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Domestic inequality, heterogeneous redistribution, and the globalization backlash

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Abstract

Why do democracies pursue retrenchment policies against economic globalization? Through a formal model situated in a country party to an international agreement creating domestic 'winners' and 'losers,' I offer a novel explanation of the globalization backlash grounded in the logic of domestic electoral competition whereby leaders vary in their ideological willingness to implement redistributive policies designed to offset losers' incurred damages. Leaders with large ideological biases against redistribution cannot credibly promise to compensate for the losses these agreements cause to voters, and thus often have electoral incentives to propose anti-globalization policies rather than maintain the globalized status quo. In particular, as the gains from globalization are more unequally distributed between winners and losers, redistribution becomes politically suboptimal, and anti-globalization policy more attractive. The intersection of inequality and political leaders' willingness to implement policies of embedded liberalism within the context of electoral competition generates incentives to withdraw from the international order.

Keywords

Domestic politics; elections; globalization backlash; globalization; withdrawal from international agreements

1. Introduction

Opposition to economic globalization is increasingly commonplace in advanced democracies. A notable feature of this 'globalization backlash' (Walter, 2021a) is the withdrawal from, halt in negotiations over, or threat to exit from international economic

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agreements. President Trump withdrew the U.S. from the Trans-Pacific Partnership, threatened to exit from North American Free Trade Agreement (N.A.F.T.A.), and abrogated World Trade Organization (W.T.O.) rules to escalate trade tensions against China, with some in his party calling for American withdrawal from the W.T.O. altogether (Cooley and Nexon, 2020). The United Kingdom's exit from the European Union and Indian Prime Minister Modi's withdrawal from dozens of bilateral investment treaties[1] also highlight a growing trend in unilateral withdrawal from international agreements (Schmidt, 2025; von Borzyskowski and Vabulas, 2024). Beyond exit, other anti-globalization policies such as an increase in economic protectionism, notably exemplified through the United States' trade war with China, have significantly proliferated within the international community.

In contrast to standard accounts where candidates draw political support from anti-globalization interests (e.g. Grossman and Helpman, 1994), this paper builds a formal model to explain why leaders propose anti-globalization policies, such as exits from international economic agreements, grounded in the logic of domestic electoral competition. The model documents a strategic tension between the electoral value of redistribution, the traditional domestic policy instrument used to sustain globalization (Cameron, 1978; Katzenstein, 1985; Rodrik, 1997; Ruggie, 1982), and withdrawal from international agreements. Leaders, who vary in their ideological biases toward redistributive policy, may find it politically optimal to withdraw from agreements when globalization's gains are more unequally distributed because redistribution becomes undesirable relative to the concomitant electoral returns.

Globalization has increased economic inequality domestically (Catão and Obstfeld, 2019; Ha, 2012; Rodrik, 2018), with its benefits accruing to a select group of globalization 'winners' at the expense of 'losers.' While redistribution attempts to address rising inequality by recalibrating relative gains between winners and losers, so too does the withdrawal from international economic agreements or similar anti-globalization policies. I show that, in times of rising inequality, politicians may find it profitable to threaten to de-globalize as a means of securing the electoral support of those harmed by globalization because they cannot sufficiently engage in redistributive policy (cf. Bowen et al., 2025; Flaherty and Rogowski, 2021).

Which types of politicians sacrifice globalization's welfare-enhancing gains for electoral expedience? I highlight the importance of politician-specific heterogeneity in the willingness to engage in redistributive policy. If leaders are heterogeneous in their ideological affinities toward compensatory policies, withdrawal from the international order becomes a viable, and indeed, electorally maximizing, way to redress globalization-related inequality when redistribution is seen as ideologically intolerable to some potential leaders. The model shows that without this variation, leaders would never pursue anti-globalization policies like exit from international agreements, as efficient (and symmetric) transfers can always be found. However, by introducing heterogeneity I demonstrate that leaders with greater ideological biases against redistribution propose smaller transfers from winners to losers and are more likely to exit from agreements relative to leaders who find it more ideologically palatable to redistribute. They do so to increase their chances of electoral success, underscoring exit as a purely political endeavor (von Borzyskowski and Vabulas, 2024).

In addition to explaining the ascendance of anti-globalization leaders, the model also provides a basis for another empirical fact, illustrating how rising inequality entices leaders who traditionally supported integration to abandon it in favor of retrenchment, inducing 'political realignments.'[2] An example of this realignment is the Republicans in the United States, a party known for its hesitance to implement redistributive policy and traditionally seen as a proponent of globalization (Irwin, 2017). However, as inequality has risen in the United States since the 1990s, the Republicans have transitioned away from pro-globalization policy toward a protectionist, anti-globalization platform (Ferrara, 2023; Kuk et al., 2022). This realignment has also shifted the composition of the G.O.P.'s electoral base, away from globalization winners toward globalization losers. The model explains this realignment through the interaction between rising inequality and variation in leaders' abilities to implement redistribution: as globalization's gains become more unequally distributed, leaders with diminished proclivities toward redistribution become less willing to uphold globalization and would rather exit from international economic agreements. In so doing, the locus of political support of such leaders flips from globalization winners to losers.

The model departs from canonical interrogations of globalization's welfare effects by highlighting the social and electoral costs that leaders face from integration. In traditional models that reflect embedded liberalism, anti-globalization behavior generally occurs due to the influence of special interests (e.g. Grossman and Helpman, 1994). Instead, I demonstrate how voters, who may have incurred large costs from globalization (Autor et al., 2020, 2013; Milner, 2021; Walter, 2010), can also entice leaders to embrace anti-integrationist policies such as withdrawal from international agreements. In this account, the failure to redistribute, which stems directly from globalization's effects on inequality and heterogeneity in political leaders' willingness to implement redistributive policies, manifests electorally as support for anti-globalization candidates (cf. Norrlof, 2018).

1.1. Contribution

This paper's contribution is threefold. First, I introduce a theoretical model to explain how domestic political competition incentivizes anti-globalization policy and makes the threats of protectionism and exit electorally salient issues. In particular, I put forth an underexplored interaction in the study of the politics of globalization policy, namely the intersection of inequality and political leaders' willingness to implement policies of embedded liberalism. Moreover, since conventional economic wisdom would hold that an optimal transfer from winners to losers should always exist, thus obviating the possibility of exit, it is imperative to elucidate the causal mechanism through which domestic politics shapes the feasibility and salience of anti-globalist policy.

In constructing this theoretical explanation, I consider the intersection between political incentives and economic shifts to explain withdrawal from international economic agreements and other anti-globalization measures. There is, however, literature that contends that the globalization backlash is better explained by cultural factors rather than economic inequality (e.g. Mutz, 2018; Norris and Inglehart, 2019). Some papers use psychological or cultural microfoundations to explain economic biases toward anti-

globalization (e.g. Grossman and Helpman, 2021; Mutz, 2021). While cultural backlash to globalization may be observationally complementary to the economic welfare effects examined here, I do not explicitly model anti-globalization policy as a function of such resentment or collective norms against outgroups (e.g. Dewan and Wolton, 2024; Wolton, 2024). Moreover, the cultural factors that may have encouraged withdrawal from international agreements would fail to explain why nations joined such agreements in the first place, making factors such as electoral ambition and rising economic inequality more appealing explanators.

Furthermore, empirical evidence connecting inequality and the globalization backlash is mounting. For example, Flaherty and Rogowski (2021) demonstrate that 'top-heavy inequality,' a distribution of earnings concentrated within a small, 'elite' faction of society, conditions support for anti-globalist or populist leaders. They document that rising inequality is necessary to elicit voter support for anti-integrationist leaders. Additionally, Milner (2021) shows that increased exposure to trade increases support for extreme right parties and that social welfare programs appear not to dampen or reverse trends of far-right voting. Together, this work suggests that rising inequality due to globalization precipitates anti-integration preferences and that compensation fails to moderate these preferences. This presents a clear opportunity for theoretical work to clarify the underlying causal mechanism: when leaders vary in their ideological preferences for compensating losers and globalization's gains are unequally distributed, leaders may enhance their electoral odds by threatening to withdraw from the international order, thereby garnering the support of globalization losers.

