Cinderella Sovereignty

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Abstract

The Blocher-Gulati critique of the barriers to secession under public international law is insightful and thought-provoking, an important contribution in its own right. I wish it had not been eclipsed by the authors’ clever and provocative fix: turning sovereignty into a tradable commodity. I suspect that this fix would bring about more suffering than the status quo for two reasons. First, a market for sovereign control is unlikely to be a market in any meaningful sense. Therefore, trading sovereignty would not discipline oppressors. Second, should something like a real market materialize, it could diminish the incentives for states to treat their populations better just as plausibly as it could improve them. Distant empires could find it easier to traffic in oppressed people and territories, which would pass from state to state as their masters lose interest. A class of marginal client statelets would grow, endowed with a poor stepchild of sovereignty, which would leave their people defenseless and voiceless.

Introduction

Are international lawyers too squeamish to let market forces save lives? This is the challenge at the heart of A Market for Sovereign Control. In their article, which is the centerpiece of a larger body of work, Joseph Blocher and Mitu Gulati observe that people suffer and die as a consequence of public international law’s heavy presumption in favor of territorial integrity for existing states, even in the face of humanitarian crises. At best, this presumption might be overcome when a state’s government heinously abuses some of its people. If the abuse of an

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1 I am grateful to Joseph Blocher and Mitu Gulati for encouraging this thought experiment and for their helpful comments, and to Alexander Dunn, Alexander Severance, and Emma Chapman for excellent research assistance. I owe special thanks to Marylin Raisch of the Georgetown Law Library for invaluable research advice.


3 The Canadian Supreme Court in the Reference re Secession of Quebec case thus declared that ‘international law expects that the right to self-determination will be exercised by peoples within the framework of existing sovereign states and consistently with the maintenance of the territorial integrity of those states’ and that the right to unilateral secession ‘arises only in the most extreme of cases and, even then, under carefully defined circumstances’ (Reference by the Governor in Council concerning Certain Questions relating to the Secession of Quebec from Canada (1999) 115 ILR 536).

In the 2006 Ahtisaari Plan, adopted by the UN Security Council to address ethnic conflict in Kosovo, the province would have a measure of autonomy short of statehood, in recognition of Serbia’s continuing territorial integrity claims. U.N. Secretary-General, Letter Dated 26 March 2007 from the Secretary-General Addressed to the President of the Security Council, U.N. Doc S/2007/168 (Mar. 26, 2007) [hereinafter U.N. Letter]. As late as 2012, even as Kosovo gained more trappings of a sovereign state, Serbia ensured that Kosovo’s international legal status came with an asterisk. Lidija Basta Fleiner & Vladimir Djeric, “Serbia” (para. 58) in MAX PLANCK ENCYCLOPEDIA
ethic enclave is heinous enough, it might create an opening for remedial secession. However, the primacy of territorial integrity is so entrenched that even unspeakable human suffering—“genocide, war crimes, ethnic cleansing and crimes against humanity”—usually draws only the most cautious of challenges.5

The authors argue that there would be less suffering if international law let the abused people pay to leave the abuser-state under conditions that fall short of the virtually unattainable standard for remedial secession.6 The abused could either strike out on their own as a new sovereign state, or sell themselves to the highest acceptable bidder, joining another state that would adopt them as its own. The rule would shift from property (the abused belong to the abuser) to liability (the abused can walk away, but must pay the abuser).7 They say that the new rule would foster a market for sovereign control,8 which would create incentives for governments to abuse less, so that fewer people would suffer under oppressive rule and die fighting to escape it.

The authors rightly highlight the human costs of the prevailing legal regime.9 Any presumption-based regime for secession would either condone more suffering or more political instability than most would prefer. In today’s world, the abused people are bound to stay in their home state despite extreme abuse; exit is truly a remedy of last resort. If the presumption were

