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**YOU CAN GO YOUR OWN WAY: EXPLAINING PARTISAN
SUPPORT FOR INDEPENDENCE**

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You Can Go Your Own Way: Explaining Partisan Support for Independence*

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Abstract

This paper analyzes secessions through the lens of representative democratic institutions and considers the incentives of partisan political parties to support independence movements. It points out that, if anything, separatists should expect to receive support from exactly the "*unlike-minded*" political party, as this party might see a break-up as an opportunity to reshape the electorate towards its own preferences. By doing so, a party could increase its future probability of being elected, while it is also able to shift the entire political spectrum towards its own partisan ideal. These political-strategic forces may induce unwanted, inefficient break-ups. The model offers a new perspective upon the debate around Scottish independence, while it can also be applied to issues of political integration (the European Union) and territorial conflicts (think of Crimea, as well as Israel).

JEL-classification: D72, H77

Key words: Nations, Secession, Territorial conflict, Probabilistic voting

1 Introduction

This paper analyzes the impact of the break-up of a nation on the political landscape on either side of the divide. It is the first paper to approach the issue of secessions through the lens of representative democratic institutions and is motivated by the observation

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that politicians often wish to shape the preferences of their electorate. They normally do this via advertising, through campaigning, or even by repressing their population, but sometimes it is also possible to achieve this goal via a break-up of the country (as such a move redefines "the electorate"). Consequently, politicians with a partisan policy preference may choose to support certain independence movements for strategic reasons, as a secession could shape the electorate towards their own ideal.

A clear example along these lines is the break-up of Malaya in 1965: after several years of disagreement between Singapore and Malaysia due to different policy preferences, the *Malaysian parliament* voted in favor of *Singaporean independence* by 126 to 0 - thereby ending the deadlock, enabling both countries to go their own way.¹

Likewise, the right-wing Czech ODS Party managed to strengthen the Czech pro-reform camp by dissolving its union with more left-leaning Slovakia - despite the fact that only a small minority of voters supported a break-up (about 5% in the Czech Republic and about 15% in Slovakia; Hilde, 1999). As Hilde (1999: 662) notes, ODS however had a strategic motive to dissolve the union, as it feared that the Czech and Slovak left would find each other in parliament - which would have weakened ODS's position.

Similar forces emerged around the upcoming referendum on Scottish independence, which will take place on September 18, 2014. Scotland is a UK-region with many Labour voters. Hence, Labour currently holds 41 out of 59 Scottish seats in Parliament, while the Conservatives have only one (giving rise to the mocking observation that "Scotland has fewer Tory MPs (one), than Edinburgh has pandas (two)"). As a result, no less than 46 percent of Tory candidates indicated in a 2009 poll that they would not be "uncomfortable about Scotland becoming independent", some even envisioning a "permanent majority".² Likewise, former Tory Prime Minister John Major has noted that "from a purely partisan political point of view, the Conservative Party would be much better placed without Scotland".³ In the current UK government, especially Chancellor (and Tories' chief election strategist) George Osborne is said to be "not the Union's greatest fan".⁴

Simultaneously, Labour strongly opposes an independent Scotland. According to their shadow health secretary Andy Burnham this is at least partly out of "self-interest", as separation would "leave [Britain] with a higher chance of a Tory government".⁵

¹See <http://countrystudies.us/singapore/10.htm>.

²"Why Scottish independence wouldn't mean a permanent majority for the Tories" in *The New Statesman* of November 4, 2013.

³"John Major: Tories would be better off without Scotland" in *The Telegraph* of November 4, 2013.

⁴"Why the Scottish referendum is win-win for the Tories" in *The New Statesman* of January 9, 2012.

⁵"Labour oppose Scottish independence because they fear losing power in Westminster" in *The Telegraph* of February 19, 2014.

Related observations have been made with respect to Ukraine's recent loss of Crimea to Russia. While all commentators acknowledge the immediate costs associated with Ukraine's defeat and its loss in territory, it has also been noted that Crimea's defection could actually turn out to be a blessing for pro-Western parties in Ukraine. Asking whether losing Crimea is actually a loss, the Ukrainian-American political scientist Alexander Motyl for example writes:⁶

Once the war is over [...] Ukraine would emerge more compact, more homogeneous, and more unified in purpose: along with its eastern territories would go much of the electorate that routinely votes for the Communist Party and for former President Viktor Yanukovich's Party. As a result, anti-Ukrainian and anti-Western sentiments would decline. The new Ukraine's government could confidently proceed with a radical political and economic reform program [...] and pursue rapid integration into European and international structures.

Inspired by these cases, this paper is the first to model the impact of regional preference-heterogeneity among the electorate on the positions of political parties regarding independence of such a region. By developing a formal model, it establishes conditions under which certain political parties may support a secession for strategic reasons. It will be shown that by granting independence to a region that has dissonant preferences, a party (call it "Party 1") can:

- 1) Increase its future probability of being elected.
- 2) Campaign with (and, if elected, implement) a policy that lies closer to its own ideal partisan point (call that y_1).
- 3) Force the other party ("Party 0") to campaign with (and, if elected, implement) a policy that lies closer to this ideal y_1 .

Effect 2) makes electoral victory better to Party 1, while 3) implies that not being elected gets less bad (as the secession transforms Party 0 - forcing it to enact a policy that lies closer to Party 1's ideal point y_1). It will be shown that effects 2) and 3) occur unconditionally in the model-environment, while 1) only shows up if the loss function is convex. Because of these effects, separatists have the best chance of finding support for an independent state with the "*unlike-minded*" political party in the host nation. Paradoxically, this is the party representing those voters who are the very reason that the independence movement exists in the first place. This poses a dilemma for separatists: since it is improbable that the like-minded party is going to allow for a secession, should they then just vote for the opposing party - as that party is more likely to grant independence?

⁶"Is Losing Crimea a Loss?" in *Foreign Affairs* of March 10, 2014.