The paper's second contribution relates specifically to the study of exit as an outcome, where I depart from extant 'state-level' arguments, of which there are three varieties, all of which treat nations as black boxes.[3] Most prominent is a story about 'composition effects,' which argues that preference divergence among member states over time leads to withdrawal from agreements (Malis et al., 2022; von Borzyskowski and Vabulas, 2019). Scholars point to empirical differences in regime type or changes in ideal points across member states to justify a country's exit from an agreement. Yet, while it may be the case that withdrawing governments over time have become disgruntled with IO performance (Daßler and Heinkelmann-Wild, 2021; von Borzyskowski and Vabulas, 2019), ostensibly lending credence to a story based on composition effects, any 'changes in state preferences' are endogenous to domestic political changes. Increased incidence of exit may also be due to contagion effects (e.g. Walter, 2021b), whereby withdrawal by one state motivates others to follow suit, similar to a logic of unraveling from a previously established cooperative equilibrium. However, advocates of contagion fail to identify the motives of the 'first mover,' or why one state exits in the first place. Schmidt (2025) also appeals to this tradition and considers the effects of exit on downstream cooperation with other countries, showing how future cooperation with a state that had exited is unequal across members and nonmembers of the original agreement. A final strand of literature has cast exit as a consequence of growing regime complexity and bounded rationality, in which exit from some international commitments becomes inevitable when they are superseded by less constricting forms of integration (Haftel and Thompson, 2018).

My explanation for the globalization backlash relies on electoral competition; as literature on the domestic politics of treaty withdrawals proliferates (e.g. von Borzyskowski and Vabulas, 2024), it is important to understand which parts of the domestic political environment matter for precipitating exit. The paper's third contribution is pinpointing the relevant domestic political constraint, namely variation in leaders' willingness to engage in redistributive policy within the context of electoral competition. Put differently, leaders differ in their ideological tastes toward redistribution, making electoral competition asymmetric with respect to candidates' redistributive capabilities.

2. Empirical motivation

To motivate the model, consider some empirical descriptions of countries' withdrawals from intergovernmental organizations over time. While the model itself is more general and can accommodate anti-globalization policies besides withdrawal from agreements, this behavior is probably the starkest version of the globalization backlash, and heterogeneity in withdrawal, as shown below, is a useful means of pinpointing the model's theoretical mechanism.

I use data from the Correlates of War Project, which describes withdrawals from intergovernmental organizations between 1945 and 2014 (Pevehouse et al., 2020). During this time period, there were 188 exits from intergovernmental organizations. As the number of recorded organizations has increased since 1945, so have withdrawals from around two organizations per year before 1980 to about 3.5 organizations per year after 1980 (von Borzyskowski and Vabulas, 2019: 340). Note that the Correlates of War Project records data on intergovernmental organizations, which only includes organizations that have at least three members, hold regular plenary sessions at least once every 10 years, and possess a permanent secretariat and corresponding headquarters; this data is, therefore, a lower bound on the number of observed exits.

I augment these stylized facts by considering the regime type of member-states that withdraw from intergovernmental organizations and the type of organizations from which these states withdraw. Critical to the theory is the idea that political candidates who are engaged in electoral competition should be more willing to exit if they cannot sufficiently redistribute, so I examine how withdrawals differ for democracies, where this causal mechanism should be active, versus nondemocracies. The left panel of Figure 1 depicts the number of withdrawals from intergovernmental organizations by democracies (solid line) and non-democracies (dashed line), normalized by both the number of democracies/nondemocracies and the number of intergovernmental organizations in force in a given year.[4] In the years following the Second World War, there was a spike of nondemocratic states exiting from agreements, namely withdrawals from the World Health Organization by Albania, Bulgaria, Czechoslovakia, Poland, and Romania in 1950. After 1950, democratic states seem to exit from intergovernmental organizations at a greater frequency than nondemocratic states and consistently do so after 1970. Indeed, as von Borzyskowski and Vabulas (2019: 342) document, the top exiters during this time period are the United States (10), Canada, (9), and the United Kingdom (7).

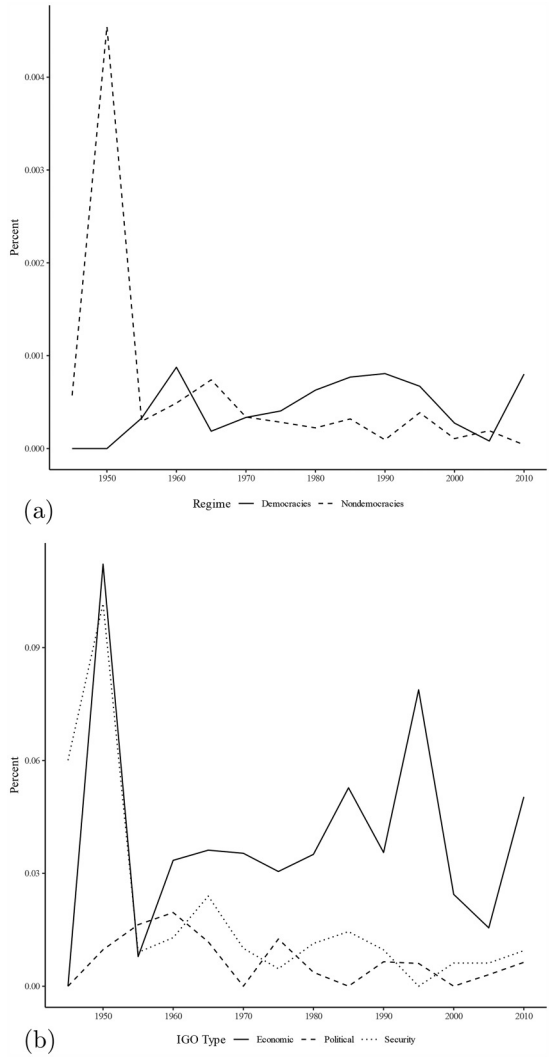

Figure 1. Intergovernmental organization (IO) withdrawals by regime type and issue area, 1945–2014. (a) Percent of IO withdrawals by regime type and (b) percent of IO withdrawals by issue area.

Beginning around 2005, withdrawals by democratic states appear to be on the rise, comporting with more recent withdrawals such as Brexit. Understanding the trend of democratic exits in an era of hyperglobalization warrants a theoretical model that can provide leverage for the causal mechanism at play. Moreover, I also consider the types of agreements from which states exit. My theory most cleanly pertains to international agreements that, as a consequence of globalization, generate economic inequality domestically. The right panel of Figure 1 plots the number of exits from intergovernmental

organizations classified as economic agreements (solid line), political agreements (dashed line), or security agreements (dotted line), normalized by the number of functional intergovernmental organizations in a given year. In total, the lion's share of withdrawals was from organizations classified as economic (127), while 42 withdrawals were from security agreements (including the World Health Organization), and 19 were withdrawals from political organizations. Examples of withdrawals from economic organizations include Mauritania's exit from the West African Monetary Union in 1973, Canada's exit from the Inter-American Tropical Tuna Commission in 1984, and Norway's exit from the International Copper Study Group in 2000.

These two stylized facts—that democracies seem to be exiting from intergovernmental organizations more frequently than nondemocracies and that states seem to be exiting from economic organizations relative to agreements governing other issue areas—motivate the model. Evidently, the data demonstrates that exiting from international agreements is a rare event (although other types of anti-globalization policies are more frequent). Indeed, as von Borzyskowski and Vabulas (2019) acknowledge, states often threaten to exit from international agreements much more than they actually withdraw. This underscores the need to understand how exit—or the threat of exit by domestic political actors—can emerge in equilibrium.

3. Model

I study a domestic political contest within a democratic country party to an international economic agreement.[5] Two possible leaders, L (she) and H (he), advance policy proposals to attract the votes of a continuum of individuals indexed by $i \in [0, 1]$. Proposals jointly determine how much redistribution should occur within society and whether the country pursues a pro-globalization or an anti-globalization policy. The pro-globalization policy might be to remain in the international agreement, while the anti-globalization policy represents exit or some other form of retrenchment or protectionism. I assume that these proposals are made simultaneously and bind in a Downsian fashion to study how electoral incentives affect the likelihood of pursuing pro- or anti-globalization policies.

