

Breaking the Unbreakable Union: Nationalism, Trade and the Soviet Dissolution

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Abstract

I use the disintegration of the Soviet Union in the late 1980's to explore the effect of nationalism on trade in multi-ethnic federations. With the aid of simple game theory and a modern gravity-model, it is shown that republican legal separatism inhibited the flow of goods between Soviet republics even before the official dissolution of the Union. This legal separatism, in turn, is demonstrated to have clear roots in traditional nationalistic agendas, such as preservation of national languages, and does not seem to be related to measures of economic exploitation. This allows the use of instrumental variable regressions to preclude any endogeneity running from trade to separatism. Whatever the causes of the USSR's growth slowdown may have been, the causes of its economic disintegration and political dissolution are intimately related to nationalism.

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