By studying the potential break-up of nations, this paper relates to earlier studies on this topic. Important contributions to that literature include the seminal papers of Alesina and Spolaore (1997) and Bolton and Roland (1997), with surveys available in Bolton, Roland and Spolaore (1996), Alesina and Spolaore (2005) and Spolaore (2012b). Different from the present paper however, these earlier contributions tend to analyze the problem through the lens of the median voter - establishing conditions under which that individual would support/oppose a secession. This paper, in contrast, approaches the problem from the view point of elected politicians who are motivated by both an office-seeking desire to win the election, as well as an aspiration to implement their preferred partisan policy. So where the literature following Alesina and Spolaore (1997) and Bolton and Roland (1997) focuses at "pull forces" leading to a break-up (voters asking for it), this paper is the first to consider "push forces" (strategic politicians hoping, or even actively pushing for it).

Analyzing the problem through the eyes of representatives is obviously relevant for cases in which the break-up decision is *not* made via a referendum, but by elected policy makers instead (as happened in the aforementioned cases of Czechoslovakia and Malaya). Cukierman and Spiegel (2003) show that the median voter approach does not always form a good approximation to policy choices in representative democracies - the reason being that a median voter analysis abstracts from institutional detail (in particular the fact that parties in representative democracies compete for office in elections, with the winning party choosing policy). This paper takes such political competition into account.

Moreover, even if the break-up decision is made by a referendum, it should be recognized that direct and indirect democracy may interact. Voting advice given by politicians is for example able to affect the plebiscite (Olofsgård, 2004), while politicians can also influence outcomes through any pre-referendum promises that they make to voters conditional on the result. Finally, those in power also have the option to organize/thwart a referendum, to neglect its outcome, or to change the franchise in the run-up to the vote. Consequently, it is important to understand the incentives for political parties when it comes to the determination of borders, which is the focus of this study.

Next to the literature on the break-up and formation of nations, this paper also links to studies on "gerrymandering". That practice, which predominantly takes place in non-proportional voting systems, entails the manipulation of boundaries of districts so as to increase the probability of winning the overall election (without necessarily obtaining a larger nationwide share of the vote). Important recent contributions to this literature include Besley and Preston (2007), Coate and Knight (2007), Friedman and Holden (2008)

and Bracco (2013). The difference with the problem at hand is that gerrymandering only concerns the mere *reallocation* of voters over districts; this paper, in contrast, deals with the issue of granting *independence* to certain (groups of) districts - thereby letting some voters go their own way.

Finally, this paper links to contributions that analyze the incentives of governments to shape state variables with the aim of affecting future policies. Notable examples in this literature include Persson and Svensson (1989), Alesina and Tabellini (1990) and Aghion and Bolton (1990). In Persson-Svensson and Alesina-Tabellini an incumbent government is able to *affect policy beyond its own tenure* by its current choice of government debt, while the incumbent in Aghion-Bolton is able to *increase its probability of reelection* by accumulating debt. The present paper combines both of these channels at the same time in one unifying framework, while the state variable that is being affected is not government debt, but rather "the state" (now used in a political sense) itself. I show that by strategically modifying its borders, a party in power might not only be able to affect (increase) its own probability of winning future elections (as in Aghion-Bolton), but also the platform that will be chosen by a competing party (as in Alesina-Tabellini and Persson-Svensson). Through this latter channel, a party is able to make electoral defeat less painful - the reason being that the policy that the victorious party will subsequently implement lies closer to the partisan policy preferred by the defeated party.

Although this paper is predominantly phrased in terms of the break-up of a country, it is also possible to interpret its results more generally. In particular, Section 5 will point out that the model can also be used to explain extensions or limitations to voting rights, issues of political integration, as well as territorial conflicts.

2 Model

The issue under consideration can be captured by a probabilistic voting model in which parties have partisan policy preferences of the type discussed in Persson and Tabellini (2000: 110).⁷ In order to be able to deal with the aforementioned point of regional heterogeneity, I consider a country consisting of two regions that have different policy preferences. In this framework, Section 2.1 will first describe the model outcome when the country remains united, after which Section 2.2 subsequently analyzes what would happen if the country broke up in two autonomous regions.

⁷This model builds upon Wittman (1973, 1977), Hansson and Stuart (1984), Calvert (1985), Alesina (1988), Alesina and Cukierman (1990) and Bernhardt, Duggan and Squintani (2009) among others.

2.1 When the country remains united

Consider a country "C" in which the indirect utility function for voters (of which there exist a continuum, indexed by i) is given by:

$$V_i = -|y_i - \theta|^\gamma. \quad (1)$$

Here θ is the actual policy implemented by the government, while y_i represents voter i 's preferred bliss level;⁸ $\gamma \geq 1$ controls the degree of convexity in the loss function.

In addition to voters, the country also hosts two political parties $P = 0, 1$. One party ("Party 0") has a partisan preference for setting $\theta = 0$, while the other party ("Party 1") wishes to set $\theta = 1$. To have a concrete and topical example, one may think of Party 0 as the British Labour Party and of Party 1 as the British Conservative Party. I follow the literature in assuming that parties can credibly commit to a platform θ_P which they will indeed implement if they are elected. As shown by Alesina (1988), such commitment can for example be induced by reputational concerns if the game is repeated.

The utility that both parties derive from policy is of the same form as (1), but on top of that I also allow for the possibility of an office rent $\Omega_C \geq 0$. Consequently, Party P 's indirect utility function is given by:

$$W_P = -|y_P - \theta|^\gamma + \Omega_C \cdot \mathbf{1}_P, \quad (2)$$

where $\mathbf{1}_P$ is an indicator function that takes the value 1 if Party P wins the election.