Globalization has three distinct effects. First, it produces aggregate welfare gains. With globalization, the economy is of size $\gamma > 1$. Second, international integration fosters 'winners' and 'losers' domestically. Let some share $\lambda \in [0, 1]$ of voters be globalization losers (ℓ) while a share $1 - \lambda$ are globalization winners (w). In reduced form, a fraction $1 - \lambda$ of society is employed in sectors that benefit from globalization, while a share λ is adversely affected. Third, globalization determines the share of the economy that each of the two groups commands. Under globalization, the status quo, winners own a share $\alpha_R \in [0, 1]$ of the economy and losers own $1 - \alpha_R$. The parameter α_R represents the structural factors that affect returns to income for winners and losers in the agreement. Thus, globalization determines aggregate gains (γ), who benefits or does not benefit from these gains (λ), and the relative distribution of gains (α_R).

The $1 - \lambda$ individuals are 'winners' because their *ex-ante* per capita income in the agreement is greater than the losers'. Globalization makes some domestic groups better off than others. I therefore restrict attention to the case where $\alpha_R/(1 - \lambda) >$

$(1-\alpha_R)/\lambda$ or $\alpha_R > 1-\lambda$. This condition ensures that in the absence of any redistribution, winners are better off than losers when the country is globalized.

Upon implementation of the anti-globalization policy, the country's economy contracts to size 1. The overall contraction of the economy represents aggregate welfare losses when gains from trade dissipate; viz. the costs of Brexit on the U.K. economy have been estimated to be about $124 billion per year in lost output.[6] Note that while de-globalization may be costly in other senses besides shrinking overall welfare—perhaps leaders who exit or threaten to exit from agreements suffer reputational costs[7] —I leave these costs unmodeled.

In addition to aggregate losses, winners' relative gains contract to $\alpha_E \leq \alpha_R$. This assumption reflects the idea that winners lose some of their gains from specialization if de-globalization occurs, or that, prior to any government intervention, income accruing to winners is greater when the country is more integrated. Moreover, this assumption encodes the idea that globalization-related inequality and aggregate gains from globalization erode together (Antràs et al., 2017). The income ratio under globalization $\alpha_R/(1-\alpha_R)$ can be thought of as a measure of inequality between winners and losers. Increasing the ex-ante gains to winners α_R creates more inequality. I will use 'inequality' and 'winners' gains from globalization' to refer to α_R interchangeably. By definition, de-globalization necessarily makes society more equal, $\alpha_E/(1-\alpha_E) \leq \alpha_R/(1-\alpha_R)$.[8]

While I will often refer to the pro-globalization and anti-globalization policies through the lens of agreement withdrawal, the model provides a more general interpretation in a reduced form. We can think of the pro-globalization policy as a measure that generates aggregate gains γ with domestic inequality $\alpha_R/(1-\alpha_R)$, while the anti-globalization policy is some optimal measure—be it exit, tariffs, or some other protectionist policy—that yields an aggregate economy of size 1 and domestic inequality of $\alpha_E/(1-\alpha_E)$.

Each leader's proposal can be written as a share of national income to be allocated to winners, θ_{da} for leader $d \in \{L, H\}$ and globalization policy $a \in \{R, E\}$ where $a = R$ is the pro-globalization policy (remaining in the agreement) and $a = E$ is the anti-globalization policy (exit). After L and H have announced these proposals, citizens go to the polls. Voters have increasing, concave payoffs over income, which for mathematical ease I parameterize as $v(x) = \log(x)$. This means that an individual benefits more when their group enjoys a greater share of national income, but exhibits diminishing marginal returns. The following table summarizes the per capita income to winners and losers for each leader's proposals under remain and exit.

Voting is based on a standard probabilistic voting model (Lindbeck and Weibull, 1987). Individuals vote sincerely by comparing the differences in their expected income under L versus H, also taking into account individual-specific shocks μ_i and a common preference shock β 'in favor' of L. The shocks represent voters' valuations of L on all other electorally relevant issues besides globalization policy. Let $\mu_i \sim U[-1/2m,\ 1/2m]$ and $\beta \sim U[-1/2b,\ 1/2b]$. The parameters m and b define the salience of globalization policy relative to other issues in the electoral landscape. When m and b are large, globalization policy looms heavily on voters' assessments of political leaders. Conversely, when m and b are small, leaders' globalization policy proposals carry little weight in voting decisions.

Table 1. Income distribution across winners and losers.

	$d = L$	
	Pro-globalization	Anti-globalization
Winners w	$\frac{\gamma\theta_{LR}}{1-\lambda}$	$\frac{\theta_{LE}}{1-\lambda}$
Losers ℓ	$\frac{\gamma(1-\theta_{LR})}{\lambda}$	$\frac{1-\theta_{LE}}{\lambda}$

	$d = H$	
	Pro-globalization	Anti-globalization
Winners w	$\frac{\gamma\theta_{HR}}{1-\lambda}$	$\frac{\theta_{HE}}{1-\lambda}$
Losers ℓ	$\frac{\gamma(1-\theta_{HR})}{\lambda}$	$\frac{1-\theta_{HE}}{\lambda}$

Let $v_{ij}(\theta_{da})$ be individual i in group js utility from the proposal θ_{da}, as described in Table 1. Voter utility is therefore

$$u_{ij} = \begin{cases} v_{ij}(\theta_{La}) + \mu_i + \beta & \text{vote for } L. \\ v_{ij}(\theta_{Ha}) & \text{vote for } H. \end{cases}$$

Leaders consider how enacting their redistributive proposals affect the chances of winning the election as well as the costs of implementing these proposals. Domestic redistribution has two costs in the model. The first is electoral: any redistribution toward losers might buy their votes, albeit at the expense of support from the winners. Increasing the well-being of one group necessarily diminishes political support from the other. The second 'cost' is ideological: electoral candidates vary in their preferences for implementing redistributive policy and they incur a cost for proposing compensation programs that deviate from their 'ideal point' or personally preferred income distribution. This manifests as a cost for moving policy away from the status quo α_a, and some leaders are more biased toward the status quo than others. L's ideological bias against redistribution is 'low,' $x_L = 0$, while H's is 'high,' $x_H > 0$. This ideological bias represents leaders' willingness (or lack thereof) to propose policies that deviate from the economic status quo. This cost is paid regardless of the election outcome because it is meant to isolate deviations from leaders' innate, ideological 'model of the world' (Izzo et al., 2023).

When proposing policies, L and H maximize their chances of winning the election less the distance between each leader's ideological preferences and a possible redistributive program. If elected, leaders enjoy a benefit $\Psi > 0$. If $\pi(\theta_{La}, \theta_{Ha})$ is the

(endogenous) probability that L wins the election given proposals θ_{da}, then leaders choose θ_{da} to maximize

$$EU_L(\theta_{La}, \theta_{Ha}) = \pi(\theta_{La}, \theta_{Ha})\Psi - \frac{1}{2}(\alpha_a - \theta_{La})^2.$$

$$EU_H(\theta_{La}, \theta_{Ha}) = (1 - \pi(\theta_{La}, \theta_{Ha}))\Psi - \frac{1}{2}(\alpha_a + x_H - \theta_{Ha})^2.$$

Based on the optimal θ_{da}s, leaders subsequently determine whether to pursue pro- or anti-globalization policy.

The timing of the game is thus as follows:

1. L and H simultaneously propose:
   (a) whether to pursue pro- or anti-globalization policy;
   (b) redistributive policies θ_{dR} and θ_{dE} for either globalization policy outcome.
2. Voters observe policy proposals and valence shocks are realized. Voters choose between L or H.
3. The election winner is realized and their chosen policy is implemented. Payoffs realized, game ends.

A strategy for each leader is a choice of globalization policy, $a_d \in \{R, E\}$ and how to divide the pie in each of these two eventualities, $\theta_{da} \in [0, 1]^2$. A strategy for voter i is a mapping to vote for L or H given platform proposals and draws of the shocks, $\sigma_i : \{0, 1\}^2 \times [0, 1]^4 \times [-1/2m, 1/2m] \times [-1/2b, 1/2b] \rightarrow \{L, H\}$. I solve for the subgame perfect equilibrium of the game via backward induction. All proofs are in the Appendix. Table 2 summarizes model notation.

