A MARKET FOR SOVEREIGN CONTROL

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ABSTRACT

Can popular sovereignty and sovereign territory co-exist? Can sovereign territory, like property, be traded among countries while still respecting people’s interest in self-determination? What if countries’ right to territorial integrity were predicated on a corresponding duty to govern well? And can the international system provide mechanisms and incentives to improve the status quo?

These are not simply academic questions. Across the world, many regions are located in the wrong nations—wrong in the sense that the people of these regions believe they would be safer, happier, and wealthier if surrounded by different borders and governed by different leaders. These people might be able to improve their lot by voting out their current government or by emigrating, but those are imperfect solutions and are often unavailable to those who need them most. We ask how international law could help ameliorate the bad government problem by facilitating welfare-enhancing border changes.

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INTRODUCTION

The location of borders shapes national identities, determines the ownership of valuable resources, and establishes who can claim various legal rights and benefits. Throughout history, people have fought and died to claim, protect, cross or otherwise because of borders. But even as borders alter people’s lives, people shape them in return. This is true as a simple matter of practice—although the boundaries of sovereign territory are often delineated by natural features like mountains, rivers, they are ultimately the products of human agency. And in a broader sense, many of the ongoing debates in international law—those regarding refugees, remedial secession, the responsibility to protect, and fiduciary duties, to take a few prominent examples—are very much about the relationship between sovereignty, territory, and people. To the extent that sovereignty is territory (as it tends to be under traditional conceptions), countries may be able to resist popular will; to the extent that sovereignty is people (as some more recent arguments suggest), the significance of territory seems to dissolve. But of course neither of these options is fully satisfactory, because sovereignty, territory, and people all seem to matter.

Our goal in this Article is to account for sovereign territory in a world where sovereignty ultimately resides with the people. The challenge is designing a framework that respects, to the degree possible, both popular sovereignty and nations’ territorial integrity. We attempt to do so by describing a “market” for sovereignty in which citizens of a region, as a collective, would have tradable ownership rights, and countries could—

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3 See Thomas J. Biersteker, State, Sovereignty and Territory, Chapter 8, in HANDBOOK OF INTERNATIONAL RELATIONS (Walter Carlsnaes et al. eds. 2002) (demonstrating that the meaning of what a state is has changed over time as a function of social context, and how it, continues to change).

4 Cf. Ronald H. Coase, The Problem of Social Cost, 3 J. L. & ECON. 1 (1960). We are not the first to suggest the utility of analogies to private law. See generally HERSCH LAUTERPACHT, PRIVATE LAW SOURCES AND ANALOGIES OF INTERNATIONAL LAW (WITH SPECIAL REFERENCE TO INTERNATIONAL ARBITRATION) (1927); see also id. at 91 (“The part of international law upon which private law has engrafted itself most deeply is that relating to acquisition of sovereignty over land . . . ”). For a similar argument focused on intra-governmental bargaining, see Aziz Z. Huq, The Negotiated Structural Constitution, 114 COLUM. L. REV. 1595 (2014).
with citizens’ approval—trade sovereign control over territory.\(^5\) In situations involving oppression, transfers could occur without the parent nation’s approval, and sometimes even without compensating it. Such a market would provide a mechanism for welfare-enhancing border changes, while accommodating both the self-determination rights of citizens and the sovereign rights of nations to control their territory. It would permit a mechanism for peaceful secession. And by encouraging cross-border competition among governments, it would improve democratic responsiveness and increase governments’ incentives to treat all citizens well.\(^6\)

We refer to this framework as a “market” because it involves competition and transfers of a valued resource, but it is designed to maximize good governance rather than financial profit. In most countries, would-be governments already compete with each other for sovereign control—that is a basic characteristic of democracy. But this competition occurs within the limits of each country’s institutions, politics, and economics. And there are situations in which a particular region either has no effective voice in this process or is not able to thrive regardless of which domestic political party prevails. Under the current system, the people of that region might try to emigrate to other nations that are willing to have them and where they can thrive better. Immigration, though, tends to be difficult—particularly for the poor, weak, or oppressed—and breaks up families and communities. What if, instead of a subset of the most productive and capable individuals emigrating to a new nation,\(^7\) the new nation could come to them? A market for sovereign control would allow dissatisfied regions to “vote” for governments beyond their current borders.

There is reason to think that, at least in some cases, other nations will be interested in accepting these new territories. The drive to expand sovereign control has always been powerful,\(^8\) and sovereignty is already “for sale” in

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8 Andrew Burghardt, *The Bases of Territorial Claims*, 63(2) Geographical Rev. 225, 225 (1973) (“Virtually all states and empires have treated territory as being of itself good”), *See also id.*
various forms. Governments often sell servitudes to one another, and lease territory to foreign investors in ways that directly or indirectly limit their own sovereign control. Nations seek territorial control for ports and military bases, farmland, canals, bases of taxation, gains from trade, and other reasons. On the sellers’ side, countries might generally be reluctant to part with territory, but could be partially willing to do so where they are in serious economic need, or could achieve security or political goals by doing so. Nations already enter into agreements by which they yield authority over government functions such as the administration of law and even military defense.

(quoting Niccolo Machiavelli: “[T]he wish to acquire more [territory] is admittedly a very natural and common thing; and when men succeed in this they are always praised rather than condemned.”); Bernard H. Oxman, The Territorial Temptation: A Siren Song at Sea, 100 AM. J. INT’L L. 830, 830 (2006) (“The history of international law since the Peace of Westphalia is in significant measure an account of the territorial temptation.”).

Peter Strauss, The Viability of Territorial Leases in Resolving International Sovereignty Disputes 91-97 (2010).


Jochen von Bernstorff, The Global Land-Grab, Sovereignty and Human Rights, 2(9) ESIL REFLECTIONS 1, 3 (Oct. 18, 2013) (noting that when governments enter into large-scale land deals with foreign investors, “territorial sovereignty is affected for instance if large parts of the territory is leased to foreign governments for a period of 99 years, which is a standard clause in these land deals”). See generally Paul R. Verkuil, Outsourcing Sovereignty: Why Privatization of Government Functions Threatens Democracy and What We Can Do about It (2007).

See, John Vidal, How Food and Water Are Driving a 21st century African Land Grab, The GUARDIAN, March 6, 2010 (“Ethiopia is only one of 20 or more African countries where land is being bought or leased for intensive agriculture on an immense scale in what may be the greatest change of ownership since the colonial era.”).

Jude Webber, Nicaragua Breaks Ground with $50bn Canal, FIN. TIMES, Dec. 23, 2014 (describing the Chinese-funded project).

Nancy Birdsall, The True True Size of Africa, CENTER FOR GLOBAL DEVELOPMENT BLOG (Nov. 11, 2010) http://www.cgdev.org/blog/true-true-size-africa (noting that Africa’s “economic size” is roughly equivalent to that of Chicago plus Atlanta, which is “why Africa’s leaders wish they could overcome the politics of sovereignty and eliminate the cost of all those borders—something the Europeans have been working on for half a century”).

Pass the Hemlock: The Market for State Territory, THE ECONOMIST, Nov. 19, 2011 (“Arturas Zuokas, the mayor of Vilnius, has made a teasing offer to Greece; he suggested his country acquire an island as ‘an exclusive place for rest in the Mediterranean’ and ‘a great global advert for Lithuania’, featuring a spa, museums and a theatre.”); Andrea Janus, Turks and Caicos Premier “Not Closing the Door” on Canadians’ Caribbean Dreams, CTVNEWS, May 26, 2014 (quoting Canadian MP Peter Goldring on the century-old idea of acquiring Turks and Caicos: “The United States has a Hawaii. Why can’t Canada have a Hawaii?”).


The Privy Council in London hears appeals from more than a dozen independent nations. On a
In this regard, the framework we have in mind would be largely consistent with existing international law, but that consistency illuminates at least two problems with the current legal structure. First, traditional conceptions of international law permit nations to cede territory whether or not its residents give their consent. The market we describe would impose an additional restriction—the approval of the ceded region—that would reflect the evolving norm of self-determination.

Another problem with the current system is that the oft-conflicting principles of territorial sovereignty and self-determination\(^{20}\) (the latter of which has gained support in recent decades, though its legal status remains unclear) seem to force a choice between two absolutes: a default rule giving absolute sovereignty to parent nations, and a narrow exception that transfers sovereignty to a region in cases of extreme oppression, such as systematic human rights violations or genocide. It is unclear what fills the area in between: where the people of a region are systematically disadvantaged but not severely oppressed.

Drawing from existing concepts in international law, we propose a rule to fill this gap: Where a parent nation has failed to provide representation or equal treatment to a region,\(^{21}\) the nation’s entitlement to sovereign control becomes subject to a liability rule rather than a property rule. The parent nation therefore loses the power to forbid a cession, but remains entitled to compensation set by the market (subject to review by a third party such as the ICJ).\(^{22}\)

A handful of nations—including Costa Rica, Samoa, and Andorra—have no military, and have “contracted” for protection through treaties. Others, including Palau and the Marshall Islands, are associated with another nation (the US for those two) and receive protection for that reason.\(^{20}\) The UN has declared, for example, that “all peoples have the right freely to determine, without external interference, their political status and to pursue their economic, social and cultural development, and every State has the duty to respect this right in accordance with the provisions of the Charter.” G.A. Res. 2625, U.N. GAOR, 25th Sess., Supp. No. 28, at 121, U.N. Doc. A/8028 (1971) (adopted Oct. 24, 1970).

A few paragraphs later, however, the same declaration clarifies:

> Nothing in the foregoing paragraphs shall be construed as authorizing or encouraging any action which would dismember or impair, totally or in part, the territorial integrity or political unity of sovereign and independent States conducting themselves in compliance with the principle of equal rights and self-determination of peoples as described above and thus possessed of a government representing the whole people belonging to the territory without distinction as to race, creed or colour.

*Id.* These statements are hard to reconcile.

\(^{21}\) We derive this standard from the UN Declaration, which suggests that territorial sovereignty is predicated on representativeness and equal treatment. *See supra* note 20.

\(^{22}\) *See generally* Guido Calabresi & A. Douglas Melamed, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 HARV. L. REV. 1089 (1972). Although they are not exactly voluntary from the perspective of the parent nations, we consider these liability rule
Our framework therefore fills a gap in the legal system between the historical conception of regions as the property of the parent nation and the modern principle of self-determination in cases of human rights violations. That gap can be filled by a rule that, by allowing easier regional exit, incentivizes (a) parent nations to treat their marginal regions better (for fear that the region will attempt to exit) and (b) parent nations and regions to split up earlier when the relationship is not working (by providing for higher returns to both sides from an earlier exit).

