

**Paper 201: Comparative Government**

# **Federalism**

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# Federalism

## Origins

- From Latin *foedus* “contract; treaty; agreement”
- OED first usage in this context:
  - 1703 J. Hodges *Rights & Interests Two Brit. Monarchies: Treat. I* 3 “A Confederate or Federal Union is that, whereby Distinct, Free, and Independent Kingdoms, Dominions or States, do unite their separate Interests into one common Interest, for the mutual benefit of both, so far as relates to certain Conditions and Articles agreed upon betwixt them, retaining in the mean time their several Independencies, National Distinctions, and the different Laws, Customs, and Government of each.”
- Idea becomes more widespread in aftermath of the foundation of the United States as a federal (meaning central) power post 1789



# Study of Federalism as of mid C20th

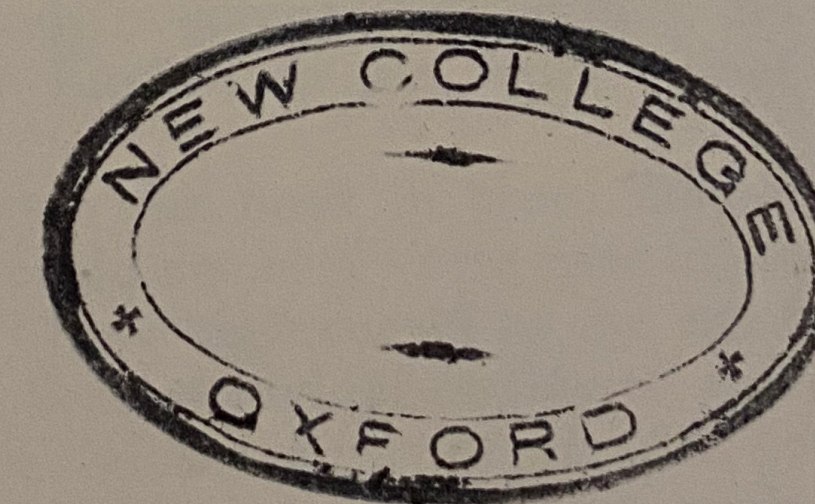
- Sir Kenneth Wheare, Federal Government (1st ed 1946)
- the “old institutionalism” approach - focus on legal and doctrinal content

# FEDERAL GOVERNMENT

by  
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# Definitions I

## C20th definitions

- Wheare (1953) *“the method of dividing powers so that the general and regional governments are each, within a sphere, coordinate and independent”*
- Riker (1964) *“The essential institutions of federalism are, of course, a government of the federation and a set of governments of the member units, in which both kinds of governments rule over the same territory and each kind has the authority to make some decisions independently of the other”*
- Riker (1975) *“Federalism is a political organisation in which the activities of government are divided between regional governments and a central government in such a way that each kind of government has some activities on which it makes final decisions”*

# Federalism in practice

- These definitions place emphasis on *finality* and *independence* of decisions in *separate areas* by different levels of government
- But variation in practice of federalism is widespread
  - qv development of US federalism: “Dual”; “Cooperative”; “Coercive” (only “dual” really fits the final/separate definitions)
  - qv federalisms with more complex arrangements between regional and central responsibilities eg German “fiscal federalism”
- “*federalism constitutes a complex reality in constant flux, quite distant from the clean, binary world suggested by merely formal or constitutional typologies*” Beramendi (2009)

# EGs of cooperative/coercive federalism in the US

- **NCLB 2002**

- major Bush administration domestic policy legislation, made education funding to states conditional on them adopting extensive student testing regimes and manage schools to their test results - coercive?

- **ACA 2010**

- major Obama administration domestic policy legislation (“Obamacare”), allows states *either* to run and control “exchanges” for health insurance *or* to rely on one set up by federal government *or* (in practice) states + federal govt to run them jointly

- Is either well described as “dual”, or “activities on which [one side] makes final decisions”?