Table 2. Model notation.

$j \in \{w, \ell\}$	Subscript for if individual is a globalization winner or loser
$d \in \{L, H\}$	Subscript for leader L or H
$a \in \{R, E\}$	Subscript for pro- or anti-globalization policy
$\gamma > 1$	Size of the globalized economy
$\lambda \in [0, 1]$	Share of globalization losers
$\alpha_a \in [0, 1]$	Status quo distribution of income to winners
$\theta_{da} \in [0, 1]$	Redistributive proposal of leader d
$v_{ij}(x)$	Individual utility over income
$\mu_i \sim U[-1/2m, 1/2m]$	Voter-specific valence shock
$\beta \sim U[-1/2b, 1/2b]$	Common valence shock
$x_L = 0, x_H > 0$	Leader's ideological bias against implementing redistributive policy
$\Psi > 0$	Leader's benefit to winning the election
$\pi(\theta_{La}, \theta_{Ha}) \in [0, 1]$	Probability that L wins election given proposals $(\theta_{La}, \theta_{Ha})$
$D_j = v_{ij}(\theta_{La}) - v_{ij}(\theta_{Ha})$	Difference in utility for group j given proposals $(\theta_{La}, \theta_{Ha})$

4. Analysis

As in other probabilistic voting models, comparing voters' expected utilities from voting for each leader yields an endogenous probability that L wins the election $\pi(\theta_{La}, \theta_{Ha})$ given any pair of redistributive proposals $(\theta_{La}, \theta_{Ha})$. There are four scenarios that voters face. Both leaders could uphold globalization, both could propose the anti-globalization policy, and one could propose the pro-globalization policy while the other proposes the anti-globalization policy. To determine the optimal retention rule, voters prospectively evaluate their differences in expected income between L and H. This is a simple comparison of the utility proposed by each leader, as in Table 1. Define D_j as the difference in income that a member of group j would incur when voting for L versus H. Voter i in group j votes for L whenever $v_{ij}(\theta_{La}) + \mu_{ij} + \beta \geq v_{ij}(\theta_{Ha})$, or when

$$\underbrace{v_{ij}(\theta_{La}) - v_{ij}(\theta_{Ha})}_{D_j} + \mu_{ij} + \beta \geq 0.$$

Then, for any values of D_w and D_ℓ, I obtain a general expression for the probability that L wins the election. Leaders' choices of globalization policy factor into the chances of electoral success through a simple population-weighted average of the differences in voters' expected income, which is written as

$$\pi\Big(D_w(\theta_{La}, \theta_{Ha}), D_\ell(\theta_{La}, \theta_{Ha})\Big) = \frac{1}{2} + b\Big((1-\lambda)D_w + \lambda D_\ell\Big).$$

4.1. Redistribution and exit in equilibrium

I focus on leaders' motivations to redistribute and whether to uphold or reject globalization. In equilibrium, leaders choose θ^*_{da} to balance the marginal electoral benefits with the marginal costs of implementing redistribution.

Proposition 1 The equilibrium proposal by leader d in outcome a solves

$$\underbrace{b\Psi\frac{\lambda}{1-\theta^*_{da}}}_{\text{give to losers}} = \underbrace{b\Psi\frac{1-\lambda}{\theta^*_{da}}}_{\text{take from winners}} + \underbrace{(x_d + \alpha_a - \theta^*_{da})}_{\text{ideological costs}}.$$

Leaders find the optimal transfer of income from winners to losers that is electorally maximizing. The left-hand side of the equation in Proposition 1 presents the marginal electoral benefits of redistribution by providing a greater share of income to losers. The right-hand side is the marginal opportunity cost of redistribution, which encapsulates both the decrease in electoral support from winners as well as the leader's ideological costs for proposing something that may deviate from his own preferences. Redistribution has electoral costs and leader-specific costs based on politicians' willingness to pursue compensatory policies. Since she can redistribute more

cheaply, the low-bias leader L will always propose greater redistribution than the high-bias leader H.

Corollary 1 L redistributes more than H, $\theta^*_{La} \leq \theta^*_{Ha}$.

In a fairly straightforward way, L can redistribute more than H because her biases against implementing redistributive policy are smaller than H's, $0 = x_L < x_H$. Note, however, that without ideological costs, redistribution would be proportional to group size, $\theta^*_{da} = 1 - \lambda$, and would not vary across political leaders. However, the introduction of this ideological heterogeneity means that *ex-ante* inequality matters for redistribution: $\theta^*_{da} > 1 - \lambda$ because leaders face an additional cost from moving policy away from the status quo. Consequently, increasing inequality constrains the amount that leaders are willing to redistribute. While there are electoral returns to redistribution, it becomes less attractive to move policy away from the status quo as α_R increases. Counterintuitively, leaders must promise more to the winners when inequality is high. In a hyperglobalized world where the distribution of gains is highly unequal, compensation to losers decreases precisely when it is needed most.

Corollary 2 Equilibrium proposals θ^*_{dR} are increasing in the winners' gains α_R.

Given these optimal proposals θ^*_{da}, leaders determine whether globalization remains politically profitable. The next result establishes that leaders pursue the anti-globalization policy if and only if globalization's aggregate gains are not too large.

Proposition 2 There exist thresholds $\gamma_L \leq \gamma_H$ such that leader d pursues the anti-globalization policy whenever $\gamma \leq \gamma_d$ and pursues the pro-globalization policy otherwise.

Globalization is welfare-enhancing and abandoning it shrinks the size of the pie. If aggregate gains γ are large, then anti-globalization measures are not credible. However, if γ is relatively meager, then leaders may find it politically opportunistic to forsake a larger pie for the possible electoral benefits associated with de-globalizing, winning the support of the losers. In this case, the 'second-order' domestic distributive frictions that globalization creates outweigh the overall gains (Rodrik, 2018).

Anti-globalization policies such as exits from international agreements are thus purely political endeavors that arise because leaders differ in their willingness to implement redistributive policy. Leaders with higher ideological biases against redistribution propose smaller transfers from winners to losers and are more likely to exit from agreements. High-bias H is less able to make the requisite transfers under a globalized regime. By contrast, since L has a greater predisposition toward compensatory policies, she always has greater incentives to uphold liberalization through redistribution. Therefore, for intermediate values of γ, globalization policy becomes electorally salient because L would uphold it but H would not: domestic political competition determines the fate of globalization.

Exit emerges as a feasible policy when domestic inequality is intermediate and high-bias H determines it is a more fortuitous political gamble than proposing to maintain the globalized status quo. Why is this the case? Since globalization is welfare-enhancing, the

gambit to abandon it is pursued out of significant electoral weakness. Indeed, because L can redistribute more cheaply than H, H is electorally weaker on the redistributive dimension of political conflict. To see why, consider the political opposition. Low-bias L forms a broad electoral coalition by proposing the pro-globalization policy because she is able to attract some winners by keeping the pie large, while simultaneously redistributing to the losers. If H were also to choose the pro-globalization policy, he would on average capture the globalization winners, but his redistribution is insufficient relative to L's. Thus, H's embrace of the anti-globalization policy serves as an attempt to expand his winning coalition to include globalization losers, who are getting a larger share of a smaller pie. This dynamic becomes more pronounced as inequality rises: as maintaining a coalition with just globalization winners becomes untenable, leaders become more likely to implement anti-globalization policies.

Corollary 3 The thresholds γ_d are increasing in the gains to winners α_R.