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4 See U.N. Letter, supra note 3.
5 In the 2005 World Summit Outcome Document, world leaders at the United Nations accepted in para.139 that they “are prepared to take collective action, in a timely and decisive manner, through the Security Council, in accordance with the [UN] Charter, including Chapter VII, on a case-by-case basis and in cooperation with relevant regional organizations as appropriate, should peaceful means be inadequate and national authorities are manifestly failing to protect their populations from genocide, war crimes, ethnic cleansing and crimes against humanity.” G.A. Res. 60/1, 2005 World Summit Outcome, ¶ 139 (Oct. 24, 2005). Security Council Resolution 1674 of 28 April 2006 reaffirmed “the provisions of paragraphs 138 and 139 of the 2005 World Summit Outcome Document regarding the responsibility to protect populations from genocide, war crimes, ethnic cleansing and crimes against humanity.” S.C. Res. 1674, ¶ 4 (Apr. 28, 2006).
6 The authors use a too-sterile term, “welfare-enhancing border changes,” for their goal of territorial arrangements that kill, torture, and maim fewer people. Blocher & Gulati, supra note 2, at 800.
8 In the authors’ words, “Though there are fundamental differences, the idea of a market for sovereign control shares features with the market for corporate control.” Blocher & Gulati, supra note 2, at 800. See Frank H. Easterbrook & Daniel R. Fischel, The Proper Role of a Target’s Management in Responding to a Tender Offer, 94 HARV. L. REV. 1161 (1981); Henry G. Manne, Mergers and the Market for Corporate Control, 73 J. POL. ECON. 110 (1965).
9 Supra note 2, at 843.
flipped, exit might turn into a remedy of first resort. Such a binary structure seems especially problematic in a world where the standards for ill-treatment are evolving and vigorously contested.\textsuperscript{10} It is not a comfortable space for line-drawing.

The Blocher-Gulati critique is insightful and thought-provoking, an important contribution in its own right. I wish it had not been eclipsed by the authors’ clever and provocative fix: turning sovereignty into a tradable commodity. I suspect that this fix would bring about more suffering than the status quo for two reasons. First, a market for sovereign control is unlikely to be a market in any meaningful sense. Therefore, trading sovereignty would not discipline oppressors. Second, should something like a real market materialize, it could diminish the incentives for states to treat their populations better just as plausibly as it could improve them. Distant empires could find it easier to traffic in oppressed people and territories, which would pass from state to state as their masters lose interest. A class of marginal client statelets would grow, endowed with a poor stepchild of sovereignty, which would leave their people defenseless and voiceless.

Here is the crux of my disagreement with the authors: they see the world as already full to capacity with poor stepchildren, and worry that the law would stand in the way of that one lucky waif—Cinderella Sovereign—who might otherwise be rescued by Prince Charming and find a happy home in his kingdom. If Prince Charming shows up on Cinderella Sovereign’s doorstep, glass slipper in hand, ready to pay ransom to her evil stepmother, why should the law keep them apart? It should not and, as other commentators have pointed out, it does not.\textsuperscript{11} The authors add little to the existing toolkit: at most, Cinderella would gain the legal right to elope when the stepmother would not let go at any price. The cost of this potential benefit to Cinderella is borne by the international system, which risks producing many more orphans than princesses under the Blocher-Gulati legal regime. The authors appear to assume implicitly that better behavior is the oppressor-state’s only plausible response to the risk of losing territory in a market for sovereign

\textsuperscript{10} See Statements made by representatives at the Plenary Session of the Sixty-Third United Nations General Assembly discussing various interpretations of the responsibility to protect, which can come in tension with states’ territorial integrity. Press Release, General Assembly, Delegates Weigh Legal Merits of Responsibility to Protect Concept as General Assembly Concludes Debate, U.N. Press Release GA/10850 (July 28, 2009).

\textsuperscript{11} See e.g., John F. Coyle, Friendly and Hostile Deals in the Market for Sovereign Control: A Response to Professors Blocher and Gulati, 66 DUKE L.J. 37, 45-48 (2017) (highlighting that consensual transfers of territory are permissible, and do take place, under the prevailing international legal regime). In other words, if the stepmother could be bought off, she would take the money and let the waif go with the prince. Conversely, Coyle points out that Blocher and Gulati do not help Cinderella enforce her right to walk away from an unwilling stepmother.
control. They do not consider the possibility that the parent state would get more oppressive to push Cinderella out or to raise the price of her freedom. Furthermore, because the authors’ account ends with Cinderella and Prince Charming living happily ever after, they do not address the possibility of repeat trades, or trafficking in impaired sovereignty, once they make it easier for abusive parent states to raise revenue off secession.

In the remainder of this Response, I begin by defining the problem the authors seek to address, and the shared assumptions underlying their argument and my response, in Part I. Ed on these assumptions, Parts II and III of this Response examine my two principal concerns with the proposal: that a market for sovereign control would not be a market, and that, even if it were a market, it would bring about more suffering and less robust sovereignty for the very people the authors want to help. Part II describes perverse incentives for parents and acquirers in cases where a territory secedes from one state to join another. Part III considers an independence scenario, with no acquiring state, and further elaborates the attributes of “Cinderella Sovereignty” that could become more prevalent in a market for sovereign control.