# Definitions 2

## What distinguishes a federal from a unitary state?

- Bermeo (2002) *“A federal system exists when there is a layer of institutions between a state's center and its localities, when this layer of institutions features its own leaders and representative bodies, and when those leaders and bodies share decision-making power with the center”*
- Beramendi (2009) *“In unitary states, regional or provincial officials do not have constitutional status as effective actors in a bargaining process with the center. They lack control over power or resources, and therefore have no capacity to give or take in their interaction with the center ... As opposed to unions or unitary states, federations and confederations show an architecture of government with dual structures, driven by a process of bargaining between a number of constituent units and a center”*

# Definitional issues

- no dispute about geographic/territorial subdivision aspect but beyond that...
- federalism vs decentralisation (ie entrenched or constitutional basis)
- symmetry vs asymmetry
- cooperation versus autonomy/independence in policy areas
- leads to considerable dispute about which countries are federal. Eg Stepan (1999) and or Lijphart (2012) regard India as paradigmatically federal qv Clark et al textbook spends several pages explaining why India is not. (Wheare in 1953: “a quasi-federal constitution”)
- arguably some, especially older accounts (eg Riker) very US-centric definitions - perhaps unsurprising given the US origins of the idea

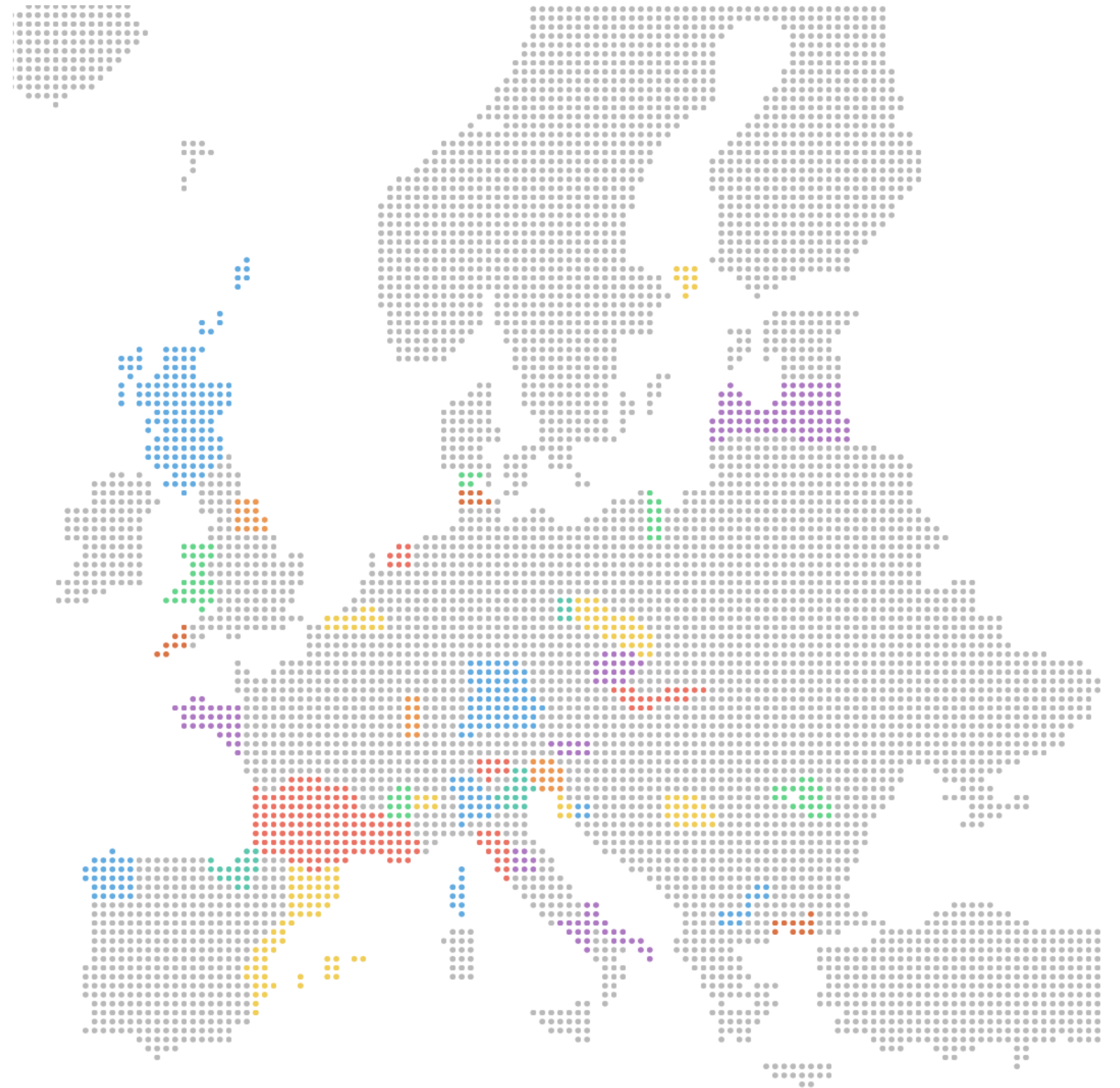


# Two kinds of questions about federalism

- Literature on federalism has focused on two major questions:
  - the causes of federalism? (federalism as the dependent variable: what leads to federal institutions)
  - the consequences of federalism? (federalism as the independent variable: what are the consequences for democracy, economy, identity and belonging, conflict...?)
  - (endogeneity...)
- Going to consider these in order