When the gains from globalization are unequally distributed domestically, redistribution becomes politically suboptimal because the costs of implementing redistributive policy impede the disbursement of sufficient transfers. Consequently, anti-globalization policies become more attractive because rejecting international integration serves as a means of generating a more equal income distribution domestically at a lower cost to leaders. These distributive concerns become more prevalent when α_R increases and compensation is more difficult to enact: globalization's 'first-order' welfare gains must increase concomitantly for the agreement to survive if domestic inequality becomes more severe. The connection between inequality and the proposal of anti-integrationist measures is illustrated in Figure 2, which plots the thresholds γ_L (solid line) and γ_H (dotted line) as a function of ex-ante inequality under the agreement $\alpha_R/(1-\alpha_R)$, which are increasing in α_R. To the right of each line represents regions of the parameter space where leaders would be willing to exit the agreement.[9]

4.2. Political realignments

I now use the model to explain another empirical regularity in the era of the globalization backlash: the ascendance of leaders in traditionally pro-globalization parties supporting anti-globalization policies such as exit, and the embrace of pro-globalization policies by traditionally more protectionist parties (Bowen et al., 2025; Schonfeld, 2021). I call these shifts 'political realignments' and demonstrate how they depend on rising globalization-induced inequality.

Rising inequality evidently alters leaders' valuations of globalization and subsequently affects which types of voters support them electorally. All else equal, voters prefer the policy proposal that provides their group with the highest per capita income. Since leaders' redistributive proposals and willingness to support globalization are sensitive to rising inequality, so too is voter behavior.

Consider the case where the size of the pie is so large that the globalized status quo would always persist, $\gamma > \gamma_H$. Since liberalization with redistribution is the only credible outcome, on average the losers support the pro-redistribution L who can compensate them

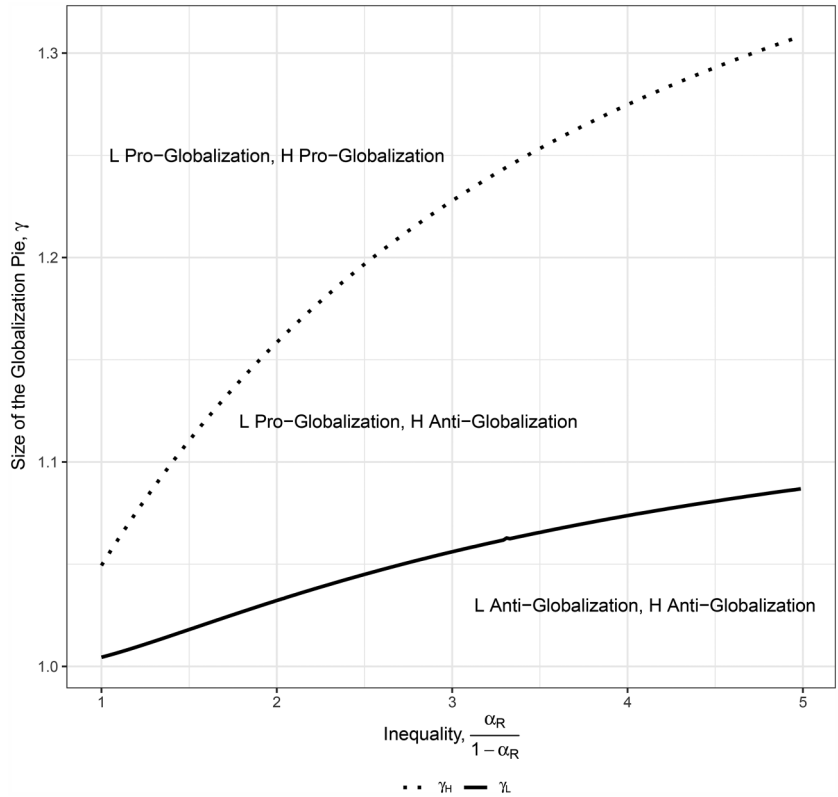

Figure 2. Inequality and leaders' thresholds for anti-globalization policy.

more easily, and the winners support H. However, if inequality rises such that one domestic leader finds it optimal to de-globalize, political alliances might reverse. Formally, increasing α_R moves the cut-points γ_d such that, for a fixed γ, domestic political conditions now motivate H to pursue the anti-globalization policy while L would continue to propose the pro-globalization policy, $\gamma_L \leq \gamma \leq \gamma_H$. H's ability to withdraw from the international order under conditions where L cannot deliver him an entirely new group of political supporters, the globalization losers, by promising greater equality through disintegration than with compensation. Rather than support the pro-redistribution L, losers back H, the anti-redistribution, anti-globalization leader. This is because, for losers, the anti-globalization policy delivers a larger share of a smaller pie, $1 - \theta^*_{HE} \geq \gamma(1 - \theta^*_{LR})$. Conversely, winners flock to L who, despite proposing greater redistribution, allocates winners a larger share of the larger, globalized pie, $\gamma\theta^*_{LR} \geq \theta^*_{HE}$. Voters thus undergo a realignment in political support as inequality shifts leaders' optimal globalization policies.

Proposition 3 Increasing the winners' gains from globalization α_R can create political realignments.

Political realignments imply differences in levels of political support as a result of rising inequality. Recall D_j^* is the difference in income for an individual in group j voting for L versus H given leaders' equilibrium policy proposals. Any value $D_j^* > 0$ implies that an individual in group j would vote for L in expectation, while $D_j^* < 0$ is an expected vote for H. For example, for any size of the pie γ in which both leaders support globalization in equilibrium, $\gamma > \gamma_H$, losers in expectation support L, $D_\ell^* > 0$ and winners support H, $D_w^* < 0$. Changing the distribution of winners' gains α_R shifts the conditions under which the anti-globalization policy becomes optimal, holding γ constant; when 'moving' into an equilibrium where H exits but L does not, $\gamma_L \leq \gamma \leq \gamma_H$, it is now the case that $D_\ell^* < 0$ and $D_w^* > 0$, documenting shifts in political support.

Political realignments can be seen in Figure 3, which plots D_w^* (solid line) and D_ℓ^* (dashed line), the differences in income that winners and losers expect when voting for L versus H as a function of ex-ante inequality in the agreement. Each segment represents how D_w^* and D_ℓ^* change conditional on the policy outcomes that the leaders propose. Consider how the sign of D_j^* changes at the discontinuities between the segments.

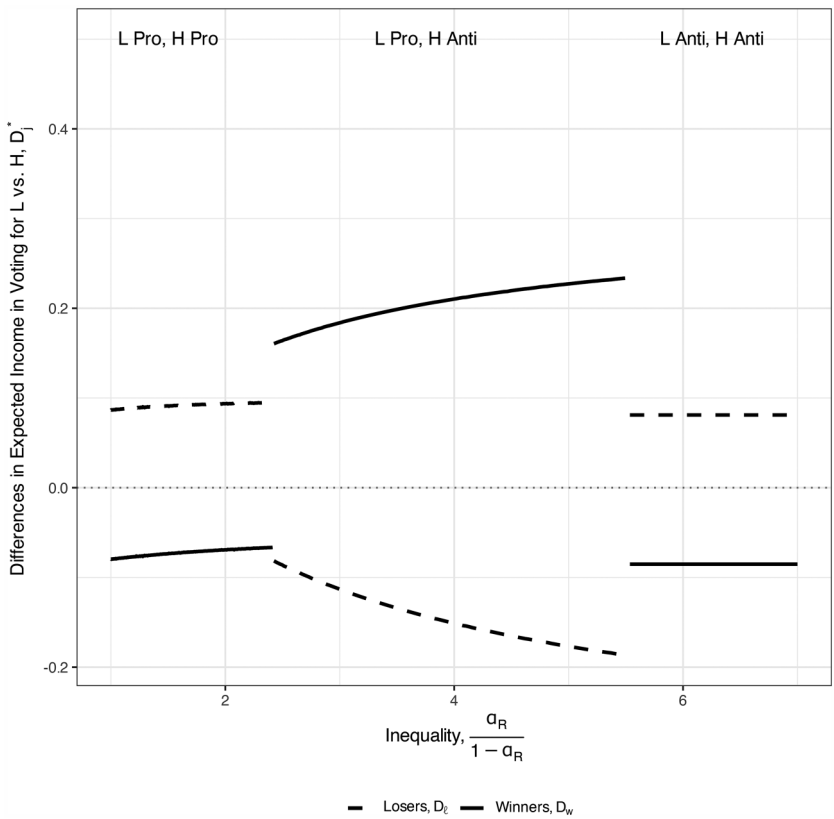

Figure 3. Inequality and political realignments.

These discontinuities represent leaders shifting proposals away from the pro-globalization policy.