As is the case with any conceptual framework, we do not expect this to translate directly into practice, nor is our goal to redraw the map. And yet the potential practical implications are hard to over-state. Most national borders combine regions that share affinities and interests and are more or less satisfied with their arrangements. But others do not. This is not surprising, since many contemporary borders were drawn at the whim of colonial administrators. Others are products of military conquest or royal decree, such as the King of X bequeathing a dowry for his daughter’s marriage to the King of Y. Though time has transformed some of these idiosyncrasies into stable national identities, other undesirable boundaries have worsened. Whatever the cause, the result is that some regions are in the “wrong” countries, and some sovereigns have contemplated changing borders—including through market transactions—in the way we have described. Consider the following:

- Threatened by a rising ocean, the island nation of Kiribati recently purchased territory in Fiji. The Maldives face a similar problem and are considering a similar solution. What rules of international law govern these purchases?
- In the lead up to the Falkland War, several of Margaret Thatcher’s senior advisors suggested that the United Kingdom avoid the conflict by “buying out” the islands’ few thousand residents, offering them $100,000 per family to transactions part of the broader market for sovereign control.

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24 Anthony Farrington, Trading Places: The East India Company and Asia, 50 HIST. TODAY 40 (2002) (noting that Portugal gave Bombay to England as part of the dowry of Catherine of Braganza, who married Charles II); see also ALASTAIR BONNETT, UNRULY PLACES 183 (2014) (recounting the story of two hundred enclaves near the India-Bangladesh border that were “won or lost in a chess game between the Maharajah of Cooch Behar and the Nawab of Rangpur in the eighteenth century”).

25 Laurence Caramel, Besieged by the Rising Tides of Climate Change, Kiribati Buys Land in Fiji, THE GUARDIAN (UK), June 30, 2014.

26 Id.
settle in Britain, Australia or New Zealand. But the plan was shelved, and a thousand lives were lost in the ensuing war. The UK now spends around $100 million annually to maintain a military presence on the islands, Argentina continues to demand their return, and the islanders themselves have voted overwhelmingly to maintain their citizenship (which, in turn, is the primary reason for the British military presence). What if Argentina offered the islanders $1,000,000 each to approve a change?

- In 1997, the United Kingdom ceded sovereign control of Hong Kong to China. Suppose that, having now had nearly twenty years of experience under Chinese rule, a supermajority of Hong Kong’s residents would like to return to British control. Can the people of Hong Kong pay China to shift sovereignty back to the UK?

As a practical matter, then, the importance of the issue is difficult to overstate. Many regions, especially those whose populations are a national minority, feel oppressed and ill-served by their current countries. Some try to secede, but such attempts are resisted even in the most progressive of countries. Other regions yearn not to strike out on their own, but to join different countries. This desire is often viewed with even more disfavor. As a result, undesirable borders typically stay in place until forcibly moved by secession or the intervention of some powerful external actor. As the situations in Kashmir, Jaffna, Iraq, and Ukraine illustrate, violence, instability, and poverty are frequent byproducts.

Our framework suggests possible solutions, drawn partially from market design, to these difficult practical questions. The first Part of the Article describes the elements of the mechanism we have in mind. Part II turns to the question of its legality. The final Part attempts to answer the most

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29 Argentina President Cristina Kirchner Renews Falkland Islands Claim at UN Meeting, The Telegraph (UK), Aug. 7, 2013.
30 Phila Seu & Tony Cheung, Poll Finds Fewer Hongkongers Identifying as Chinese, Thanks to Occupy, South China Morning Post, Nov. 11, 2014 (reporting a Chinese university survey showing that “Hongkongers’ sense of Chinese identity has hit a record low”); Poll Says Hong Kongers Would Prefer British Rule, Radio Free Asia, March 14, 2013, at http://www.rfa.org/english/news/china/hong-kong-03142013141313.html (reporting informal online poll suggesting that more than 90 percent of Hong Kongers would vote to rejoin the UK).
31 China Blocks British MP’s visit to Hong Kong, BBC News, Nov. 30, 2014 (quoting Lord Patten, the ex-British governor of Hong Kong: “When China asserts that what is happening in Hong Kong is nothing to do with us, we should make it absolutely clear . . . that it is not the case.”).
forceful criticisms we anticipate.

I. THE FRAMEWORK

A. Starting Points

Our proposal is based on a few basic beliefs about borders and international law.

The Problem of Borders

- There are regions and nations that would be better off with different national affiliations.
- Nations tend to resist border changes, because they do not want to allow their regions to become independent or to affiliate with another nation.
- This resistance, and the lack of incentives or mechanisms to overcome it, is the main obstacle to welfare-enhancing border changes.
- When changes do occur (usually because of violent secession or outside intervention), the rules are unclear with regard to what compensation the former parent nation should receive for matters such as national debt, past investments, and lost natural resources.

Legal Background

- Traditional international law permits nations to cede regions without the approval of the region’s residents.32
- A region that is severely oppressed, however, might have a right to remedial secession—to exit with no penalty.33
- These two options correspond with two contradictory principles of international law: territorial integrity for the sovereign and self-determination for the “peoples.”34

B. The “Market” Mechanism

Our goal is to design a mechanism that allows for welfare-enhancing

32 See infra Section II.A.
33 See infra Section II.B.
transfers of regions in a fashion that generally satisfies the primary constraints of international law (the principles of self-determination and territorial integrity) while giving parent countries more incentive to either govern their regions well or permit them to exit. We explore that system in market terms, and we contemplate and describe possible financial transactions, but these are a means rather than an end. Our goal is to improve governance, subject to the starting points noted above and—as much as possible—the international law described below. Changes to the international legal system are required, but they are in the nature of filling gaps in the system rather than rebuilding it.\(^{35}\)

1. Who Must Agree

The relevant parties are the impacted region, the acquiring nation or nations, and the parent nation. In our system, the region and acquiring nation would have to assent to any change. The parent nation’s power to veto a change would depend on its governance of the region.

The Impacted Region. Consistent with the principle of self determination, the population of a region would have the right to vote on whether to solicit, accept, or refuse governance bids from other nations.\(^ {36}\) The parent nation would be obliged to refrain from blocking or otherwise interfering with the vote,\(^ {37}\) and the vote would take place under internationally determined standards, with external monitors.

The Acquiring Nation. Nations wanting to exert sovereign control over a particular region could propose compensation to the people of the region for their approval and to the parent nation for its consent. The existing parent nation could also make a bid, as could the disaffected region, if it wanted independence.\(^ {38}\) Such compensation could take a range of forms, from lump sum financial transfers to land swaps and military and political obligations.\(^ {39}\) The only required element of the offer would be the option of

\(^{35}\) Nations can, in theory, get together and formulate a treaty to govern border changes. Our goal here is to see what can be done within the existing system.

\(^{36}\) For uninhabited territories, this step would be irrelevant—the negotiation would simply proceed between the disputant nations.


\(^{38}\) Our proposal would not guarantee international recognition of the new state. Christian Hillgruber, *The Admission of New States to the International Community*, 9(3) EUEUR J. INT’L L. 491 (1998) But the kind of sale we describe here would, most likely, result in recognition by the parent state, which would facilitate broader recognition. Id. at 504-05.

\(^{39}\) STRAUSS, *supra* note 9, at 104-07 (describing different forms of compensation for leases between countries).
citizenship for the people of the acquired territory.\footnote{This requirement would help prevent the risk of colonial-style oppression. Versions of the principle have appeared in international law and practice. See, e.g., Convention on the Reduction of Statelessness, Aug. 30, 1961, 989 U.N.T.S. 175, art. 10 (“(1) Every treaty ... providing for the transfer of territory shall include provisions designed to secure that no person shall become stateless as a result ... (2) In the absence of such provisions a Contracting State to which territory is transferred or which otherwise acquires territory shall confer its nationality on such persons as would otherwise become stateless”); Peter Spiro, A New International Law of Citizenship, 105 Am. J. Int’l L. 694, 721 (2011) (discussing similar problem in context of state succession).}

The Parent Nation. The power of parent nations to block realignment of their regions presents a thorny problem. Under the current system, there are two possibilities. At one extreme, parent nations have full and complete rights to transfer regions (population included) to other sovereigns or simply to give up sovereignty and abandon the population altogether.\footnote{See infra Section II.B.} At the other extreme, parent nations that severely oppress their regions can theoretically lose their right to control or be compensated for the loss of the region (the principle of remedial secession). Whether a nation can block the secession or realignment of a region therefore depends on how well the nation is treating that region, which the current system treats as a binary question that depends on the existence of significant oppression. Our proposal incorporates these two existing options and offers a third.

2. Three Approaches to Price-Setting

Our mechanism allocates the price-setting power to three different parties, depending on how well a region is governed: To the parent nation and region, in cases of good governance; to the global community (with a right of review through a court like the ICJ\footnote{We offer the ICJ as a possibility, not a perfect solution. See David Sloss, Using International Court of Justice Advisory Opinions to Adjudicate Secessionist Claims, 42 SANTA CLARA L. REV. 357, 389 (2002) (recognizing limitations and arguing that “the I.C.J. advisory opinion mechanism is an under-utilized tool that may be helpful in promoting political settlement of some secessionist disputes”).}) in cases of governance that denies representation or equal rights; and to the region itself in cases of outright oppression or genocide. These three approaches correspond with notions of the parent nation’s territorial sovereignty as dispositive, important, or irrelevant. Keeping with current international law, the choice between these options—the degree to which territorial sovereignty must be respected—depends on how well the parent nation is treating the region.

Category 1: Set By Parent (Property Rule in Parent). If the parent nation is providing representation and equal treatment to the people of a region, the only valid transaction is one in which the parent nation, region, and purchasing nation all agree on a price. The parent nation’s interest is generally protected by a property rule and it can veto any proposed transfer.
But whereas the traditional approach would also permit nations to unilaterally approve a transfer, we argue that the rule must take into account the modern right of self determination. That means that region must also approve any transfer—something that many have advocated and which many nations already do in practice.43

Category 2: Set By Region (Property Rule in Region). In cases of extreme oppression, a parent nation forfeits its ability to say no to a region’s departure. This is remedial secession; it transfers sovereign control to the region itself. Absent ex post negotiation, the parent nation receives no compensation for its prior investments in local natural resources, the region’s share of the national debt, and so on.