Both parties are however uncertain on the exact behavior of the median voter (who is located at $\frac{1}{2}$) and thereby on the election-outcome. Such uncertainty can for example stem from uncertainty along a different dimension than policy, like performance of candidates in the election campaign.⁹ It can be captured by assuming that the effective bliss point of the median voter (y_m) is drawn from:

$$y_m \sim \mathcal{U} \left[\frac{1}{2} - \sigma, \frac{1}{2} + \sigma \right], \quad (3)$$

where $\sigma > 0$ governs the level of uncertainty. When the realization of $y_m < \frac{1}{2}$, the electorate is biased towards Party 0 (for example because it ran a good campaign) - giving

⁸In line with much of the literature, I assume that the policy space is unidimensional. This seems to be a reasonable approximation for at least American politics (Poole and Rosenthal, 1994).

⁹Alternatively, one could also assume that parties are uncertain on the exact *location* of the median voter. This would not affect any of the results that are to follow.

that party an electoral advantage. I assume that $\sigma < 1/2$, such that the effective bliss point of the median voter is always located in between the ideal points of the two political parties, which eases the analysis without loss of generality.

Given the distribution in (3), the probability that Party 0 wins the election equals:

$$\begin{aligned} p_0 &= \Pr[(y_m - \theta_0) < (\theta_1 - y_m)] = \Pr\left[y_m < \frac{\theta_0 + \theta_1}{2}\right] \\ &= \frac{1}{2} + \frac{\theta_0 + \theta_1 - 1}{4\sigma}. \end{aligned} \quad (4)$$

Consequently, $p_1 = 1 - p_0 = \frac{1}{2} - \frac{\theta_0 + \theta_1 - 1}{4\sigma}$. These probabilities also equal the fractions of time that both parties expect to spend in office over the years. Because of that, one can give the model a dynamic interpretation, despite its static nature.

By subsequently realizing that $y_0 = 0$ while $y_1 = 1$, it is possible to write the optimization problems for the two parties as:

$$\text{Party 0: } \max_{\theta_0} W_0(\theta_0, \theta_1; \Omega_C) \equiv p_0 (\Omega_C - |\theta_0|^\gamma) - (1 - p_0) |\theta_1|^\gamma, \quad (5)$$

$$\text{Party 1: } \max_{\theta_1} W_1(\theta_0, \theta_1; \Omega_C) \equiv (1 - p_0) (\Omega_C - |1 - \theta_1|^\gamma) - p_0 |1 - \theta_0|^\gamma. \quad (6)$$

The first-order conditions for these two problems read:

$$\text{Party 0 : } -\gamma p_0 |\theta_0|^{\gamma-1} - \frac{dp_0}{d\theta_0} (|\theta_0|^\gamma - |\theta_1|^\gamma - \Omega_C) = 0, \quad (7)$$

$$\text{Party 1 : } \gamma (1 - p_0) |1 - \theta_1|^{\gamma-1} - \frac{dp_0}{d\theta_1} (\Omega_C - |1 - \theta_1|^\gamma + |1 - \theta_0|^\gamma) = 0. \quad (8)$$

At this stage, one can obtain a closed-form solution for the equilibrium platforms adopted by Parties 0 and 1 when the loss function is linear ($\gamma = 1$). For $\gamma > 1$, the loss function is convex in which case the model can only be solved numerically (also see Besley and Preston (2007) and Bracco (2013) on this). Henceforth, I will therefore assume that $\gamma = 1$, unless stated otherwise (particularly see Section 4, where I provide numerical results for the case with $\gamma > 1$).

By using the expression for p_0 (given by (4)) in the first-order conditions (7) and (8), one can solve for the platforms adopted by Parties 0 and 1:

$$\theta_0^* = \frac{1}{2} - \sigma + \frac{\Omega_C}{2}, \quad (9)$$

$$\theta_1^* = \frac{1}{2} + \sigma - \frac{\Omega_C}{2}. \quad (10)$$

Equations (9) and (10) describe the political equilibrium of this paper's model, which is defined as a pair of platforms (θ_0^*, θ_1^*) that constitutes a Nash equilibrium.

At this stage I assume that $\Omega_C < 2\sigma$, such that Party 0 always resides "to the left" of the median voter, while Party 1 lives "on its right" - which we tend to observe in reality.

Observe from (9) and (10) that the greater the uncertainty on the behavior of the median voter is (i.e.: the higher σ), the less parties compete for this voter and the closer both parties are going to be to their ideal bliss points (conveniently given by 0 and 1). Office rents Ω_C work in the other direction: they push both parties back to the location of the median voter - the reason being that larger office rents intensify political competition (as it makes electoral success in itself more important to both parties).

2.2 When the country breaks up

What went unmentioned up to this point, is that country C consists of two regions $R = A, B$ with different policy preferences. This subsection solves the model after country C has broken up in - what have now become - two new, autonomous countries A and B . Following Bolton and Roland (1997), I take the boundaries of these regions to be exogenous and immutable.¹⁰ Crucially, Region B hosts a movement that strives for independence (the existence of such a movement will be justified in Section 2.3 below).

Region A is seen as the dominant region in the united country - for example because it has more inhabitants than B . Consequently, I will mainly analyze the problem through A 's lens (from which the implications for B can easily be inferred).¹¹ Parties wish to rule over as many people as possible, which shows up in office rents: when a party only controls A (rather than the entire country C), it obtains an office rent equal to $\Omega_A < \Omega_C$,¹² while the office rent that results from ruling over the satellite area B equals $\Omega_B < \Omega_A$.

As in Alesina and Spolaore (1997) and Bolton and Roland (1997), a break-up of the country may be associated with an efficiency loss (for instance due to adverse effects on

¹⁰As noted by Goyal and Staal (2004: 566), pre-existing borders played an important role in many actual break-ups, as a result of which there was not much discussion on how a particular region was to be defined in those cases.

¹¹Political parties in practice also seem to take the dominant region's perspective: cf. how both the "British" Labour Party as well as the "British" Conservative Party tend to reason from England's perspective - not Scotland's (recall the Introduction to this paper). Often such dominance will be determined by the relative population sizes of the regions, but this does not necessarily have to be the case.

