Territory, Democracy and Justice
Regionalism and Federalism in Western Democracies

Edited by
Scott L. Greer
Territory, Democracy and Justice
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NATIONALISM AND SELF-GOVERNMENT
QUESTIONING GEOPOLITICS WITH GEORGI DERLUGUIAN
TERRITORIAL POLITICS AND HEALTH POLICY
Territory, Democracy and Justice

Regionalism and Federalism in Western Democracies

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Acknowledgments

This book is the result of collaboration between the Constitution Unit, University College London and the Economic and Social Research Council’s programme on Devolution and Constitutional Change. It is to them, and to their directors, Charlie Jeffery, and Robert Hazell, that thanks must go for the inspiration and generous support that made its execution possible.

Each paper was initially presented at a seminar from June-November 2003 at UCL in London, with a respondent from the UK. Their input and participation was stimulating and invaluable. They are: Brian Barry (UCL), Vernon Bogdanor (Oxford), Martin Burch (Manchester), Elizabeth Meehan (Queens University Belfast), James Mitchell (Strathclyde), Charlie Jeffery and Daniel Wincott (Birmingham). Robert Hazell and Alan Trench both chaired seminars as well.

Helen Daines and Matthew Butt, the administrators of the Constitution Unit, were responsible for the many feats of organization that go into making a series of international seminars possible, all the way from organizing long-haul flights to organizing bottled water. Their competence and calmness in the face of transnational organisational problems were much appreciated by all the academics who contributed to them.

Holly Jarman did a superb job pulling together the final text, finding and fixing the problems in bibliographies and style, and did it with good cheer. I would also like to thank Guy Lodge and Akash Paun for their help. Alison Howson, Anthea Coombs, and Guy Edwards of Palgrave Macmillan were very pleasant and efficient, and very nice when I wasn’t.
Terminology

It is for the reader to decide if theories of territorial politics are really as fragmented and non-cumulative as Scott Greer says in the introduction, but it is clear that the vocabulary certainly is. Throughout this book we try to use consistent terminology. Above all, the generic category for the mid- or meso-level governments, the ones between local and state levels that we mostly discuss, is “region.” Other names – provinces, states, autonomous communities, regions, Laender, devolved bodies – are reserved for occasions when it is clear what is being discussed.

This is in keeping with European usage. The use of the word region is no insult to stateless nations with regional governments such as Quebec, the Basque Country, or Scotland. A region is not a comment on the identity of the people it governs; it is an institutional form like a state. And as the implausibility of the term “nation-state” in most cases shows, there is only rarely a good correspondence between particular institutional forms and nations. We have tried to avoid using terms that suggest the equivalence of state and nation for that reason.

Likewise, when it is a reference to the central state of a federation, it is the federal government; when it is a reference to a central state in a decentralized state or when it spans the categories, it is a central state.
Modern democracy is about rule of, by and for the people. But who are the people? With whom do we share our wealth, to whom do we feel responsible, with whom do we share sovereignty?

Traditional political studies and theory alike tend to assume the boundaries of the community, taking the existing state as the unit, or perhaps avoiding the question altogether. It is much easier to come to grips with the design of a good democracy or community in theory, and much easier to study the workings of the state in practice, if we avoid paying attention to rival definitions of communities, people who want in, people who want out, and whole other governments jostling for power and influence. We see the price of this assumption in the politics of state breakdown and in the difficulty we have had adapting many fundamental ideas in the study of democracy and democratic states to the problems of today’s ubiquitous multinational states (Connor 1994; Toft 2003: 27). And we see the price in the problems we have with emerging challenges to existing political economies, from the reluctance of rich regions to subsidize poor ones to the growing importance of regional networks in the economy. The best polity that can be designed by any set of standards can lose its promise if the definition of the people is unstable, or if it is trapped in a system with other governments and footloose people and capital that constrain it. So knowing what the divisions are – the nature of the demos – is crucial to thinking about democracy and the prospects for the democratic welfare state.

Territorial politics is the study of the territorial aspects of these questions – of the possible distributions of power across different territorial governments and communities, the reasons they develop and the consequences of different systems for key values of democratic society.
It starts with the simple fact that all social life is distributed across territory; everything must be somewhere. Even the most ethereal aspects of global finance have very visible territorial connections to the great cities of the world (Greer 1998; Sassen 1991). Most nations have homelands, often passionately held or desired and difficult to share. And even theoretically unified countries such as the United States, ones where territorial politics is comparatively little articulated or discussed, still have rich variation in politics, economy and society across their territories.

The value of developing our understanding of territorial politics – specifically, for this book, of the consequences of decentralization – is not just theoretical, for all that it allows us to ask and answer basic questions about the nature of political community and institutional design. It is also practical, because the world is still caught in a wave of decentralization that shows no signs of slowing down. In some countries central governments are still handing over substantial new powers to regional governments; France, Italy and Spain are all doing so. In other cases regional governments are developing their capacity to interact on the levels of the international organizations, from the European Union to the World Health Organization, that increasingly shape global governance. And decentralization, redolent of local democracy in the face of the accumulated cynicism of central states, is still a magic mantra of democrats and policy reformers in many different debates.

In developing countries (Kimenyi and Meagher 2004; MacIntyre 2003), outside the scope of this book, decentralization is not just an idea. It is also a policy with important backers, driven by international organizations and consultants who advocate decentralization as a major tool to break through congealed, corrupt systems, avoid the white elephants that come with top-down development decision making, and create meaningful local involvement in policy and meaningful local oversight of officials who might otherwise be incompetent or corrupt. The arguments for doing so sound good, but then so did the ones from those same organizations a few decades ago (or from many students of developmental states today) that stressed the importance of having states that could override local objections and take the lead in creating the infrastructure and making the investments for a modern economy. When such powerful organizations take sides in debates about institutional design, poor countries are changed. The questions for rich and poor countries, though, are the same. What, if any, is the relationship between decentralization and procedural democracy? Policymaking? Welfare?
Territorial politics: Promise and perils

While the literature on the territorial politics of any country is considerable, and in some, such as Canada and the United States, bigger than some entire academic disciplines, the study of comparative territorial politics or even literature that tries to generalize internationally is far smaller. It is also fragmented, with multiple perspectives and methods that generally bear the imprint of one country’s academic and political culture. We know a great deal about topics as diverse as the American politics of unfunded mandates, the role of Quebec in the development of the Canadian welfare state, the politics of autonomy in Corsica and the extent of a “joint decision trap” in Germany (Jeffery 2002; Scharpf 1988). But we know less about what, if anything, ties them together as issues for study or what allows us to understand the consequences of decentralization.

If decentralization is a cost as some argue, a system that makes a state less democratic and egalitarian while entrenching retrograde elites, then it is a serious price to pay and is justified only by the awfulness of alternatives such as civil war. And if decentralization is a benefit, offering somehow improved democracy, policy, or social welfare, then it is much more than a cost of peace. Homogeneous states might also want it. In other words: is regionally decentralized governance good or bad for social citizenship regimes, for procedural democracy and for policy development, however defined? Under what conditions are the promises or the perils realized? Or is there no pattern at all?

The book’s chapters all address, from their various perspectives, the consequences of territorial politics – decentralization, specifically – for the welfare state, for procedural democracy and for policymaking. The chapters focus individually on particular issues but all speak to two or three of the issues in distinctive ways. The conclusion then goes through the various chapters’ answers to the questions, and possible answers suggested by reading the different chapters. It then identifies three major areas of study that should contribute to our understanding of territorial politics and its consequences – intergovernmental relations, party systems and policy transfer.

Social citizenship: the welfare state

Consider the problem of a Catalan deciding what view to take of a Spanish financial system that from 1980 to 2005 systematically took more tax revenue out of Catalonia – with its per-capita income of about the EU average – than it returned in the form of government spending.
If we accept the premise that redistribution within some territorial community is acceptable, then the politics of redistribution, and the limitations of public tolerance for it, are about the boundaries of community. A Catalan nationalist who wants a state would be coherent in resisting any redistribution to the rest of Spain, but what view should Catalans who believe in autonomy within Spain take? The fact that Catalonia is a stateless nation makes the point particularly charged, but equally the people of Alberta, in Canada, might fairly ask why the federal government is consistently using the (oil-derived) revenues from their province to subsidize most of the other provinces in the federation. Alberta’s politicians certainly do. In other words, basic questions of design and politics in decentralized states, including seemingly technical ones such as how to organize intergovernmental finance, touch directly on the citizens’ and political elites’ underlying concepts of rights and community.

The consensus in the literature on comparative politics is that territorial decentralization is bad for the welfare state (despite Stepan 2004b: 355). There is a correlation between federalism and smaller, later-developing welfare states, one that authors of such cross-sectional analyses tend to put down to the multiplication of veto points and institutional barriers that comes, mathematically, with the multiplication of governments (Cameron 1978; Hicks 1999; Huber, Ragin and Stephens 1993; Swank 2001). These studies find that federalism (or some composite variable including it) is associated with lower welfare expenditure across the state – but, because of their focus on statewide outcomes, they have little or nothing to say about the possibility of divergent welfare politics within countries.

Despite histories and case studies of policies pioneered by regions – such as Saskatchewan, birthplace of Canada’s universal health system, or Wyoming, first place women won the vote – there is also a good body of qualitative evidence suggesting that federalism might slow the growth welfare state and stop its growth earlier. Many left parties have historically thought so, for reasons as diverse as Australian Labor’s suspicion of the Commonwealth as a way to fragment political power over capital (Galligan 1995) or the American left’s discovery that only the exercise of federal power overcame the Southern racism identified with “states’ rights.” Even if that is changing, as Paul Peterson suggests in his chapter, their arguments remain – arguments that central states are better for social progress than small jurisdictions prone to capture. And even if federalism might turn out to be a very complex interaction term rather than an easy variable (Pierson 1995), the charge remains, and as
Richard Simeon points out in his chapter, left and right converge on the view that decentralization and federalism impede welfare state development.

One formulation of the problem, discussed by Keith Banting, Charlie Jeffery and Richard Simeon, is that the logic of federalism tends to diversity, both because of the difficulty of creating large-scale programs and the likelihood of policy divergence, while the logic of social citizenship since its definition by T. H. Marshall is about uniform rights across territory (Banting and Corbett 2002). How does this tension play out? And how important is it, really?

**Democracy**

Many thinkers, throughout the history of political theory, have fingered the size of the polity as a crucial variable in its ability to be democratic, liberal, or effective. To put it very crudely, for centuries the view was that the potential for republican, or other kinds of democratic, government was confined to small polities. Writers as disparate as Machiavelli, Rousseau and Montesquieu focused on the difficulties of establishing appropriate democratic mores and practices in large countries. The *Federalist Papers* of 1787–88 mark the development of an alternate school of thought, one that stressed large size as a democratic virtue. The innovation of *Federalist 10* and *51*, as seen by much modern historiography, is their argument that smaller polities are more, rather than less, susceptible to takeover by “faction.” The debate continues to this day, fueled in part by political theory, in part by the claims of different levels of government and in part by the positions and preferences of different political forces.

Such debates might be underpinned not by values but by politics – by policy advocates trying to transfer powers to governments where they do better, or by politicians competing for power and autonomy – but the justifications touch on real issues. Citizens are presumably more likely to know their leaders and to be able to monitor them in small polities; they might be more likely to belong to groups with some ability to be heard in smaller polities; they are more likely to have relatively coherent cultures and interests that make them a credible *demos*. If nothing else, it is easier to understand political issues in a polity of five million with a couple of cities than in a country the size of the United Kingdom, Germany, or the United States. But there is also a reason why in many decentralized countries local and regional governments have got bad names; for every star performer there is usually some sink of corruption and incompetence where a combination of dysfunctional politics and
powerful local elites creates something less than democratic and less than desirable. In one well-documented example, German imperial semi-federalism meant that the proud, autonomous city of Hamburg was free to be undemocratically run by a merchant oligarchy that chose not to invest in public health and which thereby gifted their city with a cholera epidemic long after other European cities had vanquished the disease (Evans 1990).

In addition to these debates about the quality of democratic participation, there are debates about the reach of democracy. These tend to be broadly functionalist statements, summarized in the variously attributed quote that the state as we know it is “too big for the small things and too small for the big things.” This line of reasoning, which we might trace back to interwar statements by thinkers such as Harold Laski and David Mitrany, posits that there are better and worse levels of territorial organization for politics (Forsyth 1996). It is hardly controversial to argue that some things are better organized locally, regionally, statewide or supranationally depending on the scale of the problem and the available kinds of organization and technology. The problem lies more in finding a basis to make such statements, and the tensions between different functional and political logics. Quebec or Scotland might by some standards not be a good functional unit for some things, but it would be hard to avoid acknowledging that large parts of their populations are willing to pay some price in return for furthering and defending their political autonomy.

**Policy**

Finally, then, are regional governments somehow “better” at policy? At least, do they innovate, experiment, learn and tailor their policies to local preferences and situations? The promise is expressed in the American jurist Louis Brandeis’ phrase “laboratories of democracy,” possibly the most famous single quotation in territorial politics. The promise is that regional governments will act when other governments do not, and often experiment to good effect and with initially limited consequences if things go wrong (as Keith Banting puts it in his chapter, “experiments inevitably lead to both successes and disappointments, and it is more efficient to have disappointments occur on a small scale”).

For all that there is a tendency to applaud innovation (however specified), we need not assume that innovation is good. If innovation interferes with the level of consistent citizenship rights that Charlie Jeffery and Keith Banting suggest citizens support, then it might be politically unpopular and difficult to justify on democratic grounds.
Many administrators and politicians act like the function of regional and local governments is “delivery” rather than policy development and innovation; perhaps they have a point, and all citizens want is modification of policies in keeping with particular local demographic, geographic, economic and other particularities.

Even if this is less glamorous than a role as policy innovators, it does point out something rather basic: the information and administrative costs, and political complexity, of developing a policy for a large area that will serve everybody equally are very high. It is likely that a single policy for a large area will underprovide, overprovide and make great demands for information on the local area while putting great demands for policy on the center. It is more efficient to have local actors, with better information about local conditions and politics, who can adjust provision, and can be more equitable as well.

Either way then, what do regional governments do with their autonomy over policy? And is what they do a reason for somebody to like regionalization?

Problems of doing comparative territorial politics

The study of decentralized institutions poses but does not always answer these questions. Most of these arguments about the consequences of territorial complexity share a problem of identifying the direction of influences. Much of the time we find territorial decentralization in polities that were already complex and multi-layered. Unitary theologies of state have often masked polytheistic practices and it would be a mistake to assume that changes in French, Spanish, British, or Italian politics since legislative decentralization are all caused by the new governments. They may, as Claire Dupuy and Patrick Le Galès argue in their chapter, be legacies of previously hidden variation in public administration. Furthermore, institutions necessarily have some responsiveness to their society, some minimal degree of “functionality” that means there is no sufficiently strong coalition against them. This means that federations and decentralized states are often that way because they are large, diverse countries that could not be ruled by a single democratic government.

On one level, this problem affects every study of the politics of institutions. Galveston, in Texas, is both a notoriously corrupt town and the source of many innovative ideas in American local government. Galveston’s intractable corruption drives reformers to develop new ideas – and defeats those reforms, no matter what impact the various “Galveston models” might have elsewhere.
On another level, though, it is especially acute in federations and decentralized states because they tend to be in large, and generally highly plural, societies. Federations often reflect federal societies (Livingston 1952), and force us to ask how much, if any, part of these big outcomes can be attributed to the territorial basis of the state structure. Would the American south really be much different if the country had retained the loose Articles of Confederation, or adopted a tighter federation? (a non-federal United States has never been a political concept much discussed). Would Canada exist if it had a unitary state form? History, particularly the short-lived unification of what are now Ontario and Quebec under one government, suggests not (Watts 2000a: 48). This means that whenever we ask about the effect of decentralized political institutions, or suggest that they have had a particular effect, our answers are shadowed by the possibility that they were mostly just processing the political forces in territorially differentiated societies.

It also leads us to the first major reason for the fragmentation of territorial politics as a field of study. If the debate about the consequences of territorial decentralization is a fragmented one, it is partly because it is a debate inflected by the politics of stateless nations and multinational states. The drive to decentralize in many countries, including pressures to loosen existing federations, has often been powered by the presence of stateless nations whose political leaders press for greater political autonomy and which attain some degree of autonomy as a result of the pressure they can bring to bear on the center (Amoretti and Bermeo 2004; Bermeo 2002; Gagnon and Tully 2001; Hechter 2000; Jusdanis 2001; Lapidoth 1996; Greer forthcoming). Partisans of this view include some writers who are by no means general friends of federalism, such as Stepan, who otherwise concentrates on the ‘demos-constraining’ (hence antidemocratic) properties of federations (Stepan 2001).

The sheer importance of multinationality gives debates about territorial politics a very different tone and set of preoccupations in those states. Theorists from the more homogeneous states (such as the United States) tended to focus on the relationship between decentralization and some combination of liberty, democracy, policy and economic efficiency. Theorists from multinational states tend to discuss federalism as, essentially, a form of ethnic conflict management and a mechanism to make multinational democracy survive. At the most basic level of multinational politics state elites judge the success of the state by its maintaining its role and borders, while “peripheral nationalists” view success as their nation’s level of self-government. The success of federalism is in negotiating these tensions without violence or social breakdown,
and a crisis is when somebody “unilaterally changes the game’s basic rules” (Conversi 2000: 137).

Debates about decentralization in multinational states are not, then, like debates in basically homogeneous states or states where the major social cleavages do not match territory. In multinational states, multiple definitions of the community rub shoulders, with the titular state nation (Spain, Canada, the United Kingdom) contesting the others (Catalonia, the Basque Country, Galicia, Quebec, Scotland, Wales) as the frame of reference for debates about basic issues such as redistribution and political control. In Spanish debates about redistribution, for example, national identity will shape whether you want policy to focus on redistribution from (comparatively rich) Catalonia to (comparatively poor) Andalucia, or whether you want the policy to focus on redistribution and economic growth within Catalonia. The answer to how much Catalans – not rich by European standards – should subsidize Andalucians is in good part contingent on how voters view their territorial community: Catalonia, Spain, Europe? Such debates are policy debates, and debates about intergovernmental finance – and about citizenship and the nature of political community. They are complicated, generally very ambiguous, and often high-stakes; Charlie Jeffery and Keith Banting in this volume highlight how citizens of multinational democracies might not define their citizenship in the way their political leaders appear to do so.

A second reason for the diversity in writing about territorial politics is the distinction between federations and decentralized states. The group of states that have some level of autonomous government above the local is quite large, incorporating states that were born as federations (Germany, Austria, the United States, Australia and Canada), sometimes even as compacts between independent units, and also states that were centralized, often highly centralized, and then developed autonomous elected regional levels later on; these states include France, Spain, Belgium, Italy and the United Kingdom. The existence of such decentralized states has prompted an interesting if often inconclusive return to long-running debates about the definition of federalism, this time in the hopes of working out whether a country with a well-established regional level such as Spain is federal, quasi-federal, or just decentralized again. Stepan integrates the different histories with his idea of “coming-together” and “staying-together” federations (Stepan 2001: 320–1). The former is one where independent units joined up to form a new state; the latter is one in which an existing state, probably a multinational one threatened by secession, decentralized in order to continue existing within its same frontiers. Where this is the case, as in the United
Kingdom, Belgium, or Spain, there is all the more reason to expect that their politics will be different. The stateless nations, or at least their political elites, have in these countries driven serious constitutional changes against well-established states, and tend to have histories of mobilization and conflict that are rare in older federations. Their institutional histories and legacies will differ and shape them. These two different kinds of states simply might not have comparable territorial politics.

**Studying territorial politics**

This might all seem to be a counsel of despair. The object of study is unclear; the terms of debate tend to be country-specific and change dramatically if stateless nations are or are not present and politically strong; and the consequences of decentralization are the subject of many opposing arguments. It might also be a good explanation for the often country-specific work that dominates the comparative study of territorial politics: even if we cannot study federalism or decentralization, we can map out different institutional combinations and usefully say a great deal about the politics and institutions of single countries. But this scan of issues and debates at least makes the case that territorial politics is woven into many of the greatest questions in politics, and understanding it might be necessary to answer them. The next section ties territorial politics to two lineages of social science – institutionalism, and the study of the changing political economy of Europe. And it suggests that many of the approaches in the contemporary comparative territorial politics are missing something.

**Institutions**

One lineage of comparative territorial politics comes through the study of comparative federalism. Its postwar intellectual history largely parallels the history of other fields in the social sciences, starting with “old institutionalists” closely akin to (and sometimes trained as) lawyers, who focused on the formal nature and analysis of institutions and at their best, such as in the works of K. C. Wheare, incorporated a great deal of pragmatism and wisdom (Wheare 1963). Non-English speaking countries with lively debates about federalism, such as Germany and Spain, saw the debates either conducted within technical law rather than social science or actually meant something rather different from what the rest of the world meant by federalism (see Hennessy 1962; Umbach 2002).

In the 1950s and 1960s influential American approaches created an alternative framework built on behavioral ideas and new statistical
techniques that largely denied the specific consequences of institutions for politics. While the best representation of this movement lay in the absence of federalism from the bulk of work in these years, it also crystallized in the writings on federalism that launched the career of William Riker. Riker's contribution as a leader of the field of federalism was to kill the field of federalism (Stepan 2004a: 50). He argued that the incentive to create lasting federations lay in external military pressure and otherwise the preservation of federations was through the party system, rather than particular aspects of federal design or national sentiment.2

The resurgence of institutionalism in the 1980s and 1990s brought back federalism in two different ways. One was created by largely qualitative and historically sensitive “historical institutionalists.” They were building on an interest in the state developed by marxist thinkers to overcome the limits of class analysis. It focused on the ways that institutions change the outcomes that social forces would otherwise produce and the ways institutions shape political forces themselves. The former meant studies of topics such as the impact of federalism on the strength of the state and its ability to pursue society-changing policy (Skowronek 1982); the latter meant studies of, for example, how federalism shaped the constellation of interest groups that would build the distinctive American welfare state (Hattam 1992; Skocpol 1992). The appearance of federalism as one of multiple institutional variables, sustained by its prominent role in comparative studies of the welfare state, also justified its inclusion in large-scale statistical comparisons.

The other stream emerged from the rational choice movement (led by William Riker, who, in a rationalist but not rational choice mode, had undone so much in the study of federalism). These theories are characterized not just by their use of rational actor assumptions and sometimes very sophisticated mathematics, but also by their tendency to adopt what Riker earlier approvingly called an analysis “confined to the political level entirely” (Riker 1964: 16). They focus on the incentives to create and dismantle federations, as faced by political actors, and within them the incentives created by federal institutions themselves. The institutions themselves, of course, create many opportunities for complex yet bounded and rule-based interactions that lend themselves to the modeling techniques of rational choice theory. The actors, then, are politicians (or their parties) and perhaps judges or civil servants and the incentives to which these actors respond are those contained in the political institutions themselves. Thus, for example, when Riker most prominently continued his studies of federalism, it was as a coordinating
mechanism that created a particular kind of institutional political equilibrium. While in 1964 he argued that federalism, insofar as it mattered, was the racist’s friend because it made it harder for the (American) federal government to intervene on behalf of blacks (Riker 1964: 155), in *Liberalism Against Populism* he stressed the beneficial government-limiting effects of the equilibrium created by American federalism (Riker 1982).