In the leftmost case, winners' gains α_R are low and the aggregate gains from globalization are high; both leaders would remain in the agreement. Political coalitions arise from the fact that H's willingness to redistribute is limited, leaving winners with greater income with H in power rather than L. L's support comes from losers, to whom she can more cheaply redistribute. At the first discontinuity, inequality has grown such that H's optimal action is now to propose the anti-globalization policy, which induces a realignment of political support. Now, winners coalesce behind L because they incur a large opportunity cost of abandoning the globalized status quo. By contrast, losers rally behind H, who, despite a welfare-inferior policy, ultimately promises them greater income than L would. And if α_R reflects an incredibly unequal distribution of gains between winners and losers, a second discontinuity occurs. L too would now forsake globalization, and political support switches again. This outcome characterizes a scenario in which inequality is so extreme that it is no longer politically feasible to uphold the agreement, which is reminiscent of Joe Biden's continuation of Donald Trump's tariffs on China in order to protect American manufacturers, canonical losers of globalization in the United States. Similar to the first case, winners support H because they can promise them a greater share of the new status quo distribution, $\theta^*_{HE} \geq \theta^*_{LE}$. Losers support L because she can apportion them a greater share of an albeit smaller, de-globalized pie.

Whether political realignments occur will depend on the economic fundamentals in society. Consider the strategic interaction at the first discontinuity in Figure 3, where inequality grows such that H switches from the pro-globalization policy to the anti-globalization policy. Prior to this platform change, losers will support L in expectation because she always promises them a greater share of national than H does, $1 - \theta^*_{HR} < 1 - \theta^*_{LR}$. The realignment, in which losers migrate their political support to H and winners move toward L, happens only if $1 - \gamma\theta^*_{LR} < 1 - \theta^*_{HE}$. In other words, realignments occur when H can promise losers a larger share of a smaller pie, which depends on underlying parameters.

Understanding political realignments can help to explain the variation in policy support and subsequent composition of the electoral coalition of the Republican Party in the United States. Since the mid-twentieth century, Republicans traditionally supported globalization winners and elites, preferring fewer tariffs and lower levels of redistribution than Democrats (Irwin, 2017). Republicans, having greater biases against redistribution relative to Democrats, upheld the United States' commitment to international integration, reinforcing support from the globalization winners while simultaneously advancing domestic policies to cut rather than expand redistribution to the globalization losers. Indeed, localities exposed most heavily to globalization saw some of the greatest declines in compensation (Autor et al., 2013).

Growing inequality in the U.S. due to globalization has shifted the willingness of Republican political leaders to continue to support pro-globalization policies. The rise of right-wing, anti-globalization politicians even predates the presidency of Donald Trump (Ferrara, 2023; Kuk et al., 2022). As early as 1992, Pat Buchanan repudiated support for N.A.F.T.A., and won 23% of the vote in the Republican presidential

primary.[10] More recently, Senator Josh Hawley introduced a joint resolution to withdraw the U.S. from the W.T.O. in 2020.[11] These politicians found it electorally advantageous to abandon their support of globalization, and consequently the locus of their political support transitioned from globalization winners to losers, with a majority of Republican voters viewing free trade as a 'bad thing' for the U.S. economy by the 2016 election.[12] Moreover, Democratic willingness to support globalization endeavors surged with President Clinton's ratification of N.A.F.T.A. and is further exemplified by the extended support for free trade in the Obama years by concluding free trade agreements with South Korea, Colombia, and Panama, demonstrating partisan reversal in support for globalization policy.

To put a finer point on the consequences of political realignments, consider how the model corroborates and provides a theoretical explanation for the empirical results of von Borzyskowski and Vabulas (2024), who find that Democrats tend to oppose withdrawals from international agreements while Republicans tend to support them in survey experiments conducted in 2020. This heterogeneity stands in stark contrast to traditional partisan attitudes regarding foreign policy and interventionism (Milner and Tingley, 2011, 2013), demonstrating how the policy positions of the parties on globalization-related topics have shifted over time, which the model demonstrates is a result of shifts in the composition of each party's electoral base that arise from increasing inequality.

5. Discussion

The theoretical analysis in this paper formalizes the intuition undergirding some of the historical trends synthesized by Rodrik (2018) and Walter (2021a), who demonstrate how growing economic interconnectedness may have been destined to generate political backlash. In so doing, it rationalizes the connection between growing economic inequality and the rise of 'populist' leaders who have sought to garner electoral strength by appealing to globalization's losers. At the advent of the postwar liberal order, the decision to integrate began with freer trade of goods, thereby expanding the size of the pie (increased γ in the model). However, by opening up some sectors of the economy to foreign competition, leaders knew that new cleavages would emerge at home; indeed, Rodrik (2018) states that 'the real puzzle is that the world economy could achieve such high levels of openness in recent decades and maintain it for so long' (p. 14). To address these domestic divides, leaders could pursue compensatory policies while the ratio of aggregate gains (γ) to inequality ($\alpha_R/(1-\alpha_R)$) was favorable, thereby generating social safety nets to redress losers (Cameron, 1978; Rodrik, 1998). This period of history is reflected by the equilibrium in the model in which political candidates, regardless of their biases for or against redistribution, allowed for the promulgation of pro-globalization policies.

While initial gains from globalization outpaced the inequality it generated, the model shows that continued integration—by exacerbating more inequalities than can be made up for in the growth of the economic pie—has fueled the contemporary globalization backlash. This is particularly acute when we consider the effects of financial globalization as the returns on investment accrue to a more concentrated set of globalization winners (Flaherty and Rogowski, 2021). Additionally, the inequality produced by globalization

appeared untenable relative to promises of reclaimed economic prosperity for globalization's losers offered by proponents of protectionist policies (α_R vs. α_E in the model). Hence, a world in which globalization's aggregate knock-on effects are marginal but its redistributive effects are large creates political space for populist political challengers, and demonstrated by the equilibrium's second case in which a candidate with anti-redistribution bias confronts a pro-globalization leader who can facilitate embedded liberal policies more easily.

A striking feature of the contemporary globalization backlash is the electoral victory of anti-globalization politicians, especially in countries such as the United States, Italy, and the Netherlands, as well as the popular success of the Brexit referendum in the United Kingdom. Indeed, the model confirms that candidates pursue anti-globalization policies out of a position of electoral vulnerability because they sacrifice their support among globalization winners to vie for the losers. While the model does not predict that the pursuit of anti-globalization policy necessarily leads to an electoral victory, it shows that, in equilibrium, a candidate with sufficiently high bias against redistributive policies perceives this gamble as the proposal with the greatest odds of winning the election. In terms of the electoral outcome, either candidate could win because conditional on globalization policy, the electoral outcome is probabilistic and given by $\pi(\theta_{La}, \theta_{Ha})$. The valence terms that comprise this probability may represent the anti-globalization leader's appeal on other issues such as cultural resentment (cf. Norris and Inglehart, 2019) or additional electorally salient positions unrelated to globalization.

6. Conclusion

This paper proposes a formal model that explains how rising inequality and politician heterogeneity in the ideological willingness to implement redistributive policies can entice office-seeking leaders to support anti-globalization policies. The model points to the electoral incentives that leaders may have to threaten to de-globalize and elucidates the conditions under which the possibility of withdrawal may be politically salient, namely when globalization-related inequality is on the rise and leaders vary in their proclivity to provide compensation for integrationist policies. I provide a theoretical structure on the domestic political incentives that may behoove leaders to support anti-integrationist measures that are welfare-inferior. Furthermore, I advance a novel explanation for the political support specifically for exits from international agreements that contrasts electoral competitors' willingness to engage in redistributive policy and can therefore speak to the recent rise in anti-globalization sentiment from various political leaders despite the occurrence of exit itself being a rare event (von Borzyskowski and Vabulas, 2019; Walter, 2021a).

This study helps us to make sense of how political behavior and globalization policy evolve with rising inequality and betters our understanding of how political leaders integrate domestic and foreign policy to advance their electoral objectives. Further research may assess the validity of the model's assumptions along two avenues. First, the model assumes that inequality weakly decreases following withdrawal from international agreements so that politicians can promise globalization losers a larger share of a smaller pie. Empirical analysis could seek to test this assumption and the downstream relationship

between de-globalization and domestic inequality. Second, the model considers an electoral contest in which exit emerges in equilibrium because some leaders are less willing to pursue redistributive policy than others. Further research may investigate the mechanisms that incentivize leaders in nondemocratic states to pursue anti-globalization policy (e.g. Rudra et al., 2021) and how the tension between redistribution and upholding embedded liberalism manifests in these countries.