¹²One could also interpret the difference $(\Omega_C - \Omega_A)$ as a reputational cost incurred by the party that allows for a secession during its time in office. Such a reputational loss is likely to be higher for a party leader, especially if he is also the leader of the country. Consequently, less prominent party members might be more willing to support a break-up than their party-associates in power (cf. how the British Prime Minister David Cameron supports the union in the debate on Scottish independence - at least in public).

trade, or because the provision of public goods becomes more expensive per capita). I use $\Lambda_R > 0$ to denote the costs felt by both parties in Region R relating to the efficiency loss from separation (I abstract from inter-regional transfers, but they can easily be incorporated with obvious effects on the incentives to break-up for both regions).¹³

One can interpret the regions in various ways (for example as areas sharing culture or economic characteristics), but all that matters here is that these regions have different policy preferences. I assume that individuals living in A have the higher bliss point. As a result, it is expected that $y_{mA} > y_{mB}$. This shows up in the common beliefs held by both political parties on the effective bliss points of the median voters in the two regions:¹⁴

$$y_{mA} \sim \mathcal{U}[\alpha - \sigma, \alpha + \sigma], \quad (11)$$

$$y_{mB} \sim \mathcal{U}[\beta - \sigma, \beta + \sigma], \quad (12)$$

with $\alpha > \frac{1}{2} > \beta$. This captures the notion that the median voter in A has the higher bliss point, thereby leaning towards Party 1. But since $\sigma > 0$, Party 1 cannot be certain of his vote. I furthermore assume that $\alpha, \beta \in (0, 1)$ - otherwise one obtains the unrealistic situation in which the location of the median voter is more extreme than the bliss point of the party on its side. The parameters α and β are negatively related so as to ensure that the two regions under consideration "add up" to the united country analyzed in Section 2.1 (where the median voter was at $\frac{1}{2}$). Consequently, $\beta = f(\alpha)$ (with $f' < 0$) and there is only one free parameter here, say α .

Given the distribution in (11) and given a platform-pair $(\theta_{0A}, \theta_{1A})$, the probability that Party 0 wins the election in A now equals:

$$p_{0A} = \frac{1}{2} + \frac{\theta_{0A} + \theta_{1A} - 2\alpha}{4\sigma}. \quad (13)$$

By inserting these new probabilities in the first-order conditions (7) and (8), one can solve for the post-independence platforms as:

$$\theta_{0A}^* = \alpha - \sigma + \frac{\Omega_A}{2}, \quad (14)$$

$$\theta_{1A}^* = \alpha + \sigma - \frac{\Omega_A}{2}. \quad (15)$$

¹³As noted by Bolton and Roland (1997: 1062), efficiency *losses* resulting from separation seem inevitable, as any allocation that is achievable under independence could be replicated in the union through decentralization. The reverse is not true, implying that a separation can never lead to an efficiency gain.

¹⁴Here, I keep σ unchanged but allowing for different levels of uncertainty across the various entities (i.e.: distinguishing between σ_A, σ_B and σ_C) would not affect any of the results that are to follow.

Comparing these platforms with the ones arising in the united country, shows that having $\alpha > 1/2$ pushes both parties in the direction of Party 1's ideal. So a break-up transforms *both* parties in A "to the right", that is: $\theta_{0A}^* > \theta_0^*$ and $\theta_{1A}^* > \theta_1^*$. For Party 1 this is a shift towards its ideal point, while it is a shift away from it for Party 0.

2.3 B 's independence movement

So far, I have taken the presence of B 's independence movement for granted. Building upon the previously-constructed environment, this subsection justifies its existence.

Given that B 's median voter has his bliss point at β , the expected policy that would be enacted post-independence is $\theta = \beta$.¹⁵ Simultaneously, however, voters in both regions may also be affected by the aforementioned efficiency loss resulting from separation. Voters in Region R feel this loss to a degree Γ_R (and note that this loss does not necessarily need to coincide with the loss felt by political parties, denoted by Λ_R). Consequently, indirect utility for B 's median voter post-independence equals:

$$V_{mB}^I = -\Gamma_B. \quad (16)$$

If the union is maintained, indirect utility for B 's median voter is given by:

$$V_{mB}^U = -\left|\frac{1}{2} - \beta\right|. \quad (17)$$

Hence, the median voter in B will support a break-up iff $V_{mB}^U < V_{mB}^I$, which implies:

$$\beta < \frac{1}{2} - \Gamma_B. \quad (18)$$

Condition (18) is intuitive: B 's median voter is more likely to support independence when his preferences are very different from those held by the unionized median voter (i.e.: when $\beta \ll \frac{1}{2}$), while an efficiency loss resulting from separation makes it less likely that he will favor a secession.

When condition (18) is not satisfied, the *median* voter in B wishes to maintain the

¹⁵Because there is uncertainty on the election-outcome in the probabilistic voting framework employed, policy is stochastic from the ex ante perspective. For this reason, the appropriate exercise involves comparing *expected* policies (see Cukierman and Spiegel (2003)). When the loss function is linear, policy platforms adopted by both parties are symmetric around the location of the median voter (cf. equations (14) and (15)) implying that both parties win the election with probability $\frac{1}{2}$ (also see Proposition 3 below). Consequently, expected policies for Region B in case of independence and union are given by $\mathbb{E}\{\theta_B^I\} = \beta$ and $\mathbb{E}\{\theta_B^U\} = \frac{1}{2}$, respectively.

union. However, if the loss function is convex, there might still be separatists among those voters j with a lower bliss point (i.e.: those with $y_j < \beta$).¹⁶ For them, the utility loss of having to live under a relatively high θ (primarily implemented through the influence of voters in Region A who have a higher bliss point) might be large enough to make secession optimal. To see this, observe that the indirect utility to such a voter j in case of independence and union equals:¹⁷

$$V_j^I = -|\mathbb{E}\{\theta_B^I\} - y_j|^\gamma - \Gamma_B, \quad (19)$$

$$V_j^U = -|\mathbb{E}\{\theta_B^U\} - y_j|^\gamma. \quad (20)$$

One can then define the voter who is indifferent (indexed with J) by:

$$-|\mathbb{E}\{\theta_B^I\} - y_J|^\gamma - \Gamma_B = -|\mathbb{E}\{\theta_B^U\} - y_J|^\gamma. \quad (21)$$

In this setting, all voters with $y_j < y_J$ will form the independence movement. This movement (which is probably not strong enough to achieve a secession on its own, as it - *ceteris paribus* - lacks support of B 's median voter) might then welcome help from the "unlike-minded" political party in A to try and achieve separation after all.