Category 3: Set By the World Community (Liability Rule in Parent – the Purchased Secession or Realignment). The gulf between the preceding options is wide. What interests us are those cases that fall between these two extremes, in the range of what one might call medium oppression—where a government has denied representation or equal treatment to the peoples of a region, but has not crossed the line into extreme oppression. The Canadian Supreme Court acknowledged this category in its opinion on the secession of Quebec:

[T]he international law right to self-determination only generates, at best, a right to external self-determination in situations of former colonies; where a people is oppressed, as for example under foreign military occupation; or where a definable group is denied meaningful access to government to pursue their political, economic, social and cultural development. In all three situations, the people in question are entitled to a right to external self determination because they have been denied the ability to exert internally their right to self-determination.44

The Court found that Quebec did not fall into the third category, but it is easy to imagine situations that do.45

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43 If flipped around, this principle rules out the possibility of forced secession or expulsion. The expulsion question, as the debates over Grexit illustrate, is quite complicated. We explore this question in Joseph Blocher & Mitu Gulati, Sovereign Expulsion, Duke Law Working Paper 2015.

44 See In re Secession of Quebec, 1998 Can. Sup. Ct. LEXIS 39. ¶¶ 128-135. Similar language is also found in the concurring opinion of Judges Wildhaber and Ryssdal in a 1997 case from the European Court of Human Rights. They wrote:

In recent years a consensus has seemed to emerge that peoples may also exercise a right to self-determination if their human rights are consistently and flagrantly violated or if they are without representation at all or are massively under- represented in an undemocratic and discriminatory way. If this description is correct, then the right to self-determination is a tool which may be used to re-establish international standards of human rights and democracy.


45 The current Ukraine-Crimea-Russia conflict seems a likely candidate. Joseph Blocher & Mitu
We propose that in these in-between cases the parent nation’s sovereign control should be protected by a liability rule rather than a property rule. This would permit regions to exit—at a market price, subject to review by a third party—when they have been denied representation or equal treatment, even if they have not been subject to extreme oppression.

Though the application of a liability rule in this context would be novel, the concept is not. Law often recognizes entitlements as legitimate while denying the holder of the entitlement the power to set the price. Such rules are typically preferred where transaction costs and holdout problems present obstacles to bargaining, or where for other reasons the holder of an entitlement should not be able to say no, but should receive some compensation. Many of these same reasons—including transaction costs and breakdowns in bargaining—support use of a liability rule to protect parent nations’ sovereign control in cases of regional oppression.

As a practical matter, the challenge is to define what kind of oppression is sufficient to trigger the liability rule. One possibility—which we adopt—is to peg the trigger to a threshold already found in international law. The UN Declaration suggests that the guarantee of territorial sovereignty extends only to “States conducting themselves in compliance with the principle of equal rights and self-determination of peoples and thus possessed of a Government representing the whole people belonging to the territory without distinction of any kind.” Our liability rule would cover the states that fail this threshold—that deny equal protection or representativeness giving their regions a right to leave at a price set by an

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46 The other possibility would be to vest the entitlement in the region and protect it with a liability rule—this means that a poorly governed region could be forced to stay, but would be entitled to compensation determined by a third party. We have vested the liability rule in the parent rather than the region partly because territorial sovereignty is the current default rule, and because our requirement of regional approval for any cession protects the right of self-determination.

47 See generally Calabresi & Melamed, *supra* note 22.

48 The prototypical example is of homeowners facing pollution from a socially valuable industry. The law will require damages to compensate them for their harm, but not give them an injunction to block the activity. See, e.g., *Boomer v. Atlantic Cement Co.*, 26 N.Y. 2d 219 (1970).


50 We adopt this standard because we want to hew as closely as possible to existing international law, but there are of course many other ways to define “bad” governments: those whose people are poor or dissatisfied, for example. Nations respecting our two requirements—equal protection and representativeness—will be subject to domestic political pressure with regard to these shortcomings, and so will hopefully address to them the degree possible. Outright oppressive regimes fall into our second category, and thereby lose the power to forbid exit.
auction. If the parent nation rejected this market-determined price, it could seek review with some international body such as the ICJ. This would mean vesting in this international body the power to determine when the liability rule has been triggered, and also the power to review challenges to the compensation that is provided to the parent nation in the case of a regional exit. This raises difficult questions of institutional design and authority, and we do not fully answer them here. Our inclination is to give the ICJ or a similar body jurisdiction over these questions.

3. Best Practices

The foregoing is an outline of elements that should be required for any transaction in the market for sovereign control. But as with any market, there are also other rules and principles that might be desirable, even if not strictly required. These might include:

- Require that the people of a transacted territory be given the option of retaining their current citizenship.\(^{51}\)
- Require super-majority approval of the transferred region and a simple majority vote of the parent nation, reflecting the comparative weight of the interests at stake.
- Set standards or pre-requisites for when regional votes must be permitted. Our inclination, given the costs and the low likelihood that the vote will be in the affirmative, is that the option to hold a regional exit vote should be held at larger intervals of time than typical local elections – maybe every 25 years.\(^{52}\)
- Require parent nations to publicize any offers of compensation received.
- Encourage compensation in the form of dedicated revenue streams—those providing some nexus between the form of compensation and the purchased territory.\(^{53}\)
- Forbid sales except in cases where all involved countries have sufficiently democratic governments and institutions.

Any or all of these practices might be desirable, but for now our goal is

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\(^{51}\) SHAUL ARIELI & DOUBI SCHWARTZ (WITH HADAS TAGARI), INJUSTICE AND FOLLY: ON THE PROPOSALS TO CEDE ARAB LOCALITIES FROM ISRAEL TO PALESTINE 75 (2006) (describing this as the current custom).

\(^{52}\) Democratic principles demand that incumbent political parties must stand for election every so often; why not hold the state itself to a roughly analogous standard?

\(^{53}\) For example, if a Hindu country were to purchase a Hindu region from a Muslim country in order to save its residents from religious strife, the purchaser might offer to build a mosque for the parent nation instead of simply writing a check. This might make the offer more politically palatable to the seller, and make it easier to determine, ex post, whether the buyer has performed its obligations.
simply to identify the minimum requirements for legitimacy.

II. THE LEGALITY OF TRANSFERRING SOVEREIGN CONTROL

International law is obsessed with borders. In many ways, the international legal order depends on them. Borders delineate nations, and are the building blocks of international law and politics. It is unsurprising, then, that international law has developed doctrines and institutions to address issues like cession of sovereign territory and border disputes. Although we have tried to respect existing rules—which is not always easy, given the internal tensions and conflicts—our framework would require some changes to the current system.

Current international law has created two diametrically opposed categories of cases—one in which nations can cede and acquire territory as they wish, with no need for regional approval, and another in which severely oppressed regions can secede or realign if they wish, with no need for national approval. These paradigm cases track the underlying legal concepts of territorial sovereignty on the one hand and self-determination and remedial secession on the other. If a region faces severe oppression or genocide, it can leave for free. If not, the parent nation can do as it wishes.

We generally accept these principles as fixed, with three exceptions—each of which are changes, but which better reflect modern trends in international law. First, we would require nations to secure a region’s approval before abandoning it or transferring it to another country. This additional restriction would help account for the self-determination interests of the relevant region, and could (perhaps paradoxically) encourage more transfers by legitimizing them.

Second is the introduction of the liability rule regime. In the current system, the only way a region can exit against the wishes of the parent nation is if oppression becomes so severe as to trigger the right of remedial secession. In our system, nations that substantially fail to satisfy their fiduciary-type obligations of non discrimination against the people of region would have to let the region depart but would be entitled to compensation. This middle ground would fill the gap between the two extremes.

Third, we envision other sovereigns evaluating the conditions in regions

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56 See, e.g., infra notes 36-37 and accompanying text (requiring nations to permit regional votes); note 40 and accompanying text (requiring that citizens in realigned regions receive citizenship in the new country); notes 44-49 (describing “liability rule” protection for countries that deny representation or equal rights).
57 See supra Section II.C.
outside their regions to see whether they could ally with those regions to help their people do considerably better than they are doing now. Under the current international law regime, even the contemplation of such a possibility could be seen as a violation of territorial sovereignty. But for a market to work, it is important for outside nations to be evaluating whether or not other nations are underperforming in the management of their own regions.

A. The Traditional Rule: Territorial Sovereignty and National Control

There are two primary sources of international law: treaties and custom. Because there is no general treaty regarding sales of sovereign territory, the relevant international rules are those derived from customary international law (“CIL”). The textbook definition is that CIL is present if two conditions are satisfied: (a) widespread practice among nations; and (b) performance of that practice by states out of a sense of legal obligation (\textit{opinio juris}). Given the near impossibility of identifying the subjective intentions of states, the doctrine translates as a practical matter to an examination of actual state practices and inferences from those practices, plus consideration of whether other states have objected to those practices or accepted them as legal.

To satisfy this definition, we must identify transfers of sovereign territory that were not said to violate international law. Such examples are widespread. In part, the historical record tells us:

- There have been numerous sales of territorial control between sovereigns at peace with one another. Examples in US history alone include the purchases of Louisiana from France in 1803, Florida from Spain in 1819, Alaska from Russia in 1867, and the Virgin

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58 Background treaty obligations regarding debt, political alliances, and so on could be implicated by a sale of sovereign control, but international law has already created tools that might be useful for that task. See \textit{generally} Vienna Convention on the Succession of States in Respect of Treaties, 1946 U.N.T.S 3, Aug. 23, 1978; \textit{Lassa Oppenheim, Oppenheim’s International Law} 679 (Robert Y. Jennings & Arthur Watts eds., 9th ed., 1992) (“[W]hen by cession or otherwise, a part of a state’s territory is transferred to another, a succession to certain rights and obligations associated with the transferred territory occurs.”).

59 \textit{Restatement (Third) of the Foreign Relations Law of the United States} § 102(2) (1987) (defining CIL as the law of the international community that “results from a general and consistent practice of states followed by them from a sense of legal obligation”).


61 The United States paid France $15,000,000 for 900,000 square miles of territory. \textit{See Jon Kukla, A Wilderness So Immense: The Louisiana Purchase and the Destiny of America} 335 (2004).


63 The US paid Russia $7,200,000 for 586,412 square miles of territory. \textit{See Treaty Concerning the Cession of the Russian Possessions in North America by His Majesty the Emperor of All the
Islands from Denmark in 1916. Similar examples abound from across the globe. Mumbai, for example, was part of the 1661 dowry given by the Portugese to Charles II of Britain.