These studies increasingly highlight the influence of parties and party systems on federations, and particularly, in line with Riker’s arguments, federal stability. If we take a major recent contribution as representative of this school, we can highlight the basic understanding of institutions, as a “set of rules,” and the goal as “self-sustainable” institutions that create the incentives to lead political elites to sustain them by diverting them from potentially destructive, but rational, center–periphery conflict (Filippov, Ordeschook and Shvetsova 2004: 13, 15, 43) In other words, a federal or other constitution is “an incentive-compatible mechanism that becomes self-sustaining when no decisive coalition’s interest is served by unilateral defection from its provisions” (Filippov, Ordeschook and Shvetsova 2004: 150).

These different threads of historical institutionalism and rational choice theory were woven in each country with strong traditions of analysis driven by specific histories and issues – and those specific histories and issues largely dictated the patterns in each country. Consider two old North American federations. The study of federalism in Canada has a status, policy connection, and focus on both high and low politics that could only come from a country with a long history of high-level constitutional argument (Simeon 2002 and Alan Trench, this volume). Across the border the American study of federalism blends seamlessly into public administration and constitutional law, reflecting the endless networks that operate its fragmented government, the overwhelming role of law in the technical operation of its government, the ideology upon which it rests, and a covenanting tradition (Elazar 1987). The relative balance of attention to concerns of public policy and concerns of citizenship and nationhood can vary a great deal; Canadian students of federalism have produced a literature alert to the complexities and challenges of multinational federations, while American discussions of federation limit their appeal to the rest of the world by assuming a largely homogeneous nation. Only now is systematic comparative attention being paid even to the dynamics of “authority migration” – that is shifts in power between different governments (Gerber and Kollman 2004).
In a second thread starting in the early 1990s, students of European politics also became interested as the lessons of comparative territorial politics – or at least the issues – became relevant. They became relevant, like regions, from the top down and from the bottom up as the European Union began to make multinational federations for much of the continent more imaginable and as regional governments, already enjoying two decades of progress, began to search for new roles and strengthened positions in a “Europe of the regions.”

From above, the increasing pace of European integration delivered a new kind of case, neither an example of European decentralization or federalization, nor an example of ongoing debates between long-established federal and regional governments. The EU attracted the attention of federalists and federalism scholars almost from its birth, with federalism as a normative goal, but only from the 1980s did federalism start to appear as a major perspective in the analysis of European politics. This led most prominently to a series of interdisciplinary books trying to identify the literature’s lessons for Europe (Ansell and DiPalma 2004; Baimbridge and Whyman 2003; Fabbrini 2004; Hesse and Wright 1996; Nicolaidis and Howse 2001) as well as revived interest in existing threads of work on the older traditions of European federalist thought (Burgess 2000).

Something else was happening from below, though, as regional government spread. The development of territorial politics as a field has drawn upon an even more amorphous and diverse set of studies than seen even in the field of comparative federalism. These are the studies of regionalization and centralization that originally tried to explain the rise of “new nationalisms” in places like Catalonia, Quebec, Scotland and Flanders (or Corsica, Brittany, Jura and Northern Italy) and came to focus as much or more on the development of regional autonomy and decentralized states in those regions and others.

The initial wave of such studies looked for the historical and structural antecedents of these movements, often focusing on large-scale structures and social forces (a representative example is Tiryakian and Rogowski 1985). This would come to connect with debates about regionalization because most “new nationalisms” produced not new states but rather new regional governments. Meanwhile, an early-1990s debate about a possible “Europe of the regions” and a widespread sense that European integration was changing the bounds of the possible created new interest in crossborder regions, “new regions” that were not stateless nations.
but nonetheless dynamic political actors, and the relationship between different levels of government in “multi-level government” (Marks, Hooghe and Blank 1996). The result was yet more attention to the costs and benefits, problems and perils, of regionalization, as the environment of European integration gave new interest to the ongoing process of regionalization in countries as long centralized as the United Kingdom and France. The number of publications on the subject numbered well into the four figures by the end of the 1990s (Kohler-Koch 2000) even as the dominant mood turned to one of skepticism about the inability of the EU and regions to team up against states. Some scholars even began to argue that the EU, an assembly of states, was a threat to regions that could take away their powers without them having any input (Brugué, Gomà and Subirats 1997; Hooghe and Marks 2001; Joan Subirats, this volume). The result is a large and lively literature in most European languages, but one which often fails to bridge macro-level and micro-level concerns, “forgetting politics” (Bukowski, Piattoni and Smyrl 2002) in the rush to find elective affinities between new regionalism and the “New Europe.”

Now, we know a great deal about the origins and development of regional governments around the continent, and there are lively debates about the extent of decentralization in many countries. What we know less about is whether this vast literature fits with either institution-focused studies of decentralization, whether by historical institutionalists or by Riker, or what the extent of regional powers does to other key values, values often said to be promoted by regionalization, such as procedural democracy or public policy innovation.

Comparative territorial politics

The chapters in this book are historically and institutionally minded, and perhaps historical institutionalist. The authors have in common a presupposition that institutions shape politics, both as rules and arenas and, over time, as they influence the very nature of actors in politics. But equally they refuse the a priori assumption that political outcomes are to be explained only by political causes. Territorial politics is complex and historical. Political institutions affect parties, interest groups, politicians and others who are also subject to manifold influences from the societies on which they depend for resources, people, ideas and legitimacy. Increasingly detailed studies of institutions in the politics of any single state will benefit from comparing notes and generalizable findings, while increasingly detailed studies of incentives internal to political
systems will benefit from some context that tells us how much their approach studies something that actually matters.

The goal of the book is to identify the ways territorial political institutions matter to key values of modern liberal states that are often linked with questions of territorial politics: their impact on welfare states, on democracy, and on policy. The chapters ask different questions about the relationship between decentralization and procedural democracy, public policy and the welfare state. All the chapters in the book engage with the three values of democracy, citizenship rights and policy innovation, and most of the chapters cut across several and speak to all three.

Referring back to the three debates discussed earlier, the authors formulate generalizable statements about how territorial politics – regionalization, specifically – really affects these core issues. What does regional government do to citizenship rights, procedural democracy, and public policy?

*Citizenship rights* are important in the chapters by Keith Banting, Charlie Jeffery, Claire Dupuy and Patrick Le Galès, Paul Peterson and Richard Simeon. Their answers are somewhat surprising, playing down the extent of the conflict. Jeffery and Banting each argue, in effect, that statewide concepts of social citizenship are not just capable of putting up a good fight but have enough of a hold on the hearts and minds of citizens across different countries to limit policy divergence. This accords with the findings discussed by Richard Simeon in his chapter, which do demonstrate a correlation between decentralization and weaker welfare states – but one ringed with qualification and ‘but’s. Meanwhile, the core premise of many existing studies of the impact of federation in comparative politics – that central governments are more likely to be proponents of the welfare state – fits poorly with Paul Peterson’s chapter. Peterson finds, based on American evidence but with considerable generalizability elsewhere, that as welfare states mature the central state starts to be the chosen tool of market reformers. Regional and local governments, more open to the political activities of public sector providers, resist change in favor of the present welfare state – once again, the pressure for change is coming from the central state, but this time it is the retrenchers in the central state and the status quo in the regions. Claire Dupuy and Patrick Le Galès, meanwhile, question in a very different way the basic assumption that decentralization promotes inequality and that centralization produces equality. In their radical chapter they find evidence from France, that famously centralized country, that decentralization unleashed pressures for greater interregional equality.
As for democracy, the question addressed by authors here – Richard Simeon, Claire Dupuy and Patrick Le Galès and Alan Trench – is what impact decentralization has on procedural democracy, as defined by the right to participate effectively in an effective government. There certainly are good arguments for decentralization: smaller, better units with greater opportunities to monitor events and politicians would make a nice change from large, unapproachable governments whose politicians communicate largely through expensive and highly manipulated mass media. But there are arguments against. Regions can be bad polities open to capture by factions, as the Federalist Papers suggested. Claire Dupuy and Patrick Le Galès argue that many of them represent very little; bereft of an existing “regional” civil society, they lack the role and citizen identification cities enjoy and attract weaker scrutiny while achieving less. In other words, for Dupuy and Le Galès, much of democratic society simply isn’t regional, so regionalizing government might not democratize it much.

Even if the units are workable democratic politics, decentralization necessarily, mathematically, diffuses accountability and shapes decisions by introducing intergovernmental relations and finance. Intergovernmental relations and democracy – “an oxymoron if there ever was one” are a bad fit because intergovernmental relations are about closed bargaining sessions with weakly defined mandates, and they are both hard to predict and hard to monitor (Simeon and Cameron 2002). Intergovernmental relations also then tend to involve courts, empowering judges and bringing along all the debates one can enter about the proper role of the judiciary in political decisionmaking. Alan Trench’s chapter attacks these problems, examining the way the mutual dependence of governments interacts with the tools they use to resolve problems.

Finally, some authors focus their discussion on policy and political divergence. Brandeis’ idea of laboratories of democracy might be famous, but the evidence for it is hardly overwhelming. What does decentralization do to policy? Roland Sturm, in his chapter, lays out an analytic framework for policy divergence that uses institutional and cultural variables to explain divergence in both policy and the toughest case – the nature of institutions and democratic design itself – for test case of the promises regionalization makes about both policy diversity and improved democracy. Joan Subirats examines the record and determinants of policy divergence in Spain with a methodologically innovative approach. Scott Greer argues that divergence is to be expected insofar as any two political systems will diverge under the pressures of policymaking and politics day to day, and that the interesting variation is in the
coherence and distinctiveness of their models. None find significant support for simple ideas of learning, a view backed up by the chapters focusing on the welfare state that found so much else at work than the diffusion of “good ideas” however defined. Policy divergence, it seems, is not so much about experiments from which others learn as a reflection of territorial diversity. What is interesting is how territorial diversity shapes politics and policy, how institutions interact to shape policy, and how the workings of those institutions and those policy outcomes then affect citizens. In other words, the study of policy divergence brings us back around to the reason territorial politics is interesting: institutions are interesting, but their import cannot be understood except insofar as we also look at the many ways human life is spread out in all its diversity across territory. Society’s many networks and nodes, meeting places and power centers, are territorially uneven, and their interaction with political institutions is what justifies a territorial approach to politics.

Acknowledgment

I would like to thank Alan Trench for his comments on this chapter.

Notes

1. To misquote Richard Rose.
2. An anonymous nineteenth-century Tasmanian cited by Manning Clark provided a pungent justification for the Australian federation, quasi-Rikerian: “we shall create a glorious nation and meat will be cheaper” (Clark 1963: 204).
Federalism and Social Justice: Thinking Through the Tangle

Richard Simeon

Introduction

The goal of this chapter – to explore the relationships between federalism and social justice – poses, of course, an impossible challenge. Social justice is a concept that has multiple meanings and is highly contested. Federalism also has multiple meanings, varies hugely across systems, and is highly contested. To think that any clear causal links can be drawn between them may be a pipe-dream. Moreover, the causal arrows run both ways: changing conceptions of social justice on all three dimensions discussed in this chapter have had profound effects on the institutions and practices of federations.

A great many assertions about the relationship between federalism and social justice – both favorable and critical – abound in the literature and in the public discourse on federalism. Globally, there is a bull market both in federalism (“a federalist revolution is now sweeping the world”) and in debates on “social justice.” Proclaims the World Bank (2000: 107): “People around the world are demanding greater self-determination and influence in the decisions of their governments, ... and countries everywhere – large and small rich and poor – are devolving political, fiscal and administrative powers to subnational tiers of government.” So it is worth subjecting the possible linkages between them to some critical analysis and to think through the underlying debates. Federalism has many advocates and many critics. As Sujit Choudhry notes, “the prospect that federalism is humanity’s destiny is a cause not for celebration, but for circumspection and even trepidation” (2001: 378). My starting point is that federalism is not a value in itself. Like any other set of institutions, it must be evaluated in terms of its consequences for other, more fundamental, values and principles. “All political institutions and
processes are intelligible only in light of the purposes or ends for which men [sic] devise them, or which, unintentionally, they come to serve” (Diamond 1974).

We need to try to answer three questions:

1. Does federalism promote social justice, and if so in what situations and under what conditions?
2. Does federalism inhibit and undermine social justice, and if so why, and under what conditions?
3. Is federalism neutral with respect to social justice, neither supporting, nor subverting, any of its versions? Perhaps we can support or oppose federalism on a variety of grounds, but social justice, however defined, may not be one of them.

In fact, federalism is Janus-faced: under different circumstances and with different designs, it can promote or undercut equity, promote or undercut democracy, facilitate or erode harmony in divided societies. The interesting questions are the conditions or circumstances that tilt it in one way or another, and the variations in the design of federal institutions in different settings.

Why is it difficult to draw clear lines between federalism and social justice? Take the social justice side first (Miller 1999). There is no consensus on how we might decide whether any distribution of values, rights or benefits across countries, groups, or generations is just. Theorists of social justice range from those for whom the primary value is liberty and freedom to those whose primary value is equality of condition, with many points in between. Says the conservative Cato Institute, “In different hands social justice can mean anything from full-scale income redistribution to the complete absence of taxation” (Basham and Tupy 2003).

I am not going to try to sort through all the theoretical issues here. It is worth noting, however, that much of the American tradition of writing about federalism sees it as part of a system of checks and balances that will protect against the tyranny of the majority, and links it directly with the liberty end of the social justice spectrum. On the other hand, those who start with egalitarian and collective conceptions of social justice in the end tend to be highly skeptical about federalism.

I propose to explore the possible links between federalism and three dimensions of social justice:

- First, distributive justice. Here the question is whether federal systems are more or less likely to engage in policies that promote equality and
redistribution between richer and poorer, whether in the case of individuals or regions. This draws on the extensive literature about federalism and the welfare state. Federalism is good if it facilitates or permits egalitarian policies, bad if it undermines such policies and reinforces privilege.

- Second, justice as the recognition and accommodation of difference. This dimension is critical, because federalism has so often been justified or explained as an institutional response to territorially concentrated distinctive minorities. A federal system, then, is just to the extent that it finds ways to recognize the legitimacy and value of its minority groups, and to the extent that it finds peaceful means of accommodating their competing loyalties and identities with those of national majorities.

But diversity takes many forms in modern societies. As Will Kymlicka suggests (1998: 1–3; see also Miller, 2001), we need to distinguish between diversity in the sense of the coexistence of distinct national entities, such as Quebec, Scotland or Catalonia; in the sense of multiculturalism, as in the dispersion of people with different cultures, languages and ethnic backgrounds in a country; or in the sense of the indigenous aboriginal groups displaced by European settlement in countries such as Canada, the United States, or Australia. Each dimension of diversity, Kymlicka suggests, poses different ethical issues and political challenges; each suggests different ways of thinking about the effects of federalism. I propose to look briefly at all three.

- Third, I look at justice as fair and equal access to the political process, or procedural justice. Here we think of the relationship of federalism to issues of democracy in terms of voting rights, participation, accountability, responsiveness and transparency. Federalism is good if it advances these values, bad if it subverts them.

Federalism, as I said, has been defended and attacked on all three of these grounds. It may well be argued that only the first, of these three themes, distributive justice, falls within the usual discourse of social justice. Perhaps, as Wayne Norman (2001) argues, we need different terms to think about the normative character of claims for recognition, and the ways in which federalism responds to them. James Tully takes a broader view: justice is not just about democracy and the rule of law. It is also about “freedom, both in the sense of possession of rights and the ability to participate in civic life, ‘equality’ in terms of social and economic rights, and ‘the equality of peoples’ ” (2001: 12–13). Thus Carens
is able to ask “is Quebec nationalism just?” (Carens 1995), and Gagnon (2001: 319) assert that his examination of asymmetrical federalism is “about justice.”

I take this broader view of justice, recognizing that it sets up a series of tensions among the three that are not easily resolved. As Choudhry put it, they invoke “three different conceptions of citizenship – civic, ethnocultural and economic – which in turn express different underlying conceptions of political community” (2001: 379). No synthetic account of the implications of federalism can be complete without considering all three dimensions of social justice.

But what about the federalism side of the equation? William Riker (1968–69) once famously asked: does federalism exist? And does it matter? His answer was “no” and “no.” No, first because federalism takes so many forms and has such varied origins that knowing that a country is federal in a narrow constitutional sense tells one nothing else about the system in question. Hence generalizations about federalism are impossible. No, second, because in his view other factors, notably the party system, actually determine how any federalism works. Federalism in this sense is a dependent variable, to be explained, rather than an independent variable that accounts for anything. It should be noted, however, that despite this position, Riker is responsible for one of the most striking assertions of a causal link between federalism and social justice to be found anywhere. Assessing U.S. federalism on the last page of his book, he states that in America, if you are a racist, you support federalism. If you are not, you do not (1964: 155).

There is much reason to agree with Riker on the variability of the term federalism. As Ivo Duchachek observes, “there is no accepted theory of federalism. Nor is there agreement as to what, exactly, federalism is” (1987: 189). While the theoretical roots of federalism are most often linked to liberalism, in the tradition of Montesquieu and the Federalist papers, it also has its ideological origins in other intellectual traditions from European Catholic communitarianism (from which the currently fashionable concept “subsidiarity” is derived) and to more radical traditions from Althusius to Prudhon and Bakunin, (Hueglin 1990, 1991; Maximoff 1964; Prudhon 1979). These ideas resonate today in bottom-up grass roots protests around the world. (Barker 1999; Cameron and Stein 2002). Recent work that I have done with my colleague Jan Erk (2004) shows that the discourse, concepts and language used to discuss federalism vary greatly across countries and over time. Rufus Davis (1978: 24) has shown that the term federalism usually has an adjective
attached to it: centralized or decentralized; integrated or competitive; marble cake or picket fence; collaborative or competitive; and so on. This might suggest that the important variables lie in the adjectives, not in the noun.

Similarly, Alfred Stepan and others note that the dynamics of federal systems are likely to be quite different depending on whether they are about federalism as a “coming together” of previously separate entities, or a “coming apart” of previously associated entities (2001, ch. 15). In the former, the question might be whether federalism is a way station on a trend to unitary status; on the other, whether it is a way station on a road to separation. Moreover, federalism is likely to have different interpretations, dynamics and consequences when it is embedded in a relatively homogeneous society, such as in Germany and Australia, or in a culturally divided country such as Canada. For Jan Erk, society trumps institutions. In the long run, culturally homogeneous federations tend toward stronger central governments and minimal policy variation; while heterogeneous federations tend to be more decentralized, with greater policy differences and increased likelihood of asymmetry (Erk 2003a, c; see also Livingston 1956).

The structure and design of federations vary enormously: in the division or assignment of powers (centralized/decentralized; divided or concurrent); in fiscal arrangements; in the structure and role of second chambers; in amending procedures; and so on (see Watts 1999a and in this volume). Federations also vary in the ways in which the federal institutions are linked to other institutional characteristics of the political system – parliaments, presidents and executives, Bills of Rights, courts and amending formulas – and to the underlying society and economy. For all these reasons, federalism as an independent variable is “indeed a moving target” (Gibson 2004: 9).

Finally a recent trend in the study of federalism is to link it more broadly to decentralization, deconcentration or devolution of powers to local governments, which may or may not have the constitutional status of the states or provinces. We see recently many hybrids, where we debate whether or not the term “federal” applies: is South Africa a federation; is the United Kingdom; or the European Union; or Spain?

This suggests the need to think more carefully about the relationship between federalism and decentralization. There has been remarkably little linkage between the recent literatures on the two subjects. Writing on federalism has been concerned almost entirely with the relationship between central and state/provincial governments, and has paid very little attention to local or municipal governments. Writing on
decentralization, on the other hand, has tended to emphasize local, grassroots politics, and to ignore the intermediary level of states and provinces. Studies that integrate all three levels are rare.

There is a strong case for breaking down some of these silos. Both federalism and decentralization are concerned with the same basic question: how is authority to be divided or shared within a state? To what extent is it concentrated in a single set of institutions; to what extent is it parcelled out among two, or three? The fundamental questions we want to ask about them are also similar. How much autonomy do regional governments have to make and implement decisions? What are their jurisdictional, political, fiscal and bureaucratic capacities? Federalism may thus be seen as one sub-set of the larger set of decentralized systems (Diamond 1974). Federations vary along a continuum from more to less centralized, just as local governments vary from relatively autonomous (“devolution”) to relatively dependent (“deconcentration”). And countries that are centralized in terms of the relationship between central and state/provincial governments may be highly centralized with respect to local government (Australia, Canada) or vice versa (Sweden, Denmark). There is an enormous variety of decentralized institutional arrangements. They do not fit into neat boxes; but the questions addressed here can be asked about both federal and decentralized systems.

Federalism and distributive justice

If there is any consensus in the literature on the policy consequences of federalism it is this: that the size of government, and the commitment to social spending is lower in federal countries than in non-federal countries. Francis Castles asserts that the “federalism-social policy linkage” is one of “the very few areas of unanimity in the literature, with writers of all the main paradigms arguing that federal institutions are inimical to high levels of social spending” (1998: 82; see also Pierson 1995). In 1978, David Cameron found that federalism was the most powerful institutional factor accounting for variation among OECD countries in welfare state spending; three of the four lowest per capita spenders (Canada, Australia and the United States) were federations. Duane Swank puts it most clearly: “decentralized policy-making authority (degree of federalism and bicameralism) has large and negative effects on welfare state effort” (2001: 211). “Decentralization has more powerful negative effects on social welfare spending than any other institutional variables.” The “price of federalism” in the United States,
says Paul Peterson, is greater regional inequalities (1995: 14). “To recommend that the provision of welfare should be locally controlled and its marginal cost borne by state and local governments is to recommend that the poor be all but abandoned” (Peterson 1995: 128). Federalism in Australia, says Australian political scientist Graham Maddox, is a big impediment to the “equitable provision of welfare” (2003: 5; see also Castles and Uhr 2002). In Canada, Banting suggests, the complexities of federalism help account for the relative tardiness of the establishment of the welfare state, and accounts for many of the design and administrative features of Canadian social policy (1987). In Canada, the United States and Australia, “progressive” social groups have consistently and loudly argued against decentralization, and for a stronger federal presence in social policy. Similarly, Herbert Obinger attributes the “latecomer position of the Swiss welfare state” to the “high degree of institutional pluralism in the Swiss political system” (1988 and 1997: 149–64; see also Armingeon, Bertozzi and Bonoli 2002). Even a relative skeptic of this thesis, Alain Noël, concedes that the data show that “other things being equal, the dispersion of policy making through federalism, decentralization and other forms of institutional fragmentation is negatively associated with social expenditures as a proportion of GDP” (2004: 5). Linz and Stepan (2000) drive the point home: on the whole, federations have higher Gini indices of inequality, less equal access to health care, and more children and older persons living in poverty than non-federal systems.