A possible example of this happening, is the separatist Scottish National Party successfully lobbying with British Tories to extend the referendum-franchise to 16- and 17-year-olds (a group that is thought to be more pro-independence).¹⁸ This is an interesting interaction between direct and indirect democracy and shows that these two forms of government do not necessarily agree with each other (the cases of Czechoslovakia and Malaya support this notion, as both were broken up by politicians against the wishes of the relevant median voters at the time). It moreover illustrates that interventions by political parties could alter the referendum outcome, the possibility of which was one of the motivations for this paper.

In the next section, I will derive the condition that determines whether the "unlike-minded" party in A is actually willing to support B 's independence movement.

¹⁶In case of a linear loss function one can show that a separatist movement is either non-existent, or existent and encompassing the median voter. With a convex loss function, condition (18) is modified to $\beta < \frac{1}{2} - \Gamma_B^{1/\gamma}$ - introducing a non-linearity which allows for the possibility of the existence of a separatist movement that does *not* include the region's median voter.

¹⁷When the loss function is convex, it is no longer possible to solve for the policy platforms adopted by both parties analytically. Consequently, expected policy in Region B is just denoted by $\mathbb{E}\{\theta_B^I\}$ (in case of independence) and by $\mathbb{E}\{\theta_B^U\}$ (if the union is maintained), with $\mathbb{E}\{\theta_B^I\} < \mathbb{E}\{\theta_B^U\}$.

¹⁸See "Independence referendum: Scotland facing constitutional chaos" in *The Courier* of January 11, 2012.

3 Analysis

Having solved for the platforms adopted by both political parties in the unionized case, as well as in the case of a break-up, one can now analyze how a secession of B would affect political parties in A . I will show that, if anything, B 's independence movement is going to receive support from exactly the "unlike-minded" party in A .

By comparing the findings of Sections 2.1 and 2.2, one can establish several results. Firstly, since $\alpha > \frac{1}{2}$ (and recalling that $p_{1A} = 1 - p_{0A}$) one immediately obtains that for $\theta_{0A} = \theta_0^*$ and $\theta_{1A} = \theta_1^*$ (with θ_0^* and θ_1^* being given by (9) and (10)), $p_{0A} < p_0 \Leftrightarrow p_{1A} > p_1$ (while the reverse holds in B). This reflects the fact that Party 0 is intrinsically less popular in A than Party 1 and leads to the following proposition:

Proposition 1 *Given platforms (θ_0^*, θ_1^*) , Party 0 has a lower probability of winning the election in A than Party 1.*

Proof. Inserting (9) and (10) into (13) yields:

$$p_{0A}(\theta_0^*, \theta_1^*) = \frac{1}{2} + \frac{1 - 2\alpha}{4\sigma}.$$

For $\alpha > \frac{1}{2}$, it holds that $p_{0A} < \frac{1}{2}$ which immediately implies $p_{1A} > \frac{1}{2}$ so $p_{0A} < p_{1A}$. ■

However, in response to these changes in election probabilities, both parties will modify their platforms. In particular, a comparison of equations (9)-(10) and (14)-(15) shows that $\alpha > \frac{1}{2}$ implies that:

Proposition 2 *In the post-secession equilibrium, $\theta_{0A}^* > \theta_0^*$ and $\theta_{1A}^* > \theta_1^*$.*

That is: after a secession of B , both parties in A will transform themselves by shifting right (towards Party 1's ideal point). This implies that winning the election gets better to Party 1, while electoral defeat becomes less bad since Party 0 then has to implement a policy that lies closer to 1's bliss point. The reason is that, in order to have a chance to be elected, Party 0 has to campaign on a platform that is shifted to the right as well (after which reputational forces will enforce implementation, see Alesina (1988)¹⁹).

Note from (14) and (15) how the platform-shift is linear in α , so both parties move right to the exact same degree as the redefined electorate does. An important implication of this observation is stated in Proposition 3 below.

¹⁹Alternatively it could also be that in order to credibly campaign on a platform, a party has to field a candidate whose personal bliss point coincides with the chosen platform. This is the "citizen-candidate approach", for example taken by Osborne and Slivinski (1996) and Besley and Coate (1997).

Proposition 3 *In the post-secession equilibrium, both parties adjust their platforms such that $p_{0A} = 1/2 = p_{1A}$.*

Proof. Follows immediately from inserting (14) and (15) into (13). ■

This implies that, after repositioning, both parties again have a fifty-fifty chance of being elected (just as before the secession). So the Aghion-Bolton channel ("setting a state variable so as to increase the probability of being elected") *is absent in equilibrium*. Interestingly, this is not a general feature of the model. As I will show in Section 4, the Aghion-Bolton channel does emerge when the loss function is convex (i.e.: $\gamma > 1$).