- In addition to peaceful transfers, nations often buy and sell territory at the end of an armed conflict. After its war with Mexico, the United States purchased 525,000 square miles for $15 million and an agreement to assume claims against Mexico by private citizens living in that territory; after the Spanish-American War, it “purchased the Filipinos at $2.00 per head.” The Chinese grants of concessions in Shanghai to the British and the French in 1860 and the sale of Hong Kong and Kowloon to the British in the 1840s after the Opium Wars are further examples of what might be called war settlements.

- The 19th and early 20th centuries were full of what one might call contingent sales. Sovereign debtors would pledge streams of tax revenues (tobacco, guano, alcohol, salt, and the like) to foreign creditors. If the debts went unpaid and a settlement proved elusive, the foreign creditors would try to get their governments to send troops to take over the customs houses of the defaulting governments. These pledges of revenues were in effect contingent sales of sovereign control, and although many Latin American nations argued that the manner of their enforcement—gunboat diplomacy—was illegal, they did not challenge the underlying sale of sovereign control.

- Although outright sales of sovereign territory are no longer common, countries continue to buy and sell some degree of

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64 The US purchased the Danish West Indies from Denmark, in the process ceding US claims to portions of Greenland. Treaty on Cession of Danish West Indies, U.S.-Den., Aug. 4, 1916, 38 St. 1706.

65 Germany, for example, purchased the Caroline Islands and Northern Mariana Islands from Spain in 1899 for 25 million pesetas. See German-Spanish Treaty of 1899. German-Spanish Treaty of 1899, Ger.-Spain, Feb. 12 1899, Gaceta de Madrid, 1 de Julio de 1899 (Spain) available at http://www.boe.es/datos/pdfs/BOE/1899/182/A00001-00001.pdf. See also ARTHUR NUSSBAUM, A CONCISE HISTORY OF THE LAW OF NATIONS 128 (1950) (noting that “[t]reaties of the medieval type, by which a prince in one way or another, might dispose of his territory, are still found” in the 1700s).

66 See supra note 24.


69 See, e.g., Burghardt, supra note 8, at 238 (“In 1815, when Austria was forced to surrender the Netherlands, she obtained Venice and Milan as recompense; Sweden obtained Norway to compensate for her lack of Pomerania and Finland; the Netherlands received Belgium for surrendering Ceylon, South Africa, and Guyana to the British. In 1919 France requested control of the Saar Basin as a reparation for the destroyed coal mines in the north of France.”).
sovereign control from one another. Leases of land to foreign
governments for the construction and governance of military bases
and embassies involve limited cessions of sovereign authority in
exchange for remuneration.

In sum, there is abundant historical precedent for the sale of sovereign
control. Explicit sales, contingent sales, and leases of territory have been
occurring between sovereigns for hundreds of years.

The second requirement—opinio juris—is likely satisfied as well.
Treatise writers have long acknowledged the traditional rule that countries
have a nearly unbridled power to engage in cession, “the transfer of
sovereignty over state territory by the owner-state to another state.” As
Jennings and Watts note, such cessions require no approval of the affected
regions:

The hardship involved for the inhabitants of the territory
who remain and lose their old citizenship and are handed
over to a new sovereign whether they like it or not, created a
movement in favour of the claim that no cession should be
valid until the inhabitants had by plebiscite given their
consent to the cession . . . But it cannot be said that
international law makes it a condition of every cession that it
should be ratified by a plebiscite.

Contemporary scholars agree. Ratner notes that “states generally are free to
agree on the disposition of disputed noncolonial (or non-trust or –mandated)
territory and its ultimate borders as they see fit.” And Lee writes:

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70 See supra notes 9-19 and accompanying text. See also STRAUSS, supra note 9; Pass the
Hemlock, supra note 15 (“In an era of self-determination sales of territory have come to seem
anachronistic. But leases, involving a de facto transfer of control, are common. In 2010 Russia
extended a deal granting Finland a canal for 50 years, and gave Ukraine concessions worth €30
billion to park its fleet at Sevastopol for 25 more years.”).

71 This is not because embassies are the sovereign territory of the represented state, but because
international agreements typically give the premises of diplomatic missions some immunity from
local civil and criminal law. See Vienna Convention on Consular Relations, April 24, 1963, 21 U.S.T.
3227, 500 U.N.T.S. 95; Vienna Convention on Diplomatic Relations, Apr. 18, 1961, 23 U.S.T. 3227,
500 U.N.T.S. 95 [hereinafter Vienna Convention on Diplomatic Relations].

72 OPPENHEIM, supra note 58, at 679. See also R.Y. JENNINGS, THE AQUISITION OF TERRITORY
IN INTERNATIONAL LAW 16 (1963) (defining cession as “the renunciation made by one state in favour
of another of the rights and title which the former may have to the territory in question”). The process
by sovereign control over a region changes is also known as succession. IAN BROWNIE, PRINCIPLES
OF PUBLIC INTERNATIONAL LAW 651 (3d ed. 1979) (“State succession arises when there is a definitive
replacement of one state by another in respect of sovereignty over a given territory in conformance
with international law.”). See also Amos S. Hershey, The Succession of States, 5 AM. J. INT’L L. 285,
285 (1911) (describing a situation in which “a state acquires a portion of the territory of another
through cession or conquest” as “[p]artial succession”).

73 OPPENHEIM, supra note 58, at 684.

74 Ratner, supra note 1, at 811. Colonial territory is subject to the rule of uti possidetis, though
even that rule can be contracted around. Id. See also Joshua Castellino, Territorial Integrity and the
“Right” to Self-Determination: An Examination of the Conceptual Tools, 33 BROOK. J. INT’L L. 503,
“International law does not seem to prescribe any specific limits on the right of a state to cede its territory. Accordingly, ‘sovereign States are free to transfer any of their own territories to one another. . . . All that matters is that the cession takes place with the full ‘consent of the Governments concerned.”75

B. Modern Principles: Self Determination and Popular Control

The traditional customary rules thus permit governments to treat regions as their property, giving the people of the impacted region no say in cessions. We argue that this rule has lost its legitimacy, partially because it has fallen into disuse and partially because it is incompatible with modern principles like self-determination.

Emer de Vattel suggested as much centuries ago. Vattel accepted that cessions of sovereignty must be permitted in some cases even without public approval,76 but was generally more skeptical of the practice than some of his contemporaries (including Grotius).77 Vattel specifically rejected the idea that a nation could benefit itself by buying and selling citizens: A nation “has not, … a right to traffic with their rank and liberty, on account of any advantages it may expect to derive from such a negotiation.”78 The key factor for Vattel was that approval for such sales must be given by the true owners of the nation—the people: “[A]s the nation alone has a right to subject itself to a foreign power, the right of really alienating the state can never belong to the sovereign unless it be expressly given him by the entire body of the people.”79

In this respect, Vattel anticipated self-determination: the right of peoples

549 & n.262 (2008).
75 Seokwoo Lee, Continuing Relevance of Traditional Modes of Territorial Acquisition in International Law and a Modest Proposal, 16 CONN. J. INT’L L. 1, 10 (2000); see also 1 GEORG SCHWARZENBERGER, INTERNATIONAL LAW AS APPLIED BY INTERNATIONAL COURTS AND TRIBUNALS 303 (1957).
76 EMERICH DE VATTEL, THE LAW OF NATIONS, OR, PRINCIPLES OF THE LAW OF NATURE, APPLIED TO THE CONDUCT AND AFFAIRS OF NATIONS AND SOVEREIGNS, § 25, at 118 (Joseph Chitty ed., Philadelphia, T. & J.W. Johnson & Co. 1867) (1758). See also Stéphane Beaulac, Vattel’s Doctrine on Territory Transfers in International Law and the Cession of Louisiana to the United States of America, 63 LA. L. REV. 1327, 1345 (2003) (arguing that the “only exception” to Vattel’s requirement of public consent “is in situations of pressing necessity or danger to public safety (such as in the context of wars), which validate the cession of territory as between the parties to such treaties. As for the individuals living there, they are not bound by even such a necessary transfer unless they consent to it, which may be implied by their mere silence.”).
77 VATTEL, supra note 76, at § 30 (“I know that many authors, and particularly Grotius, give long enumerations of the alienations of sovereignties. But the examples often prove only the abuse of power, not the right. And besides, the people consented to the alienation, either willingly or by force.”).
78 Id. § 25, at 118
79 Id. at § 31-32.
and regions to choose their own national affiliations, for example through secession or realignment. The degree to which self-determination and concomitant rights like secession are mandatory rules of international law remains unclear, and we do not suppose that they are. But—whether out of obligation or not—many nations have long sought local approval of territorial secession, and many secessionist movements (including Scotland, Crimea and Catalonia in 2014) have held votes to assert that approval.

Whether or not it has achieved the status of an enforceable legal right, it is fair to say that self-determination has grown from an abstract aspiration to a principle recognized in foundational legal documents. Further, while this is a highly contested matter, there are many who see the right of self determination as having evolved to include a right of remedial secession in cases of severe oppression. The willingness to depart from traditional territorial sovereignty is also reflected in the idea that the world community has a “responsibility to protect” when human rights are threatened. The

80 See Allen Buchanan, Theories of Secession, 26(1) PHIL. & PUB. AFFAIRS 31, 33 (1997); Hurst Hannum, Rethinking Self-Determination, 34 VA. J. INT’L L. 1, 42 (1993) (similar). Our focus here is on international law, and so we do not address the degree to which domestic law might forbid secession—to some degree, as for example with our liability rule scenario, we are counting on the former to trump the latter.

81 See 1 OPPENHEIM’S INTERNATIONAL LAW 434-35, 455-57 (H. Lauterpacht ed., 5th ed. 1937) (noting that even when territory is obtained through prescription, it is typically ratified by plebiscite). See also Eyal Benvenisti, The Origins of the Concept of Belligerent Occupation, 26 LAW & HIST. REV. 621, 628 (2008) (crediting 18th century French practice for the norm that cessions of territory are not valid unless popularly approved); Waters, supra note 17, at 21-22 (noting that although “there is no actual obligation,” there is “precedent for the practice of consulting an affected population”).


underlying idea is that states which fail to protect their people from mass atrocities lose their right to territorial integrity; the global community, with appropriate authorization from the United Nations, can now intervene.\textsuperscript{85} Indeed, we suspect that the growing strength of the self-determination right helps explain the lack of sovereign sales in the wake of World War II.