There is an interesting convergence between left and right here. If “progressives” condemn decentralization and seek greater central control in order to enhance the distributive role of the state, neo-liberal writers on federalism like Barry Weingast or Tom Courchene praise it precisely because it places constraints on government intervention. As Galligan and Walsh put it, the purpose of liberal federalism is “to guarantee citizens and groups the right to pursue their own happiness, and to restrict governments from legislating happiness schemes” (Quoted in Maddox, 2003: 6). What one group sees as a vice of federalism, the other sees as a virtue.

What is the logic behind such findings? At the simplest level, it is that getting things done in federal systems is typically more difficult than in unitary systems. There will be more political and institutional hurdles to clear, and more veto points where recalcitrant minorities can block the majority will (Stepan 2004; Tsebelis 2002). In a classic early statement of the thesis, A. H. Birch argued that the “complexities of federalism” account for the relative lateness of welfare state maturity in federal countries such as Canada (1955).
More sophisticated is the perspective of fiscal federalism and public choice. Competing governments, combined with mobile populations that can vote with their feet, will keep taxes – and hence benefits to those with lower incomes – low. Moreover, in a federal system wealthier regions or provinces will want to hold on to their resources and be unwilling to share them with others. This is closely linked to the “rush to the bottom” argument. Where people and capital are mobile, the wealthy and capital will move to low tax/low social welfare states; high tax/high welfare states will become “welfare magnets.” As states and provinces react to these incentives the pressure to reduce redistributive welfare spending will grow. Intergovernmental competition for low taxes and spending will make it more difficult for a federal system to counter market forces in the interests of social justice. The more autonomy the local governments have, the greater these pressures. As Paul Peterson puts it (1995: 28) “The smaller the territorial reach of a local government, the more open its economy and the less its capacity for redistribution.” Hence welfare economists argue that in federations, redistributive policies (social security, pensions and the like) should move to the highest level. Allocation may best be done locally; redistribution or sharing should be done nationally. National standards in social policy need to be set centrally.

More generally, there is a long line of argument, perhaps originating with Laski’s article, “On the Obsolescence of Federalism” (1939) which asserts a fundamental lack of fit between a political system in which decisionmaking is decentralized or localized, and a political economy with corporations and capital that are national, and now global. As Samuel Beer (1973) argued, “modernization (as in the welfare state) and centralization go together.” In Canada there is a similarly long tradition that has asserted that social progress requires a greater federal role, and that it was the “dead hand” of the federal Canadian constitution that prevented Canada responding to the crisis of the great Depression (Simeon 2002). In the postwar period, the same groups took it as axiomatic that a modern Canadian welfare state would be one in which provinces played a distinctly subordinate role (Simeon and Robinson 1990, ch. 7).

It has also been argued that by institutionalizing a politics that privileges territorial and regional cleavages, federalism may disempower groups rooted in other differences, such as class or gender (the classic Canadian statement is Porter 1965; see also Swank 2001). On the other hand, as Obinger et al. point out national groups resisting decentralization can themselves use the decentralized polity to resist change (2004, ch. 8, p. 22).
Many others see a deep tension between a Marshallian “social citizenship,” which implies common national standards, equal treatment of similarly situated persons wherever they live, and a commitment to sharing and redistribution, on the one hand, and the variation and difference on which federalism is predicated. “Which community should be paramount in the definition of social benefits: the community of all citizens on one hand; or regional communities defined by state/provincial boundaries on the other?” (Banting and Corbett 2002: 18–19).

It is important to note that these were not arguments against federalism per se. They are as much arguments about how powers and responsibilities should be distributed within federations. Nevertheless, these are powerful negative arguments about federalism and social justice.

The case against federalism, and perhaps decentralization in other forms, seems unassailable. Federalism has the potential significantly to undermine the capacity of states to achieve social justice and equality.

But there are many buts. The relationship between federalism and the welfare state is highly variable, dependent on time and context, influenced by partisan patterns and social mobilization, and greatly influenced by the specific design of federal institutions (Obinger et al. 2005, ch. 8).

First, the associations between federalism and low or weak welfare spending and redistribution tend to be relatively small. Federalism may be one factor affecting welfare state spending, but it is by no means the most important one.

Second, there are wide variations across – and within – federal systems. What Linz and Stepan classify as “non-classical” federations (such as Canada, Germany, Spain or Belgium) differ little or not at all from unitary systems in their welfare state policies. The Anglo-Saxon federations (the United States, Canada and Australia) are less redistributive than the European federations (Germany, Austria and Switzerland). Predominantly inter-state federations, emphasizing shared and concurrent responsibilities and the integration of state/provincial interests at the centre, differ from predominantly inter-state federations, emphasizing divided responsibilities and intergovernmental bargaining).

Third, the evidence from at least some federations suggests that it has often been regions and other units beneath the level of the state that have been the innovators in progressive social policy, and that it is central governments that have played catch-up. As Obinger et al. put it: policy initiatives at the regional level have facilitated as well as retarded the expansion of a national welfare state” (2005, ch. 8, p. 47). Canadians are perhaps overly fond of citing the case of small, poor, rural Saskatchewan, which developed a universal medical care program and then sold it to the rest of
the country. But there are more modern examples too, such as the highly progressive social policies in a number of areas (especially family and child care) of the province of Quebec (Beauvais and Dufour 2003; Bernard and Saint-Arnaud 2004; Tougas 2001).

Fourth, the assumption that central governments are inherently more “progressive” in the modern era must be questioned. Welfare state retrenchment in Canada, the United States and the United Kingdom was not led by narrow-minded local and regional governments rushing to the bottom; it was led by central governments facing intense budget pressures and international competition. In such a situation, it may well be that sub-state communities become the leaders, responding to the values of their own communities (see the chapter by Charlie Jeffery in this book). Thus Nicola McEwan argues that one factor driving towards the articulation of Scottish nationalism and home rule was the sense that Whitehall was eroding the welfare state, and that a Scottish parliament would “better reflect Scottish priorities and nurture a distinctly Scottish welfare state.” In this vein, Rachel Simeon shows that with respect to home care for the elderly, Scotland, using the limited discretion available to it, took a much more progressive position than did London (2003). These observations suggest that the commonly asserted tension between local autonomy and progressive social policy may be misplaced. National governments have no monopoly on social justice. “Social citizenship” may be more fully developed in local than in national communities, especially those engaged in a nation-building project. Indeed, a more robust, egalitarian sense of social citizenship may be an important element in the national identity of nations within a federal state, as the case of Quebec suggests (St. Martin 2004).

Fifth, the comparative evidence for the “rush to the bottom” thesis is not strong. There appears to be little evidence of “fiscally induced migration” or of a competitive erosion of standards in areas also related to social justice such as education and the environment (Noel 1999; Weaver 2003; but for a contrary view, see Linz and Stepan 2000, quoting Pierson 1994: 118–119). In Canada “there is scant evidence of provinces spiraling downward in the proverbial race to the bottom. ... To the extent that downward pressures from interprovincial competition do exist, they apparently have not precluded provincial governments from raising taxes, minimum wages, environmental standards, and, at least in some periods, welfare benefits” (Harrison 2004: 1). Despite the fact that Canadian social policy is relatively highly decentralized, “genuine differences between provinces persist, and there is no trend towards convergence, downward or upward” (Noël 2000).
Moreover the World Bank argues that recent research demonstrates that local officials and community groups are often better placed to identify and reach the poor than remote central authorities, and have access “to social networks that help them reach the truly needy” (2000: 111).

Whether or not federal regimes will be weak welfare performers, depends on other things than federalism itself. For example, Section 106 of the German constitution, which requires equality for all persons wherever they live is a powerful contradiction to the potential tendency of federalism to foster regional inequalities. This is coupled with a very strong commitment to equalizing the fiscal capacities of the Länder to meet their obligations. Similarly, the Canadian system of fiscal equalization among provinces, embedded in the constitution, allows Canada to combine provincial autonomy with a high degree of provincial capacity to provide “comparable levels of public services at comparable levels of taxation.” This contrasts with the lack of equalization provisions in the United States, but it is not a function of federalism itself. Social and economic rights built into a constitutional Bill of Rights, as in South Africa, may have a similar effect. There seems little doubt that responsibility for overall redistribution – both between persons and regions – must remain central, and that equalization measures are essential (Ahmad and Craig 1997).

Finally, there is the possibility that the “stickiness” resulting from multiple decisionmakers and veto points that slowed the growth of the welfare state will operate differently in a period of welfare state retrenchment. Federalism may slow change in either direction (Obinger, et al. 2004: 7–8, ch. 8, pp. 3, 36). Veto points can work equally well on the way up or down.

To conclude this section, it does appear that there is a moderate negative relation between federalism and distributive justice. But I would emphasize the word “moderate.” The macro-data obscures many variations; and other political, ideological and contextual factors are likely to be far more important than whether or not a country is federal. In a careful review of the arguments, Alain Noel concludes that “The progressive case against decentralization is much weaker, theoretically and empirically, than is usually thought” (Noël 1999: 215; see also Pierson 1995 and Weaver 2003). “Centralization is not necessarily progressive, and neither is decentralization a monopoly of the right” (Noël 1999: 215). “Since federalism does not represent a uniform set of institutional arrangements across space and time, it would involve a heroic assumption to argue that it impacts welfare state development similarly across nations” (Obinger et al. 2004: 39). Variation within the category of
federations is as important as variation between federal and non-federal systems. Nevertheless, it is telling that no studies suggest that federalism promotes egalitarian redistribution, and that in all federal systems expansion of the welfare state was associated with moves towards centralization, rather than the reverse (Obinger et al., ch. 8, p. 3).

Social justice as recognition and accommodation of difference

Liberal theories of justice focus on the equality of persons as individuals. Marxist theories of justice see it in terms of economic classes. Both must contend with a fundamental reality of the modern world – the pervasive presence of ethnic, linguistic, religious and cultural diversity and the prevalence of identities that do not coincide with state boundaries. This has generated widespread debate about individual versus collective rights and strategies for managing difference ranging from assimilation through integration or multiculturalism, to empowerment through federal or consociational devices to secession. Federalism, figures largely in these debates.

But the relevance of federalism to the recognition and accommodation of diversity depends greatly on the character and form that diversity takes in different settings. Will Kymlicka’s distinction between “multiculturalism” – multiple groups dispersed through the society –; multinationalism; and the presence of distinct Aboriginal peoples provides the framework for my discussion.

Multinationalism

As McGarry (2003) points out, a multinational society is not simply one in which cultural difference is prominent. Rather, it is characterized by the presence of groups, usually territorially concentrated, with a distinct sense of national identity and a resulting desire for self-government. Managing such differences falls along a continuum between two extremes: the denial or repression of minority national aspirations, on the one hand, and secession or separation on the other. The former clearly does not meet any test of social justice. The latter may – but that will depend on the means by which it is achieved, the extent to which secession imposes unacceptable costs on the majority, and the way in which minorities are treated in the reconfigured state. Indeed, there are two dimensions of social justice here: justice for minorities; and justice for all, in the sense of finding stable accommodations that minimize the
possibilities of violence and oppression. Social peace is a critical condition for social justice to prevail (Galston 1995; Norman 2001).

Federalism is the obvious middle way. Indeed, as Linz and Stepan (2002) point out, all modern multinational states are federal, most with significant degrees of asymmetry designed to respond to national aspirations. Given the existence of self-conscious, politically mobilized national groupings within a state, it is hard to imagine any solutions, short of federalism, that would not entail repression, coercion, or exclusion. Every such society must “craft workable federal systems” (Stepan 1999).

The logic of federalism here is powerful. Aspirations for self-government can be achieved by according a significant autonomous space for national minorities to enact policies that reflect and promote their particular values and aspirations. The subordination of national minorities to the will of the majority can be limited by a division of powers that protects areas related to core values from legislation by the centre. Autonomy and disengagement are the hallmarks of the federalist solution. Moreover, with its combination of “self-rule” and “shared rule” (Elazar 1987) federalism can also accommodate those situations in which all constituent groups do share common goals, providing opportunities for cooperation and efficiency. Moreover, given that identities in the modern world tend to be multiple and fluid, federalism provides a forum for a continuing dialogue and conversation that would be foreclosed both by secession and by denial.

The case for federalism in multinational societies does seem unassailable. But there are objections. Normatively, majorities may see sub-state groups’ claims as subversive of a unitary conception of state and society. National minorities may see federalism as a poor second best to the association of nation and state embodied in the Wilsonian ideal. Both can see federalism as a straitjacket frustrating their own national ambitions. For example, in Canada, groups outside Quebec have argued that their aspirations for country-wide standards in social policy have been frustrated by Quebec’s resistance to central government power, while Quebecers have argued that their aspirations for autonomy have been frustrated by the Anglophone majority at the central level. Again, the solution is asymmetry. The essence of federalism, as distinct from unitarianism or secession, is its search for the middle way, for the accommodation of multiple identities within a common framework, seeing them as nested and complementary rather than conflicting and exclusive.

The most powerful argument against decentralized, asymmetrical federalism as a device for recognition and accommodation of national
minorities is that it entrenches, institutionalizes and perpetuates the very cleavages that it is designed to manage. The causal arrow can be reversed: federalism not as a response to nationalist aspirations, but as a cause of them. This point has been argued most forcefully by Alan Cairns (1976), but echoed by many others. Federalism can provide national minorities with the jurisdictional, fiscal and bureaucratic resources with which to mount more effective secessionist claims. It can create a political and institutional identity that politicizes and mobilizes simple cultural difference (Choudhry 2001: 390). As Kymlicka observes: “While it provides national minorities with a workable alternative to secession, it also helps to make secession a more realistic alternative to federalism” (2001: 118). This was the worry of Canadian prime Minister Pierre Trudeau: recognizing Quebec as the national homeland of the Quebec people, and allowing it distinct or special status in the federation to preserve and promote its own national identity was, he argued, a recipe for a slippery slope towards greater and greater autonomy, whose outcome could only be secession. His solution was to ensure that all provinces should be treated equally and that French-speaking Canadians would be recognized through national bilingualism and their participation in national affairs.

The debate in Britain was been similar. For advocates of devolution, increased autonomy for Scotland would reconcile Scots to their continuing membership in the larger union; for critics, it was simply a jumping off point for eventual secession (Hazell 1999; Keating 2001; Simeon 2000).

Similar debates have emerged in the developing world, where ethnic and tribal conflict has been such a scourge. Thus, in South Africa, the 1996 constitution is careful to endorse minority cultural rights (“the rainbow nation”), but is deeply suspicious of giving political empowerment to such groups. In the recent constitutional review process in Kenya, the debate about devolution centered on whether federalism would entrench tribal politics and conflict rather than overcome it. Even more worrying is the example of the former Yugoslavia, where the break up of the unitary state spiraled into civil war, ethnic cleansing and the rest.

The federalist solution to this dilemma is to ensure what can be called “building out” – in the sense of devolution to national minority governments – and “building in” (Simeon and Conway 2001). That means that there must be compensating arrangements that ensure the participation of the national minorities in central institutions, whether through second chambers, or electoral systems and political parties that provide incentives for building bridges across the cultural divides.
Another challenge to asymmetrical federalism is the potential consequences of devolution for the “minorities within the minorities” – in Canada, for example, its implications for English-speaking Quebecers and French-speaking residents of other provinces. Might the tyranny of one majority on one minority be replaced by the tyranny of another majority on a newly created minority? In too many cases, especially in diverse developing countries, local politicians exploit ethnic difference to enhance their own power. The answer here seems clear: federalism, as Alan Cairns (1995) put it, is not enough. Federalist solutions must be combined with country-wide guarantees of individual and minority rights.

Yet another challenge is the possibility that devolving authority to respond to the self-government demands of national majorities may so weaken the central government that it is incapable of responding to the will of majorities. Here the solution is asymmetry. More troubling is the case in which the minority seeking autonomy is also the most wealthy region; autonomy claims can be little more than a claim to hold on to the resources. The extent to which federalism embodies a “sharing community” can thus be called into question.

A final question is whether a federalism that recognizes multinationality should also include the right to secession. This is a question that seized Canadians after a 1995 referendum in Quebec that came within a few thousand votes of saying yes to independence. There followed an intense debate, with the federal government arguing that secession could only be attained with a super-majority, and could not be achieved without the consent of the rest of the country. Quebec leaders argued that as a nation, Quebec had the right to secede, and that only a 50 percent plus one majority was required. The question was referred to the Supreme Court of Canada: did one province have the right to secede unilaterally under either domestic or international law? The Court replied that no such right exists in law, but that in the event that a clear majority, voting on a clear question, signaled its desire for independence, then the rest of the country would have a constitutional obligation to negotiate the matter. The ensuing negotiations should adhere to the fundamental principles underpinning the Canadian constitution: federalism, democracy, constitutionalism and the rule of law and respect for minorities. While leaving many difficult questions unanswered, the judgment does provide a useful lens for thinking through the moral issues with respect to secession. It also establishes a constitutional right to secession, under certain conditions (Supreme Court of Canada 1998; Rocher and Verrelli 2003; Tierney 2003). The decision was followed by
the federal government *Clarity Act* which sought to spell out Parliament’s criteria for entering negotiations.

Despite these and other difficulties with respect to federalism and social justice for national minorities, the conclusion must be that both ethically and practically, federalism advances social justice in nationally divided societies. It is not the only instrument for doing so. But it is required. As Yash Ghai (2000) concludes, “Autonomy is important ... because it represents a compromise, a balance between those who want to tight unitary system of government and those who may prefer separation. It loses that function if the wish to separate is mutual, and the separation is achieved without strife or recrimination.” A tough set of standards. Autonomy, he notes, can defuse conflicts and protect and promote the fundamental values of a political community. But it can also be “fragmenting, pigeon-holing and dividing,” making it hard to “find the common ground on which the communities can find a moral and political basis for coexistence.” Hence, “it is not an easy device to operate” (Ghai 2000: 24). The essential preconditions for success are at least some level of multiple, complementary identities, and a sense that even if there are no common values there is, at heart, a common “community of fate” (Breton 1995) in that the groups are bound together in a mutual dependence and interdependence that gives everyone a strong incentive to manage their differences.

**Multiculturalism**

Contemporary multiculturalism poses a quite different set of challenges for federal institutions. Here we are generally talking about a multiplicity of ethnic groups with many characteristics and backgrounds, and which are not territorially concentrated. Nor, typically, can such groups claim to be “founding people” or part of the original “federal bargain.” Yet justice requires the recognition of such groups. At a minimum this means strong rights against discrimination; at a maximum it means some recognition of collective rights, and rights to affirmative action. Federalism does not usually enter into such debates.

However, one might argue that federalism may undermine recognition of multiculturalism in this sense. The logic is that federalism institutionalizes the regional dimension of political life, and thus potentially weakens the extent to which the political system will have regard to multicultural values that are not defined territorially.

The classic example of this reasoning is of course the experience of Black Americans under federalism. There seems little doubt that US federalism – both in the sense of states’ rights, and in the sense of equal
state representation in the Senate – operated so as to allow southern states to oppress their black populations. Progress for black Americans depended on the assertion of national power. Hence Riker’s flat observation noted earlier.

But what about multiculturalism in the contemporary world? Recent flows of immigrants and refugees have rendered previously highly homogeneous societies increasingly multicultural. Have unitary states responded better to these new realities than federal countries? Banting and Kymlicka (2003) have addressed this question and the answer seems to be that there is no relationship. They classify countries according to whether they have strong multicultural policies responding to the needs of immigrant groups, or whether they do less. Multicultural policies are most developed in New Zealand, Australia and Canada. Two of the three are federations. The least expansive multiculturalism policies are found in France, Austria, Switzerland, Germany and Spain. One is the most unitary of states, the others are all federations of different stripes.

Canada is an interesting example here. It is arguably the most progressive of advanced countries in recognizing and embracing multiculturalism. The 1982 constitutional amendments include an interpretative clause requiring that the constitution be understood as respecting multicultural rights. National legislation embraces “multiculturalism” as a defining characteristic of the country. Provinces have followed suit. In Quebec, the expression of Francophone nationality has been especially responsive to the increasingly multicultural character of its population; Quebec nationalists argue that theirs is a “civic” rather than an “ethnic” nationalism. Indeed, given that modern multiculturalism in Canada has taken the form of new minorities settling in a very few urban locations, it could be argued that federalism facilitates their recognition. British Columbia, Ontario and Quebec, where most migrants locate, are free to develop their own responses, responses that might be harder to achieve at the national level where the provinces that remain less diverse exercise more influence.

More generally, it might be argued that states with a highly unitary tradition, such as France, have considerable difficulty in embracing difference. Canada, in contrast, has been required to deal with difference since its very inception. The character of the politically salient differences have varied over time – religion and language in the nineteenth century, regionalism and Quebec nationalism in the twentieth century, multiculturalism in the present – as have the political responses to them. But the evidence suggests that traditions of accommodation to difference themselves have become part of the political culture such that Canadians are more open to difference than some other countries.
Federalism, in this sense, has not blocked other forms of accommodation, but has facilitated them.

I conclude that federalism does not impede social justice in terms of the recognition of cultural difference in multicultural societies. Again other factors are much more important than federalism.

**Federalism and aboriginal peoples**

The third dimension of cultural difference is of special importance to the Canadian, American and Australian federations, but it is a salient issue in developing federations, such as Mexico and Brazil as well. This is the presence of indigenous Aboriginal groups. In these settler societies the predominant colonialist view was that they were “terra nullius.” The new systems were put in place with scant regard for the rights and property of Aboriginal peoples. In recent decades, however, in all these federations, issues of Aboriginal rights to property, cultural preservation and self-government have achieved considerable prominence. Reconciliation with Aboriginal peoples is another critical test of social justice in these countries. “In Canada and Australia,” writes Christa Scholtz (2003: 2), the land claims story “darts and weaves through the often dark labyrinths of intergovernmental affairs.”

Federalism is indeed deeply implicated. First, these federations were established without consideration of Aboriginal rights. Second, the design of the federations assigned predominant jurisdiction over aboriginal peoples to the central governments, but state and provincial responsibility for public lands (except in the federally-administered Territories), and for many other public services meant that they too have been deeply engaged in resolution of aboriginal issues.

In their survey, Banting and Kymlicka find that New Zealand, Canada, the United States and Denmark have been relatively advanced in the recognition of Aboriginal peoples’ rights: two of the three are federal. The less accommodating countries have been Australia, Finland, Sweden and Norway – all but one unitary. No clear association here. Scholtz’s careful empirical analysis of Canada, Australia and New Zealand stresses the importance of the specific design of different federations: in Canada, provincial government capacity to block aboriginal aspirations in favor of their local resource industries is inhibited by federal jurisdiction over “Indians and lands reserved for Indians.” In Australia, states have legislative authority over both land management and aboriginal affairs (Banting and Kymlicka 2003: 11).