Additionally, the model may speak to issue areas beyond globalization, as the theoretical framework simply requires that politicians vary in their ideological bias for redistribution and that one overarching policy is welfare-enhancing relative to another. As Rodrik (2018) notes, these domestic cleavages create opportunities for 'populist' electoral challengers that promote an entire swathe of sociocultural and economic policy changes from domestic spending to immigration reforms. In a similar vein, Dewan and Wolton (2024) demonstrate how social discrimination and the use of 'symbolic policies' can sustain differences in redistribution due to collective norms that punish social interactions with minorities or outgroup members. The model helps us understand why certain voters—economic or cultural losers of redistributive policies—may be drawn to such politicians: these politicians campaign on promising disaffected voters a larger share of a smaller pie.

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Appendix

Formal proofs

Lemma 1 The probability that L wins the election can be expressed as

$$\pi\Big(D_w(\theta_{La}, \theta_{Ha}), D_\ell(\theta_{La}, \theta_{Ha})\Big) = \frac{1}{2} + b\Big((1-\lambda)D_w + \lambda D_\ell\Big).$$

Proof of Lemma 1. Voter i in group j votes for L whenever $D_j + \mu_i + \beta \geq 0$, where D_j is the difference in income from what L proposes versus what H proposes. Alternatively, voter i votes for L if $\mu_i \geq -D_j - \beta$. Then, $P(\mu_i \geq -D_j - \beta) = (1/2) + m(D_j + \beta)$. Hence the fraction of winners supporting L is $(1-\lambda)((1/2) + m(D_w + \beta))$ and the fraction of losers supporting L is $\lambda((1/2) + m(D_\ell + \beta))$. To win the election, L must have support satisfying $(1-\lambda)((1/2) + m(D_w + \beta)) + \lambda((1/2) + m(D_\ell + \beta)) \geq 1/2$. This occurs when $\beta \geq -((1-\lambda)D_w + \lambda D_\ell)$. Finally, $P(\beta \geq -((1-\lambda)D_w + \lambda D_\ell)) = (1/2) + b((1-\lambda)D_w + \lambda D_\ell)$ as in the lemma.

Proposition 1 The equilibrium proposal by leader d in outcome a solves

$$b\Psi\frac{\lambda}{1-\theta^*_{da}} = b\Psi\frac{1-\lambda}{\theta^*_{da}} + (x_d + \alpha_a - \theta^*_{da}).$$

Proof of Proposition 1. Each share θ_{da} maximizes leader d's utility of taking action a as the best response to the other leader's behavior. All four choice variables—θ_{LR}, θ_{LE}, θ_{HR}, and θ_{HE}—solve the same type of problem, so it suffices to derive the first-order condition for one choice and generalize accordingly. Let p_d be the probability that leader d exits and let $\pi_{a_L a_H}$ be the probability that L wins the election given L's globalization policy a_L and H's globalization policy a_H. Consider H's proposal of national income with the pro-globalization policy, θ_{HR}. This solves

$$\theta^*_{HR} = \text{argmax}_{\theta_{\text{HR}}}\ (1-\text{p}_\text{L})(1-\pi_{\text{RR}}) + \text{p}_\text{L}(1-\pi_{\text{ER}}) - \frac{1}{2}(\text{x}_\text{H} + \alpha_\text{R} - \theta_{\text{HR}})^2,$$

where π_{RR} and π_{ER} are determined by Lemma 1 given the proposals $(\theta_{LR}, \theta_{HR})$ and $(\theta_{LE}, \theta_{HR})$, respectively. Differentiating with respect to θ_{HR} yields

$$(x_H + \alpha_R - \theta_{HR}) - b\Psi\Big(\frac{\lambda}{1-\theta_{HR}} - \frac{1-\lambda}{\theta_{HR}}\Big) = 0.$$

Generalizing notation yields the equation in the proposition. The point that satisfies this equation at equality, θ^*_{HR}, is guaranteed to be a maximum, as leaders' utility functions are globally concave. The second-order condition confirms this:

$$-1 - b\Psi\Big(\frac{1-\lambda}{\theta^2_{HR}} + \frac{\lambda}{(1-\theta_{HR})^2}\Big) < 0.$$

Corollary 1 L redistributes more than H, $\theta^*_{La} \leq \theta^*_{Ha}$.

Proof of Corollary 1. Since the cross-partial $\dfrac{\partial^2 u}{\partial\theta_{HR}\partial x_H} = 1 > 0$, we have $\dfrac{\partial\theta^*_{HR}}{\partial x_H} \geq 0$ via monotone comparative statics (Ashworth and Bueno de Mesquita, 2006). Because $0 = x_L < x_H$, we have that $\theta^*_{La} < \theta^*_{Ha}$.

Corollary 2 Equilibrium proposals θ^*_{dR} are increasing in the winners' gains α_R.

Proof of Corollary 2. Since the cross-partial $\dfrac{\partial^2 u}{\partial\theta_{HR}\partial\alpha_R} = 1 > 0$, we have $\dfrac{\partial\theta^*_{HR}}{\partial\alpha_R} \geq 0$.

Proposition 2 There exist thresholds $\gamma_L \leq \gamma_H$ such that leader d pursues the anti-globalization policy whenever $\gamma \leq \gamma_d$ and pursues the pro-globalization policy otherwise.

Proof of Proposition 2. Let p_d be the probability that leader d plays the anti-globalization policy. H's indirect utility functions for each policy are

$$EU_H(a=R) = -\frac{1}{2}(x_H + \alpha_R - \theta^*_{HR})^2 + p_L\Psi\Big[\frac{1}{2} - b(1-\lambda)\log\Big(\frac{\theta^*_{LE}}{\gamma\theta^*_{HR}}\Big) - b\lambda\log\Big(\frac{1-\theta^*_{LE}}{\gamma(1-\theta^*_{HR})}\Big)\Big]$$
$$+ (1-p_L)\Psi\Big[\frac{1}{2} - b(1-\lambda)\log\Big(\frac{\theta^*_{LR}}{\theta^*_{HR}}\Big) - b\lambda\log\Big(\frac{1-\theta^*_{LR}}{1-\theta^*_{HR}}\Big)\Big].$$
$$EU_H(a=E) = -\frac{1}{2}(x_H + \alpha_E - \theta^*_{HE})^2 + p_L\Psi\Big[\frac{1}{2} - b(1-\lambda)\log\Big(\frac{\theta^*_{LE}}{\gamma\theta^*_{HE}}\Big) - b\lambda\log\Big(\frac{1-\theta^*_{LE}}{\gamma(1-\theta^*_{HE})}\Big)\Big]$$
$$+ (1-p_L)\Psi\Big[\frac{1}{2} - b(1-\lambda)\log\Big(\frac{\gamma\theta^*_{LR}}{\theta^*_{HE}}\Big) - b\lambda\log\Big(\frac{\gamma(1-\theta^*_{LR})}{1-\theta^*_{HE}}\Big)\Big].$$

Therefore, H prefers $a = R$ whenever

$$\Phi_H(\gamma) :\, = \frac{1}{2}(2x_H + \alpha_E + \alpha_R - \theta^*_{HE} - \theta^*_{HR})(\alpha_E - \alpha_R - \theta^*_{HE} + \theta^*_{HR})$$
$$+ b(1-\lambda)\Psi\log\Big(\frac{\gamma\theta^*_{HR}}{\theta^*_{HE}}\Big) + b\lambda\Psi\log\Big(\frac{\gamma(1-\theta^*_{HR})}{1-\theta^*_{HE}}\Big) > 0.$$

Note that $\lim_{\gamma\to 0}\Phi_H(\gamma) = -\infty$ and $\lim_{\gamma\to\infty}\Phi_H(\gamma) = \infty$, and $\Phi_H(\gamma)$ is strictly increasing in γ, $\dfrac{\partial\Phi_H(\gamma)}{\partial\gamma} = \dfrac{b\Psi}{\gamma} > 0$, by the intermediate value theorem there is a point γ_H where $EU_H(a=R) = EU_H(a=E)$ with $EU_H(a=E) > EU_H(a=R)$ whenever $\gamma < \gamma_H$.