Finally, it is possible to obtain the following result:

Proposition 4 *Region A's branch of Party 1 will support independence of B when:*

$$\alpha > \frac{1}{2} + \frac{\Omega_C - \Omega_A}{2} + \Lambda_A. \quad (22)$$

Proof. Expected utility for Party 1 if the country remains united is given by:

$$\mathbb{E} \{W_1(\theta_0^*, \theta_1^*; \Omega_C)\} = \frac{\Omega_C}{2} - \frac{1}{2}.$$

If the country breaks up, expected utility to Party 1 in Region A is given by:

$$\mathbb{E} \{W_{1A}(\theta_{0A}^*, \theta_{1A}^*; \Omega_A)\} = \frac{\Omega_A}{2} - (1 - \alpha) - \Lambda_A.$$

When condition (22) is met, $\mathbb{E} \{W_{1A}(\theta_{0A}^*, \theta_{1A}^*; \Omega_A)\} > \mathbb{E} \{W_1(\theta_0^*, \theta_1^*; \Omega_C)\}$, which implies that Party 1's A branch is better off if B becomes independent. ■

Proposition 4 implies that support for independence may come from an unexpected direction, namely from the political party that the separatist region is biased *against*. In particular, (22) states that secessionists in B are more likely to receive support from Party 1 in A when such antipathy is large (i.e. when α is high, implying a low β). In that case, Region B's preferences are very much out-of-line with Party 1's ideology - making Party 1-associates in A less keen to keep B's voters on board (as they are not very inclined to vote for Party 1 anyway). Simultaneously, A's branch of Party 1 is more likely to support an independent B when $(\Omega_C - \Omega_A)$ lies closer to zero. In that case, Party 1-politicians in A do not incur a large reduction in office rents when B secedes, which makes them more willing to support a break-up. Finally, any party in A is less likely to support a secession of B when the parties incur a larger efficiency loss Λ_A resulting from separation.

However, when (22) is met, A's branch of Party 1 is willing to incur this efficiency loss for political-strategic reasons: the loss is then over-compensated by the accompanying

shift in the political spectrum (captured in Proposition 2). After all, because of that shift, A 's branch of Party 1 is able to enact a policy that lies closer to its own bliss point y_1 if it wins the election, while it also transforms A 's branch of Party 0 towards y_1 - thereby making electoral defeat less bad. For example: after a break-up of Britain, the English Labour Party would have to adopt a more right-wing platform to stand a chance in new elections (no longer including Scotland) - implying that Tories will get to suffer less when the transformed Labour Party is in power.

An interesting possibility is the situation in which (22) is met, with (18) simultaneously being violated. In that case, Region A 's branch of Party 1 supports an independent B , while that region's median voter *does not*.²⁰ This shows that efficiency losses may be inflicted upon citizens for undesirable, political-strategic reasons - *against the median voter's will*. This for example seems to have happened to Slovakia, which gained independence against the desire of most of its citizens at the time (Hilde, 1999). Somewhat less candidly, A 's branch of Party 1 could also team up with B 's separatist movement to try and alter the views of B 's median voter, or to engage in policies that change his identity. By agreeing to extend the referendum-franchise to 16- and 17-year-olds (a group that is thought to be more likely to support independence, recall footnote 18), English Conservatives might have employed the latter strategy in the Scottish example.

A corollary of (22) is that separatists in B will *never* receive support from A 's branch of the "like-minded" Party 0 (this requires $\alpha < \frac{1}{2} - \frac{\Omega_C - \Omega_A}{2} - \Lambda_A$, which cannot be satisfied as $\alpha > \frac{1}{2}$, $\Omega_C > \Omega_A$ and $\Lambda_A > 0$). Consequently, *if* secessionists are going to receive support, it is paradoxically going to come from Party 1 - the party whose constituency is the very reason that the independence movement exists in the first place. So when it comes to independence-struggles, supposed friends are actual enemies, and vice versa.

When condition (22) is not met, both parties in A will oppose an independent B , but for different reasons (apart from the efficiency loss Λ , which is felt by both parties): Party 0 will mainly oppose secession because it fears losing part of its constituency, while Party 1 only wishes to keep B on board to secure the larger office rents that result from ruling over the united country (or to prevent other possible damages associated with a break-up, such as a domino-effect or a reputational cost; recall footnote 12 on the latter).

Finally note that condition (22) only tells us when Party 1's *Region A branch* supports a secession of B . Since the model simultaneously implies that Party 1's *Region B branch*

²⁰Similarly, it is also possible that Region A 's median voter opposes a break-up (this requires $\alpha < \frac{1}{2} + \Gamma_A$). One then obtains the striking situation in which the union's median voter, Region A 's median voter, as well as Region B 's median voter all oppose a break-up, but Region A 's branch of Party 1 still wishes to push it forward.

will be less enthusiastic about a break-up, it is not clear whether Party 1 as a whole will be able to come out and support independence. When Region A clearly is the dominant region, hosting the party's pivotal voter, this is more likely to be the case (recall footnote 11). Generally, this will however depend upon party- and country-specific details.²¹

In any case, the model predicts that parties should prepare for inter-regional frictions over the independence-issue. This is exactly what we observe in the debate over Scotland: in contrast to many of their English associates, Scottish Tories oppose a secession,²² while there is a faction within the Scottish Labour Party ("Labour for Independence") that campaigns for separation - very much to the annoyance of their English "allies".²³

4 Numerical results for convex loss functions

So far I have restricted the analysis to linear loss functions ($\gamma = 1$), as only that specification allows for closed-form solutions. The model can however be solved numerically for different values of γ , which is done in this section.

As Figure 1 shows, increasing γ induces policy convergence. The reason is that a convex loss function makes both parties averse to large deviations from their partisan ideal, as a result of which they jointly move towards the center. Via the resulting Nash equilibrium, Party 0 prevents having to live through periods in which θ is close to 1, while Party 1 prevents having to live through periods in which θ is close to 0.

One can use the same numerical solution procedure to analyze the effect of changes in the location of A 's median voter (i.e.: changes in α) on the probability with which each party will be elected (this is the channel highlighted by Aghion and Bolton (1990) in a very different context, namely one in which incumbents set government debt). As shown in Section 3, such an effect is absent when the loss function is linear as a result of which the Aghion-Bolton channel does not arise in equilibria characterized by $\gamma = 1$.