Aboriginal peoples in Canada have very good grounds for deep suspicion about the impact of federalism. The preoccupation with the
“power grid” of federal–provincial relations have left little room in the past for considerations of aboriginal autonomy (Jhappan, 1995: 178–80). As J. Anthony Long puts it, “As Indians became politically salient and sought to redefine their position within the Canadian federation, they have encountered the institutionalized political, legal and economic interests of the existing constituent governments. These institutionalized interests have functioned to limit the range of response available to accommodate their demands” (1991: 29). Scholtz agrees: the federal desire to maintain intergovernmental “peace” has often constrained how it has acted even within its own jurisdiction. She argues that federalism compromised federal policies “in order to avoid a costly political backlash from the provinces and states” (Scholtz: 2003: 13, 16). Since provinces own crown lands (and in some provinces there exist no treaties respecting such land) provinces have been especially reluctant to entertain aboriginal land claims (Boldt, Long and Little Bear 1988). There have also been many intergovernmental disputes about responsibilities for delivering services such as health care and education to aboriginal populations, whether on or off reserves. Moreover, until recently aboriginal peoples had no status in the forums through which constitutional change was addressed in the Canadian system.

Thus, the evidence summarized by Scholtz seems very strong. With respect to Aboriginal land claims, federalism is a relatively unimportant variable, but when it has an effect, it is generally negative for Aboriginal peoples. “Federalism’s mantra as a positive ‘political opportunity structure’ must in this case be taken with a few grains of salt” (Scholtz 2003: 22).

However, recent years have witnessed some potentially fundamental changes. Section 35 of the Canadian Constitution Act, 1982, gives constitutional protection to “the existing aboriginal and treaty rights of the aboriginal peoples of Canada.” Aboriginal rights to land and resources have been confirmed by a notable series of court decisions. The “inherent right of self-government within Canada” was agreed to by all First Ministers in the (failed) Charlottetown Accord, 1992. For the first time in Canadian history, aboriginal leaders were invited to these talks. The changed political and legal environment is beginning to lead to substantial settlements of historic claims, embracing land, right to the management of resources and important elements of self-government. The new northern Territory of Nunavut has been established. It is not an “aboriginal” government in itself, but its large Innu majority makes it in a sense Canada’s first major experiment in aboriginal self-government. Also, a number of provinces have taken the lead in seeking new
accommodations with their aboriginal peoples, often well in advance of federal government positions (Papillon 2004).

Thus, where federalism was once a strong barrier to recognition, and remains a major complicating factor in achieving new arrangements, it may now be facilitating future accommodation.

More important, the logic of federalism may well provide the key to a mutually agreeable settlement. Indeed, this idea has taken the form of “treaty federalism” (Macklem 2001). In this view, federalism, with its emphasis on multiple identities, shared and divided powers and the like, may well provide a more adaptable framework for reconciliation than is available to countries with more unitary conceptions of state and society (Hawkes 2001; Simeon 1991). Canadians are increasingly coming to think of their federalism as an amalgam of federal, provincial, territorial and aboriginal governments engaged in a complex network of relationships. Figuring out how to make such a system work – especially if more autonomous local governments are added to the multilevel mix – remains virtually unexplored. The idea of an Aboriginal “third order of government” that is now widely accepted, if not yet constitutionally entrenched, in Canada is directly inspired by federalism. Again federalism may be not so much a barrier as a facilitator to justice in this area.

So does federalism promote social justice as recognition and accommodation of difference? The answer is again murky. Federalism is, in many cases predicated on the recognition of difference. But its institutions are built primarily around territorial and regional differences. The recent Canadian experience with both multiculturalism and aboriginal rights, however, seems to show that the principle of openness to diversity can be expanded from this narrow basis to much broader ones.

**Procedural justice: Federalism and democracy**

The democratic case for federalism and decentralization is well known. It has at least two strands. First is the liberal perspective, strongest among American students, that stresses the link between federalism, limited government, checks and balances, and protection against the tyranny of the majority. “Federalism is a means of reducing political power overall and of dividing the power that exists” (Buchanan 1996). Dividing authority between different units would protect individuals against abuse by either level (Federalist 9). The second theme, which I stress here, argues the links between federalism and a more participatory, bottom-up version of democracy. Federalism is held to maximize democracy and governmental responsiveness because it provides for
governments that are smaller and closer to the people; it provides alternative arenas for citizen participation; it permits policy choices that have a closer fit with local preferences, and so on. Elazar nicely combines the two perspectives. Federal arrangements provide “liberty and autonomy ... self-determination and self government” (1991: x). But much of one’s assessment of this dimension depends on both the conception of democracy and the model of federalism one has in mind.

The World Bank (1999) and other international development agencies have also embraced decentralization (if not federalism itself) as a remedy for the dysfunctions of over-centralization, arguing that local governments can not only enhance the efficiency and effectiveness of policy delivery, but also increase transparency, participation, accountability, responsiveness and honesty. Proximity of local governments makes it easier for governments to be aware of the needs of their citizens, and for citizens to hold governments accountable. The literature on fiscal federalism also emphasizes the possibility for mobile citizens to “vote with their feet,” and for governments to compete in offering packages of desirable public goods (Breton 1996; Musgrave and Musgrave 1973; Oates 1972; Ostrom 1993; see World Bank 2000 for a convenient summary of these arguments). Finally, there is the sense of a richer, more nuanced sense of citizenship made possible by participating in the life of small communities. “To give each part of the land its own political life so that there should be an infinite number of occasions for the citizens to act together and so that every day they should feel that they depended on one another” (De Tocqueville, quoted in Diamond 1974).

What is not to like about federalism here?

The critiques are quite powerful. They begin with Alfred Stepan’s view that federalism is inherently (indeed almost by definition) antithetical to majority rule. This is so in two senses. First, all federal systems depart from one person, one vote, in provisions with respect to state or provincial representation in legislatures, especially in Senates that are systematically weighted toward equal representation of units rather than persons, sometimes dramatically so. As Edward Gibson points out, it takes 67 times as many votes in California than in Wyoming to elect a U.S. Senator; and 144 times the votes in Sao Paulo than in Roraima to elect a Brazilian counterpart (2004: 23–4). A cardinal principle of democracy is thus violated (Stepan 1999).

Second, the liberal virtue of federalism – multiple decision or veto points – also violates the basic principles of democracy seen as majority rule because it makes it harder to get things done. Typically in a federation simple majority rule, 50 percent plus one, does not work. The majority
is potentially frustrated. Taken together—departures from one person
one vote, and multiple veto points—these mean that federations are, in
Stepan’s terms, “demos-constraining.” They are barriers to the people
enacting their will. Unitary states with simpler decision rules are “demos-
enabling.” As Philippe Schmitter points out, few “‘democracy promoters’
in this sense have unequivocally advocated federalism” (2000: 42).

This is a highly plausible argument, but it has a number of problems. First, it begs the question of what is the demos? What is the set of people
within which majority rule is to apply? As Stepan and Linz acknowledge, in multinational societies, 50 percent plus one may be a recipe for
civil war. Given different conceptions of community, the trade off is not
between “efficiency” (and whether or not it is fostered by decentralization), but “between democracy and democracy—between the fostering
of community at the level of the federation and the sub-federal level”
(Choudhry 2001: 401). Thus, in Canada, some critics have argued that
federalism is a “straitjacket” that has frustrated national majorities
in the pursuit of national goals; while at the same time Quebec nation-
alisists have argued that it is a straitjacket, because it has frustrated their
nation-building aspirations.

It is important to realize that federalism is not the only system that is
“demos-constraining.” Virtually all countries place limits on majority
rule through their Bills or Charters of Rights; most do so through their
constitutional amending procedures; and a large set of countries—
consociational democracies—have consensual, grand coalition models
that emphasize broad consensus over majority rule. Arend Lijphart
argues that consociational democracy is every bit as democratic as
majoritarian democracy, and is much more conducive to social stability,
though this view is much contested (Horowitz 2002; Lijphart 1999).

With respect to the demos-constraining effect of multiple veto points,
the design of the federal system plays an important role. The more that
federations are able to distribute competencies into clear lists of powers
such that each level is responsible and accountable for a distinct set of
tasks, the less the problem. The problem arises when there are high
levels of concurrency, and few agreed procedures with respect to para-
mountcy. In addition, the more “permissive” the federal division of
powers—that is the more it provides a wide variety of policy instruments
to its constituent governments—the more avenues it provides for the
demos to act. In the Canadian case, for example, the constitution pro-
vides few constraints on the ability of either level of government to
respond to new concerns; as issues such as the environment emerged,
both orders of government jumped in, thus arguably increasing the
overall responsiveness of the system. Citizens frustrated by lack of action at one level can turn to the other.

Federalism, of course, is predicated on the existence of dual or multiple loyalties. From a democratic perspective this suggests that the division of powers should reflect that for some purposes the relevant majority is the country-wide one while for others it is the regional one. In practice this is an almost impossible test to meet. Nevertheless federations that emphasize interstate models with substantial provincial autonomy may be less subject to demos-constraining criticisms than federations that emphasize the intra-state dimension in which – as in several Latin American countries, and the United States – local, regional interests can colonize the center, making it less able to act as a “national” government even if its own areas of jurisdiction. Democratic federalism requires both that subnational units are not dominated by the center – and that the center does not become a “prisoner of subnational interests” (World Bank 2000: 114).

Stepan makes another telling point when he argues that the virtues of small size – and the resulting increased role for the individual citizen – is largely a myth. It is not likely to make much difference to the individual citizen if she is one in 800 million as a citizen of India, or one in 130 million as a citizen of Uttar Pradesh. Linz and Stepan are right in suggesting that if we want to reap this Athenian virtue of federalism, we need to think of much more radical decentralization to localities, neighborhoods and local governments – another reason for integrating studies of federalism with studies of local government and politics.

The reality of contemporary federations is that they are systems of multilevel governance, characterized by high levels of interdependence, complex fiscal relationships and the like. Coherent policy requires extensive collaboration among governments. However necessary in functional terms, the intricate processes of multilevel governance pose immense challenges for citizens seeking accountability, clarity, responsiveness and transparency. Everywhere a “democratic deficit” results (Schmitter 2000; Simeon and Cameron 2002). In most federations, intergovernmental relations are carried out by political executives, with little role for legislators. In most, they occur in private and behind closed doors. In such a situation it is likely that the bureaucratic concerns for turf, status and finances will prevail over responsiveness to citizens. This is indeed one of the largest “prices” of federalism. David C. Nice notes that federalism has notable advantages with respect to policy making – “flexibility, preventing the abuse of power, encouraging innovation, competition, responsiveness and efficiency, management,
coping with conflict, fostering participation, encouraging self-reliance.” But is also has costs – “neglect of externalities, coordination problems, unresponsiveness, localist bias, inequality, loss of accountability, evasion of responsibility” (1987: 13–16).

However, it is possible to imagine ways in which this democratic deficit may be alleviated; and in any case, it is not clear that the democratic deficit of intergovernmental relations is any larger than the similar deficits in unitary systems, where again executives tend to be dominant, and governments may be remote or unresponsive.

Finally, it cannot be assumed that small governments “closer to the people” are more responsive, less elitist, less corrupt, and so on than larger governments. The evidence on this point is decidedly mixed. As Schmitter points out, the touted federalist virtues of transparency, equity and the like “may take a while in coming,” and can in the meantime breed “clientelism, corruption, illegality, oligarchy, violation of civil rights, intolerance, discriminatory treatment, duplication of efforts, confusion in administrative procedures, ruinous competition to attract outside investments, and fiscal irresponsibility” (Schmitter 2000: 41; see also Diamond 1999).

So, once again, we have to say no decision. As Edward Gibson, reviewing federalism and democratization in Latin America, concludes: “When it comes to democratization, federalism is a decidedly double-edged sword.” And again, generalizations about the effect of federalism are rendered virtually impossible because of the variety of histories and contexts of federal; countries, and the variety of models of federalism and decentralization. And again, where there is an association between federalism and democracy, the causal links are impossible to disentangle (World Bank 2000: 109). “The same institutional structures that empowered subnational challenges to national authoritarian rule also empowered subnational challenges to democratically elected governments in the consolidation period” (Gibson 2004: 33). One does not have to be a federalist to be a democrat, or a democrat to be a federalist. To be a democrat, however, does seem to mean dispersing authority downwards and outwards as much as possible, a deeply federalist idea.

**Conclusion**

I have discussed federalism and its relation to three ideas of social justice largely as if each were independent of the others. This is obviously not the case; the three dimensions interact. Of the three elements, perhaps conceptions of community and identity are the crucial elements.
Community defines the set of people with whom one feels a common fate, shared values, and a sense of mutual obligation and duty. In a culturally homogeneous federation, or one in which cultural differences are not distributed territorially, then both distributive and procedural justice can be defined in society-wide terms. Federalism or decentralization can be thought of in terms of efficiency and of devices to encourage participation. Decentralization may be a virtue, but it is largely technical, not calling into question the overarching identity. It is different in deeply divided societies, in which self-conscious national groups seek autonomy. In such cases, sub-state nationalities may develop their own “citizenship regimes.” Here distributive justice is seen in terms of equality within the group itself; procedural justice is about participation, accountability, and the like within the community. Federalism is evaluated in terms of whether or not it offers the space for the constituent groups to develop their own citizenship regimes. In this way, sub-state citizenship regimes can be a “third way” between secession and subordination to national minorities (Papillon and Turgeon 2003). The key question for federal regimes is whether they can find ways to integrate, blend and accommodate different citizenship regimes rooted in the dimensions explored here: distribution and sharing, accommodating several dimensions of difference, and alternative forms of political participation and engagement.

Let’s return to our original questions.

Does federalism promote social justice? Is it hostile to social justice? Or is it neutral?

With respect to distributive justice and economic equality, the verdict falls slightly on the negative side. Egalitarians are unlikely to be strong advocates of federalism.

With respect to the recognition of difference, the answer is more positive. Federalism can be a crucial device for accommodating difference in multinational and regionally diverse societies; a potential liberating device for accommodation of indigenous peoples’ differences, and a useful template for accommodating multicultural difference.

With respect to procedural justice, the theoretical advantages offered by federalism are too often stifled by the complex realities of multilevel governance.

These are admittedly rather tepid conclusions. They are made more so by the other reality that individual federations vary so enormously in their political dynamics and institutional structures. Riker is right: few generalizations are possible. It is hard to go to the barricades waving the banner of federalism.
A leading Canadian student of federalism, Donald Smiley, entitled one of his books, *The Federal Condition in Canada* (1987). It made a vital point that is true of most other federations. Federal institutions exist as an integral part of the political landscape; they are not going to go away; shifting to a unitary system, is not an option. Political actors in search of social justice must work within and through these institutions. This means that in each of them, there is a vital reform agenda: for any given system we must ask: how can it be rendered more just along each of the dimensions I have looked at? And does the multilevel governance model of federalism provide the political spaces and the arenas for deliberation that fosters not one or another model of social justice to become hegemonic, but rather a framework for dialogue in which alternative conceptions of social justice can play themselves out? This may be the great advantage of federalism.

For countries designing new constitutional arrangements, I think the question is not: whether or not federalism? Rather, it is: what are the underlying goals of social justice we want to realize? In that context some or another variant of federalism will be on the table, but so will many other institutional alternatives and many different variants on decentralization. And the federalist elements in the system will have to be carefully aligned with other features of the overall constitutional design. But the impetus for social justice as equality, recognition and democracy will not be found – either positively or negatively – in federalism itself.
Social citizenship and federalism represent two defining features of contemporary governance. Yet, at first glance at least, these two concepts seem to exist in deep tension. The promise of social citizenship is the equality of treatment of citizens, to be achieved through common social benefits and public services available to all citizens throughout a country. The promise of federalism is regional diversity in public policies, reflecting the preferences of regional communities and cultures. Balancing these contradictory logics would seem especially important in countries with federal institutions and mature welfare states.

Yet the most striking pattern in such countries is the relative dominance of the logic of social citizenship. If, as Ronald Watts writes in his contribution to this volume, a key challenge in federal states is “balancing equity and diversity” then, why is equity winning hands down? Despite all of the debates about the role of decentralization reshaping democratic politics in western countries, major income security and health programs in federal states continue to reflect the logic of social citizenship more faithfully than the logic of regional diversity. The social commitments to citizens clearly represent a constraint on the politics of regional diversity in federal states. While much ink has been spilt by students of social policy about the way in which federal institutions have constrained the development of the welfare state, much less recognition has been given to the ways in which the welfare state has transformed federal institutions.

This chapter examines the balance between social citizenship and regional diversity in federal states. The first section explores the tension between the logic of social citizenship and the logic of federalism more
fully. The second section looks at the structure of social programs in federal welfare states, summarizing the balance between federal and state/provincial governments in the determination of citizen rights to core social benefits. The third section looks for explanations of the patterns revealed in section two, drawing on three distinct analytical traditions: historical-institutionalism, economic theories of federalism and society-centered approaches. The fourth section pulls the threads of the discussion together and reflects on the implications of the dominance of social citizenship for the fundamental purposes of federal institutions.

The logic of social citizenship and the logic of federalism

The dominant view of the role of social rights of citizenship was most clearly articulated by the British sociologist T.H. Marshall, who wrote during the expansion of social programs after the Second World War (Marshall 1950). Marshall defined citizenship as a status granted to those who are full members of a community, and argued that over time the status of citizen in Britain – and by extension in other western countries – had been invested with a formidable array of rights. In the eighteenth century, citizenship was associated with civil rights, such as liberty of the person, freedom of speech, thought and faith, the right to own property and conclude valid contracts, and the right to justice. Beginning in the nineteenth century, the rights of citizenship were extended to incorporate political rights, including the right to vote and the right to stand for office. Finally, in the twentieth century, citizens acquired an increasingly broad array of social rights, represented in concrete terms by the social benefits and public services inherent in the welfare state.

This conception of social citizenship was deeply entwined with the expansion of social programs in western nations during the twentieth century. Indeed, in his celebrated study of the welfare state, Gøsta Esping-Andersen contends that “social citizenship constitutes the core idea of the welfare state” (Esping-Andersen 1990: 21). The idea of social rights was given life most obviously by broad income-security programs and universal health and social services. But the concept of social citizenship, as used here, is not limited to programs that treat each and every citizen identically. The critical issue is whether social benefits are available to all citizens on equal terms and conditions across the country as a whole, and selective or targeted programs are compatible with this approach as long as all individuals in similar economic and social situations are treated equally in all regions.¹
Importantly for present purposes, Marshall saw the equality of status implicit in citizenship as deeply related to the emergence of a shared sense of community. In his interpretation, the expansion of the meaning of citizenship was part of a powerful historical process of social integration, which was steadily incorporating emerging social classes into a national community. While social benefits did not eliminate the economic differences among citizens, they did generate a new equality of status, a symbolic moral order that would mitigate the divisiveness of economic inequalities. The relationship between citizenship and community was reciprocal. In part, the rights of citizenship reflected the emergence of an underlying national consciousness, a growing sense of a common community. But citizenship rights, once established, also reinforced this growing sense of community, serving as an instrument of social integration in divided societies.

The logic of federalism and decentralization would seem to stand in tension with this logic of social citizenship. The core purpose of decentralized decision making is to enhance the scope for different choices about social programs that matter in people’s day-to-day lives. At the symbolic level, federalism seeks to create space for different relationships between the state and citizens, and diverse relationships between citizens and the national community. This central thread runs through the different political, economic and social rationales that have been advanced for federalism.

For some, federalism is a political instrument for protecting or enhancing democracy. The strong form of this tradition sees federalism as a barrier to the concentration of political power and the dangers of the tyranny of the majority in democratic systems. This tradition was most clearly articulated in the *Federalist Papers*, and federalism in the United States was part of a larger system of checks and balances designed to secure liberty and protect against unbridled majoritarianism. Similarly, the Basic Law of 1949, which re-established a federal state in the Federal Republic of Germany, was influenced in part by the Allies’ desire for a system that would disperse power, strengthen democracy and guard against the resurgence of authoritarianism (Hrbek 2002; Johnson 1999). The softer form of the same tradition sees the territorial division of powers as a means of bringing government closer to the people. This form of governance has been advanced as especially appropriate in large countries (Duchacek 1987: 194), and holds a particular appeal for those seeking to empower citizens locally and enhance political participation in democracies. In both forms, this role for federalism would seem to be
in tension with centralized or coordinated mechanisms that establish common policies across the country as a whole.

For other analysts, federalism is regularly celebrated as an instrument of accountability, efficiency and experimentation in public policy. Competition between governments each serving the same citizens enhances accountability and the quality of public services; and decentralized decision making increases the scope for trying new solutions to old problems. In the words of James Bryce, first penned in 1888, “federalism enables a people to try experiments which could not be safely tried in a large centralized country” (as quoted in Oates 1999: 1132). Experiments inevitably lead to both successes and disappointments, and it is more efficient to have disappointments occur on a small scale; successes, however, can spread across the country through emulation at the regional level. But such dynamics are presumably muffled by centralized directives and/or intergovernmental collaboration that produce common social policy outcomes across the country as a whole.

Finally, for yet other analysts, the primary role of federal institutions is to accommodate and protect social diversity by providing partial autonomy to national minorities and territorially distinctive cultures distinguished by their own language and ethnicity. To borrow Livingston’s language, vibrant federal institutions are rooted in a federal society (Livingston 1952, 1956). In countries such as Belgium, Canada and Switzerland, a federal state represents an elemental political condition, a set of arrangements that make the creation or continued existence of the country possible. In such countries, decentralized decision making is intended to allow the expression of cultural diversity. Common social benefits across the country as a whole would seem to run counter to the essential promise of cultural accommodation.

Thus the concept of a federal welfare state is defined by two powerful logics in tension with each other. Stripped to its core, the logic of social citizenship holds that a sick baby should be entitled to public health care on the same terms and conditions wherever he or she lives in the country. Stripped to its core, the logic of federalism holds that the public health benefits to which a sick baby is entitled also depend significantly on the region in which he or she resides. Hence the questions: Which logic dominates in federal welfare states? Has a broad balance between the two emerged? Or does one logic trump the other, rendering the basic idea of a federal welfare state a contradiction in terms? The next section explores the balance that has emerged in major federal states.
Social citizenship and regional diversity in federal welfare states

Assessing the balance between social citizenship and regional diversity in federal welfare states requires looking beyond traditional measures of centralization, such as the proportion of public expenditures flowing through each level of government. While such fiscal measures reveal much about the level at which services are delivered, they are silent about which level of government sets the policy framework that determines citizen entitlement to benefits and services.\(^2\) The balance between social citizenship and regional diversity is therefore best illuminated by examining the distribution of authority over the core programs of the welfare state, especially income security and health care. To that end, we examine seven federal welfare states within the OECD: Australia, Austria, Belgium, Canada, Germany, Switzerland and the United States (Table 3.1).

The strength of the commitment to social citizenship in these countries is striking. In theory, federalism promises diversity, but in practice federations organize themselves so as to constrain interregional variation in social programs. To be sure, there are noticeable interregional differences in some programs in some of our federal welfare states. But in the main, the social programs that define so much of the relationship between the citizen and the state provide broadly comparable benefits across each of our countries. Indeed, many federal welfare states resemble non-federal ones, in that benefit inequalities are less marked across regions than between urban and rural areas within regions.