\textbf{C. Filling the Gap}

These two extreme positions—one giving absolute control to the parent nation, the other giving absolute control to the dissatisfied region—leave a gap. It has been said that “the defining issue in international law for the 21\textsuperscript{st} century is finding compromises between the principles of self-determination and the sanctity of borders.”\textsuperscript{86} How can a self-determination norm co-exist with nations’ absolute power to maintain or cede regions? What about regions that are substantially underserved by their parent nations, but not quite oppressed?

First, like Vattel, we would require regional approval for cessions. This would mean imposing more restrictions on parent nations than the traditional approach appears to do, but it would better satisfy the two-part definition of CIL. As to the requirement of widespread practice, we are not aware of any country selling a populated region in at least a half century.\textsuperscript{87} And as to the \textit{opinio juris} requirement, the increasing acceptance of self-determination as a right and not simply an aspiration suggests that Vattel was right all along. Together, this indicates that the regional consent requirement is consistent with underlying principles of international law.

Our second and third departures from international law—the protection of territorial sovereignty with a liability rule in cases of ill-governed regions and allowing outside nations to search for underperforming regions in other nations—do not square with historical international practice, and therefore, traditional CIL. The empirical evidence on how courts find customary international law, however, is that the textbook CIL definition is, for the

\textsuperscript{85} See Report of the Secretary General, supra note 95; see also Gareth Evans, \textit{From Humanitarian Intervention to Responsibility to Protect}, 3 WIS. INT’L L. J. 270 (2006).


most part, followed only in the breach.\textsuperscript{88} Instead—and here we are necessarily being more speculative—courts appear to employ a kind of common law process using historical evidence to identify customary rules that will enhance global welfare. We think our framework would be consistent with a welfare-enhancing judicial perspective.\textsuperscript{89}

The current system imposes massive welfare costs, because the threshold for remedial secession is so high\textsuperscript{90}—in practice, it seems that a region must suffer serious human rights violations before it can leave.\textsuperscript{91} Our goal is to prevent these severely oppressive scenarios from arising in the first place, by providing a mechanism that respects territorial sovereignty while giving nations more incentive to permit welfare-enhancing changes in sovereignty. A market for sovereign control has the potential to do just that, because somewhat-oppressed regions wanting to leave a country could in effect buy their way out of a bad situation. If the people of region X would rather live in Country B than Country A, they can bid—rather than fight—for their freedom. If Country B supports the move, perhaps because of historical or ethnic kinship with the residents of X, then it can facilitate the move by adding consideration to the bid.

This approach represents a better negotiation of the conflicting principles of territorial integrity and self-determination. In our system, even mildly oppressive countries will be entitled to compensation for a loss of sovereign territory. On the flip side, territories will be given self-determination, but will have to pay for it. Our proposal delivers neither full territorial integrity nor an unencumbered right of self determination. But it does accommodate both of those conflicting principles.

The transactions we have in mind will not be feasible in every secession dispute. Given the politically and emotionally fraught scenarios that lead to such disputes, there will often be gaps between asking and offer prices. Countries may be unwilling to give up territory they consider to be part of their identity; people may be unwilling to pay for something that they think


\textsuperscript{89} Curtis A. Bradley, Customary International Law Adjudication as Common Law Adjudication, in CUSTOM’S FUTURE: INTERNATIONAL LAW IN A CHANGING WORLD (Curtis A. Bradley ed. 2015, forthcoming); see also BRIAN D. LEPARD, CUSTOMARY INTERNATIONAL LAW: A NEW THEORY WITH PRACTICAL APPLICATIONS 98-99 (2010) (similar); Flomo v. Firestone, 643 F.3d 1013, 1016 (2011) (“Customary international law thus resembles common law in its original sense as law arising from custom rather than law that is formally promulgated”) (Posner, J.).


\textsuperscript{91} Burghardt, supra note 8, at 232.
is their right.

In such situations, outside funding might be available. After all, violent secessions are costly to the international community in terms of money spent and lives lost. Rather than pay for military intervention or nation-rebuilding, international organizations might prefer to facilitate border-changing treaties by simply buying out a nation’s claim. Similarly, a neighboring nation—perhaps the one that the region wishes to join—might top up the territory’s bid with funds of its own.

Fig. 1. Elements of the Framework*

| Category 1 | Category 2 | Category 3 |
| Who “Owns” Sovereignty | Parent Nation | Region | Parent Nation |
| Who Must Approve | Parent Nation and Region | Region | Region |
| Who Sets Price | Parent Nation and Region | Region | 1. Auction; 2 ICJ (if price disputed) |
| Corresponding Legal Principle | Territorial Sovereignty | Self-Determination (or Remedial Secession) | Combination of Territorial Sovereignty and Self-Determination |
| State of Governance | Good (Strong Default Rule) | Oppressive or Genocidal | Denies Representation or Equal Rights |
| Possible Example | UK and Scotland | Indonesia and East Timor | Ukraine and Crimea |

*Italicized portions represent changes to the current system.

III. THE FOUR HORSEMEN

We have phrased the following “four horsemen” so as to capture the tone of the objections we have heard to the framework we have described, and specifically to the idea of a market for sovereign control.

A. War

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92 Development aid in 2013 was approximately $138.4 billion. OECD, AID TO DEVELOPING COUNTRIES REBOUNDS IN 2013 TO REACH AN ALL-TIME HIGH, http://www.oecd.org/newsroom/aid-to-developing-countries-rebounds-in-2013-to-reach-an-all-time-high.htm (last visited December 15, 2014). Roughly a quarter-million troops were involved in peacekeeping operations. See Jane Dundon, GLOBAL TRENDS IN PEACEKEEPING OPERATIONS, IN STOCKHOLM INTERNATIONAL PEACE RESEARCH INSTITUTE YEARBOOK 2013, at 61, 63 (reporting approximately 233,000 troops deployed in 2012).
Stable boundaries help prevent conflict. Competition for sovereign control has led to global catastrophe twice in the last century and to countless smaller conflicts and wars. Sure, some boundaries are “wrong.” But the remedy you propose would kill the patient. If you want to do something for peace, put this article into a desk drawer and never speak of it again.

International law strongly favors stable borders on the they that stable boundaries will discourage violent conflict. This supposition is reflected in doctrines like *uti possidetis*, which freezes the borders of newly independent states based on boundaries drawn by colonial administrators, even when those borders seem to conflict with principles of self-determination.

The premise is debatable. Despite the stability norm, borders are frequently disputed both internally and externally. And borders can and do change peacefully—consider the “velvet divorce” dividing Czechoslovakia into the Czech Republic and Slovakia. But we will assume for the sake of argument that stability does lessen violence both at the domestic level (by reducing potentially explosive struggles) and the international level (by discouraging interference with other nations’ affairs). The question is whether our framework would do better.

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93 See also Jennings, supra note 72, at 70 (“[T]he bias of the existing law is towards stability …. This is right, for the stability of territorial boundaries must always be the ultimate aim.”); Stuart Elden, Contingent Sovereignty, Territorial Integrity, and the Sanctity of Borders, 26(1) SAIS REV. OF INT’L AFFAIRS 11, 11 (2006) (identifying “territorial preservation of existing boundaries” as a central tenet of the international political system).

94 Paulsson, supra note 54, at 122. The doctrine of *uti possidetis* is often defended or explained on these grounds. See, e.g., Resolution Adopted by the First Ordinary Session of the Assembly of Heads of State and Government Held in Cairo, UAR, from 17 to 21 July 1964: Border Disputes Among African States, OAU Doc. AHG/Res. 16(I) (1964).

95 Frontier Dispute (Burk. Faso v. Republic of Mali), 1986 I.C.J. 554, para. 20 (Dec. 22); Elden, supra note 93, at 12.

96 Cf. Case Concerning the Frontier Dispute (Burkina Faso/Mali), 1986 I.C.J. 554, 567 (22 Dec. Judgment) (recognizing the conflict between the *uti possidetis* and self-determination, and concluding that maintenance of the status quo was “the wisest course” so as to “prevent the stability of new states being endangered by fratricidal struggles”).


99 Paulsson, supra note 54, at 123 (noting 129 such conflicts, covering “roughly one-third of the then existing land boundaries,” between 1950 and 1990) (citing PAUL K. HUTH, STANDING YOUR GROUND: TERRITORIAL DISPUTES AND INTERNATIONAL CONFLICT (1996)); see also Burghardt, supra note 8, at 226.

1. Preventing Incipient Conflicts

We begin by considering the likelihood of incipient armed conflict in the case of disaffected regions. Violence is likely to be a function of three factors: the degree of unrest in the region, the parent nation’s toleration of dissent, and the willingness of other nations to intervene.\(^{101}\) We consider each in turn.

1. Degree of Regional Unrest. Under the current system, as in ours, regions with low levels of unhappiness are unlikely to give rise to violence. In the current system, such regions are likely to accept their lot; in our system, they might explore the possibility of a change in sovereign control but are unlikely to push for it.

When a region is deeply unhappy, however, armed conflict is more likely. In the current system, the residents of such a region might try to fight their way out of the parent country, or to increase the cost of affiliation to a level that the nation is unwilling to bear. The residents might even seek military support from other nations. The result is a powder keg.

Under our proposal, the incentives are different. The availability of a market solution gives the region an exit option it did not have before—a means by which to leave a volatile situation. Violent conduct will be counterproductive, since secessionist movements will want to demonstrate to other nations that they could thrive with a new affiliation, not that they are unstable.

2. Toleration of Dissent. In nations that tolerate dissent and are unwilling to constrain secessionist movements by force (for example, the UK with Scotland in 2014), there is little risk of regional disaffection causing war. Decisions will be made peacefully under both the current system and our alternative.

But when nations do not tolerate dissent, the market for control is likely to outperform the present system. Under the current system, nations can and do use their police powers to do things like ensure domestic law and order or protect their territorial integrity. So long as they do not go too far—and the threshold is high—they can use these powers to quash dissent. Our proposal would reduce the incentives for doing so, and would give the parent nation an incentive to find a better match for its unhappy partner, particularly since fraught regional affiliations are costly.