I. The Task and the Assumptions

It would be wrong to charge the authors with failing to solve the very problems that they do not attempt to solve, just as it would not do to assume a wildly different institutional setting from the one in which they situate their proposal. In an effort to avoid such pitfalls, I summarize my understanding of the task that Blocher and Gulati set for themselves, and some of the key assumptions embedded in their argument.

A Market for Sovereign Control addresses the problem of an ethnically or culturally distinct group of people inhabiting a defined geographic territory.\(^\text{12}\) The authors do not take on the problems of bad governments or oppressed people in general. The seceding subset of a state’s population must be identifiable and reachable in order to ascertain its preferences and confer new citizenship.\(^\text{13}\) The territory to be transferred--along with its assets, such as natural resources,--would need to be demarcated and valued, and its relationship to the oppressed people would need

\(^{12}\) Blocher & Gulati, supra note 2, at 800-01.  
\(^{13}\) Id. at 817.
to be established. The parent entity from which the people would secede and to which they might owe compensation must be a state, not an oppressive tyrant acting in his personal capacity. It follows that the Blocher-Gulati proposal would fit neither Syria’s rebels fighting to overthrow Bashar Al Assad, nor the widely dispersed Roma people. It does not appear to address ancestral claims to land, where the people no longer occupy the territory that might be rightfully theirs—not even in well-documented cases of wholesale forcible population transfers, such as some Native American nations, or the Crimean Tatars. On the other hand, it might aid Kurds in Iraq, or Russians concentrated in parts of eastern Ukraine.

Like the authors, I generally bracket issues related to adjudication. For example, I assume that some international tribunal could determine the extent of oppression, the will of the oppressed people, the appropriate price of their sovereignty, and any other elements that might be necessary to apply the Blocher-Gulati secession doctrine. While making this assumption, it is important to recognize that implementing the authors’ proposal would require an elaborate regime of fact-finding, adjudication, monitoring, and enforcement beyond the current practice of the International Court of Justice, and that any forum charged with implementation would have to work much faster than the current international norm. A specialized tribunal with access to expert fact-finding

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14 Id. at 818-20.
15 Id. at 818 (noting that the entitlement to compensation is with the parent state).
16 Blocher & Gulati, supra note 2, at 841–42. For an account of the war in Syria, see, e.g., CHRISTOPHER PHILLIPS, THE BATTLE FOR SYRIA: INTERNATIONAL RIVALRY IN THE NEW MIDDLE EAST (2016). Despite its ethnic dimensions and the rebels’ intermittent control of some territory, the Syrian conflict is not over secession, but rather an attempt to overthrow an oppressive government. See, e.g., ELIZABETH FERRIS AND KEMAL KIRISCI, THE CONSEQUENCES OF CHAOS: SYRIA’S HUMANITARIAN CRISIS AND THE FAILURE TO PROTECT (2016). On the Roma, see, e.g., BECKY TAYLOR, ANOTHER DARKNESS, ANOTHER DAWN: A HISTORY OF GYPSIES, ROMA AND TRAVELLERS (2014).
17 See also NORMAN M. NAIMARK, FIRES OF HATRED ETHNIC CLEANSING IN TWENTIETH-CENTURY EUROPE (2001), Ch.3 (resettlement of Crimean Tatars); GREGORY D. SMITHERS, THE CHEROKEE DIASPORA: AN INDIGENOUS HISTORY OF MIGRATION, RESETTLEMENT, AND IDENTITY (2015) (resettlement of Native Americans).

Paul Stephan has pointed out that this frame creates incentives to ethnic consolidation. Paul B. Stephan, Blocher, Gulati, and Coase: Making or Buying Sovereignty?, 66 DUKE L.J. ONLINE 51, 62 (2017).
therefore may be more appropriate than any existing forum; however, it is harder to start new institutions than to expand the remit of the old.\textsuperscript{21} That said, the authors’ proposal does not depend on forum particulars; for their purposes and mine, these particulars can wait.