Table 3.1 Distribution of legislative responsibilities for income security: federal and state/provincial governments

<table>
<thead>
<tr>
<th></th>
<th>Australia</th>
<th>Austria</th>
<th>Belgium</th>
<th>Canada</th>
<th>Germany</th>
<th>Switzerland</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old age</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0.5</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Unemployment</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0.5</td>
</tr>
<tr>
<td>Child allowances</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0.5</td>
<td>1</td>
</tr>
<tr>
<td>Work injury</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Social assistance</td>
<td>1</td>
<td>0</td>
<td>0.5</td>
<td>0</td>
<td>1</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>4</td>
<td>4.5</td>
<td>2.5</td>
<td>5</td>
<td>4</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Notes: 1 = federal jurisdiction; 0 = state/provincial jurisdiction; 0.5 = shared jurisdiction.  
Source: Adapted from Obinger, Leibfried and Castles. Assessments for Belgium by the author.
This pattern is most marked in income-security programs, where central governments have predominant legislative authority. Table 3.1 summarizes the division of authority between federal and state/provincial governments in this field. Admittedly, the table presents a simplified view of intergovernmental relationships, ignoring as it does the role of state/provincial governments in shaping the decisions of the federal legislature in some countries. Nevertheless, the overall pattern is clear. Major income-transfer programs, such as old age pensions, unemployment benefits and child benefits are central responsibilities in virtually all federal welfare states. Federal authorities deliver these payments directly to citizens, or regulate closely the agencies that do, such as social funds in Austria, Belgium and Germany. Even the exceptions to this pattern are modified ones. In the case of old age pensions, the one exception is the Quebec Pension Plan (QPP). However, the QPP is closely harmonized with the federally delivered Canada Pension Plan, which operates through the rest of the country. In addition, these two plans represent only one tier of the public pension system, and the federal government delivers the other major tiers directly to citizens across the country as a whole, including in Quebec. In the case of unemployment benefits, the one exception to central delivery is the role of U.S. state governments, but even here federal tax legislation sets important parameters for the program, ensuring that benefits are broadly comparable across the country.

The most widespread exception to the general pattern of federal dominance in income transfers is social assistance, which is a regional responsibility in many federal welfare states. Moreover, significant interregional variation in social assistance has emerged in several countries. A study of Switzerland suggests that variation in cantonal social assistance programs is as great as variation across OECD countries generally (Armingeon, Bonoli and Bertozzi 2004). There are also significant differences in benefit levels and eligibility rules across provincial social assistance programs in Canada, reflecting historic traditions in the various provinces (Boychuk 1998; Vaillancourt and Tremblay 2002). In the United States, regional variation was similarly a hallmark of Aid to Families with Dependent Children, and was further accentuated after welfare reform in 1995 and the shift to Temporary Assistance to Needy Families (Weaver 2000). Yet it is worth remembering that in most countries, social assistance is the residual component of the income-security system, which responds to social needs not met through the other transfer programs, and that spending on social assistance is usually a small part of total social security expenditures (Eardley et al. 1996, table 2.2).
In countries where this is not true, such as Australia, the program tends to operate under central control. In sum, with only partial exceptions, the logic of social citizenship is stamped into the income-security systems of federal welfare states.

The logic of social citizenship is also evident in health care, especially in policies governing the access of citizens to health services. The actual delivery of health services is more decentralized than the income-security sector. Health care involves the provision of highly personal services to individuals in diverse settings, and even in the most centralized of these seven federations, the federated units have some responsibility for health institutions such as hospitals and clinics. But in all of these federations, the access of individuals to health services – the definition of citizenship rights to care – is determined in whole or in large part by a policy framework that applies to the country as a whole.

This policy framework is established in different ways. In some countries, major health programs are designed and delivered directly by the central government, as in the case of Medicare in the United States and the Medical Benefits and Pharmaceutical Benefits schemes in Australia. These programs operate on a country-wide basis, providing citizens with benefits on similar terms and conditions. Elsewhere, federal governments secure broadly comparable access to health care through legislation that sets policy parameters within which other agencies design and deliver health programs. In Belgium and Germany, such legislation sets the framework for social funds, which actually administer health insurance. In Switzerland, similar legislation sets the basic parameters governing a compulsory system of health insurance, which is delivered by private insurance companies. In Anglo-Saxon federations, federal shared-cost programs establish parameters for those components of health care that are operated by state/provincial governments, as in the case of hospital services in Australia, Medicaid and the State Child Health Insurance Program in the United States, and health care generally in Canada. To be sure, the specificity of the conditions attached to these shared-cost programs differs, from the highly detailed conditions attached to the Health Care Grant in Australia, to the more general principles attached to the Canada Health Transfer, to the less restrictive terms of Medicaid and the State Child Health Insurance Program in the United States. Nevertheless, with the partial exception of health care for the poor in the United States, the pervasive pattern is a common definition of citizens’ right of access to health care.

Making the promise of comparable access to health care meaningful across countries with regionally diverse economies also requires interregional transfers. Equal access to unequal services would hardly reflect
the promise of social citizenship. The case for interregional transfers lies in the conviction that citizens in all parts of a country should be entitled to comparable benefits and services without having to pay significantly different taxes. Richer regions in any country enjoy the virtuous circle of fewer social needs and greater revenue capacity; poorer regions confront a vicious circle of greater social needs and weaker revenues. Sustaining common or even comparable benefit/tax regimes in such circumstances requires some form of interregional transfer. In the case of social programs delivered directly by the federal government, the transfers are implicit rather than explicit, resulting from the differential impact of common benefits and taxes across regions of uneven economic strength. In the case of programs delivered by local or regional units, whether social funds or state/provincial governments, the transfers are more explicit.

The form and strength of interregional transfers differs considerably from country to country. In Germany, health insurance is funded primarily through contributions levied by the social funds themselves, and reducing the variation in the benefit contribution package across plans has led to a major inter-fund redistribution scheme, known as the risk-equalization mechanism (REM). Although the REM was not developed as an interregional transfer, it does have the effect of shifting resources among regions of the country (Manow 2005; Wassener 2002). A similar mechanism, albeit of different design, has also emerged in the Swiss case. However, it has a less powerful impact, and premium rates still vary considerably across cantons. In 1999, the average monthly premium for exactly the same coverage in the highest canton was twice that of the lowest canton (Armingeon, Bonoli and Bertozzi 2004; Thuerl 1999).

In countries in which major health programs are delivered by state/provincial governments, interregional transfers flow through separate programs, as in the Belgian national solidarity grant, the Canadian equalization program and the system of adjustments to intergovernmental transfers in Australia. The United States is alone in not having a separate equalization program. Although there are elements of interregional redistribution built into the financial formula of the Medicaid program, “in general equalizing grants from the federal to the state governments have never amounted to much” (Oates 1999: 1187). In practice, the extent to which interregional transfers equalize fiscal capacity of state/provincial governments also varies considerably, depending on the levels of regional economic disparities, the scope of decentralization, the design of transfer programs and – in the final analysis – the country’s tolerance for interregional variations in tax and benefit packages (Péloquin and Chong 2002; Watts 1999a: 50).
In combination, the specificity of the central framework and the strength of interregional redistribution set the structural underpinnings of the balance between social citizenship and regional diversity in access to health services. Table 3.2, which summarizes the findings of a cross-national study of health care in federal states, provides a qualitative assessment of the patterns, combining the specificity of the central policy framework, the strength of interregional redistribution and the level of interregional variation in health benefits available to citizens. Detailed policy frameworks and strong interregional transfers are associated with lower levels of interregional variation in health care services. Table 3.3 provides a more limited quantitative assessment. Quantitative measures of interregional variations in health care are sensitive to a number of potentially distorting factors, including differences in the way regional units are defined (city states can be a significant complication). Nevertheless, Table 3.3 provides an interesting perspective on regional variations in public health spending in three of our federations (Australia, Germany and Canada), as well as a number of non-federal counties. Several points are worth noting. First, the differences across the three federal states are consistent with the qualitative rankings in Table 3.2. Second, interregional variation is generally greater in federations than non-federal states, with the exception of Australia, which looks very non-federal indeed. Third, in most countries, interregional variation in public health spending is lower than interregional variation in per capita income, suggesting that equalization processes are working as expected.5

Table 3.2  Interregional variation in health care: instruments and outcomes

<table>
<thead>
<tr>
<th>Country</th>
<th>Specificity of policy framework</th>
<th>Interregional transfers</th>
<th>Interregional variation in health care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>High</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Belgium</td>
<td>High</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Australia</td>
<td>High</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Germany</td>
<td>High</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Canada</td>
<td>Low</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>United States</td>
<td>Medium</td>
<td>Low</td>
<td>Medium</td>
</tr>
</tbody>
</table>

Source: Banting and Corbett 2002; expanded to include Austria and Switzerland by the author.
The overall conclusion seems clear: the logic of social citizenship seems powerful even in federal welfare states. The big-ticket programs such as income security and health care, which define so much of the relationship between citizens and the state, tend to operate on comparable terms across each country as a whole. Variations around this theme clearly exist. Some programs reflect the logic of social citizenship more strongly than others; some countries display more regional variation than others. Nevertheless, in the clash between the logic of social citizenship and the logic of federalism, the former has left the stronger imprint.

Searching for explanations

We have identified a number of puzzles. Why has the logic of social citizenship tended to trump the logic of federalism? Why is interregional variation greater in some federations than others? And why are regional differences more marked in some programs than others? No single explanation seems likely. But a number of partial answers can be gained from three analytical traditions that have informed the literature on federalism: historical-institutionalism, economic theories of federalism and society-centered approaches.

a) Historical-institutionalism: An institutional perspective suggests that the first place we should look is the design of political institutions and
processes. This approach would suggest that federal welfare states have established surprisingly strong models of social citizenship because of the dominance of central governments. During the formative decades of the welfare states, federal governments tended to command the lion’s share of tax room, which enabled them to establish country-wide programs that delivered benefits directly to citizens, as well as transfers to state/provincial governments that were conditional on regional acceptance of often quite specific national standards. Once such programs were in place, they became institutionalized, embedded in citizen expectations and a web of relations with client groups, and resistant to efforts to loosen the strong grip of the centre. In effect, a form of path dependency ensured.

The contribution to this volume by Roland Sturm reflects this approach. He argues that territorial politics have been a disappointment, that divergence, not convergence, requires explanation, and that local and regional elites in many federations have been content simply to replicate, with minor variations, national policy patterns. His explanation emphasizes institutional factors, such as full democratic institutions at the regional level, regional fiscal autonomy, a regionalized party system and a formal separation of policy responsibility between levels of government. On the basis of such “preconditions for institutional diversity,” he produces a ranking of federations, with Austria and Germany having the least institutional scope for regional autonomy, and Canada and Belgium having the most.6

This analysis clearly helps to explain the geometry of federal welfare states, including the general strength of the social citizenship model. The differences between the highly centralized welfare states of Austria, Belgium and Germany and the semi-centralized welfare states of, say, Canada and the United States, can be traced in interesting ways back to differences in institutional structures of the nineteenth and early twentieth centuries, when the first steps toward the welfare state were undertaken. As Obinger and his colleagues note, Germany and Austria, which instituted major social insurance programs in the late nineteenth century, were only semi-democratic until 1918, and the Habsburg empire was not a federal state. As a result, there were no barriers to “top-down social policy enacted by semi-democratic or authoritarian regimes,” and “the social policy terrain was comprehensively preempted by the central state” (Leibfried, Castles and Obinger 2005: 326). In the case of Belgium, the welfare state was constructed while the country was still governed through a unitary state. Not surprisingly, perhaps, regional variation in social benefits proved more robust in countries
such as Australia, Canada and the United States, which built their welfare states from the outset through vigorously democratic and federal institutions.

The limitation of this approach, however, is that political institutions themselves have not been immutable. Federal institutions sprang from historical sources, and have been transformed by political processes. More importantly, nothing has been more profound in changing the balance of power between central and regional governments than the expansion of the welfare state. In most federations, proposals to change the constitutional division of powers are subject to a demanding amending formula and are therefore difficult to obtain (Banting and Simeon 1985). Yet constitutions that withstood pressures in other sectors gave way in the field of social policy. Where formal constitutional changes were not possible, informal adjustments created other pathways to the same destination. For example, central governments used their powers to tax and spend to expand their social role. Whatever the mix of formal and informal changes, however, the general pattern is one of institutional structures being reshaped by the expansion of the social role of the state in the middle of the twentieth century.

In Australia, the Constitution adopted in 1901 limited the social policy responsibilities of the Commonwealth government to invalid and old age pensions, the conciliation and arbitration of industrial relations and the creation of a quarantine service. All other powers not specified by the Constitution were reserved to the states. By the 1940s, however, the restricted nature of federal powers was widely seen as a problem, and in 1946 the postwar Labour government won one of the very few referendums in Australian history authorizing substantive constitutional amendments. The constitutional change consolidated the authority of the federal government to legislate in a wide range of social security programs, and Australia is now one of the most centralized welfare states in Table 3.1. Interestingly, on the same day in 1946, voters rejected constitutional changes that would have expanded the Commonwealth’s role in two other fields (Birch 1955).

Canada headed down a similar path, although it did not travel as far. In 1937, the courts overturned federal legislation introducing a broad social insurance program, on the grounds that it invaded provincial jurisdiction. An entire generation of social policy reformers in English-Canada if not Quebec were convinced that an expansion of the federal role was essential. In 1940, the constitution was amended to give the federal government complete authority over unemployment insurance; and amendments in 1950 and 1965 gave the federal government substantial
jurisdiction over old age pensions as well as survivor and disability benefits. In no other policy field have constitutional amendments expanded the general powers of the federal government. In addition, the federal government found informal means to expand its role, allowing it to deliver income transfers directly to citizens and set national parameters for major social services through conditional grants to provinces.

Modern Germany provides another example. The German Basic Law of 1949 instituted a comparatively decentralized structure, reflecting, as we have seen, the victorious Allies’ desire to guard against authoritarianism. There was a clear separation of powers; the Länder enjoyed residual powers; and with the exception of a few areas of concurrent jurisdiction, the two levels of government were expected to function autonomously through their own financial means. The emergence of the “unified federation” took place slowly over the succeeding decades, with the willing participation of the Länder. Starting in 1955, the system of separate finances anticipated by Article 109(1) of the Basic Law was gradually replaced by the integrated system in which revenues are shared horizontally and vertically (Mackenstein and Jeffery 1999; Voight 1989). Similar processes reshaped important policy fields, in which decentralized and potentially diverse services gave way to pressures to standardize, harmonize or “nationalize” policies. This unified model of federalism has been subject to intense criticism for its inflexibility in recent years, and proposals for a shift back toward greater separation of powers have been advocated on many sides, so far without success. In this context, however, it is interesting to note that the proposals considered by a joint committee of the Bundestag and Bundesrat in 2004 would have left income security and health care as a unified system across the country as a whole (Schultze 2005).

Although Belgium has been traveling in a different direction, the outcome is remarkably similar. Established in 1830 as a unitary state, Belgian governance was transformed by four major waves of constitutional reform in 1970, 1980, 1988 and 1993. The result is a complex and decentralized federal state, which ranks high on Sturm’s index of sub-state autonomy. Social security, however, is the great exception. Despite dramatic institutional change, primary responsibility for social security and health care remains firmly lodged with the federal government. Moreover, this highly centralized pattern has been relatively resistant to powerful pressures. Flemish nationalists have demanded significant decentralization of elements of the social security system, especially family allowances and health care, in order to gain more control over
their social future and to reform the intercommunal transfers implicit in the current system. However, determined resistance from the Walloonian community to decentralization of social security has blocked such changes, and the welfare state has remained a centralized corner of a decentralized, binational state.  

These examples might be multiplied elsewhere. But they are sufficient to make the point. The balance between the logic of social citizenship and the logic of federalism is undoubtedly underpinned in the first instance by the structure of political institutions within which social programs are shaped. From a historical-developmental perspective, the contemporary contrast between highly centralized Austria, Belgium and Germany and semi-centralized Canada and the United States represents the lingering imprint of institutional structures a century ago. But institutional structures are also not immutable, and nothing has proven more powerful in reshaping federal institutions than the expansion of the welfare state and the logic of social citizenship. A fuller explanation needs to incorporate other perspectives as well.

b) Economic theories of federalism: Public finance economists or public economists, to use the more contemporary term, would not be particularly surprised by our description of federal welfare states. The patterns are consistent with traditional principles in the public finance literature as elaborated over the last half-century. The canonical view of the allocation of functions in federal states is that federal governments should be responsible for macroeconomic management and redistribution, and state/provincial governments should be responsible for the provision of local public goods and services (Boadway 2001, 2002; Musgrave 1997; Oates 2002, 1999; Wellisch 2000). Each of these propositions is relevant to our discussion of the real world of federal welfare states.

The comparative advantage of federal governments in macroeconomic stabilization is a potent starting point. According to this perspective, the central government needs to exercise control of monetary policy, and counter-cyclical fiscal measures are most effectively exercised at the central level. A local government would have less impact in reviving a depressed local economy with a local tax cut because the new income generated by the reduction in taxes would be spent largely on goods and services produced elsewhere, resulting in very little stimulus to local economic activity (Oates 2002: 40). The implications of federal responsibility for macro-stabilization are powerful. To fulfill such a role, the federal government requires a predominant role on the revenue side and
in counter-cyclical expenditures, such as income transfers to the unemployed.

The second principle is that redistributive functions are best allocated to the central government. The standard argument here is familiar: a local government that launches a vigorous effort to redistribute income from the affluent to the poor runs the risk of attracting an inflow of low-income residents while inducing an outflow of high-income individuals and wealth-generating investment. More generally, the reduced capacity to tax more mobile factors of production constrains the capacity of local governments to mount redistributive programs. More recently, analysts have also argued that federal systems are instruments of risk-sharing among the regions. Economic shocks almost always have a differential impact across the country, and the fiscal role of the central government smooths a significant part of the differential effects on regions. While in theory this function might be carried out exclusively through horizontal transfers among regional governments, in practice risk-sharing is achieved through overall federal budgetary outlays, including income transfers to individuals and federal transfers to regional governments (Persson and Tabellini 1996). Moreover, there is recent evidence that this role is becoming more important as globalization exposes all countries more fully to international economic shifts (Garrett and Rodden 2003).

Finally, the literature agrees that decentralized government has a clear competitive advantage in delivering public goods and services that are consumed locally. Public services mounted by the central government tend to be uniform across the country, representing a compromise among a more diverse range of interests and attitudes. State/provincial governments, in contrast, are better able to tailor public services to the preferences of local residents. Moreover, regional governments are likely to enjoy important informational and administrative advantages. They are likely to be better informed about the preferences and needs of residents of their jurisdiction, and face fewer bureaucratic layers and therefore fewer “agency problems” in controlling the delivery of services. Finally, regional governments should be able to benefit from the opportunities for experimentation and innovation that decentralized governance provides.

The traditional canon has come under attack in a number of areas (Boadway 2001, 2002). Undoubtedly, the traditional view draws an overly sharp distinction between redistribution and the provision of public services. In the real world, redistribution is not restricted to income transfers and the design of the tax system, but also flows through public goods and services. In advanced democracies, public
policy and expenditures in health care, education and other social services have redistributive objectives very much at their heart (Banting and Boadway 2004). This has two implications. Presumably arguments about the importance of a central role in redistribution apply to services such as health care as well as transfers; and decentralization in services is better defended in terms of the efficiency of delivery than the absence of redistributive import.

As always, empirical studies which seek to test these elegant theoretical propositions in practice present a more complicated picture. This is particularly the case in studies of the relationship between decentralization and redistribution. The strongest confirmation comes from the substantial comparative literature on the welfare state, which analyzes the factors that explain differences in the level of social spending across OECD countries. Here there is a clear consensus that federalism and/or decentralization constrain social expenditures. (For a sampling of this large literature, Castles 1999; Crepaz 1998; Hicks and Misra 1993; see Huber, Ragin and Stephens 1993; Swank 2001, 2002 and Richard Simeon’s contribution to this book.) The most recent findings suggest that decentralization has a more powerful (negative) impact than any other institutional variable, greater than corporatism in decision making, the nature of the electoral system, or the presence of a presidential system of government (Swank 2001, 2002). Other bodies of literature that investigate specific components of the general relationship are less definitive. For example, a series of studies has examined whether US states systematically lower their social assistance benefits to avoid becoming magnets for poor people. Findings vary considerably with different modeling strategies. Initial studies found clear negative effects on state spending (Peterson and Rom 1989); a second wave of research was much more skeptical of the idea that welfare benefits affect the mobility of the poor (Allard and Danziger 2000; Schram, Nitz and Krieger 1998); but the most recent contribution concludes that the impact of welfare on the decision of poor single mothers to move, while small, is real and has the potential to generate shifts in welfare spending (Bailey 2005; also Rom, Peterson and Scheve 1998). Similarly, a growing political economy literature on decentralization provides a complex verdict, suggesting that the form of decentralization matters a lot. Countries with partial decentralization, in which responsibility for spending is decentralized but responsibility for revenue-raising is centralized, tend to spend more than other countries. However, more thoroughly decentralized countries, in which both taxation and spending are decentralized, tend to spend less than other countries (Rodden 2003). Drawing simple
conclusions from such a variety of literatures is not simple. On balance, however, the empirical evidence seems broadly consistent with the traditional canon on the relationship between centralization and redistribution.

Certainly, the balance that federal welfare states have struck between social citizenship and regional diversity is consistent with traditional prescriptions. As we have seen, income-security programs, the most explicit manifestation of the redistributive function, are the most highly centralized component of federal welfare states. Health care in federations also seems broadly consistent with these principles, albeit in a more complex way. As just noted, public health-care programs are deeply rooted in redistributive purposes. From this perspective, it is therefore not surprising that central policy frameworks tend to define the rights of access to public health care, even in relatively decentralized countries such as Canada and Switzerland. On the other hand, the actual delivery of health services themselves is decentralized in many federal welfare states. Decentralized decision making undoubtedly has important organizational advantages in managing the complex relations among service providers, responding to the particular mix of health problems in local populations and regulating large institutions such as hospitals and clinics.

Thus public economics sheds light on federal welfare states. But once again there are important limits to this perspective. First, the traditional canon does not actually explain why the federal division of labor in social policy has assumed its current shape. A positive theory of the determinants of centralization/decentralization would need to link these general principles to real political interests and real political processes. The literature on positive political economy has yet to complete this task. Second, the traditional canon does not provide compelling explanations of the differences we have discovered, both across programs and countries. Why, among all income-transfer programs, are social assistance programs operated much more often on a decentralized basis? Why are some federal welfare states more decentralized than others? Greater heterogeneity in regional policy preferences is undoubtedly part of the story, but this analytical approach falls silent precisely when the plot gets interesting. Under what conditions do regional variations in preferences emerge, and which types of regional attitudinal differences are most compelling in shaping political institutions?

c) Society-based explanations: As we saw in the introduction, Livingston argued a half-century ago that “the essence of federalism lies not in the
institutional or constitutional structure but in the society itself” (Livingston 1952: 84), and that “federal government is a device by which the federal qualities of the society are articulated and protected” (Livingston 1956: 1–2). But what types of regional diversities are critical in defining a federal society? In the current context, which territorial variations matter to the balance between federal and state/provincial governments in social policy? Much attention focuses on regional differences in policy preferences. We are often assured that matters on which public views are largely similar across the country can be safely assigned to the central government, whereas issues on which regional populations differ should be reserved to state/provincial governments. Similarly, economists celebrate federalism as a means of giving expression to regionally distinctive preferences, and allowing citizens to migrate to jurisdictions offering policy packages they like.