3. Outside Intervention. Under the current system, a foreign government that would obtain a high benefit from secession might be willing to provide

\(^{101}\) There is a vast literature on the causes of war, and we do not mean to suggest that this framework is the only way to think about the issue. See *generally* Causes of War (Jack S. Levy & William R. Thompson, eds. 2009).
support to people of the disaffected region. Such investment can fuel the fire of domestic conflict. Under the current system, secessionist movements have a perverse incentive to escalate the conflict so as to justify outside intervention. Under our proposal, a foreign government that supports a disaffected region could pay the existing nation to allow the secession, rather than using resources to escalate whatever nascent conflict might exist.\footnote{The marginal cost of a financial bid might be higher than that of military action, at least where the military itself is already equipped and ready to fight. Indeed, as a domestic political matter there may be benefits to military posturing or skirmishing. We cannot fix that problem, but we do not worsen it, either.}

For all three factors, then, our framework would likely prevent armed conflict better than the current system. To be sure, our proposal would bring back an element of competition for territory. However, managed through a market for sovereign territory, such competition could not only improve domestic political responsiveness by giving nations more incentive to treat their people well, but would lessen the risk of international conflict by increasing economic interdependence.

The winners of the competition in a market for sovereign control will not be, as in the past, the nations that have the most powerful militaries. The winners will be the nations that can (a) best provide citizens of the various dissatisfied regions with an expectation of future flourishing and (b) pay the parent nation compensation for the acquisition of the new territory. Escalating conflict will make it harder, not easier, to prevail in this regard.

A market for sovereign control would reduce the incentives for potentially violent outside interference by would-be acquirers. The acquiring nation needs the approval of the populace of the territory. It therefore has incentive to persuade the populace of the benefits that it can provide as compared to those that might be provided by other suitors, including the parent nation. An outside nation, if it does stir up local support for secession, will not necessarily reap the benefits of its misbehavior. It might succeed in breaking up the existing relationship, only to lose out to another would-be suitor that has behaved better.

We might be wrong; perhaps the introduction of a market for sovereign control will either incentivize or provide a smokescreen for bad behavior. A parent country might further mistreat a dissatisfied region in order to force it to accept a sale.\footnote{If the nation went too far, however, it might trigger remedial secession and therefore lose the region entirely with no possibility of compensation.} A dissatisfied region might make things hard on its parent country for the same reason. Similarly, would-be acquiring nations might try to destabilize a nation or its regions in order to create the possibility of a sale. Current international law cannot prevent this, and neither can our proposal. But the market would create desirable alternatives.
Instead of spending resources on an invasion and dealing with sanctions and rebellions, nations would be incentivized to use their resources to make an attractive offer.

One might also argue that the most serious risk of violence comes not from outside nations that want a transaction, but from those hoping to stop one. In most cases we would expect that sales of sovereign territory will enhance the welfare of neighboring nations, since improvements to a neighbor’s economic circumstances tend to create positive externalities. But there will also be costs, since neighboring nations may have to alter their defense plans and economic policies to deal with changes in their neighbor’s national identity. A market for sovereign control would provide a mechanism by which to take these interests into account: third parties could participate economically, for example by adding funds to a territory’s bid for independence.\footnote{Cf. Ratner, supra note 1, at 823 (“[T]he international law on territory points toward substantive solutions during negotiations, whether offered by the parties or by outsiders.”).}

Finally, our introduction of a liability rule could theoretically lead to violence, for example if a parent nation refused to accept a purchased secession or realignment. We cannot rule this out—it is the same problem that arises in the context of remedial secession and self-determination. But we predict that the net benefits would be positive. The region’s exit might prevent a civil war, after all. And while the parent nation would not have a right to say no, it would at least receive compensation, which should limit its interest in going to war.

2. Resolving Existing Disputes

A second set of cases consists of situations where two or more nations have laid claim to the same piece of sovereign territory, and the dispute has already begun. Such disputes are common,\footnote{See supra note 99 and sources cited therein.} and while some seem harmlessly absurd,\footnote{Machias Seal Island is roughly equidistant from New Brunswick and Maine, and is the subject of a sovereignty dispute between Canada and the United States. Canada’s Department of Foreign Affairs maintains a lighthouse on the island “for sovereignty purposes,” and pays for two Canadians (the island’s only inhabitants, besides seals and puffins of indeterminate nationality) to stand watch in month-long shifts. Stephen Kelley, Good Neighbors, Bad Border, N.Y. TIMES, Nov. 27, 2012, at A31. For decades now, “Denmark and Canada have clashed over their competing claims to a small, uninhabitable rock known as Hans Island.” Christopher Stevenson, Hans Off!: The Struggle for Hans Island and the Potential Ramifications for International Border Dispute Resolution, 30 B.C. INT’L. & COMP. L. REV. 263, 263 (2007). It has now become a tradition for Danish visitors to leave a bottle of aquavit on the island. Canadians retaliate with bottles of Canadian whisky. Id. at 267 & n.30. Ratner points to similar actions, for similar reasons, in the Spratly Islands. Ratner, supra note 1, at 820. (“The results are the displays of Chinese, Taiwanese, Filipino, Vietnamese, Bruneian, and Malaysian}
into violence.\textsuperscript{108}

Despite some successes, existing international law and legal institutions have struggled to resolve conflicts over sovereign territory.\textsuperscript{109} The result is that “[t]erritorial negotiations seem dominated by power, politics, bargaining and compromise; determining the role for law in this process has seemed almost impossible.”\textsuperscript{110} A market for sovereign control could facilitate settlement by permitting countries to buy out each other’s claims. Parties can, after all, negotiate even when entitlements are unclear or disputed, just as they do in other kinds of settlement.\textsuperscript{111} These resolutions, once entrenched in treaties, would outrank other factors like \textit{uti possidetis} and inherited title.\textsuperscript{112}

Our framework would not be a perfect solution to international disputes. Countries will undoubtedly continue to pursue armed conflict, for reasons of national pride, over-confidence, leaders’ narrow interests, failure to predict costs, and so on.\textsuperscript{113} But the market alternative provides one more possibility for avoiding war, and we would be satisfied even if it can do so even once.

We have hope that it would. Simply bringing the parties to the table to talk about a transaction might get them to focus on one another’s interests and thereby help avoid bloodshed.\textsuperscript{114} Purchase will often be cheaper than

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\textsuperscript{authority in the islands, to the point of planting flags and hapless sailors on uninhabitable rocks.”.}
\textsuperscript{108} Paul R. Hensel, Charting a Course to Conflict: Territorial Issues and Interstate Conflict 1816-1992, in A ROAD MAP TO WAR: TERRITORIAL DIMENSIONS OF INTERNATIONAL CONFLICT 115, 130-132 (Paul F. Diehl ed., 1999) (arguing that territorial disputes are more likely to lead to violent conflict than other kinds of international disputes).
\textsuperscript{109} Todd L. Allee & Paul K. Huth, Legitimizing Dispute Settlement: International Legal Rulings as Domestic Political Cover, 100 AM. POL. SCI. REV. 219, 220-21, 229 (2006) (showing that of 1490 cases of territorial negotiations involving 348 disputes from 1919 to 1995, 30 resulted in pursuit of judicial or arbitral solution); Ratner, supra note 1, at 821 (“The absence of compulsory jurisdiction outside Article 36(2) of the ICJ Statute and compromissory clauses in treaties means that only in rare cases does the law require two sides to face an adjudication of their border dispute.”).
\textsuperscript{110} Ratner, supra note 1, at 808.
\textsuperscript{112} Territorial Dispute (Libya/Chad), 1994 ICJ Rep. 6, 35, para. 73 (Feb. 3) (declining to consider arguments based on \textit{uti possidetis}, inherited title, or spheres of influence because the disputed borders were defined by treaty); Castellino, supra note 74, at 566 (“The law as it stands suggests that \textit{uti possidetis juris} lines may be modified by consent.”); Brian Taylor Sunner, Note, Territorial Disputes at the International Court of Justice, 53 DUKE L.J. 1779, 1804 (2004).
\textsuperscript{113} Paulsson, supra note 54, at 124 (“Not all boundary disputes can be reduced to an economic equation. States may contest territory that has no resource value but that has emotional significance or strategic military value. For example, there seem to have been few resources at stake in the dispute between Argentina and Chile in the \textit{Lagunda del Desierto} arbitration.”).
\textsuperscript{114} See ROGER FISHER & BILL URI, GETTING TO YES: NEGOTIATING AGREEMENT WITHOUT
\end{flushleft}
A Market for Sovereign Control

war, and the international community might prefer to help fund a purchase than a military intervention or a post-conflict nation-building effort. Even in volatile or war-torn areas, sales can sometimes provide a peaceful solution. Notably, Egypt and Israel were able to resolve their dispute over the Taba hotel strip (held by Israel following the 1967 and 1973 wars) through arbitration and negotiated purchase.\textsuperscript{115}

B. Colonialism

Trading sovereignty will lead to colonialism—rich countries, as they did a century ago, will use manipulative and coercive techniques to take over the poorest nations, just as surely as if they had invaded with armies. History shows that countries will leverage economic power into political power. Your proposal will produce a new era of imperialism.

The colonialism argument comes in at least three forms. The first is that countries and regions will, perhaps because of coercion, assent to undesirable proposals. Second, to the degree that transfers of sovereign control import or rely on domestic rules—in defining what counts as consent, for example—introduction of a market could exacerbate existing problems by allowing nations to effectively sell out their regions. Third, within the liability framework, the diminishment of territorial sovereignty would give the ICJ (or other international body) power that might be used to disfavor certain nations.

One response to each of these objections would be to limit transfers to regions and countries that meet certain prerequisites: high levels of education and civic involvement, for example, or strong democratic institutions. This would eliminate the liability rule transfers, and lessen concerns about nations selling citizens without their informed consent, while preserving an important role for the market in the cases like Scotland, Quebec and Catalonia.

But it would be a pity to deny the benefits to the regions that need it the most. We see three reasons not to fear this market devolving into an imperialist project. First, any time a territory is transferred from one country to another, its residents must be given citizenship in the new country. Second, the residents must approve any such transfer, and thus have the


\textsuperscript{116} Alan Cowell, Israel Gives Disputed Resort to Egypt, N.Y. TIMES, March 16, 1989 ("Egypt paid $37 million for the hotel and agreed to allow easy Israeli access to it in negotiations that resolved the last obstacles to the return.").
right to refuse. Third, bad choices about borders will not be set in stone; the mechanism makes it easier to reverse them.

The citizenship requirement puts pressure on the acquiring nation to share its resources with its new residents and respond to their concerns, consistent with domestic laws. Under colonialism, the reverse was true: Conquering nations extracted resources from their colonies and the colonies’ people while denying them citizenship and therefore preventing political or other repercussions.

