imagined communities’ to use Benedict Anderson’s phrase – to pull together previously disparate groups into a single nation.<sup>28</sup>

Regardless of whether these issues are instrumental or essential, it is clear that in the past states have used human rights issues as a basis for conceptualizing their optimal size. States are concerned to maintain a size that allows them to protect nationals, co-religionists, or other groups from political persecution in neighboring countries. While it is odd to talk about them in the context of human rights, the expansionary goals of Hitler are illustrative. Hitler was able to use the plight of German minorities in neighboring countries as a pretext for expansion. While this may have been a purely strategic ploy on his part, it clearly played a significant role in legitimizing his plans at home.<sup>29</sup>

In this regard, the most important potential change in the twenty-first century is the continued expansion of liberal democracy.<sup>30</sup> The protection of minority rights in liberal democracies decreases the irredentist incentives to control large areas in order to protect co-religionists or ethnic kin.

This dynamic can be seen in the breakup of the Soviet empire. One of the most significant sources of tension for ethnically-based secessionist movements was the fact that the creation of smaller states could turn majority group members into minorities, as happened, for example to ethnic Russians in the Baltic states. Liberal democracy with protections for minority rights can reduce the resistance to separation. Russians would have been less nervous about the breakaway republics if they had believed that the rights of now-minority ethnic Russians would be assured in the new states.

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<sup>27</sup> Dahl and Tufte, *Size and Democracy*, 1973, pp. 4-16.

<sup>28</sup> Anderson, *Imagined Communities*, 1991.

<sup>29</sup> Mosley, *On Borrowed Time*, 1969.

<sup>30</sup> See Huntington, *The Third Wave*, 1991. Gaubatz, “Kant, Democracy, and History,” 1996,

Once again, the most dramatic example of this phenomenon is the European Union. Individual European states need not fully encompass an ethnic group because minority groups not only have similar legal protections across the liberal democracies of Europe, but have recourse to pan-European human rights institutions.

#### **D. The Historical Basis for State Size**

The final functional incentive for size is historical tradition. The existence of past empires and perceived glories remains a potent force influencing the size of states. States have the borders they do because of historical traditions. The fact or perception that smaller sizes might be more optimal has to compete against the pull of history. Two contemporary examples are illustrative: Serbian nationalists have little apparent material interest in holding on to Kosovo – a region with a population that is less than 10 percent ethnic Serbian. But Kosovo is traditionally seen as the birthplace of Serbian nationalism and the retention of Serbian control was a central tenet of Slobodan Milosovic's rule.

Tibet provides a similar example. Unlike Taiwan and Hong Kong, the retention of control over Tibet probably does relatively little for Chinese security or wealth. The Chinese citizens who live there do so largely because of the Chinese occupation of Tibet and have relatively few economic or personal ties to the region. In the face of the large domestic and international costs to the continued occupation there is little apparent material benefit to controlling Tibet. Nonetheless, the Chinese leadership is convinced that the maximum historical reach of Chinese governance defines the proper geographic boundaries for China. Given the overlapping nature of former empires, this is a formula for boundary determination that would prove disastrous if widely adopted.

We can describe historical tradition as a “function” of states if we think of it as the provision of historical identity. Traditional national boundaries and collective identities have been a strong determinant of the continuing size of states. If my arguments about the declining benefits of size for economic, security, and human rights functions are accurate, then historical tradition is left as the primary incentive for the maintenance of large states. The benefits of these traditional identities should not, however, be overstated. Regional and local political entrepreneurs are increasingly willing to offer alternative

identities: Scottish rather than British, Quebecois rather than Canadian – perhaps even Texan rather than American.<sup>31</sup>

## **VI. Conclusions: Optimal State Size in the Twenty-First Century**

In their consideration of optimal state size, Dahl and Tufte warned that the high degree of variation in the size of states suggests the need for significant caution in addressing the optimal size of states.<sup>32</sup> There will always be idiosyncrasies that affect optimal state size for any given state – natural defensive boundaries and communications barriers such as mountain ranges and oceans, the distribution of ethnic groupings, accidents of history, and the like. But there are also larger factors that change over time.

I have argued here that in three critical functional areas the incentives for large state size are diminishing at the dawn of the twenty-first century. The creation of regional and global regimes to provide services that require large economies of scale creates an environment in which the most fundamental modalities of political organization can gravitate to a lower level. If the stickiness of historically enshrined boundaries can be overcome, we can expect the twenty-first century to be a period of increasing fragmentation within the context of an increasingly polycentric international system.

The analogy of urban incorporations suggests that fragmentation will come not just from dissatisfied and disadvantaged minority groups and traditional ethnic enclaves, but also from wealthier regions that like the cities of Commerce and Industry believe they may be able to create privileged communities that can avoid the heavy costs of social welfare programs for their less well-developed neighbors.

The number of states in the international system has not been stable over time. The basic shape of the current state system was generated in the consolidations of the eighteenth and nineteenth centuries and by the breakup of the colonial system in the late twentieth century. There is no reason to believe the current system is immune to continued and possibly dramatic change. Few would have predicted a decade ago that Scotland would so soon

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<sup>31</sup> See Verhovek, “Serious Face on a Texas Independence Group.” 1997.

<sup>32</sup> Dahl and Tufte, *Size and Democracy*, 1959.

achieve parliamentary independence in the United Kingdom. If the functional dynamics I have pointed to here continue, we are likely to see a continued devolution of power to the regional, and even the local level, as the next century unfolds.

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