Can differences in the balance between social citizenship and regional diversity across countries be explained by differences in the extent of regional variation in policy preferences? Obviously, answering this question would require detailed analysis of regional differences in public attitudes across our seven federations. However, there are reasons for suspecting that regionalized preferences on the substance of social policy are unlikely to be a sufficient, or perhaps even a necessary condition for decentralized institutions. Focusing on substantive policy preferences misses the deeper level of diversity that really does have the capacity to reshape political institutions. In some federations at least, regional political autonomy is driven less by different policy preferences than by the politics of ethno-linguistic diversity and distinctive conceptions of political community and identity.

This point is perhaps best illustrated by Canadian experience during the formative years in which the country built its welfare state, the 1950s, 1960s and 1970s. During this period, interregional differences on the substance of social policy were limited and declining. Table 3.4 captures the trend, by reporting the percentage of respondents approving of various social programs or supporting their expansion, averaged over all questions asked about social issues in two periods in the postwar era. As the authors who conducted the analysis conclude, “the populations of the Canadian regions are becoming more alike in their responses to the issues of the day” (Simeon and Blake 1980: 100). Most tellingly, differences between Quebec and the rest of the country were also at a low ebb historically. Differences across this historic divide had been much greater in the 1930s, 1940s and early 1950s, when reformist
attitudes were growing strongly in the rest of the country but preferences in Quebec still reflected a conservative Catholic tradition. The *révolution tranquille* in Quebec, which developed momentum in the late 1950s, sharply reduced regional differences in attitudes toward a modern welfare state. This is not to suggest that social policy preferences converged completely; by the mid-1960s, support for more social spending was actually somewhat higher in Quebec, a difference that did not completely disappear when income and demographic differences were held constant (Simeon and Blake 1980; Ornstein, Stevenson and Williams 1980). Nevertheless, the underlying reality was that regional differences in preferences were relatively limited in this period, representing variations on common themes rather than discordant counterpoint.

Despite broad consensus on the blueprint of a modern welfare state, there were marked disagreements about which level of government should take the lead in building it. Agreement on substance co-existed with deep disagreement on jurisdiction, as the case of contributory pensions illustrates. Public support for contributory pensions was reasonably uniform across the country during the early 1960s. As Table 3.5 indicates, however, a strong majority of Quebecers wanted a provincial plan while Canadians elsewhere favored a federal plan by an equally clear majority, a division that was faithfully reflected in the Canada and Quebec Pension Plans that emerged. Thus the adoption of the QPP, the only exception to full central responsibility for old age pensions in our seven federations, flowed not from marked differences in policy preferences but from distinctive conceptions of identity and community.

### Table 3.4 Regional variation in public attitudes on social policy, Canada, 1951–75

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage favouring welfare</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1951–69</td>
</tr>
<tr>
<td>Atlantic</td>
<td>48.3</td>
</tr>
<tr>
<td>Quebec</td>
<td>58.8</td>
</tr>
<tr>
<td>Ontario</td>
<td>57.3</td>
</tr>
<tr>
<td>Prairies</td>
<td>52.7</td>
</tr>
<tr>
<td>British Columbia</td>
<td>59.8</td>
</tr>
<tr>
<td>Canada</td>
<td>54.8</td>
</tr>
<tr>
<td>Average regional deviation from nation</td>
<td>3.9</td>
</tr>
</tbody>
</table>

*Source: Simeon and Blake 1980.*
This perspective suggests that the key distinction is between culturally homogenous federations and multinational federations (McGarry 2002; Lijphart 1999; Noël 2004). In countries with a common underlying conception of political identity, one should expect strong electoral pressures to treat individuals similarly, irrespective of where they live. Moreover, the unspoken frame of reference for policy-makers is likely to be the country as a whole. As Erk points out in a recent study of German educational policy: “the choices made by political actors are driven by the understanding that the ‘nation’ is the unit of governance regardless of the institutional division of power. ... Despite disagreements between the left and right over the contents of educational policy, political actors in the Federal Republic of Germany shared an all-German frame of reference” (Erk 2003b: 298). In countries with territorially concentrated ethnolinguistic communities and multiple political identities, by contrast, the pressures for regional autonomy are likely to be more compelling. This emphasis on the centrality of community and identity, as opposed to policy preferences, is fully consistent with Marshall’s original conception of social citizenship. As we saw, Marshall viewed social citizenship as reflecting and reinforcing an underlying sense of a national community in the country as a whole. The political tensions between social citizenship and regional diversity are likely to be different in multinational federations.

But once again the fit is not perfect. Such arguments are clearly relevant in Canada and Switzerland. Yet social policy variation is minor in culturally divided Belgium and significant in the United States, where a common political identity seems unchallenged. Sturm’s analysis of the legacy of political institutions has continuing relevance here, at least for Belgium. In addition, social diversity does not solve the puzzle of the differences across different types of income transfers. Why are social

<table>
<thead>
<tr>
<th>Region</th>
<th>Federal</th>
<th>Provincial</th>
<th>No opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlantic</td>
<td>55.7</td>
<td>18.6</td>
<td>25.7</td>
</tr>
<tr>
<td>Quebec</td>
<td>24.8</td>
<td>58.4</td>
<td>16.8</td>
</tr>
<tr>
<td>Ontario</td>
<td>57.4</td>
<td>25.4</td>
<td>17.2</td>
</tr>
<tr>
<td>Prairies</td>
<td>68.8</td>
<td>18.0</td>
<td>13.3</td>
</tr>
<tr>
<td>British Columbia</td>
<td>77.9</td>
<td>13.2</td>
<td>8.8</td>
</tr>
</tbody>
</table>

Source: Canadian Institute of Public Opinion (CIPO) 307 (1964).
assistance programs more likely to be managed at the state/provincial level than other income transfers, even in many otherwise centralized federations? One answer is that social assistance benefits involve substantial discretion and require considerable attention to individual cases. As such, they seem tailor-made for local decision making. Yet this explanation seems incomplete. Other income-security programs, such as unemployment insurance, also involve individual assessment and monitoring. A more complete answer here is likely to require drawing other society-centered approaches, including class and gender analysis. Social assistance recipients tend to be the politically weakest group of welfare-state beneficiaries; and as feminist scholars often point out, the historical gender balance among recipients is likely to help explain the contrast between unemployment insurance, a rights-based social insurance program in most countries and social assistance benefits, a highly discretionary and intrusive program in many places.

**Conclusions**

Federal welfare states are defined by the tension between two core logics: the logic of social citizenship and the logic of federalism. The promise of social citizenship is the provision of social benefits to citizens on uniform terms and conditions, irrespective of the region in which they live; the promise of federalism is scope for regional diversity in social policies, reflecting the preferences of regional communities and cultures. As we have seen, the historical outcome is clear. Even when full weightage is given to variations across countries and programs, the logic of social citizenship has dominated in federal welfare states. The norm of the similar treatment of citizens, which lies at the heart of the welfare state, has trumped the full promise of federalism in the largest social programs, income security and health care. Moreover, over the course of the twentieth century, the expansion of the welfare state and the logic of social citizenship proved to be powerful forces reshaping federal institutions in their image.

The task of explaining why this tension has played out this way is not simple. Institutional, economic and society-centered approaches all offer insights into both the dominance of social citizenship and the patterns of regional diversity that do exist. Nevertheless, a comprehensive and integrated explanation of the similarities and differences across federal welfare states represents a continuing research agenda.

So too does the always irritating question of “so what?” Does it matter that the historic promise of federalism is constrained by the welfare
state? Does social citizenship undermine the democratic, economic and social rationales that have been advanced for the federal model? At some level, centralized or coordinated decision making on social issues that affect citizens in their daily lives must weaken the vibrancy of the rationales for federalism. But are the rationales fatally compromised, as the introduction to this chapter seemed to suggest? Is the basic idea of a federal welfare state an oxymoron? Perhaps common social rights do not negate political interpretations that see federalism as an instrument for protecting or enhancing democracy. After all, different parties still rule in the various regions of most federations, suggesting that multi-level government continues to create room for political and ideological pluralism. Social citizenship may be a tighter constraint on economic theories that celebrate federalism as a source of experimentation in public policy, but decentralization in service delivery does save some scope for innovation at the regional level in most federal systems.

Similarly, the relationship between social citizenship and diversity has not proven fatal to federalism as a means of accommodating national minorities and territorially distinctive cultures. As we have seen, minority nationalism has proven capable, in some cases at least, of resisting the homogenizing tendencies of the welfare state. Moreover, it is possible to argue that social citizenship is compatible with the accommodation of diversity in plural societies. Other areas of policy, such as education, language and communications, are much more central to the preservation of cultural distinctiveness than are income security and health care. Access to basic income security and health care may be viewed, even in minority cultures, as questions of moral and legal obligation that should be embedded in universal norms and citizenship rights rather than tailored to local policy preferences. There may even be contexts in which social citizenship facilitates rather than obstructs regional autonomy. Citizens are typically risk adverse, especially when it comes to their physical and financial security. At times, central guarantees of social security at the individual level may actually enhance support for collective agendas calling for greater regional self-government and experimentation in cultural sectors, especially among those voters within the minority communities who are less committed to nation-building projects.

These reflections suggest that the federal welfare state may not be a contradiction in terms. But a fuller analysis of the tension between social citizenship and federalism remains important to understanding this increasingly common form of governance in advanced democracies.
Acknowledgments

I would like to thank Robin Boadway, Scott Greer, Charlie Jeffery and Will Kymlicka for thoughtful comments on earlier versions of this chapter.

Notes

1. In the language of public economics, social citizenship reflects the principle of horizontal equity, ensuring the equal treatment of equals across the country as a whole.

2. For example, when measured by fiscal decentralization, Denmark emerges as the third-most decentralized country in the world, “even though the central government tightly regulates virtually every aspect of local government finance” (Rodden 2004: 483).

3. For example, welfare benefits as a proportion of the poverty line vary considerably across Canadian provinces. In 2002, the ranges were as follows: for a single parent with one child, from 72 percent to 48 percent; for a couple with two children, from 65 percent to 49 percent; and for a person with a disability, from 61 percent to 39 percent (National Council of Welfare 2003).

4. According to the Swiss constitution, health insurance is a federal responsibility. Under a major reform in 1996, federal health insurance legislation established a universal obligation on all residents of the country to insure themselves with a private insurance company and specified the package of services that companies must include in the basic health insurance scheme (Thuerl 1999).

5. Canada seems to be an exception to this pattern, with regional variation in health expenditures exceeding variation in per capita income. Closer examination, however, reveals that although there is considerable variation in the numbers of doctors, nurses and acute-care hospital beds across the country, the differences are not rooted primarily in provincial income levels. By these measures, services in poorer regions are not systematically weaker than those in richer regions (Banting and Boadway 2004: 40–46).

6. While the index in Roland Sturm’s chapter does include one cultural factor, the weight in his analysis is clearly on institutional factors. Indeed, table 7.1 suggests that variation across the countries in his sample is greater on several institutional factors than the cultural one.

7. For a recent analysis of this process in the education sector, see Erk (2003b).

8. See de Cock 2002 and van Parijs 1999 for discussions of these tensions in the field of health care.

9. For some analysts, who believe that governments have an inherent tendency to expand, a similar logic leads to the celebration of federalism as a broader “market preserving” mechanism (Weingast 1995) or as an instrument to restrain Leviathan by constraining the discretionary powers of the politicians and ensure lower levels of government spending, taxation and regulation (Brennan and Buchanan 1977, 1990).

10. See Banting (1987, ch. 8) for a fuller discussion of the analysis in these two paragraphs.
4
Devolution and Social Citizenship: Which Society, Whose Citizenship?
Charlie Jeffery

Much ink has been spilt over the question of how far decentralized government and the kinds of social policy that (most) western democracies developed after the Second World War are compatible. At the heart of the debate is the clichéd, but still relevant, juxtaposition of “uniformity” and “diversity.” The social policy aims that underlay the development of postwar welfare states emphasized “uniformity.” All citizens were to enjoy uniform, equitable access to core public services such as health, education and social security irrespective of personal circumstances or place of residence. This aspiration informed T. H. Marshall’s (1992 [1950]) conception of “social citizenship” which was articulated amid the ambitious expansion of British welfare state programs after the Second World War. Citizens were no longer to benefit just from uniform civil and political rights as a result of their membership of a particular state, but from uniform social rights too.

Decentralized government challenges that aspiration to uniformity of social rights. In western federal states some responsibilities for the core rights of social citizenship in health, education and social security have long been exercised by regional governments, and the same is now true of the more recently regionalized and devolved states in western Europe. In such circumstances policy provision in the core fields of social citizenship can in principle vary if and when one regional government decides to introduce more or less extensive policies than the rest. If that is the case, then the “rights” of social citizenship become contingent: what you get from the state can depend on where you live in the state. It is this possibility – that your social rights depend on where you live – that this chapter explores.
One of the foremost analysts in the field, the Canadian scholar Keith Banting, expressed the conundrum at play here in an influential comparative analysis of health policy in federal states he undertook with Stan Corbett:

Every federal state must establish a balance between two social values: a commitment to social citizenship, to be achieved through a common set of public services for all citizens across the entire country; and respect for regional communities and cultures, to be achieved through decentralised decision-making and significant scope for diversity in public services at the state/provincial level. The debate over this balance is an ongoing one in all federations ... the underlying question is both simple and profound. Which community should be paramount in the definition of social benefits: the community of all citizens on the one hand; or regional communities defined by state/provincial boundaries on the other? (Banting and Corbett 2002: 18–19).

Banting and Corbett stress that there is no single answer to that question of paramountcy, but do detect a tendency nonetheless for social citizenship to outweigh territorial diversity: “the extent to which federal states have succeeded in establishing interregional evenness of health services is striking” (Banting and Corbett 2002: 30). In this volume Banting goes further. In contrasting the logic of social citizenship, and the prescription of equity that underlies it, with the logic of federalism and its prescription of diversity, he finds in his chapter for this book that “equity is winning hands down.” Comparing seven European and Anglo-Saxon federations, he shows that territorial variations in policies for both health care and income support are constrained; in other words, statewide commitments to some notion of social citizenship appear to outweigh the decentralist and centrifugal logic that federal structures imply. He gives three sets of explanations for this victory for statewide social citizenship:

(a) postwar institutional choices for central government regulation in social policy, which have perpetuated themselves as path dependencies;
(b) redistributive efficiency criteria familiar to public economists – the central state is best placed to redistribute from better off to worse off, from the healthy to the sick; and (c) commonalities in policy preferences which, despite federalism, do not vary significantly from region to region.

It is this third explanatory variable that this chapter focuses on. Commonalities of policy preference, especially in the field of social policy, are often seen as an expression of values of solidarity between regions and citizens (cf. Henderson and McEwen 2004). In all the states Banting looks at there appears to be a significant commitment to
expressing solidarity by equalizing risks on a statewide basis, whether in respect of unemployment or other income-reducing situations, or in respect of ill-health. There appears to be a collective normative judgment at play that it is right and good to equalize risk which underlines the idea that people expect statewide rights of social citizenship.

The aim of this contribution is to probe how robust that normative judgment about equity is. It may have been winning ‘hands down’, but any collective social judgment is liable to change as circumstances change and/or as new ideas come to the fore to challenge received thinking. The question driving this contribution is therefore the following: How far, and under what circumstances are normative judgments about equitable statewide rights of social citizenship liable to change? The argument here is that statewide equity is not necessarily the only or the most important thing on people’s minds when they think about how social policies should be delivered.

That argument is developed below in two stages, both of which compare the experience of Canada, Germany and the United Kingdom. The focus is on collective judgments as expressed in public opinion, and their role in political mobilization at different levels of community, territorial and statewide. The first section explores how far values on social policy questions are in fact shared across territorial communities in Germany, Canada and the United Kingdom. In fact there are in all three cases notable shared, statewide values. Shared values would appear to signify a form of “social contract,” committing all to solidarity across territorial boundaries, and to support Banting’s claim that statewide social citizenship trumps federalism. The second section argues nonetheless that conflicts about these shared values can emerge which can break that social contract. The politics of statewide social citizenship and the politics of territory can pull in different directions. Statewide governments may alienate territorial communities by failing to recognize territorial concerns sufficiently. And territorial communities may develop such preoccupations with their own territorial interests that they go back on existing commitments of solidarity with other territories; money is normally the cause. In either case it may well be that social rights do come to depend on where you live; territory, not equity, may end up winning “hands down.”

Shared social policy values? Germany, Canada and the United Kingdom compared

Canada, Germany and the United Kingdom provide useful contrasts for comparative analysis. Canada is a federal state which has been shaped by a dual challenge of nation-building: that of building shared loyalties
in a state stretching from Atlantic to Pacific; and that of accommodating the distinct, Francophone society of Quebec alongside an overwhelmingly Anglophone “rest of Canada.” Social policy programs with a statewide reach are widely held to be one of the main reasons that Canada has grown and held together; by running or financing such programs the Canadian federal government has been able to “fashion appeals that cut across territorial divides, reinforce the legitimacy of [its] role and strengthen Canadians’ sense of attachment to their own country” (Banting 1997: 60).

Germany by contrast is a country that has lacked significant territorial cleavages, and whose federal system has been geared for historical reasons not to expressing social diversity, but to generating uniform statewide standards of public policy, including and especially in social policy. Germany is defined in a constitutional clause that is protected “for eternity” from amendment as a “social state.” Territorial differentiation of public policy in these circumstances has been “more tolerated than desired” (Kilper and Lhotta 1996: 153), and has been further discouraged by the apparent strength of public support for uniform standards (Bulmer 1990). More recently, though, signs have begun to emerge that a new territorialism has begun to challenge inherited commitments to uniformity, in particular in a richer band of Länder across the south of the country (Jeffery 2003a).

In the United Kingdom there appears to be a widespread commitment to common, statewide policy standards similar to that in Germany. There appear to be strong symbolic attachments to the idea of a “National” (i.e. British) Health Service. And there appears to be significant public concern that territorial variations in wealth (the “north–south divide”) or access to public services (“postcode lotteries”) are wrong or at the least undesirable. At the same time though the United Kingdom has notable territorial cleavages which, as in Canada, demarcate different national identities in the United Kingdom. Those cleavages mark out the Scots, the Welsh and – in more complex ways – the divided communities of Northern Ireland from a dominant Anglo-British culture and since 1999 underlie a markedly asymmetrical system of devolved government.

Comparing public attitudes on core social policy issues across these different state contexts is in some respects problematic, in part because it is rare for public attitudes research to pose the same questions in the same ways in different places. Equally, attitudes surveys conducted in different places by different companies or research teams have their own methodological idiosyncrasies. The data presented below were
generated by different sampling methods and rest on different sample sizes (though all the surveys consulted were done by reputable and experienced survey teams). In the absence of a systematic and coordinated program of international comparative analysis the conclusions drawn from survey data necessarily have to be broad-brush. But the aim here is not precise, statistical comparison, but rather to illustrate that possibility that statewide equity is not always the only thing on people’s minds when they think about the context in which social policy is made.

An additional qualification is that public attitudes research, logically, is only carried out in a particular place on questions deemed in that place to be sufficiently interesting and important to be worth funding. Because there are notable territorial cleavages in Canada and the United Kingdom, funding has been available to carry out research on how much impact territorial identities have on policy preferences. But there are very few data on the German case which reveal much about territorial variation (or the lack of it) in social policy preferences, because the basic and as yet unchallenged assumption in Germany is that there are no significant variations to find anyway.

Germany

This assumption was largely confirmed in a rare survey conducted in 1995 which explored public expectations about the respective roles of Länder and federal governments and aspects of the operation of the federal system. This survey, as reported by Grube (2001: 107–10) was conducted by the Allensbach polling organization five years after German unification. It revealed an interesting picture. Länder governments were more trusted than the federal government to “look out for the concerns and wishes” of the population both at a general level and in a number of specific policy fields, including the provision of leisure and cultural facilities, nursery places, public transport and support for the regional economy. But even where Länder governments were more trusted, this did not equate to an expectation that they should deliver different policies in different places. Offered a substantial list of domestic policy issues, respondents were asked whether they should be subject to “uniform federal regulation” or should be left to the discretion of the Länder. All returned majorities for uniform federal regulation, in all but two cases (voting rights for foreigners in local government elections, and the organization and equipment of the police) by at least a 2 : 1 majority.

This predilection for what the German constitutional vernacular terms “uniformity of living conditions” was confirmed in two other questions. The first asked whether interregional differences in the few
areas where the Länder have extensive legislative autonomy (pre-university education, cultural policy and their own administrative organization) were a good thing. Thirty-six percent of west Germans and 49 percent of east Germans thought there were significant interregional differences in these fields, and did not like them, while another 22 percent of westerners and 16 percent of easterners saw no significant differences and were happy to keep it that way. In all 58 percent of westerners and 65 percent of easterners favored achieving or maintaining high levels of uniformity, even in policy fields where policy formulation has traditionally been decentralized.

The second question asked about fiscal equalization, which in Germany is a potent illustration of interregional solidarity requiring – uniquely (cf. Jeffery 2003b) – direct transfer payments from richer Länder to poorer Länder. When asked about fiscal equalization defined in this sense of rich–poor transfers, overwhelming majorities across Germany thought “equalisation between richer and poorer Länder” was right (Table 4.1).

One significant nuance in these data is the even stronger desire among east Germans, compared to west Germans, for uniform policy provision, and for action through fiscal equalization to compensate fiscally weaker Länder (i.e. predominantly those in the east) for their weakness. This extra commitment to uniformity in the east reflects the fact that easterners had (and have) a lot of catching up to do to reach western standards of living conditions. That much is rational. More surprising is the willingness of westerners to support the principle of uniformity when, in a quite direct way, they pay for it. There is a suspicion that if the same survey were repeated today western views might be rather different. The fiscal burden placed on the west as a result of German unification has persisted, and wider concerns about economic stagnation and the relative generosity – and questionable affordability – of the German welfare state have sharpened debate about inter-regional

<table>
<thead>
<tr>
<th></th>
<th>Germany</th>
<th>West</th>
<th>East</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right</td>
<td>78</td>
<td>76</td>
<td>88</td>
</tr>
<tr>
<td>Not right</td>
<td>11</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>Don’t know</td>
<td>11</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td><strong>n</strong></td>
<td>2167</td>
<td>1037</td>
<td>1130</td>
</tr>
</tbody>
</table>

*Source: Gruber (2001: 110).*
redistribution. Some Länder governments – see below – have sought to politicize interregional redistribution and in particular to limit the reach of fiscal equalization. It may be that such sensitivities have now come to be reflected in public opinion, but no one has yet carried out surveys which can tell us.