Because it raises the cost of an acquisition, the full citizenship requirement should deter rich nations who might otherwise rush out to purchase sovereign control over poor regions. One need only consider the lack of enthusiasm that rich nations have for immigration from impoverished nations. Indeed, critics of our proposal might suggest that its flaw would not be a lack of supply, but of demand.

The second protection against colonialism is the right of transacted territories to say no. Unlike colonialism, the acquisition of territory in our mechanism will be made not by force, but by consent. Here, dissatisfied regions will choose which outside nations can best help them thrive. That reverses the traditional pattern of colonialism. If there are concerns about misinformed, coerced, or fraudulent voting, international monitors and institutions can step in.

Historically, such fraud has been a problem. In many cases, “territory was acquired through subsequent cession—using unequal and even fraudulent treaties—subjugation, and, in some instances, quasi-prescription claims.” But international law has come a long way. Under contemporary law, coercive agreements are voidable. The Vienna Convention on the Law of Treaties identifies coercion and threat or use of force “in violation of the principles of international law in the Charter of the United Nations” as a basis for voiding a treaty. The same principles would void a coercive

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117 We do not assume that countries necessarily treat their citizens equally in all respects—most nations, including the United States, do not. See Juan R. Torruella, The Insular Cases: The Establishment of a Regime of Political Apartheid, 29 U. PA. J. INT’L’L. 284 (2007). But we assume that most countries treat their own citizens better than non-citizens.

118 “Should the U.S. Merge With Mexico?”, Freakonomics.com, Nov. 6, 2014 (radio broadcast transcript) quoting Austan Goolsbee on the possibility of a U.S.-Mexico merger: “[G]iven the fiscal set up of the US, if you’re going to add 60 million people who make less than $5,000 a year, under our current system, you’re going to have massive transfer payments and subsidies from what are now the United States to the new states that are formerly of Mexico.”

119 See infra Section III.D.

120 The OSCE Office for Democratic Institutions and Human Rights (ODIHR) is just one prominent example of an institution that already does this kind of work.

121 Castellino, supra note 74, at 533.

treaty of cession.\footnote{Bautista, supra note 68, at 11 (“Clearly, a treaty of cession is void if it arises out of an act of annexation procured by the threat or use of force in violation of the U.N. Charter.”).}

Critics might not be satisfied with these two protections against colonial domination. Perhaps we have put too much faith in international law and institutions. The liability rule regime in particular would empower the ICJ (or something like it) to make determinations about which countries have governed their regions well enough to retain them. Perhaps the ICJ will disfavor poor, weak, or non-Western governments, thereby becoming a roving colonialism commission—determining which regions can be purchased and for how much.

We do not think this is likely. Problems of definition and enforcement have always plagued international law, but the market for sovereign control would be no more susceptible to them than other foundational projects, including international human rights law. We have not precisely defined the threshold for the liability rule, for example, but neither has international law defined the standard of oppression needed for remedial secession.\footnote{See Why the Crimean Referendum is Illegitimate (Interview with John Bellinger), Council on Foreign Relations, March 16, 2014, available at http://www.cfr.org/ukraine/why-crimean-referendum-illegitimate/p32594.} And not trying at all means letting underserved regions continue to suffer in the legacy of colonialism: a high price to pay to avoid a fear of future colonialism.

One might nonetheless object that our mechanism would introduce an element of colonialism by exacerbating inequality between rich and poor nations.\footnote{Indeed, this can happen even in the absence of any coercion or information failures. See Stuart Banner, Conquest by Contract: Wealth Transfer and Land Market Structure in Colonial New Zealand, 34 L. \\& Soc’y Rev. 47 (2000)} It is true that a market for sovereign control, like any market, would favor the rich in that they would be able to buy regional control whereas the poor would only be able to sell. But, as in those other markets, locking out the poor can harm their interests more than letting them in. The market would give them a chance at something better.

We do not doubt the strength of nations’ desire to expand their sovereign control.\footnote{See supra notes 9-19 and accompanying text.} In fact, we are counting on it. What we hope to accomplish through a market for sovereign control is to transform that demand into value for poorer nations. So long as the rightful “owners” of the valued good—here, the people of the territories that rich nations might seek to acquire—have the right to say no, then the strength of the desire for sovereign control means a higher price.\footnote{Who “pays” that price is of less import—it might come directly from the acquiring nation, or from the parent nation as a way of obtaining the necessary consent.} Recognizing, protecting, and facilitating trade in that right should help alleviate existing inequality.
C. Anti-Democracy

There already exists a mechanism by which countries and their people can choose to alter borders: It’s called democracy. Your framework would undermine political participation and introduce the kind of commodification that corrupts democratic values.

Although our framework employs a market mechanism, we are not attempting to put markets ahead of governance, but rather to activate a market for governance. Our proposal could be described as a form of global democracy rather than as a “market” for sovereign control. Borders would remain important, but people would be able to look beyond them when choosing their laws and leaders. In doing so, they could place whatever value they want on “non-economic” values and preferences such as stability, cultural similarities, shared language, and historical affinities. Moreover, the “compensation” given to nations and regions need not be, and almost surely would not be, purely financial—it might include land swaps, military obligations, trade agreements, or cultural resources.

Such a mechanism would, we think, serve democratic values better than the current system. As it stands, international law appears to give nations the power to abdicate sovereign territory without either obtaining approval from the territory’s residents or giving them a choice regarding citizenship. For example, the UK gave up control of Hong Kong and Kowloon in 1997, despite the fact that neither the UK nor China sought the permission of the inhabitants of those regions. Nor were the citizens of the region offered UK citizenship. The same was true of Portugal and Macau in 1999, Australia and Papua New Guinea in 1975, and many other situations since World War II. In none of these cases did the colonial power either obtain popular approval from the inhabitants before abdicating control or allow them to retain citizenship.

In other words, borders can and do change hands in the current system in ways that are far less democratic than what we propose. In our

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128 Michael Ignatieff, Scots Have Revived the Majesty of Democracy, FIN. TIMES, Sept. 19, 2014 (arguing that the interdependence of Scottish and British identity helped prevent secession).

129 More recently, Gibraltar has unsuccessfully demanded a vote as part of the discussions between England and Spain about its status. See Gibraltar Demands Veto on Future Status, BBC NEWS, Oct. 31, 2001, at http://news.bbc.co.uk/1/hi/world/europe/1630056.stm (quoting Josep Pique, Spanish Foreign Minister: “The people of Gibraltar cannot have the right of veto over matters being discussed by two sovereign states.”).

130 Waters, supra note 17, at 23-25 (describing border changes from the First World War through the Cold War, and noting that “in none of the cases has assignment been subject to approval by the affected populations”).
framework, where rights lie both with the people inhabiting the region and the parent nation, approval from the inhabitants is a precondition to any transfer of sovereign control. Concretely, the UK would not have been allowed to give away Hong Kong and Kowloon without prior approval from the citizenry.

Adding a monetary consideration to this process would not make it any less democratic. Consider an analogy to immigration. Recent figures suggest that a quarter billion people—roughly 3% of the world’s population—are migrants. They, the countries they left, and the countries that accepted them, have all acted largely on the basis of economic considerations—a market of sorts. Immigrants from poor countries are attracted by valuable goods such as better educational opportunities, more jobs, less corruption, lower taxes, cleaner roads, health insurance, and so on. Likewise, countries decide which would-be immigrants to accept based on their current wealth and future earning potential. The U.S., for example, facilitates immigration for those who are willing to invest a certain dollar amount or create a certain number of American jobs. Multiple EU nations, including Portugal, Spain, Greece and Malta, offer visas and passports to foreigners who are willing to spend specified amounts of euros on purchasing property.

In short, a “market” for nationality—and therefore sovereign control—already exists. Selling sovereign control over a particular territory would mean permitting group or regional immigration, which would in many ways be more democratic than the existing market for immigrants. By forcing marginalized communities to exercise their exit rights at an individual level, the current structure reduces their ability to engage in collective bargaining with their unsatisfactory governments. Individuals who find themselves unable to fully thrive under a particular national system but do not have the political clout to produce local change (for example, Tamils in Sri Lanka,

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133 See, e.g., Immigration and Nationality Act (INA) § 203(b)(5), 8 U.S.C. § 1153(b)(5) (facilitating green cards for immigrants who invest $1,000,000, or at least $500,000 in a targeted employment areas). In some instances, groups of would-be immigrants have worked collectively for 203(b)(5) purposes. David Barer, Chinese Investment Could Kick-start Pflugerville Office Construction, Community Impact (Austin, TX), Nov. 13, 2014 (describing “Project Great Wall,” a joint project in Pflugerville, Texas, of three dozen Chinese investors seeking green cards).

Muslims in Kashmir, or Rohingya in Myanmar), have an incentive to expend resources to move—to exercise an exit option rather than try to change improve their existing government. Their departure reduces domestic political pressure and saps the resources of the community they leave behind.

Such market-driven competition is likely to enhance democratic responsiveness. The desirability of inter-jurisdictional competition for citizens has been described as a general matter by Charles Tiebout, and within specific domains (corporate law, for example) by many others. These accounts have been criticized on the basis that jurisdictional competitions are plagued by transaction costs, because residence is sticky—the practical and legal barriers to immigration are high. Our proposal would overcome these criticism by bringing the new governing power to the people, rather than forcing them to go to it.

Elements of this idea are already evident in international practice. The idea behind free trade zones—or any choice of law system—is to use elements of another country’s legal regime. Nations commonly set up special economic zones with distinct rules. The charter city movement has sought to establish cities that would be located in poor countries but governed by the legal and political systems of rich ones. A market for sovereign control would add to this process, permitting an alteration of national borders to reflect the change in governing authority.

Of course, by facilitating exit, the market could arguably corrode democracy by decreasing the relative value of loyalty and voice, thus lessening people’s incentive to fix broken systems. But voices for change tend to be more effective when backed by a credible threat of departure. Nations that want to keep a dissatisfied region will have more incentive to be democratically accountable to it. As far as commodification itself, our proposal comes too late to cause much additional harm—as noted above, governments already sell public land and yield sovereign functions; our market would simply combine those transactions.

Two democratic objections remain. First, nations subject to the liability

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139 See supra notes 9-19 and accompanying text.
rule would have no choice but to accept purchased secessions and realignments from dissatisfied regions, which means that not all transactions would be fully voluntary. This is true as far as it goes, but the liability rule regime only applies to countries that deny representation or equal rights to their regions, so the net effect on democratic values would probably be positive. Because nations will almost certainly want to avoid the liability rule framework altogether, they will have an incentive to provide representation and equal rights.