In sum, Blocher, Gulati, and I assume an ascertainable and accessible cultural minority population currently occupying a defined parcel of territory within a parent state, and an international institution capable of adjudicating governance quality, consent of the population (including procedural elements), and the price of sovereignty. I also assume, as do the authors, that the enforcement challenge for their liability rule is comparable to any other under public international law.\textsuperscript{22}

\section*{I. Thin Markets and Obsolescing Bargains: Sovereign Acquisitions}

The market for sovereign control is meant to create and negotiate a space between parent states’ rights to territorial integrity and peoples’ rights to remedial secession. As the law currently stands, a parent holds its territory as property, and can transfer it without the inhabitants’ consent.\textsuperscript{23} Meanwhile, the people of the territory can secede (if at all) only in response to extreme abuse at the hands of the parent.\textsuperscript{24} Blocher and Gulati sensibly argue that this binary rule preempts potentially welfare-enhancing outcomes where the abuse falls short of extreme.\textsuperscript{25} To fix the


\textsuperscript{22} John Coyle highlights the challenge of enforcing non-consensual transfers of sovereignty against the parent state’s objections. Coyle, \textit{supra} note 15. Because Blocher and Gulati generally avoid the enforcement issue, I take it as their assumption that enforcement of their liability rule would rely on the existing machinery of public international law. To the extent the authors believe that their scheme would be more enforceable than your average international commitment owing to the market incentives baked into it or any other factors, their article would benefit from a more explicit argument to that effect.


\textsuperscript{24} \textit{Supra} note 5.

\textsuperscript{25} Blocher & Gulati, \textit{supra} note 2, at 803.
problem, they would replace the binary rule with a three-bucket structure: in the first bucket, there is no oppression, but the parent or the minority wants to split up, and the two sides negotiate a mutually acceptable price; in the second, the parent is “oppressive or genocidal,” so naturally the minority wants to secede and may be able to do so under existing rules; in the third, the parent merely “denies representation or equal rights,” which would not be enough to justify secession today. The third bucket is where market forces would determine the price of sovereignty, by auction. In the alternative, the authoritative tribunal, presumably also using market-based metrics, would set the price.

In the remainder of Part II, I compare this proposal to its inspiration in corporate law literature, focusing on potential motives that might drive participants in the market for sovereign control. I conclude that any such market would be unlikely to produce robust price discovery. Using a hypothetical oppressed territory of Arcadia as an example, I then examine time-inconsistency problems that could arise for parent states and potential acquirers, and make the oppressed people suffer more.

A. Corporate Control v. Sovereign Control

This market for sovereign control does not look at all like its inspiration, the market for corporate control. The classic articles in the corporate control canon, from Professor Henry Manne in the 1960s to Judge Frank Easterbrook and Professor David Fischel in the early 1980s, address a highly liquid, competitive marketplace—the U.S. public equity market, where thousands of firms trade—with an argument premised on robust price discovery. An acquirer is willing to pay more for a controlling share in the target firm than the price at which its stock currently trades in the public market. The target firm’s management deploys all manner of contrivance to resist...
the welfare-enhancing acquisition.34 Easterbrook and Fischel argue that the law should block management resistance in most cases.35

What would price discovery look like in a market for sovereign control? In a world of fewer than two hundred states, only a handful of which could and would bid for new territory, active trading is improbable.36 Competitive bidding seems especially far-fetched where, under the Blocher-Gulati proposal, the acquirer must grant full citizenship to the people of the acquired territory.37 Such narrowly constrained acquisition terms, combined with the possibility of price-setting by a public tribunal, are entirely sensible in light of the authors’ desire to advance human rights and democratic representation; however, they highlight the vast gap between their proposal and a conventional financial market that inspired it.

Consider what might motivate a state to bid for territory in the market for sovereign control. First, there is kinship: the would-be acquirer’s population could share some combination of cultural, linguistic, and historical ties with the oppressed inhabitants of the target territory.38 This

34 See, e.g., Donald J. Wolfe et al., The Delaware Court of Chancery Reaffirms the Vitality of the Poison Pill in Airgas, INSIGHTS (Mar. 2011).
35 Easterbrook & Fischel, supra note 8, at 1199–1204.
36 Territorial expansion is analogous to a major capital investment. Most countries are simply not in the market for new territory at any given time. In addition, as I highlight in the remainder of this Part I.A, potential acquirers are driven by a limited set of motives such as kinship and access to particular resources, which limit the number of suitable acquisition targets.
38 For example, the majority of Albanians favor a “greater Albania,” which would comprise all areas where ethnic Albanians live, including Albania, Kosovo, and parts of Macedonia. GALLUP BALKAN MONITOR, 2010 SUMMARY OF FINDINGS 47 (2010). Similarly, a 2014 survey shows strong support among South Koreans for unification of the peninsula. Steven Denney, The Generation Gap on Korean Unification, DIPLOMAT, Jan. 29, 2015,
is where a blanket grant of citizenship would seem most plausible, since the acquiring state’s people are eager to welcome their long-lost kin, and ready to bear the costs of acquisition and integration.\textsuperscript{39} It is also where the universe of bidders is the smallest, perhaps limited to one or two neighboring states. To describe it as a market at all would be a stretch.