It appears, nonetheless, that pan-German similarities in public opinion persist. One crude indicator comes from a series of pre-election surveys conducted by the Forschungsgruppe Wahlen polling organization directly before Länder elections during the 1990s. These asked, *inter alia*, what the “most important problem was currently” in the Land concerned. In a run of sixteen surveys from 1994–99, covering Länder in east and west, every single survey returned “unemployment” as the most important problem, in many cases, especially but not only in eastern Germany by overwhelming margins. There was also a good degree of commonality in the other, less frequently chosen “most important problems”: most Länder in east and west also returned some combination of public transport, housing, law and order, nursery places, waste disposal, education and foreigners among the “top 5” most cited problems. In only two types of case was this pattern disrupted: in the three city-states (Berlin, Bremen and Hamburg), where distinctively local issues, in particular city indebtedness, also made the top 5; and in eastern Germany, where the economic gloom of unemployment was underlined by a subsidiary concern about “the economic situation.”

The broader point is, though, that there was very little variation in policy concerns from Land to Land, even when people were prompted by the proximity of a Land election to think of issues of particular territorial concern. Most Germans would appear still to have similar expectations of what the state should do on their behalves, with relatively little differentiation by territory.

**Canada**

Unsurprisingly, the pattern is rather different in Canada. And, given the historical pattern and intensity of territorial cleavage in Canada, there are more and better focused data. Questions of how far commonalities exist across different provinces in Canada have been contentious, and therefore worthy of substantial investment in survey research, over the whole postwar period.

One of the pioneering studies was that on “regional preferences: citizens” views of public policy’ by Richard Simeon and Donald Blake in David Elkins’ and Simeon’s outstanding 1980 dissection of territorial politics in Canada, *Small Worlds: Provinces and Parties in Canadian
Political Life. Simeon and Blake (1980) analyzed questions on “contemporary policy issues” in the Canadian Gallup Poll from 1949–75, clustering questions into 12 policy areas and exploring whether responses were differentiated by a number of social indicators, including by province and by language, and whether the pattern of differentiation had changed over time.

Language and province are both territorial variables, the former largely focused on the Quebec-Anglophone Canada divide, the latter designed to capture other territorial diversities of opinion across a vast transcontinental state. Two of the twelve policy areas – role of government, and social policy – covered a good part of the ground of social citizenship under investigation here. What Simeon and Blake found was striking. There were no great provincial or linguistic variations on questions about the scope of government or the desirability of social policy programs in either of two time periods (1949–69, and 1970–75). There was general support both for interventionist government and for extensive social programs. And broadly speaking in these and in most other policy areas there was a tendency to inter-regional convergence over time (Simeon and Blake 1980: 91–103).

The most striking component of this pattern of convergence was change in Quebecois opinion. Over the period Quebec became in most respects much more like the rest of Canada, a consequence of the secularizing and modernizing thrust of the “quiet revolution:” “It was Quebeckers who were changing most, and these changes were bringing their attitudes closer to those of their English-Canadian fellow citizens” (Simeon and Blake 1980: 88). There was just one exception: over the period there was sharp linguistic and inter-regional division on questions about the nature of political community in Canada. These questions concerned the symbols of nationhood (largely British in content) and Francophone–Anglophone relations, in particular bilingualism. The gap on the former grew between Quebecois/Francophones and the rest from 1949–75, and on the latter converged somewhat but remained wide (Simeon and Blake 1980: 98).

Recent survey evidence reveals both continuities and some significant changes. The main continuity is the divide between Quebec and the rest of Canada on issues of political community. Indeed there has been an intense debate over much of the last twenty years and more about whether and how Quebec should remain part of Canada. That debate is clearly not yet resolved to the satisfaction of the Quebeccois (Table 4.2). Only a small minority are satisfied with the current federal arrangements while 30 percent prefer a partial disengagement from Canada.
(“sovereignty-partnership”), 8 percent full independence and the rest a reshaped federalism which, presumably, would better reflect Quebec’s distinctive national identity.

On questions of policy and the role of government the earlier tendency to convergence has given way to widening inter-regional variations. But these are still underpinned by a substantial common ground which at times rather more easily contains Quebec than other provinces in the west of Canada which reveal (other forms of) dissatisfaction with Canadian politics. Some of these variations – from data collected in 2001 and 2002 – are shown in Tables 4.3 and 4.4. Table 4.3 explores views on fiscal equalization. It is worth reproducing the precise question whose responses are recorded in the first row of Table 4.3: “As you may know, under the federal equalization program money is transferred from the richer provinces to the poorer ones, in order to ensure that

<table>
<thead>
<tr>
<th>Table 4.2 Constitutional preferences in Quebec (1995–2003)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Complete independence</td>
</tr>
<tr>
<td>Sovereignty-partnership</td>
</tr>
<tr>
<td>Renewed federalism</td>
</tr>
<tr>
<td>Current federal system</td>
</tr>
</tbody>
</table>

*Source: CRIC (2003).*

<table>
<thead>
<tr>
<th>Table 4.3 Fiscal equalisation in Canada (2001)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlantic</td>
</tr>
<tr>
<td>Manitoba Ontario Newfound-land Maritimes</td>
</tr>
<tr>
<td>Saskatchewan British Columbia Quebec Alberta</td>
</tr>
<tr>
<td>Strongly/ moderately support equalisation</td>
</tr>
<tr>
<td>Transfer more</td>
</tr>
<tr>
<td>Transfer less</td>
</tr>
</tbody>
</table>

*Source: CRIC (2001: 16).*
Canadians living in every province have access to similar levels of public services. Do you strongly support, moderately support, moderately oppose, or strongly oppose the equalization program?"

Strikingly, all provinces, whether beneficiaries of equalization or not, recorded overwhelming majorities in favor of equalization defined in these terms and at levels even higher than those for the similar question in Germany. Moreover in all provinces with the exception of the wealthiest – oil-rich Alberta – more respondents felt that more money than at present should be transferred from richer to poorer provinces than those who felt less money should be transferred. Indeed, in many respects Alberta has become as much or more an exception in Canada as Quebec. It has presented a strong, neo-liberal challenge to the broadly social democratic consensus of postwar Canada. As Table 4.4 shows (where Alberta is subsumed under a wider “West”) this is reflected in a significantly lower enthusiasm than the rest of Canada for government spending on social programs and redistribution. To put it a different way, preparedness in (parts) of the west to continue equalizing social risk across all of Canada appears to be waning.

Table 4.4 also shows that Quebec is the keenest advocate of inter-regional and inter-personal solidarity to even out differences of income and of additional spending on social programs. It seems even more strongly attached than before to the principle of equalizing risk. But the data suggest one exception: health. Quebec has rapidly become an outlier on health care, with a growing proportion of Quebecois in favor of

Table 4.4 Regional variations on the role of government in Canada (2002)

<table>
<thead>
<tr>
<th></th>
<th>Atlantic</th>
<th>Quebec</th>
<th>Ontario</th>
<th>West</th>
</tr>
</thead>
<tbody>
<tr>
<td>Favor larger government with more services</td>
<td>49</td>
<td>46</td>
<td>47</td>
<td>40</td>
</tr>
<tr>
<td>Rising health care costs: governments should significantly increase spending</td>
<td>62</td>
<td>39</td>
<td>61</td>
<td>50</td>
</tr>
<tr>
<td>Budget surplus: spend on social programmes</td>
<td>40</td>
<td>45</td>
<td>36</td>
<td>35</td>
</tr>
<tr>
<td>Favor increased government spending to assist poorer regions</td>
<td>60</td>
<td>67</td>
<td>57</td>
<td>49</td>
</tr>
<tr>
<td>Agree it is the responsibility of government to reduce differences in personal income</td>
<td>52</td>
<td>68</td>
<td>43</td>
<td>38</td>
</tr>
</tbody>
</table>

the private sector providing “some health care services to those who can afford to pay for them,” while the rest of Canada favors greater government expenditure. By 2003 a majority (52%) of Quebecois were in favor of growing private health care; the next nearest province was British Columbia at 39 percent, while the non-Quebec average was just 31 percent (Table 4.5).

These Quebec data on health are significant in a number of ways. First, they do not necessarily imply acceptance of a US-style, market-driven system. The wider pattern of support for an active government role in equalizing social risk shown in Table 4.4 does not suggest that Quebec has abandoned a commitment to equalizing health care risk. Asked in 2003 whether they agreed that “spending more money on health care” is a high priority, the Quebecois (at 76%) were above the Canadian average (73%) (CRIC 2003). It appears that, if Quebecers are becoming more supportive of private health care for those who can afford it, it is, nevertheless unlikely that they are less committed to universal public health care. Instead many may have accepted the argument that a greater role for the private sector will relieve pressure on the existing public system, thereby improving that system for those who continue to use it. (CRIC 2002: 10)

If this is the case it is significant because it goes against the grain of one of the most cherished components of the Canadian “Social Union”: the five principles in the Federal Health Act which set the parameters for provincial health insurance systems. These principles expressly disallow ability to pay to determine access to public health care (Banting and Corbett 2002: 15). It appears that on this issue the Quebecois may have begun to move back out of the mainstream they joined in the 1970s on how the rights of social citizenship in Canada should be realized. Their

---

**Table 4.5** Support for private services for health care in Canada, 2001-03

<table>
<thead>
<tr>
<th>Year</th>
<th>Atlantic</th>
<th>Ontario</th>
<th>Quebec Outside</th>
<th>Manitoba</th>
<th>Saskatchewan</th>
<th>Alberta</th>
<th>British Columbia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>30</td>
<td>27</td>
<td>38</td>
<td>31</td>
<td>30</td>
<td>36</td>
<td>35</td>
</tr>
<tr>
<td>2002</td>
<td>29</td>
<td>31</td>
<td>49</td>
<td>33</td>
<td>44</td>
<td>39</td>
<td>37</td>
</tr>
<tr>
<td>2003</td>
<td>30</td>
<td>28</td>
<td>53</td>
<td>31</td>
<td>34</td>
<td>29</td>
<td>32</td>
</tr>
</tbody>
</table>

*Source: CRIC (2003).*
greater commitment to a government role in redistributive policies shown in Table 4.4 also suggests that other Quebecois social policy views are pushing at the boundaries of mainstream thinking. Moreover, the “mainstream” view on social citizenship in any case appears increasingly stretched as Albertans and other western Canadians challenge inherited ideas on the role and scope of government – but largely in the other direction to Quebec. Only on fiscal equalization does there appear to be a strong, pan-Canadian consensus on the virtues of solidarity and the equalization of risk. We return to these points later.

The United Kingdom

The availability of data on recent developments in the United Kingdom is relatively good, as research funders have invested in the analysis of devolution. These data allow some long-held assumptions to be tested, in particular that the Scottish and the Welsh are more “left wing” than the English. Scottish “leftness” is long assumed to have animated support for devolution in Scotland in the long era of Conservative UK government from 1979–97 (McCrone 1998). Views about the stronger left wing credentials of the Welsh have become prominent since devolution in Wales too (see below). But in fact, cross-national differences between United Kingdom nations are small, with the Scottish defining themselves as marginally the most left wing the Welsh the least left wing and the English in the middle (Table 4.6).

At a more detailed level much the same picture holds. Table 4.7 shows responses in England and Scotland (and in two cases Wales) to a series of questions designed to reveal broader left–right values (questions 1–3) and attitudes on more detailed policy issues (4–6) over the years 1999–03. On some of these questions there are persistent differences. Throughout the period rather more Scots have felt unemployment benefits are too low (qu. 1), and that entrance to secondary schools should

Table 4.6 Left and Right in the UK (2003)

<table>
<thead>
<tr>
<th>Scale</th>
<th>Scotland</th>
<th>England</th>
<th>Wales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Left-Right</td>
<td>2.41</td>
<td>2.53</td>
<td>2.58</td>
</tr>
</tbody>
</table>

Note: The scales are scored from 1 (the most left-wing) to 5 (the most right wing).

not be by selection (qu. 6). The Scots appear to want fuller equalization of risk of income inequalities and fuller equality of opportunity in education. But on all the other questions, excepting trendless, single year blips in opinion, the differences between Scottish and English (and where they are available, Welsh) responses have been marginal. Significantly, opinion on two areas of policy where the Scottish Parliament has introduced significant policy divergence from the UK

Table 4.7  Policy attitudes in Great Britain

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Benefits for the unemployed are too low and cause hardship</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scotland</td>
<td>36</td>
<td>43</td>
<td>41</td>
<td>41</td>
<td>45</td>
</tr>
<tr>
<td>England</td>
<td>32</td>
<td>40</td>
<td>34</td>
<td>28</td>
<td>36</td>
</tr>
<tr>
<td>2) Increase taxes and spend more on health, education and social benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scotland</td>
<td>55</td>
<td>54</td>
<td>63</td>
<td>60</td>
<td>58</td>
</tr>
<tr>
<td>England</td>
<td>58</td>
<td>51</td>
<td>60</td>
<td>61</td>
<td>51</td>
</tr>
<tr>
<td>Wales</td>
<td>58</td>
<td>–</td>
<td>64</td>
<td>61</td>
<td>58</td>
</tr>
<tr>
<td>3) Ordinary working people do not get their fair share of the nation’s wealth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scotland</td>
<td>58</td>
<td>71</td>
<td>61</td>
<td>64</td>
<td>54</td>
</tr>
<tr>
<td>England</td>
<td>60</td>
<td>61</td>
<td>58</td>
<td>61</td>
<td>60</td>
</tr>
<tr>
<td>Wales</td>
<td>61</td>
<td>–</td>
<td>61</td>
<td>60</td>
<td>59</td>
</tr>
<tr>
<td>4) No students or their families should pay towards the cost of their tuition fees while studying</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scotland</td>
<td>–</td>
<td>38</td>
<td>31</td>
<td>–</td>
<td>29</td>
</tr>
<tr>
<td>England</td>
<td>–</td>
<td>30</td>
<td>33</td>
<td>–</td>
<td>28</td>
</tr>
<tr>
<td>5) Government should be mainly responsible for paying for the care needs of elderly people living in residential and nursing homes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scotland</td>
<td>86</td>
<td>–</td>
<td>88</td>
<td>–</td>
<td>88</td>
</tr>
<tr>
<td>England</td>
<td>80</td>
<td>–</td>
<td>86</td>
<td>–</td>
<td>84</td>
</tr>
<tr>
<td>6) All children should go to the same kind of secondary school, no matter how well or badly they do at primary school</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scotland</td>
<td>63</td>
<td>–</td>
<td>63</td>
<td>–</td>
<td>65</td>
</tr>
<tr>
<td>England</td>
<td>49</td>
<td>–</td>
<td>51</td>
<td>–</td>
<td>48</td>
</tr>
</tbody>
</table>

baseline – abolition of up-front tuition fees for university students, and free long-term care for the elderly – there is close to zero difference in Scottish and English opinion. Scotland and England appear “for the most part to share the same values and similar policy preferences” (Curtice 2004).

As John Curtice (2004) has put it: “If Scotland is to be characterised as a predominantly social democratic country then England qualifies for that description as well.” There are implications for two of the points discussed earlier. First, the Scots and English, by and large, do not distinguish particular Scottish or English policy challenges, but are concerned with much the same kinds of issue in much the same ways. And second, it seems unlikely that the momentum established for devolution in Scotland after 1979 had a great deal to do with the Scots being more left wing than the English; they do seem to be a little more left wing, but not by much.

There is of course one set of issues which really does distinguish the Scots and the English, and – as in the Quebec–Canada relationship – they concern identity. There is a strong sense of national community in Scotland which is defined in large measure by drawing a distinction vis-à-vis the English. There is a similar, though less tightly drawn, distinction in the relation of the Welsh to the English. These distinctions are set out in Tables 4.8 and 4.9, which provide different perspectives on the common ground that the Scots, Welsh and English share in their claims to an overarching British identity. Table 4.8 “forces” respondents to make a choice between either their Scottish/English/Welsh national identity or Britishness. It shows that the English are much more likely

| Table 4.8 Trends in “forced choice” national identity (1999–2003) |
|-----------------|--------|--------|--------|--------|
|                 | 1997   | 1999   | 2001   | 2003   |
| **England**     |        |        |        |        |
| English         | 34     | 44     | 43     | 38     |
| British         | 59     | 44     | 44     | 48     |
| **Scotland**    |        |        |        |        |
| Scottish        | 72     | 77     | 77     | 72     |
| British         | 20     | 17     | 16     | 20     |
| **Wales**       |        |        |        |        |
| Welsh           | 63     | 68     | 57     | 60     |
| British         | 26     | 14     | 31     | 27     |

than the Scots to claim a British identity, and that the Scots are more likely to give precedence to their “local” identity. Table 4.9 allows respondents to combine different identities in “weighted” mixes on the “Moreno” scale. In this case respondents majorities in Scotland and Wales do claim a rather bigger element of Britishness, but almost two-thirds in Scotland, a bare majority in Wales and just around a third in England give clear precedence to their “local” identity.

These data in different ways show that the three British nations perceive different intensities of shared, Britain-wide community, with the Scots and the Welsh marking out their narrower communities as their primary loyalty, and the English prioritizing Britishness. To invert the perspective, Britishness is more closely associated with Englishness than is Scottishness/Welshness (unsurprisingly given the historical and contemporary economic and population dominance of England in Britain). For the Scots and the Welsh to demarcate their own identities from Britishness is in large measure to distinguish themselves from the English – in much the same way as the Quebecois distinguish themselves from the dominant, that is, Anglophone Canadians. To an extent – rather less so than in Quebec – this distinction of territorial community in Scotland and Wales is reflected in dissatisfaction with current constitutional arrangements (Table 4.10). The status quo position in each nation is highlighted in Table 4.10. Twenty-six percent of Scots want to move beyond a very extensive devolution settlement to achieve full independence. And while only 14 percent of the Welsh prefer independence, another 38 percent want to move beyond their current, much more modest devolution settlement to establish a legislative parliament on the Scottish model. There appears to be a relationship between the strength of bonds of Scottish/Welsh community and the demand for fuller decentralization of powers.

### Table 4.9  Moreno national identity (2003)

<table>
<thead>
<tr>
<th>Identity</th>
<th>Scotland</th>
<th>Wales</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td>X, not British</td>
<td>31</td>
<td>23</td>
<td>17</td>
</tr>
<tr>
<td>More X than British</td>
<td>34</td>
<td>28</td>
<td>19</td>
</tr>
<tr>
<td>Equally X and British</td>
<td>22</td>
<td>30</td>
<td>31</td>
</tr>
<tr>
<td>More British than X</td>
<td>4</td>
<td>9</td>
<td>13</td>
</tr>
<tr>
<td>British, not X</td>
<td>4</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

*Note: X refers in each case to the nation in the respective columns, so 31% of Scots felt Scottish, not British, 23% Welsh, not British, and so on.*

*Sources: Curtice (2004); Wyn Jones and Scully (2004).*
Shared values, territorial community and social citizenship

To suggest a link between strength of territorial community in Scotland, or Quebec, and support for decentralization of powers of government is hardly pathbreaking. The more novel point to pursue from the discussion above is to contrast (a) strength of territorial community, as expressed in language, identity and so on, with (b) strength of shared statewide values of social citizenship. Banting argues strongly that (b) trumps (a). The question this section asks is: are there circumstances in which (a) trumps (b)? Are there circumstances in which despite the existence and strength of shared, statewide values a smaller territorial community becomes the legitimate frame for achieving social citizenship? If so, how does that happen? What is it that can lead to a politics of territorial identity outweighing shared statewide values?

There is another way of posing the question. Marshall understood social citizenship as being associated with nation-statehood; the achievement of social rights of citizenship was part of a modernizing project which swept aside anachronistic regional particularisms. A consensus grew up which – pace Banting – gave that association a normative underpinning. But: can social citizenship really only be understood as something realizable in the framework of the nation-state? Are not other territorial configurations – for example distinctive parts of states like Scotland or Quebec – also possible if and when collective attachments to territorial identity become stronger than collective attachments to a statewide social citizenship? Social citizenship was described earlier as a form of social contract in which citizens commit, on a statewide scale, to equalizing social risk. This section explores the circumstances in which one or more “parties” to this contract might seek to withdraw and

<table>
<thead>
<tr>
<th></th>
<th>Scotland</th>
<th>Wales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independence</td>
<td>26</td>
<td>14</td>
</tr>
<tr>
<td>Parliament</td>
<td>48</td>
<td>38</td>
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<td>Assembly</td>
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<td>No elected body</td>
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Sources: Curtice (2004); Wyn Jones and Scully (2004).
equalize risk in a territorial frame. It explores two such circumstances:

- when central government is perceived in one or more regions to have reneged on the contract by no longer guaranteeing statewide equalization of risk;
- when one or more territorial governments renege on the contract in order to end their commitment to statewide equalization of risk.

It is important to note that in neither circumstance is any erosion of the values shared in common by territorial communities across the state necessary. The practice of statewide equalization of risk can in other words be challenged or ended *despite* the existence of shared statewide values.

**Contract-breaking at the center**

The first circumstance – when central governments “break” the social contact – is illustrated by recent developments in both the Canadian and UK cases. It occurs when central government policy appears to be out of synch with statewide values of social citizenship. Once example, touched on above, is that of Scotland under the Thatcher and Major Conservative governments from 1979–97.8 We have seen that Scotland is not significantly more left wing than England; both are broadly social democratic societies with similar levels of commitment to equalizing risk, and similar approaches to achieving that commitment. What the Conservative governments did was to move central government policy away from that shared, social democratic ground, with an emphasis instead on “self-reliance, thrift, enterprise and personal responsibility” (Henderson and McEwen 2004). The UK center withdrew from earlier commitments to address territorial economic disparities, introduced reforms on taxation and social benefits which widened personal income disparities, and otherwise challenged the assumptions that underlay the postwar, interventionist, welfare state.

The Conservative Party attempted to propose these changes as representing values shared across Britain by the Scots as well: “Tory values are in tune with everything that is finest in the Scottish character ... The values of hard work, self-reliance, thrift, enterprise – the relishing of challenges, the seizing of opportunities. That’s what the Tory Party stands for – that’s what Scotland stands for” (Thatcher in Harris 1997). This shift of policy goalposts did not just bring electoral wipeout for the Conservatives in Scotland by 1997, but also fed the groundswell of support for devolution. The UK government could, as it were, no longer
be trusted to deliver the kind of social citizenship that Scots expected. The same applied in principle in just-as-social-democratic England; the Thatcher governments were out of sync with English preferences too. The difference in Scotland was the sense of political community that unites Scots in their distinction to Anglo-Britain. That sense of community could become a frame in which policies supporting traditional social values better be reinstated. The demand for devolution was, in part, a demand for the re-establishment of traditional rights of social citizenship in the framework of a Scottish territorial community, because the wider UK community had become an unreliable guarantor of those rights. Thatcher broke the contract: “Many Scots came to support devolution from the late 1980s as a way, as they saw it, or preventing the imposition of unwanted policies” by UK governments at Westminster (Mitchell 2004: 17). Indeed there is some evidence to suggest that strength of support for devolution in Scotland correlated with strength of support for “the core principles of the welfare state”: “a stronger Parliament” was “a route to a stronger welfare state in Scotland” (Paterson et al., 2001: 141).