Analogously for L, we have

$$\Phi_L(\gamma) :\, = \frac{1}{2}(\alpha_E + \alpha_R - \theta^*_{LE} - \theta^*_{LR})(\alpha_E - \alpha_R - \theta^*_{LE} + \theta^*_{LR}) + b(1-\lambda)\Psi\log\Big(\frac{\gamma\theta^*_{LR}}{\theta^*_{LE}}\Big)$$
$$+ b\lambda\Psi\log\Big(\frac{\gamma(1-\theta^*_{LR})}{1-\theta^*_{LE}}\Big),$$

which is also strictly increasing in γ, $\dfrac{\partial\Phi_L(\gamma)}{\partial\gamma} = \dfrac{b\Psi}{\gamma} > 0$ with $\lim_{\gamma\to 0}\Phi_L(\gamma) = -\infty$ and $\lim_{\gamma\to\infty}\Phi_L(\gamma) = \infty$. Hence L chooses $a = E$ iff $\gamma < \gamma_L$.[13]

To rank, observe that $\dfrac{\partial\Phi_H(\gamma)}{\partial x_H} = \alpha_E - \alpha_R - \theta^*_{HE} + \theta^*_{HR} \leq 0$, so by the implicit function theorem γ_H is increasing in x_H. Moreover, as $x_H \to 0$, $\Phi_H(\gamma) \to \Phi_L(\gamma)$ as $\theta^*_{Ha} \to \theta^*_{La}$. Note also that $\dfrac{\partial\Phi_L(\gamma)}{\partial x_H} = 0$, so γ_L is constant in x_H (and x_L is fixed at zero). Then there is an increasing difference between $\Phi_H(\gamma)$ and $\Phi_L(\gamma)$ in x_H. Thus since $x_L = 0 < x_H$, $\gamma_H \geq \gamma_L$.

Corollary 3 The thresholds γ_d are increasing in the gains to winners α_R.

Proof of Corollary 3. We compute $\frac{\partial \gamma_d}{\partial \alpha_R} = -\frac{\partial \Phi_d / \partial \alpha_R}{\partial \Phi_d / \partial \gamma}$. From Proposition 2, $\frac{\partial \Phi_d}{\partial \gamma} > 0$. By the envelope theorem, the first term of $\frac{\mathrm{d}\Phi_d}{\mathrm{d}\alpha_R} = \frac{\partial \Phi_d}{\partial \theta_{da}} \frac{\partial \theta_{da}}{\partial \alpha_R} + \frac{\partial \Phi_d}{\partial \alpha_R}$ is zero. Differentiating, $\frac{\partial \Phi_d}{\partial \alpha_R} = (\theta_{dR} - \alpha_R - x_d) < 0$. Then, by the implicit function theorem, $\frac{\partial \gamma_d}{\partial \alpha_R} \geq 0$.

Proposition 3 Increasing the winners' gains from globalization α_R can create political realignments.

Proof of Proposition 3. It is sufficient to demonstrate that there exist cases in which increasing α_R moves the equilibrium outcome from both L and H remaining to L remaining and H exiting, and that D_w^* and D_ℓ^* change sign. Consider a case where $\lambda = 0.5$, $\alpha_E = 0.4$, $b = 1$, $\Psi = 1$, $x_H = 0.125$, and $\gamma = 1.05$.

Let $\alpha_R = 0.7$. Computed equilibrium shares are $\theta_{LR}^* = 0.566$, $\theta_{LE}^* = 0.467$, $\theta_{HE}^* = 0.508$, and $\theta_{HR}^* = 0.605$. We then calculate $\gamma_H = 1.048$ and $\gamma_L = 1.013$, so neither H nor L choose $a = 0$. Moreover, $D_w^* = -0.067$, so winners support H, and $D_\ell^* = 0.095$, so losers support L.

Now increase $\alpha_R = 0.71$. Equilibrium proposals are $\theta_{LR}^* = 0.569$, $\theta_{LE}^* = 0.468$, $\theta_{HE}^* = 0.508$, and $\theta_{HR}^* = 0.608$. With these shares, $\gamma_H = 1.051$ and $\gamma_L = 1.015$, so H chooses the anti-globalization policy but L does not. Then $D_w^* = 0.162$, so winners support L, and $D_\ell^* = -0.083$, so losers support H, establishing existence.

Extension: Reputational costs. Consider an extension of the model in which leaders face an additional cost $c > 0$ for pursuing anti-globalization policy, so $EU_d(a = 0)$ is the same as what is defined in Proposition 5 minus some cost c. Note that this does not alter the equilibrium levels of redistribution, which are defined by Proposition 4. What remains to be shown is how the introduction of c affects the decision to support pro- or anti-globalization policy.

As before, H prefers to remain whenever

$$Z_H(\gamma) : = \frac{1}{2}(2x_H + \alpha_E + \alpha_R - \theta_{HE}^* - \theta_{HR}^*)(\alpha_E - \alpha_R - \theta_{HE}^* + \theta_{HR}^*)$$
$$+ b(1-\lambda)\Psi \log\left(\frac{\gamma \theta_{HR}^*}{\theta_{HE}^*}\right) + b\lambda\Psi \log\left(\frac{\gamma(1-\theta_{HR}^*)}{1-\theta_{HE}^*}\right) + c > 0.$$

The logic of the proof of Proposition 2 holds. Clearly, increasing c lowers the willingness for leaders to exit, $\partial \gamma_H / \partial c \leq 0$, but it does not alter the structure of each leader's equilibrium strategy and its relationship to domestic redistribution.

Notes

1. https://hsfnotes.com/arbitration/2017/03/16/mixed-messages-to-investors-as-india-quietly-terminates-bilateral-investment-treaties-with-58-countries/
2. See Schonfeld (2021) and Schonfeld and Winter-Levy (2021) for evidence of realignments on issues of international trade and European integration.

3. An exception is Choi (2022), who appeals to 'leader nationalism' as an empirical predictor of exit. Heinkelmann-Wild et al. (2020) also argue that leaders tend to blame international organizations for bad policies which may suggest proclivity toward withdrawal.
4. I define a democracy as a state that scores at least 7 on the Polity V measure (Marshall and Gurr, 2020).
5. The setup most closely resembles a reduced-form modeling of an international trade agreement, but any such economic agreement with distributional conflict would also fit within the model's scope.
6. https://www.bloomberg.com/news/articles/2023-01-31/brexit-is-costing-the-uk-100-billion-a-year-in-lost-output?in_source=embedded-checkout-banner.
7. In the Appendix, I provide an extension of the model and show that, while reputational concerns may deter anti-globalization measures (Schmidt, 2025), they do not qualitatively change equilibrium behavior.
8. If the difference $\alpha_R - \alpha_E$ is small, then so too will be the change in inequality induced by an exit, which may reflect a setting in which countries are more tightly integrated with one another so the marginal effect of exiting one agreement may be smaller on inequality. By contrast, if $\alpha_R - \alpha_E$ is large, then exit has more consequential effects on globalization-related inequality. I do not require $\alpha_R - \alpha_E$ to be large for any of the results.
9. Figure is drawn with $\lambda = 0.6$, $\alpha_E = 0.4$, $b = 1$, $\Psi = 1$, and $x_H = 0.5$.
10. https://www.washingtonpost.com/archive/opinions/1993/11/07/america-first-nafta-never/c8450c08-b14b-4a25-abe8-0b7cfc992e11/.
11. https://www.hawley.senate.gov/sites/default/files/2020-05/Hawley-WTO-Resolution.pdf.
12. https://www.pewresearch.org/short-reads/2016/03/31/republicans-especially-trump-supporters-see-free-trade-deals-as-bad-for-u-s/.
13. If, given a configuration of parameters, $\gamma_d \in (0, 1)$, outside of the substantively interesting region of the parameter space, then leader d always prefers $a = R$.

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