At the other extreme, an acquiring state might seek new territory for commercial reasons: natural resources, access to trade routes, or simply land to accommodate its own growing population.\textsuperscript{40} Unlike the kinship example, it is easy to imagine many rich states scrambling to bid for a well-located, well-endowed breakaway enclave, in the fashion of 19th-century imperial contests.\textsuperscript{41} In a commercially-motivated trade, the acquiring state’s population would be less likely to support full citizenship for complete strangers in a distant place.\textsuperscript{42} The Blocher-Gulati baseline of granting full citizenship rights to the oppressed would operate as a binding constraint on acquisition terms in this case: even if the trade made economic sense, its domestic political costs to the acquirer may be prohibitive.\textsuperscript{43} Given the option of leasing or buying particular assets in the target territory from the current parent state—which would require no change in the law—the acquirer might forgo a full-blown sovereignty trade.\textsuperscript{44}

\textsuperscript{39} Even this is optimistic, however. A 2014 survey showed that only half of South Koreans would be willing to bear the cost of unification of the peninsula, despite overwhelming majorities supportive of unification generally. South Korea Says Economic Cost of Unification Would be $500bn, GUARDIAN, Nov. 19, 2014, \url{https://www.theguardian.com/world/2014/nov/19/south-korea-cost-unification-500bn}. The costs of reunification can be substantial, and come without a guarantee of success. German reunification cost $1.6 trillion euros, and opinion polls have found that many Germans still do not feel they live in a united country. Erik Kirschbaum, The Dark Side of German Reunification, REUTERS (Sept. 29, 2010), \url{http://blogs.reuters.com/global/2010/09/29/the-dark-side-of-german-reunification/}.

\textsuperscript{40}See Antony Anghie, The Evolution of International Law: Colonial and Post-Colonial Realities, 27 THIRD WORLD QUARTERLY 739, 742-46 (2006). Weidemaier cites contemporary cases where states leased real estate, obtained project concessions, and generally acquired elements of the “sovereignty bundle” from other states to accommodate the needs of their growing domestic economies. Weidemaier, supra note 36 at 72.

\textsuperscript{41} See Anghie, supra note 41. See also, generally, Roger Southall, Scrambling for Africa? Continuities and Discontinuities with Formal Imperialism, in A NEW SCRAMBLE FOR AFRICA? 1 (ROGER SOUTHALL & HENNING MELBER EDS., 2009)

\textsuperscript{42} Supra note 37.


\textsuperscript{44} Weidemaier, supra note 36 (arguing that states prefer to buy or lease discrete assets and privileges to full-blown sovereignty acquisition). As is the case under existing law, the oppressed people would remain oppressed, losing their most valuable endowments in the bargain.
Other acquisition motives, such as altruism (saving the oppressed) and security (buying a strategic asset), are no more likely to produce competitive bidding for many of the same reasons. In particular, domestic support for paying the cost of acquisition and integration would be hard to muster in either case.

In sum, a market where states must extend full citizenship to the people of acquired territories would be vanishingly thin, and unlikely to produce robust price discovery with its associated incentive effects. On the other hand, if the citizenship constraint were relaxed, it would risk producing a category of second-class subjects—contrary to the authors’ stated objective.

B. Time Inconsistencies

In addition to being thin, a market for sovereign acquisition would also be prone to a time-inconsistency problem: governments might make decisions in the near term that may not serve their longer-term interests. Promises made at the time of acquisition are unlikely to stand. Consider a kinship-driven acquisition. Suppose that two countries, acquirer and parent, are vying for the affections of the Arcadia territory. Both have historical, ethnic, or cultural ties with Arcadia. Some years after it receives and spends an up-front lump sum for Arcadia, the old parent might come to miss the lost child: after all, secession does not erase the historical, ethnic, or cultural affinity between the people of Arcadia and their ex-compatriots. Domestic political pressure for