# Separatism in Europe

- parties which belong to the European Free Alliance
- (basically progressive regionalist/nationalist parties)
- each represents a potential separatist claim (perhaps some more plausible than others - SNP vs YP)



**Where does  
federalism come  
from?**

**(if anywhere)**



# Origins of federalism I

- Two puzzles:
  - why would (elites in) the centre devolve power to (elites in the) regions?
  - why would people with a shared identity in one region agree to be governed by people with other identities in the centre?

# Origins of federalism II

## Riker's idea of “the federal bargain”

- *“The acts of making federal constitutions should display the main feature of bargains generally, which is that all parties are willing to make them”* - bargain as an alternative to conquest?
- Who makes the bargain:
  - *“politicians” (political elites at the centre) offer it “to expand their territorial control... to meet an external military or diplomatic threat or to prepare for ... aggression and aggrandisement”*
  - *“politicians” (in the subunits) accept the bargain - “giving up some independence for the sake of union” - “because of some external military-diplomatic threat or opportunity”*
- federalism is ultimately derived from technological advances that enable rule over a wide area: *“at its height Rome probably ruled less land and fewer people than are now ruled from ... Ottawa”*

# Origins of federalism III

- Stepan (1999) suggests two (and a bit) distinct routes
  - **Coming-together** - “previously sovereign polities agree to give up part of their sovereignty in order to pool their resources to increase their collective security and to achieve other goals, including economic ones” (eg US)
  - **Holding-together** - “political systems with strong unitary features” - eg India, Belgium, Spain - “came to the decision that the best way to hold their countries together in a democracy would be to devolve power constitutionally and turn their threatened polities into federations.”
  - (putting-together - a non-democratic centralizing power creates a multinational state eg USSR)



# Origins of Federalism IV

- Ziblatt (2004) suggests a further mechanism from considering the C19th “coming together” of Germany (federal) and Italy (unitary)
- “*the issue is the extent to which the subunits of a potential federation possess both parliamentary institutions that are embedded in society via a constitution and well-developed administrative structures*” (my emphasis)
- “*high infrastructural subunits*”: credible negotiating partners + infrastructural capacity to deliver public goods + capacity to hold onto existing structures → **federal state**
- “*patrimonial states lacking institutions*”: negotiation breaks down, centre can sweep away subunits lacking governing capacity, subunits can see public good benefits → **unitary state**

**What is  
federalism like?**

**(ie what are its consequences)**

# Economic consequences of federalism

- Does decentralisation/federalism lead to...
  - more growth?
  - fiscal indiscipline?
  - better government?



# Tiebout

**“A Pure Theory of Local Expenditures” Journal of Political Economy 64:5 (1956)**

- The “Tiebout model”: what is the optimal level of public good provision (revenue vs expenditure)
- mobile “consumer-voters” PLUS communities with different patterns of revenue and expenditure
- “There is no way that the consumer can involve revealing his preferences in a spatial economy. Spatial mobility provides the local public-goods counterpart to the private market’s shopping trip”
- ie in Hirschman’s terms Exit (at low cost) rather than Voice

# **Changing accounts of the consequences of Federalism**

## **From Beramendi (2007)**

- [In the 1980s] “the answer would have read as follows: federalism breeds better democracy, better bureaucracies, and better markets”
- “Nowadays, it is clear that the political and economic effects of federalism are complex, multidimensional, often contingent on a number of other factors, and by no means always positive.”

# Economic outcomes: Wibbels (2000)

- Across 46 developing countries *“Federalism has a consistent and negative impact on long-term macroeconomic performance, volatility, and the frequency of economic crisis”* why?
- the “federal collective action problem”: for a subnational politician, economic reform has broad benefits (spillover to other subnational units) and narrowly focused costs (on the particular subnational unit)
- in federalism (unlike unitary systems) national govts cannot take overall responsibility for macroeconomic decisions - subnational *“governments face tempting incentives to default at the expense of national governments”* when the latter is the lender of last resort
- but...



# Economic outcomes: (Rodden and Wibbels 2006)

- among 14 federal systems, fiscal surplus ↑ when decentralisation ↑
- instead suggesting that what matters is the detailed *structure* of the federal system
- levels of revenue transfer (subnational govt funded by transfers from centre?)
- party structure (eg unified partisan control over centre and subnational govt)
- possibly “jurisdictional structure” (relative size and number of subunits)
- is federalism more complicated than it seems?