Second, we have said that what counts as a legitimate “approval” at the regional or national level must be determined by reference to domestic standards. This raises a risk that undemocratic nations will purportedly approve sales that are not in the interests of their citizens. Our hope, though, is that the existence of a background market for sovereign control will increase pressure on totalitarian regimes.

D. Impossibility

Even holding aside the astounding transaction costs, there is no demand in this supposed “market.” The immigration policy of every industrialized nation is highly restrictive, which is evidence that they have no interest in permitting—let alone paying for—the kinds of changes you envision. Moreover, no nation would ever want to sell, because no amount of compensation will politically justify the loss of territory.

A market for sovereign control will not lead to widespread changes in national borders. On the buyers’ side, the richest nations of the world will not rush to drain their treasuries by incorporating the peoples of poor and oppressed regions. Cost aside, such nations have less need to acquire territory than in the past, because they can increasingly rely on treaties and technology to achieve market access, protect foreign investments, and project military power. On the sellers’ side, the attachment to land might well be resistant to pricing. Moreover, domestic political pressure will probably prefer acquisition or retention of territory—an obvious and tangible thing—to a change in the inscrutable national balance sheet.

We accept all of this. Our hope is that a market for sovereignty can—even if rarely employed; even if used just once—offer a workable solution to actual problems, or at least illustrate a way forward. Our goal here is to add an option, not to ensure that nations frequently employ it.

\[140\] For example, a particular region might collude with its own government to approve a sale that the rest of the country strenuously opposes.
The question is what factors would make the mechanism most desirable and likely to be employed. We suspect that these would include low or non-existent population in the region (simplifying the process of political agreement), economic need or crisis in the parent nation (increasing the incentive to sell), identifiable physical resources (making it easier to “value” the region), simple boundaries, as in the case of islands (making a clean break more straightforward), the existence of cross-border affinities between the region and another country (ensuring a desirable bid), “linkages” between regions and forms of compensation (enabling dedicated revenue streams that would encourage transparency and political salience), lack of a history of violent conflict (improving the odds of peaceful negotiation), and high-functioning domestic institutions (facilitating information and reducing transaction costs of agreement).

Where these factors are aligned or particularly strong, we would expect the market to be more desirable, such as in the following scenarios:

The Lingering Colony. Many former colonial powers maintain outlying territories, often at great expense, and sometimes against the claims or desires of other nations with a natural territorial affinity. The Falkland/Malvinas Islands are an example—the UK spends more than $100 million annually on a region that has only 3,000 residents. Argentina wants the islands badly enough to continue demanding their “return,” thirty years after losing a costly war—the strength of the demand is undeniable, and the example is not unique. The British, Dutch, and French all continue to hold sovereign territory that another nation might value more.

The Bad Equilibrium. Some regions are beset with constant and costly tension, conflict, and suspicion vis-à-vis their parent nations. The parent nation expends large amounts of resources on law enforcement. The region suffers socially, economically, and politically. The result is a bad equilibrium in which each side suspects the other, misinterprets even well-intentioned actions, and retaliates against perceived slights. If the conflict were somehow removed, the region could thrive. A new national identity for the region, in this context, could potentially shift the relationship to a better equilibrium yielding large economic gains for all of those involved. If peace could be returned to Kashmir, for example, it might take advantage of its natural beauty and become a tourist haven. There would be gains to trade, if a deal could be crafted.

Ethnic and Cultural Connections. Some rich countries have ethnic and cultural commonalities with the people in an underperforming region in a different nation. These affinities give taxpayers incentive to help their brethren behind other borders, whether by extending citizenship

through some other mechanism. Take West Germany and East Germany. After the fall of the Berlin Wall, the richer west expended taxpayer funds to build up the impoverished east, and gave its inhabitants full citizenship rights. This happened in part because of the ethnic and cultural ties that the inhabitants of the west felt with those in the east.

A Small Oppressed Region. Some rich nations—especially those that already spend billions on foreign aid—might be willing to absorb small regions that are being severely oppressed. After all, taxpayers in rich nations currently contribute money and manpower to peacekeeping operations. Altering an undesirable border might be a better investment. And perhaps the willingness of the population of the rich nation to take on the burden of helping some poor and underperforming region will be greater if the people of the rich nation see that there will not be a massive and immediate influx to their mainland of migrants who have different religions, sensibilities, educations, and so on. If the entire region is politically incorporated into the new nation, there is less need for the people to move.

Self Purchase. Our focus has been on underperforming regions; those that would need an external buyer or at least external funding to escape their current situation. But there are rich regions that might want to alter their national affiliation, or set out on their own. Such regions might have the resources to buy their way out of a bad relationship.

Conflicting Territorial Claims. An enormous proportion of the world’s borders are subject to dispute. Some disputes may be past the point of peaceful resolution. Others are minor—conflicting claims to uninhabited islands, for example—but continue to fester because the countries involved find it impossible to negotiate. A market for sovereign control would permit one to offer to buy out the other’s claim, just as neighboring individuals often do when their property boundaries are found to conflict.

IV. Caveats and Complications

Any attempted solution to problems as intractable as those involving territorial sovereignty, border changes, and self determination will be hard to implement. The prior section tried to address big picture objections, but some caveats and complications remain.

1. Who Gets to Vote? A change of nationality impacts not just current generations but future ones. This means that the standard rules regarding

citizenship to anyone who has “a direct ancestor who was a Hungarian citizen, and a basic knowledge of the language”).

142 See supra note 92.
who gets to vote on the decision might need to be modified. Given the impact on future generations, for example, might one want the voting age for this decision to be altered? What if a parent nation packs a dissatisfied region with loyalists—might there be length-of-residence requirements?

One option here is to rely on domestic law to define voter eligibility. But this could give the parent nation a way to interfere with the vote, and might exacerbate underlying problems. What if, for example, a region wants to secede precisely because its nation denies women the right to vote? These problems are not unique to our proposal—the question of democratic legitimacy precedes our idea and will persist after it. Our view is that votes should take place under international standards, but we have not elaborated what those are.

2. What Counts as a Region? We do not know what counts as a region, but we are in good company in that regard. The current right of self-determination as articulated in international conventions generally accrues to “peoples,” and no one quite knows what those are, either. Existing boundaries can provide some guidance. We know what Scotland or Kashmir or Catalonia are; at least on the map. There are also historically defined regions that are widely recognized, but were subsequently broken up to serve other interests. Kurdistan is a ready example. But there has to be a way to allow for new regions—those where affiliations are not just a function of domestic law and history, but other factors such as ethnicity, race, religion and politics. One of those factors could be “the peoples who are being systematically disfavored by a nation.” In a sense, then, by choosing to disfavor a particular region, a country would thereby establish both the conditions and the scope of the exit right.

3. What About Stateless Peoples? Dispersed and landless populations get no direct benefit from our proposal. Even “remedial” secession is not much of a remedy for people who have been forced to secede. But the logic of the proposal can still be extended to help them. In a separate paper, we argue that such refugees effectively constitute the fourth category in our analysis—rather that simply having a property rule entitlement in their own sovereign control (as in the remedial secession context), they are in fact owed a debt by the oppressing country. That debt should be tradable, so

that oppressed populations can treat it as an asset that can be traded to whatever nation that is willing to grant them entry. Other nations might for example purchase the refugees’ debt and use it to offset existing sovereign debts held by the oppressing nation.

Illustrations are unfortunately easy to find. As of this writing, thousands of Rohingya are fleeing Myanmar. If the Rohingya had land, and a clearly identifiable region where they were clustered, they would fit the remedial secession category. But most of them have close to nothing; and whatever little the lucky ones have is being extracted from them by the military as an exit fee.\footnote{Todd Pitman & Esther Htusan, \textit{Myanmar’s Security Forces Profit Off Rohingya Exodus}, \textit{Huffington Post}, Nov. 4, 2014, \url{http://www.huffingtonpost.com/2014/11/06/myanmar-rohingya-exodus_n_6113998.html}} Neighboring nations have refused them entry. If, however, those nations could benefit from the value of the refugees’ claim against Myanmar, they might be more welcoming.

4. Minority Rights. Separatist regions will often contain a minority whose situation might be made worse off by a transfer.\footnote{Jon Elster, \textit{Constitutionalism in Eastern Europe: An Introduction}, 58 U. Chi. L. Rev. 447, 452 (1991) (noting minority-within-a-minority problem).} A majority vote in the region itself will not protect them. One might think that the parent country will protect them, but this is not always the case. Imagine a region with three ethnic groups. A has the majority overall in the parent country, B is a substantial and disafavored second, but C is the majority in the region, with the rest of the population in that region being B. A might be happy to transfer C’s region, thereby selling B out.

One solution would be to make the vote requirement for regional exit very high, such that the majority in any region has to make a deal with the minority there in order to obtain its votes. Another possibility is to require that the citizens in the affected region be given the option to retain their prior citizenship. Either answer will increase the likelihood of holdout problems and thus make regional exit less likely. But a world where regional exit occurs only in extreme situations may be optimal. And in our system it would also be possible for the dissatisfied section of the transacted region to realign further, even if that means another subdivision.\footnote{Thomas M. Franck & Paul Hoffman, \textit{The Right of Self-Determination in Very Small Places}, 8 N.Y.U. J. Int’l L. & Pol’y 331, 383 (1975) ("Infinitesimal smallness has never been seen as a reason to deny self-determination to a population.").}

\textbf{CONCLUSION}

We began with a theoretical inquiry, built a conceptual mechanism, and have tried to suggest how that mechanism could be used to solve a variety of practical problems by facilitating transfers of sovereign territory between
nations, while taking seriously the notions of popular sovereignty and self-determination. We have also tried to answer the strongest legal, practical, and theoretical arguments against it. Many readers will remain unconvinced. Even those who accept the theoretical coherence and desirability of the changes we describe might still insist that they will never come to fruition in the way we describe.

Our hope is that a market for sovereignty can—even if rarely employed; even if used just once—offer a workable solution to actual problems. But at the least, like other conceptual frameworks,\(^{150}\) it should be able to point in the direction of practical solutions, by helping to identify the legal, political, ethical, or other obstacles that prevent welfare-enhancing border changes. International law and practice remain haunted by the problem of borders and sovereign control. Our framework suggests one way to improve them.

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\(^{150}\) The Coase Theorem, to take the most obvious example, is a central tool of legal analysis despite the fact that—as Coase himself emphasized—we live in a world of transaction costs.