45 A majority of the top ten destination countries for migrants spend less on development assistance as a percentage of their gross national income than the average OECD country. Supra note 38; Organization for Economic Co-operation and Development, Development Aid in 2015 Continues to Grow Despite Costs for In-donor Refugees 6 (2016), http://www.oecd.org/dac/stats/ODA-2015-detailed-summary.pdf. Even the most altruistic nations spend only a small fraction of their gross national income on aid—which does not require their citizens to accept and integrate strangers. Organisation for Economic Co-operation and Development, supra. Sweden, Norway, Luxembourg, and Denmark have the highest aid spending, while Poland, Slovakia, the Czech Republic, and Spain spend the least. Id. U.S. opinion polls show a majority against increasing military spending or foreign aid. Pew Research Center, Public Uncertain, Divided over America’s Place in the World 1, 21 (2016), http://www.people-press.org/files/2016/05/05-05-2016-Foreign-policy-APW-release.pdf. European polls show an even greater aversion to increased military spending, while a soft majority of 53% support increasing foreign aid budgets. Pew Research Center, Key Findings on how Europeans See Their Place in the World (2016), http://www.pewresearch.org/fact-tank/2016/06/13/key-findings-europe/.

46 Id.

47 The most miserably oppressed might even prefer second-class citizenship in a reasonably benign state to living under a brutal tyrant; however, this scenario would be inconsistent with the authors’ essential objective of securing equal treatment for the seceding people, and would certainly not comport with existing human rights norms. See, e.g., Universal Declaration of Human Rights art. 7, G.A. Res. 217, U.N. GAOR, 3d Sess., U.N. Doc. A/810 (1948) (“All are equal before the law and are entitled without any discrimination to equal protection of the law”).

48 Compare the territory of Alsace-Lorraine, which passed between Germany and France several times in the late 19th and early 20th centuries.
Arcadia’s return would grow in the old parent state. To mollify its constituents, the old parent might try to extract some more money from the new parent, foment unrest in the breakaway territory, threaten to invade, or all of the above. Russian-linked violence in eastern Ukraine illustrates the possibility. In an optimistic scenario, such territorial competition might serve as an incentive for the new parent to treat the Arcadians well, consistent with the authors’ objective. It could also exacerbate instability and lead to a series of hold-up scenarios, with Arcadia perennially bouncing between two larger states. Commercial, military-strategic, and even altruistic acquisitions could follow the same pattern. In a legal regime that makes transfers easier, a parent state is free to change its mind after getting paid for the breakaway territory. Unless Blocher and Gulati further constrain the new market, Arcadia could become an attractive source of budget revenue for the parent, as it is sold and repurchased, leased and bought back, pledged and rehypothecated.

The acquirer also faces time-inconsistency problems. Suppose a wealthy state buys Arcadia to gain a foothold in a vital region, or a buffer against adversaries. Some years later, the acquirer’s strategic imperatives have changed. Meanwhile, Arcadia has become a drain on the new parent’s treasury, and Arcadians are migrating to the metropolis in droves to escape poverty, taking advantage of their full citizenship rights. The acquirer’s population is grumbling. Arcadia turns out to be an “obsolescing bargain.” Should it go back on the auction block? Should it just be cut loose, left to fend for itself? And if it does not want to leave, should it be nudged out with a bit of maltreatment, paid to exit, or both? Obsolescence scenarios can also arise in altruistic and resource-driven acquisitions. They might be less likely in a kinship case, simply because it assumes a less contingent, more durable link between the acquirer and the target.

49 See Ayres, supra note 19.
50 To wit, Alsace-Lorraine was made part of Germany in 1871, returned to France after World War I, was annexed by Germany on the eve of World War II, and went back to France thereafter. Alsace-Lorraine, ENCYCLOPEDIA BRITANNICA https://www.britannica.com/place/Alsace-Lorraine (last updated Dec. 10, 2015).
In the market for corporate control, it is not particularly disturbing to see asset bundles or entire firms repeatedly passing from one owner to the next, so long as they are run more efficiently with each transfer. In its sovereign counterpart, the political instability attending successive transfers would be a serious matter, likely to reverberate beyond the immediate transaction participants.

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In sum, implementing the Blocher-Gulati proposal would not lead to a competitive acquisition market capable of disciplining abusive governments. It could facilitate some territorial transfers that would not happen under the current regime, albeit on non-market terms. Because parent and acquirer preferences are likely to change over time, the proposed framework could lead to further political instability and more oppression, as the territory becomes a pawn in power games among bigger players. In the worst-case scenario, instead of having big countries compete for their affections, as Blocher and Gulati intend, the abused people and their territory might be shunted from one reluctant master to the next.