Figure 2 shows that this is no longer the case with a convex loss function (Figure 2 has $\gamma = 3$, but using any value for $\gamma > 1$ yields the same qualitative result). This figure shows

²¹This paragraph of course assumes that Party 1's Region B branch actually exists. While this is the case in the Scottish example (there is a Scottish Conservative Party), this is not always so: Czechoslovakia was for example dominated by regional parties that were only active in either the Czech part of the country, or in the Slovakian one. Consequently, the intra-party friction considered here was not present in that case - facilitating a possible break-up. Brancati (2009) indeed argues that the regional party structure was a major contributor to the break-up of Czechoslovakia.

²²Even more so, many members of the Scottish Conservative Party are also not very enthusiastic about a greater devolution of powers towards Scottish authorities. See e.g. "Ruth Davidson promises no more devolution if she wins Scottish Tory leadership" in *The Telegraph* of September 9, 2011.

²³See <http://www.bbc.co.uk/news/uk-scotland-scotland-politics-23524348>.

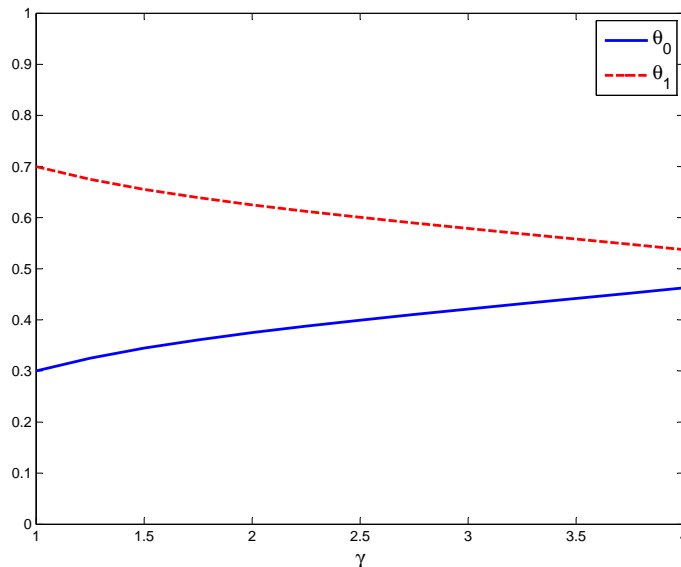


Figure 1: Impact of changes in γ on platforms adopted by both parties for $\alpha = 0.5$, $\sigma = 0.3$, $\Omega_C = 0.2$.

that as the location of the median voter shifts right (towards Party 1's partisan ideal), the probability with which Party 0 ends up in office falls. The reason is that under a convex loss function, Party 0 is too reluctant (relative to Party 1) to follow the median voter to the right. This is because Party 0 then moves *away* from its bliss point and a convex loss function penalizes such deviations more heavily as they get larger. Consequently, Party 0 becomes less likely to win the election (to the benefit of Party 1).

So under a convex loss function, Party 1 has yet another reason to support independence of B , namely the Aghion-Bolton channel: by granting independence to Region B , Party 1 can increase its future chances of being elected. The closed-form analogue of condition (22) cannot be obtained in this case, but it does tell us that the pro-independence forces working on Party 1 in A may actually be stronger than (22) suggests.

5 Discussion and concluding remarks

As noted in the Introduction, previous studies on the break-up of nations have always considered "pull forces" (voters asking for independence). By being the first to analyze secessions in a representative democratic setting, this paper has pointed out that separatist debates can be subject to "push forces" as well - forces that were for example important to the break-ups of Malaya and Czechoslovakia. Especially the dissolution of Czechoslovakia

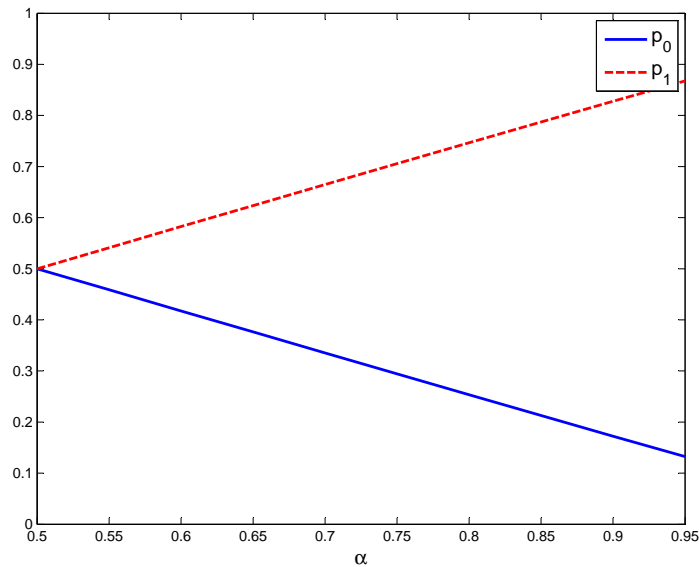


Figure 2: Impact of changes in α on the probability that each party wins the election for $\gamma = 3$, $\sigma = 0.3$, $\Omega_C = 0.2$.

is often called "puzzling" (as it occurred peacefully and with minimal voter-support; Brancati (2008: 65)), but becomes understandable once one is aware of the push forces identified in this paper. As a result of these, separatists may have to look in an unexpected direction to find political support for their independence-struggle.

The reason is that there might exist strategic parties in the host country who see independence of an "unlike-minded" region as an opportunity to shape the electorate's preferences towards their own likings. By doing so, a party can increase its chances of being elected in the future (if the loss function is convex), while it is also able to shift the entire political spectrum towards its own partisan ideal.²⁴ Although parties do incur losses when their country breaks up, the aforementioned benefits may outweigh them. To the extent that these losses entail reductions in efficiency (harming citizen-welfare), they might however arise for wrong reasons - namely political-strategic considerations.