# Economic outcomes: O'Dwyer and Ziblatt (2006)

- What's the impact of decentralisation on government effectiveness (World Bank composite measure) and efficiency (spending on education & social security per public employee) - contestable measures!
- decentralisation: fiscal; administrative; political
- Conclusions:
  - importance of socioeconomic context: political decentralisation ↑ efficiency in high GDP countries but reverse in low GDP countries
  - importance of kind of decentralisation: political decentralisation related to efficiency, fiscal decentralisation to effectiveness (administrative to...?)

# Separatism and conflict

(see Amoretti in Amoretti and Bermeo)

- *“The term nation-state implies the fusion of states and nations” but “states have rarely been homogenous political organisations of a single people”*
- territorial cleavages: *“a self-conscious minority is concentrated in a specific area of a state’s territory”*
- does federalism help *accommodate* territorial cleavages through shared rule?
  - minimise violence
  - promote regionalism > separatism
  - protect minority rights
- or does it encourage ethnic mobilisation?



# Separatism and conflict: Bermeo

- *“Federal systems provide more layers of government and thus more settings for peaceful bargaining. They also give at least some regional elites a greater stake in existing political institutions.”* - federalism as potentially “peace preserving”
- in wealthy states, federalism → less armed rebellion, political and economic discrimination & cultural grievances (less wealthy states, less so)
- “Federalism is not a panacea and federalism is no guarantee of peace” - but often separatism is the result of coercion/refusal to federalize
- externally imposed federalism - no real *foedus* - “federal agreements must be based on domestic compacts if they are to survive”

# Separatism and conflict: Baake & Wibbels

- No one overall optimum federalism design: *“The institutions ideally suited for subnational fiscal discipline are likely different from those that foster peace in a regionally divided society”*
- peace-preserving institutions are contextual - ethnic, economic and policy setting
- interregional inequality + ethnic concentration → more conflict
- fiscal decentralisation + interregional inequality → more conflict
- copartisanship between levels + ethnic exclusion → more conflict
- copartisanship between levels + ethnic inclusion → less conflict

# Separatism and Conflict: Hale

- **ethnofederalism** *“a federal political system in which component territorial governance units are intentionally associated with specific ethnic categories”*
- ethnofederal states vulnerable to collapse due to “core ethnic region” = particularly dominant region
  - dual power/multiple sovereignty
  - credibility of commitment to minority rights
  - imagined community of core region as nation-state w preexisting institutions
- Thirteen ethnofederal states with no core region: no collapse
- Fourteen ethnofederal states with a core region: 7 collapse including 3 civil wars (others shortlived)

# Endogeneity - Wibbels I

- Regional governance structures are the *consequence* of economic features *at the time of constitution-writing* & reflect the underlying bargain
- In particular
  - factor endowments (bases of economic activity eg population, geography)
  - regional inequality (inequality/potential redistribution between regions)

# Endogeneity - Wibbels II

- From Wibbels (2005) at 170:

		Factor Endowments	
		Similar	Dissimilar
		Centralized Little Redistribution (Nordic states)	Decentralized Little Redistribution (U.S.)
Regional Distribution of Wealth	Equal		
	Unequal	Centralized Redistribution (India)	Decentralized Redistribution (Argentina, Canada)



# Endogeneity - Wibbels III

- eg Argentina
  - 1853 constitution: conflictual process reflecting diverse regional interests → weak central state
  - but intense demands for regional redistribution, “sharp disjuncture between the constraining political logic written into the Argentine constitution and the economic dynamism of its hegemonic province” (ie Buenos Aires)
  - → instability and constitutional failure

# Normative questions...

- Federalism (might be) a tool for avoiding separatism/sustaining unions
- But is separatism... bad?
- US - civil war to counter secession
- But eg referenda on secession (“unconstitutional” in Catalonia 2017; lawful in Scotland 2014, Quebec 1980/1995)
- Procedural constraints: eg Scottish Independence Referendum Act 2013 (qv referendum question), Canadian laws (Clarity Act 1999) and judgements

# Conclusions

- Federalism (and decentralisation more generally) widely used structures
- Potential consequences for representation, economic activity, the management of deep social cleavages
- But many of these relationships somewhat unclear and contingent on particular features of specific federalisms, underlying demographic & historical features
- To reemphasise Bermeo: “*federalism is not a panacea*”