III. Cinderella Sovereignty

What if Arcadia chose to buy independence, rather than join an existing state? It could finance this bid with its own funds (unlikely if it is oppressed), loans or grants from other (sponsoring) states, bank loans, private capital markets borrowing, or charitable donations. A well-located or well-endowed Arcadia might well attract multiple sponsors for its independence. Most bids would be driven by some mix of commercial and strategic motives; however, altruistic bidders might also participate. Larger, wealthy states might find sponsorship more attractive than

53 See e.g., Gregor Andrade et al., New Evidence and Perspectives on Mergers, 15 J. ECON. PERSP. 103, 105, 116-19 (2001) (presenting evidence that corporate mergers are becoming more common, with successive mergers associated with more efficient deployment of corporate assets).

54 What if the people of the territory do not want to leave? In one of the companion pieces, the authors observe that public international law and U.S. federal jurisprudence appear to permit expulsion; they argue that the expelled people should receive compensation under some circumstances. See supra note 51, at 14-16. In this case, it would be cheaper for the parent to “persuade” the people to leave of their own accord by resorting to the very kind of repression and ill treatment that Blocher & Gulati seek to relieve in A Market for Sovereign Control.

acquisition, since a sponsor does not have to grant citizenship or make a permanent commitment to the oppressed population, and could negotiate additional favorable sponsorship terms on the side. For private and charitable funders, financing independence would be the most direct way to get involved in the market for sovereign control.

If a funder’s motives are purely altruistic, it might sponsor Arcadia’s exit without asking for anything in return—or might require the new government to observe human rights, environmental, and development safeguards. Private investors and states that seek to advance their own economic or strategic interests might insist on commercial privileges, political allegiance, and other forms of payback. A long-term loan from a sponsoring government to buy Arcadia’s independence might be tied formally or informally to air base access, diplomatic cooperation, exclusive mining concessions, below-market oil sales, or a combinations of these and similar conditions. The seceding people’s quid pro quo with a private funder might entail similar commercial concessions, exemptions from labor and environmental laws, and other commercial benefits. To guard against time-inconsistent behavior on the part of Arcadia, the funders might structure the financing so that the new government remains bound to them after the secession—for example, disbursing money over time or taking control of valuable assets until the loan is repaid.

In more abstract terms, the people of Arcadia would mortgage their voice in the new sovereign state in order to exit the old parent state. Sovereign Arcadia’s domestic politics would be constrained to meet the demands of those who funded its secession. Until it can stand on its own and cut the ties with its funders, Arcadia would enjoy a constrained form of sovereignty. Meanwhile, new funders might decide to make a play for Arcadia’s resources or loyalties. If the bidders keep coming, Arcadia might have more scope to negotiate favorable deals, securing more domestic political autonomy. Then again, if Arcadia were such a prize, the old parent would want a higher price for letting it exit in the first place.


To be sure, Blocher and Gulati did not invent the problem of compromised sovereignty, which is commonplace under the prevailing international legal regime. Examples range from nominally independent Abkhazia and Ossetia, sandwiched between Russia and Georgia, to U.S. territories such as Puerto Rico and Guam, which enjoy a subset of sovereign attributes accruing to U.S. states and sovereign nations.\(^{58}\)

The story of Nauru illustrates the extent to which states can already mortgage their sovereignty under international law. The tiny island had no shortage of suitors: Germany, Australia, Japan, New Zealand, and the United Kingdom had all asserted military and commercial claims over Nauru since the 19th century.\(^{59}\) A German colony, then an Australian protectorate under the League of Nations and the United Nations trusteeship system, Nauru had rich phosphate deposits, which even after decades of exploitation by foreign powers, helped finance its independence in 1968.\(^{60}\) When the phosphate ran out, leaving the island an environmental wasteland, the government turned to a succession of short-term revenue measures that eventually turned it into an archetypal ‘client state’ of Australia.\(^{61}\) Today, Nauru hosts detention camps for refugees rejected by Australia, where conditions are dismal and accusations of human rights violations abound.\(^{62}\)

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\(^{60}\) Id.