In line with this paper's underlying idea, no less than 46 percent of Britain's Conservative Party-candidates indicated in a recent poll that they would not feel uncomfortable about an independent Scotland (as it primarily votes Labour). For a party leader in power like David Cameron it might be difficult to express such political-strategic views in public (especially if your party is officially known as "The Conservative and Unionist

²⁴In this sense, the present paper merges the channel of Aghion and Bolton (1990), with the one underlying Persson and Svensson (1989) and Alesina and Tabellini (1990) in one unifying framework.

Party") but if he secretly belongs to the 46 percent, he could always resort to less candid actions (like supporting a change of the referendum-franchise in a direction that helps the separatist camp; some have argued that this actually happened through the Edinburgh-agreement, see footnote 18). It should moreover be noted that actual political parties are of course far more heterogeneous than we depict them in our models. Consequently, within-party unanimity is not to be expected on this issue; one should just be aware that any politician may be subject to party-strategic forces that could affect his stance on the independence-issue, at the expense of the welfare and wishes of citizens.

This also has the interesting implication that peaceful secessions are more likely to arise when the country is governed by parties whose policy preferences are *non-congruent* with those of the separatist region. Paradoxically, this gives separatists a strategic reason to vote for such opposing parties (but only until independence is achieved).²⁵ According to the model, Scottish independence is for example more likely to occur under a Conservative UK government (and it indeed was a Tory-led government that granted Scottish parliament the powers to hold a referendum in the first place), while it also suggests that an independent Palestinian state is more probable under a hawkish Israeli administration.²⁶ In line with this paper's theme, *The Economist* recently noted that:²⁷

"Israel cannot afford to be complacent in the longer run [...] if the country is to preserve its essence as both Jewish and democratic. It cannot stay both if it indefinitely controls the Palestinian territories and their people while denying them full rights under Israeli law, including the vote. And if the Palestinians were enfranchised, demography suggests that a Greater Israel [...] would no longer be predominantly Jewish. Israel must give the Palestinians a proper state of their own if it is to remain a Jewish democracy."

Potentially as a result of such a desire to maintain Israel's status as a Jewish democracy, Benjamin Netanyahu has become more positive towards a two-state solution over the years. After all, the presence of enfranchised Arab citizens is bad for Jewish parties

²⁵Whether they actually end up voting for the opposing party depends on whether the expected long-run gain of obtaining an autonomous state (where they can implement policies that are more in line with their own preferences), makes up for the short-run loss of having to live under the non-congruent regime.

²⁶Cukierman and Tommasi (1998) has a similar implication but relies on a very different mechanism: in their paper, candidates who are intrinsically biased against a certain policy X, have stronger persuasive power when it comes to enacting that policy - which may make it more likely that policy X is eventually implemented by such an "unlikely" candidate.

²⁷"Take a Break" in *The Economist* of April 12, 2014.

(and for Netanyahu's conservative Likud party in particular²⁸).²⁹ Currently, the Knesset already has 12 Arab members (out of 120) and demography suggests that this number will increase in the future - thereby threatening Israel's status as a Jewish state.

A similar dynamic can be observed in Turkey. Following the latest instabilities in Iraq, Turkey's ruling party made a major shift in June 2014 by expressing its willingness to accept an independent Kurdish state - but only *in what is now northern Iraq*.³⁰ Turkish authorities might hope that the establishment of such an independent Kurdish state would bring about an exodus among Turkish Kurds (currently comprising one-fifth of Turkey's population) - thereby strengthening its grip on power in Turkey, but *without a loss in territory* (as that falls upon Iraq).

The forces identified in the present paper equivalently apply to issues of political integration, such as those currently present in the European Union. In that context, parties whose partisan preferences are more in line with the EU's median voter rather than with their domestic one, have strategic reasons to be more positive towards a greater transfer of powers towards European institutions.

Finally, it is also possible to apply the model developed in this paper to several other issues. Rather than "granting a region independence", the model can for example be used to shed light on why leaders sometimes extend or limit voting rights (and in what direction?).³¹ Alternatively, it can be applied to an expansionist leader who wishes to increase his share of supporters by appropriating a region from another country in which he tends to enjoy greater popularity.³² While Crimea is too small to make this argument apply to Russia's 2014 annexation, Vladimir Putin may have correctly anticipated that Ukrainian authorities didn't consider Crimea valuable enough to wage war over (due to the region's dissonant preferences; recall Alexander Motyl's quote in the Introduction to this paper). Consequently, this paper's logic could also be used to identify regions that might become subject to similar forces as Crimea has been recently.

²⁸Most Arab-Israeli citizens vote either Labor (33%) or for one of the Arab parties (50%). Likud only receives about 2% of their vote; see http://www.kas.de/wf/doc/kas_8171-544-2-30.pdf.

²⁹See "Netanyahu Backs Palestinian State, With Caveats" in *The New York Times* of June 14, 2009. Netanyahu's Minister of Justice Tzipi Livni (one of Israel's most forceful proponents of a two-state solution) echoed this view in a 2010 speech, stating that "in order to be a Jewish democratic state, we need a Jewish majority".

³⁰See "Turkey ready to accept Kurdish state in historic shift" in *The Financial Times* of June 27, 2014.

³¹An actual example of this is the aforementioned Edinburgh agreement (signed by the SNP-led Scottish government and the Tory-led UK government) which extended the Scottish-referendum franchise to 16- and 17-year-olds - allegedly because that group is believed to be more likely to support a separation (recall footnote 18). In line with the predictions of the present paper's model, Scottish Conservatives opposed this extension of the franchise (as they want to stay united), while Scottish Labour was in favor (see <http://www.bbc.co.uk/news/uk-scotland-scotland-politics-23074572>).

³²See Spolaore (2012a) for an overview of the emerging literature on borders and conflict.

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