All else equal, a competitive market for sovereign control should make it easier to create more Naurus, endowed with variants of its securitized rump sovereignty. A rule that allows oppressed ethnic groups inhabiting discrete territories to buy their right to secede may lead to robust sovereignty when the outside buyers and sponsors are driven by altruism or kinship—the Cinderella-Meets-Prince Charming scenario. However, it would be hard to limit potential bidders to Prince Charming. Such a limit would do away with any pretense of a market or market discipline. This might be just as well, since in a real market, where funders are motivated by self-interest, they would have powerful incentives to create nominally independent captive states, and to prevent them from becoming self-sufficient—lest their loyalties weaken before the funders lose interest. The new states’ sovereignty would be a poor stepchild of the real thing.

Conclusions

Joseph Blocher and Mitu Gulati identify an important problem: the existing binary regime does a poor job of managing the trade-off between territorial integrity and the rights of minority groups to live free from oppression, and to enjoy democratic governance and full freedom of political expression. The heavy presumption in favor of territorial integrity promotes external stability at the expense of the oppressed people. Their proposal would open the possibility of secession for ethnic groups inhabiting defined territories, without the parent state’s consent and under circumstances that do not reach the extreme level of oppression used to justify exit under the status quo.

A market for sovereign control is an elegant and provocative solution to the problem the authors have identified. If they can show that it would result in less human suffering and more human flourishing—if those liberated from oppression outnumber those who suffer more abuse or abridged sovereignty in the market for sovereign control—the proposal should be adopted. I am skeptical that the proposal could deliver on its promise of a robust market, and worry that it is wildly optimistic in the picture of sovereignty it paints for the oppressed. In this Response, I have suggested that the number of potential bidders for sovereign control in any given case would be tiny, effectively eliminating price as a mechanism to convey information and discipline market actors. Where one state acquires territory from another and extends citizenship to the territory’s inhabitants, the bidders would most likely be limited to states that share the same language, culture,
or history. Others would have a hard time mobilizing domestic political support for absorbing strangers en masse.

There may be more willing sponsors for a territory that seeks to become a state in its own right. However, the result is likely to be a second-class “Cinderella sovereignty,” where the new state remains heavily dependent on outside support, and funders extract commercial and security concessions. Only when the sponsor is purely altruistic would the authors’ desired outcome prevail—a non-violent exit followed by full sovereignty. In cases of kinship, eventual acquisition is more likely.

When the motive is altruistic, support may be hard to maintain. Circumstances change, funders lose interest, parent states want more money, or else try to get their old land back using force and disruption. Unless the new sovereign economy has become self-sufficient by the time the sponsor quits, the young government may have to search for new patrons, shuttling from one to another, dissipating its chances of building a healthy domestic political system, and threatening external stability.

In sum, a market for sovereign control would be a tall order, even assuming improbably robust enforcement and expert, authoritative adjudication. With or without a real market, the Blocher-Gulati rule would have important consequences for states and groups: more people and territories would change hands. However, it is hard to know in the abstract whether the rule would be an improvement on the status quo, whether it would lead to fewer orphans and less suffering than the old. The authors do not show that it would. As a result, there is no telling whether the benefits of letting altruistic sponsors and generous kin buy freedom for the oppressed would exceed the costs of letting the cynical buy dependent, powerless clients. The authors could avoid many uncomfortable questions by simply abandoning the pretense of a market, and lowering the bar to secession under international law, subject to robust human rights safeguards—but that would strike at the heart of the project. Until then, it would be reasonable to expect more trading at the margin in a Blocher-Gulati legal regime—and to expect glass slippers to remain exceedingly rare in a world teeming with poor orphans.

Table 1
<table>
<thead>
<tr>
<th>Acquisition Motive</th>
<th>Competitive Bidding</th>
<th>Likely Exit Scenario</th>
<th>Acquirer/Sponsor Citizenship</th>
<th>Time Inconsistency</th>
<th>Voice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kinship</td>
<td>Thin</td>
<td>Join acquirer</td>
<td>Yes</td>
<td>Yes (parent)</td>
<td>Yes</td>
</tr>
<tr>
<td>Altruism</td>
<td>Thin</td>
<td>Independence</td>
<td>No</td>
<td>Yes (support for continued sponsorship weakens over time)</td>
<td>Yes</td>
</tr>
<tr>
<td>Resource</td>
<td>Yes</td>
<td>Cinderella sovereignty</td>
<td>No</td>
<td>Yes (acquirer/sponsor loses interest as its need or target’s resources diminish)</td>
<td>No</td>
</tr>
<tr>
<td>Strategic</td>
<td>Yes</td>
<td>Cinderella sovereignty</td>
<td>No</td>
<td>Yes (acquirer/sponsor loses interest as its strategic needs change)</td>
<td>No</td>
</tr>
</tbody>
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