Strikingly, the UK Labour governments since 1997 have been at pains to re-emphasize a more traditional vision of social citizenship, returning UK government to the welfare state “mainstream,” in which the Conservatives had left behind the Scots (and the English, but they were more compliant). Donald Dewar, then UK secretary of state for Scotland and soon to be the inaugural Scottish First Minister spoke in 1998 of Scotland as “a country where equality of opportunity and social justice are central to our sense of self. These traditional values are also the values of Scottish new Labour” (cited in Henderson and McEwen 2004). Gordon Brown, who has done more than any other government minister to justify devolution, has also emphasized that Labour represents values of UK-wide social justice that the Scots, English and Welsh share (Brown 1999, 2004). Labour has sought to put back in place the UK-wide social contract which the Conservatives were felt in Scotland to have disregarded. But Labour has also, by introducing devolution, provided a context where it would be more difficult for a new “Thatcher” to impose a different vision on the Scots. The Scots now have some rights of “opt out” if UK governments again stray too far from values shared across the United Kingdom.

There is a sense in which some of that right of “opt-out” has been taken up. Rachel Simeon (2003: 232) describes the introduction of free personal care in Scotland in 2002 – against the opposition of the UK Labour government, but following the recommendation of a UK-level
In this context, policy variation doesn’t necessarily indicate a lack of commitment to common standards. Rather it may reveal a conflict over the appropriate boundaries of social citizenship, with the devolved administrations defining it more broadly than London. After all free personal care was defended as the fulfilment of the NHS principle of universal access from cradle to grave, free at the point of delivery. It was not defended in the name of a uniquely Scottish need.

Policy divergence on this and other issues in Scotland has not been strongly justified in these terms in public debate. But in Wales – governed since 2003 by a (narrow) majority Labour administration – the First Minister Rhodri Morgan has problematized what Simeon calls “conflict over the appropriate boundaries of social citizenship” in a series of high profile policy speeches. Morgan coined the phrase “clear red water” as a way of distancing his government’s “Welsh Labour” approach on the key public services of health and education from those of the “new Labour” government in Westminster. Morgan has criticized in particular the Westminster government’s openness to private financing of public services, especially in health care, and to selection in secondary education, and justified the criticism in terms of maintaining equality of opportunity in a country with neither the values (nor the topography) to support a new Labour agenda of “choice.” In this Morgan lays claim to traditional, UK-wide Labour values: “The Labour Party was founded on, and remains motivated by, the wish to extend to everyone the range of choices which the fortunate few have been able to take for granted” (Morgan 2004). Again there is a sense of positioning Wales in a UK mainstream which Morgan, at least, thinks the UK government, even when led by his own party, has left. His perception is that “new Labour” has redefined the boundaries of social citizenship too narrowly, and that Welsh policy, in response, has to reclaim earlier, wider boundaries. In this case, as in Scotland, the rights of social citizenship become realized, at least in part, within a narrower territorial community, because faith in the representatives of the UK-wide community to guarantee those rights has been eroded. In those circumstances territorial community can (begin to) outweigh the traditional, statewide frame for realizing social citizenship.

Something of the same situation applies in Quebec. As we have seen Quebec had joined the Canada-wide mainstream on questions of social citizenship by the mid-1970s, notwithstanding unresolved questions of
political community. To an extent federal politicians have tried to paper over those unresolved questions by emphasizing shared Canada-wide values. For example, the federal Minister for Intergovernmental Affairs Stéphane Dion stated, gushingly, in 1996 that:

The main reason I am attached to Quebec society is that it is completely imbued with the great universal values that make me love Canada … I have always been struck by how much Quebecers and other Canadians strongly support the great universal values tolerance, solidarity and justice. (Dion 1996, cited in Henderson and McEwen 2004)

There is a logical problem in Dion’s claims. If the values shared by the Quebecois alongside other Canadians are universal, there is nothing uniquely Canadian about them. Indeed, the values claimed by the “sovereigntist” Bloc/Parti Quebecois as the foundations of Quebec nationhood “are virtually indistinguishable” (Henderson and McEwen 2004) from the values promoted by Dion and other federal political actors committed to Canadian unity. If the Quebecois and other Canadians all subscribe to the same set of universal values, then a statewide Canadian context might be a promising situation in which to realize those values, for example by evening out risk on a wider scale than available in Quebec alone; but Canada is clearly not a necessary context for realizing those values. Quebec’s constitutional restiveness confirms that the Quebecois are prepared to look at different contexts in which risks would be equalized in a narrower territorial community of an independent Quebec or a substantially changed context of a “sovereign” Quebec “partnering” the rest of Canada.

The constitutional debate in the 1990s illustrates this point, and also throws up some parallels to the Scottish and Welsh cases. The 1995 referendum on “sovereignty-partnership” was held against the backdrop of a federal-level fiscal crisis tackled by the Liberal federal government under Jean Chrétien with a far-reaching cost-cutting program. This program hit heavily on federal transfers to the provinces, in particular on federal co-financing of provincial social policy programs. The response in the Parti Quebecois led by Lucien Bouchard was to evoke how these cutbacks went against Canadian social policy values (Henderson and McEwen 2004) and to make an argument that the federal government’s policies had moved beyond the Canadian mainstream, breaking Canada’s social contract: the Canadian state was no longer a reliable context for realizing the universal values that informed Canadian social
citizenship. The Quebecois as a result would have to realize those values “on their own.” That argument was reinforced by the emergence of a “new right” elsewhere in Canada, in Ontario but in Alberta in particular, which reinforced the challenge to the mainstream. The smaller Quebec territorial community became a more reliable way to realize the rights of social citizenship in these circumstances.

In the end, of course, the 1995 referendum was defeated by the finest of margins. But though there has been no appetite since for another bout of constitutional debate, it is far from clear that the underlying issues revealed in the 1990s have been resolved. Indeed the public attitudes data set out above suggest that the understanding in Quebec of social citizenship no longer matches as closely as in the past wider Canadian understandings, and certainly not understandings in the west. In more concrete policy terms there has been a tendency for Quebec to choose not to opt in to new social policy programs co-funded by a federal government now in control of its budget again. Mostly Quebec has set up programs in parallel which work on much the same criteria. But by doing so it appears that in Quebec, as in Scotland and Wales, there is a concern to maintain the right to define the boundaries of social citizenship differently than central government, and to be able to do so in a narrower territorial frame should the need arise.

**Contract-breaking in the regions**

The discussion earlier suggested that central governments – Conservative and new Labour in the United Kingdom, Liberal in Canada – may encourage territorial communities to envisage a narrower territorial frame for achieving social citizenship by appearing to break a social contract setting out a shared, statewide vision of the social policy rights that the state should provide. Territorial governments can also “break the contract” themselves. They may reassess the utility of securing values shared with other territorial communities in a statewide frame and decide that a territorial frame would allow those values to be achieved better. Mostly such reassessments have to do with money, and in particular mechanisms of fiscal equalization or other forms of risk-sharing which lead to the transfer of resources from richer places to poorer ones.

Such reassessments may have to do with value change in a particular territory, which then distinguishes that territory from other places in the same state. Arguably this has been the case in Alberta in Canada, where there has emerged a culture of small government and reduced expenditure on social programs that has been manifested *inter alia* in a noticeable reticence to contribute to inter-regional fiscal equalization.
(which, of course, funds other places’ big government and generous social programs). Similar trends would appear to underlie the “tax revolt” in northern Italy against supposedly profligate and unproductive public expenditure in the south, which catapulted the Northern Leagues to prominence.

Other cases of territories seeking to “go it alone” may not have anything to do with territory-specific value change. Belgian politics has been dominated over the last 25 years by a sequence of decentralization reforms. Initially these had much to do with rebalancing a country where a Francophone minority had long held privileges vis-à-vis the Flemish majority. These were differences about the nature of political community in Belgium which played out within the context of a largely uncontested vision, shared Belgium-wide, of the role of the state in guaranteeing social rights for citizens. More recently Flanders – by some way now the richest part of the country – has sought to limit the flow of resources into Francophone Belgium, in particular through repeated and as yet failed attempts to decentralize social security provision. But what the Flemish government wants in pressing for a separate Flemish social security system is not so much greater opportunity to express the essential Flemish-ness of Flanders. The Flemish agenda is not about accommodating a distinctive Flemish world view with a different understanding of how the unemployed should be supported. What it is about is not subsidizing the Francophones any more. It is a statement of notice that shared values of Belgium-wide solidarity are losing their force in Flanders. The Flemish appear to want their social citizenship guaranteed in a Flemish, rather than a Belgian, political community.

There are similar concerns in the southern German Länder: Baden-Württemberg, Bavaria and Hesse. Like Flanders (and Alberta, and northern Italy) these are the richest parts of the country. As discussed earlier, there is little to suggest that there are different understandings there about the role of the state in social policy than elsewhere in Germany. It seems unlikely that there are notably different views among the public about, say, state-regulated health insurance or income support for the longer-term unemployed. But Länder governments in the south appear to want to tackle these and other social policy challenges in a territorial frame, not a statewide one. This shift toward an at least partly territorialized social citizenship has been pursued in two ways. First, the southern Länder have been at the forefront of efforts over the last ten and more years to decentralize the German federal system and establish more fields of policy as exclusive legislative responsibilities of the Länder by taking them out of joint federal-Länder policy processes.
focused on delivering uniform statewide policy standards (Jeffery 2003a). Second, over the same time period, they have persistently tried to limit the obligations of fiscal equalization and to keep hold of more of the money raised in the region to spend in the region (Jeffery 2003b).

The timings here are not coincidental. These territorializing ambitions are a response to German unification. Adding what were in 1990 economically devastated and are now only slowly growing Länder in eastern Germany to the equalization mix meant paying a lot more. And trying to produce policies of uniform standards across the whole of Germany meant a growth in the average “unit costs” of those policies as compared with the pre-unification era. Calls for the decentralization of policy competences and fiscal capacity in these circumstances is a statement of notice that the southern German Länder do not want to subsidize the rest or bear a share of their higher costs any more. They are calls for a renegotiation of the old social contract to allow a more territorialized social citizenship. As one Bavarian minister put it in an extraordinarily candid statement of the abandonment of a statewide frame of reference for social policy, the aim is “to make clear the causal relationship between the policies of a Land and their impact on its citizens” (Stamm 1998: 240).

Conclusions

It is useful at this point to recall Banting’s and Corbett’s (2002: 18–19) words: “the underlying question is both simple and profound. Which community should be paramount in the definition of social benefits: the community of all citizens on the one hand; or territorial communities defined by state/provincial boundaries on the other?”

What this chapter has shown is that there are circumstances when territorial communities may claim paramountcy in the definition of social benefits: when central governments appear to go back on established commitments to social benefits; and when territorial governments renounce practices of solidarity with other regions in the same state. In either case an inherited normative judgment about the statewide reach of social rights was at the least challenged, in some cases recast.

The southern German Länder have, for example, not yet got beyond challenge. They have not got that far yet with their territorialization agenda, though they press for it with great persistence. That they have not probably has to do with an unpersuaded public opinion, still attached to inherited commitments to “uniformity of living conditions.” With the partial exception of Bavaria, Germany lacks the distinctive
territorial identities which have created a context in which governments in Quebec, Scotland and Wales could embrace a territorial frame for achieving social rights. Where territorial identities are weak, statewide equity can, in Banting’s terms, still win out.

But where territorial identities are strong, social citizenship can be disconnected from the traditional context of the nation-state and pursued in distinctive territorial frames as and when key actors – the broad elite consensus for devolution in Scotland, the Parti Quebecois, or Rhodri Morgan and his clear red water agenda in Wales – have successfully argued that is possible, safer even, to realize social rights within a smaller community bound by a distinctive identity.

It is important to reiterate that this territorialization of social citizenship need have nothing to do with territorial differentiation of values about the role of the state in social policy. People can share values, yet for reasons of identity or money seek to realize those values within territorial rather than statewide communities. The outcome may well be, over time, a differentiation in how the state delivers social policy in different places. Policy outputs may begin to vary. Someone living in Scotland may get better or worse health care than someone living in England. The point is that such variations are not prompted by divergent social policy preferences, but the strength of the claim for self-government in territorial communities of identity and/or interest. Territory can, and does, trump equity.

Observers may or may not find such instances of erosion of statewide community desirable. In a strictly logical reading, equalizing risk in a smaller territorial frame may increase risk because there are fewer people to share it. There is a nuance here which has some resonance with US debates about the likelihood of a “race to the bottom” in which, say, Illinois would cut back on its more generous social policy for fear of attracting welfare migrants from neighboring, less generous states (Peterson 1995: 121). But there is little evidence to suggest that that kind of dynamic is at play in the cases discussed here (and even in the US case the evidence for a “race to the bottom” is at best ambiguous; cf. Schram and Soss 1998). If the southern Länder in Germany had their way, there might well emerge a downward pressure on provision with less affluent Länder forced to cut back; but the southern Länder have not yet had their way (and neither have Alberta, Flanders or pro-federalist parties in northern Italy).

The examples of Scotland, Wales and Quebec rather more directly contradict the idea of a race to the bottom. There, decentralized government has provided possibilities for reinstating earlier social policy
commitments, insuring against their future erosion by central government, or more generally developing new ways of pursuing established policy aims. There is an echo in that last point of a more optimistic dimension of US debates about inter-state policy variations, which sees the states as “laboratories of democracy” (cf. Osborne 1998; Jeffery 2002: 177–81); Scotland, Wales and Quebec have been able to use their governmental autonomy to express a popular preference for territorial community over statewide values without the negative spillovers suggested by those worried about a race to the bottom. Put another way, we should not necessarily assume it is a bad thing if your social rights depend on where you live.

Notes

1. The terminology of “regions” is problematic given the wide range of terms used for that tier of government in different decentralized states, and given the status or self-perception of some of them as nations. Though “region” is a generally recognized shorthand of comparative analysis the terminology used here, where possible, is the more neutral “territory.” In writing this I drew gratefully on the thoughts and advice of Dan Wincott, Nicola McEwen, Roger Scully and an ever-patient Scott Greer.

2. Northern Ireland is, regrettably, not considered further in this chapter. Its administrative history since the early twentieth century, and its unique pattern of social conflict both raise question marks about the extent to which it has had a common social citizenship with the rest of the United Kingdom.

3. To my knowledge the only such survey.

4. These are available on-line from the Zentralarchiv für Sozialforschung, Cologne, at http://www.gesis.org/Datenservice/Wahlstudien/Ltw/index.htm.

5. The following draws from the Annual Portraits of Canada surveys conducted by the Centre for Research and Information on Canada (CRIC), and was downloaded from http://www.cric.ca/en_html/index.html.

6. See the websites of the two main research programs funded by the Economic and Social Research Council at www.devolution.ac.uk and the Leverhulme Trust at http://www.ucl.ac.uk/constitution-unit/nations/. The data presented in the following tables are mainly from the British Social Attitudes (for England), Scottish Social Attitudes and Welsh Life and Times Surveys conducted by the National Centre for Social Research.

7. I am indebted on this point to Daniel Wincott.

8. This section has been much influenced by Henderson and McEwen (2004).

9. Wales has relatively low density population spread across rural areas and in small urban communities, the latter especially in the South Wales valleys. It is difficult to achieve “choice” of locations for health care or secondary education in these circumstances.
Governmental design is an ancient question. For the Greeks, the question was whether citizens were best ruled by the one, the few or the many. For Hobbes, power needed to be centralized in the hands of a single sovereign so as to protect citizens from a “war of all against all.” For the writers of *The Federalist Papers* – Alexander Hamilton, James Madison, and John Jay – power was best divided between central and lower tiers of government in order to check each from threatening the liberties of individuals. For US Supreme Court Justice Louis Brandeis, lower tiers of government should have the autonomy to become “laboratories of democracy.”

Although federalism has its philosophical justifications, in practice the way in which federal systems are designed is usually a matter of the political interests to be served. Even the two principal writers of *The Federalist Papers*, Hamilton and Madison, entered into intense, bitter conflicts over the appropriate meaning of the US Constitution within a few short years after writing the lengthy treatise defending its provisions. Hamilton, a New Yorker appreciative of the wealth passing through that rapidly growing port city, wanted a strong central state in order to promote commerce and international trade. Madison, together with his fellow Virginian, Thomas Jefferson, worried more about both the tyrannical power of a strong central government – and the northern speculators benefiting from centralized financial arrangements.

Brandeis, too, had more than just a scientific interest in federalism when he called the American states “laboratories of democracy.” In *New State Ice v. Liebmann* (1932), Brandeis had specific social interests in mind when he dissented from the Supreme Court’s ruling that Oklahoma could not forbid the “manufacture, sale and distribution of ice” without a certificate of public convenience. The majority had found such regulation
a denial of the “freedom to enter the business of one's choice.” Writing in the midst of the Great Depression, Brandeis replied as follows:

The people of the United States are now confronted with an emergency more serious than war. Misery is widespread, in a time, not of scarcity, but of over-abundance. The long-continued depression has brought unprecedented unemployment, a catastrophic fall in commodity prices and a volume of economic losses which threatens our industrial structure. ... Many persons think that one of the major contributing causes has been unbridled competition. ... Many insist there must be some form of economic control. ... All projects ... must prove futile unless, in some way, the equivalent of the certificate of public convenience and necessity is made a prerequisite to embarking new capital in an industry. ... It is one of the happy incidents of the federal system that a single courageous State may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country.

There is more than a hint that Brandeis thinks the country would be better off, if not only ice-making but most industries were subject to tight state control. Brandeis is not taking up a small matter of institutional design; he is addressing an issue that had divided the political left from the political right for more than a century.

Brandeis, in New State Ice, was seeking to protect the autonomy of a lower tier of government at a time when an unpopular Republican Herbert Hoover presided over the national government and the national judiciary in conservative hands. Within a year, this would change with the election of Franklin D. Roosevelt. Once that happened, it was inevitable that the political left would champion an extension of the power of the central state. Although Oklahoma could regulate ice-making, it lacked the institutional capacity to direct the steel, coal, auto, or other great industries of the day.

Acting on Brandeis’ suggestion, Roosevelt, as part of his initial New Deal experimentation, tried to use the power of the central government to stifle unbridled competition in the hope that such regulation would stimulate economic growth. The experiment failed. Today, the central state influences the economy less by fiat than by indirect manipulation of the monetary supply. However, the other New Deal innovation – the welfare state – proved to be a more enduring legacy. The systems of pensions, social insurance, unemployment benefits, health care provision and public education begun during the 1930s expanded rapidly over the
next fifty years and remain constituent components of government operations down to the present.

The issues at stake today differ importantly from those under discussion at the time of the New Deal. At that time, welfare provision was inexpensive, because it provided rights to all but actual services to only a few. Social security, for example, gave immediate benefits only to a few retirees while costs were shared widely among a broad band of workers, who became eligible for benefits only decades later. The mature welfare state is an entirely different – and much more expensive – system.

The rising cost and other problems of the mature welfare state have affected party politics in unexpected ways. When Brandeis wrote, and Roosevelt governed, the political left once had an expansionist agenda that required the exercise of power by the central government.¹ Today, the political left is more interested in preserving the gains of the past than reaching for new heights. Meanwhile, the political right is no longer fighting a rearguard action against further state expansion. Rather, it does its best to impose tighter controls over a welfare state it regards as excessively burdensome.

Because of the changing shape of the welfare state, parties of the left and the right now look at the balance of power between the central and lower tiers of government in a new way. Whereas the left once wanted to capture the power of the central state to build the welfare state, today the right finds the central state key to its attempt to bring welfare provision under better management and tighter control. In the words of Adam Cohen, liberal columnist for the New York Times:

> The federal government is showing Hoover-style inaction today on some of the most critical social and economic issues of the day, and the states are stepping forward. In corporate America, the New York Attorney general, Eliot Spitzer, has uncovered widespread malfeasance, which federal regulators were unwilling or unable to uncover.

> Conservatives, who long railed against federal power, understand how the states’ rights dynamic has changed. ... Republicans in Congress now regularly try to insert pre-emption provisions ... that invalidate stronger state protections.

> Liberals, too are making the switch. They are not only having policies adopted in the states, they are starting to invoke states’ rights. ... Somewhere, Justice Brandeis [is] smiling. (Cohen 2003: 12)

These trends may be observed in many industrialized societies struggling with the side-effects of a mature welfare state. This paper, however,
is limited to an examination of this topic within the United States, a country long known for the intensity of its partisan struggle over the meaning of federalism. I first discuss how the original partisan divide was transformed by the rise of the welfare state, then consider the way in which its maturation has altered the partisan divide once again.

**Federalism and partisanship: An historical overview**

In the United States, federalism was a principle component of party politics from the very earliest years of the Republic. The Federalist party (an ironic name chosen to disguise the party’s nationalist ambitions) advocated the extension of central power. Under the leadership of George Washington’s Secretary of the Treasury, Alexander Hamilton, the first Federalist government assumed state debts, coined a common currency, created a uniform system of tariffs that filled national coffers, established a national bank and tried to promote commerce and industry. (Chernow 2004; Elkins and McKitrick 1993). Provoked by these measures, Thomas Jefferson resigned as Washington’s Secretary of State, and, with the help of James Madison, formed a Republican-Democratic party committed to preserving states rights. Upon coming to power in 1800, the Republican-Democrats dismantled the national bank and halted the construction of roads and canals by the central government. This partisan divide continued throughout the antebellum period. On the one side, Jacksonian Democrats, the descendents of the Jeffersonians, prevented the construction of a national transportation infrastructure, set limits on tariffs, and, once again, killed a national bank. Fighting a rearguard battle, Whigs, led by Daniel Webster and Henry Clay, tried to use federal power to open the West, often to little avail (Peterson 1987).

Not until the Whigs formed an alliance with the Republicans and Abraham Lincoln assumed office did the central government actively encourage nation building by giving free land to western settlers as well as to railroad interests who constructed lines all the way to California (Ambrose 2000; Greenstone 1993).

Before the Civil War, the underlying issue was slavery. Even the fight between Hamilton and Jefferson had a strong sectional component. It was no accident that the First Bank of the United States had its initial branches in Boston, New York and Philadelphia, not in Richmond or Charleston. In the years that followed, the divide intensified. As the free states grew faster than the slave states, southerners became increasingly afraid of the central government’s capacity to destroy a southern way of
life in which slavery played so principal a part. For them, states rights included the right to secede, a right that was eventually invoked and defended, albeit unsuccessfully.

In the decades immediately following the Civil War, Republicans remained the party of the nation, Democrats the party of states rights (Chambers and Burnham 1975). For Republicans, national power was necessary to ensure the uniformity of law that fostered industrialization and the rise of the national corporation. For Democrats, regional authority, particularly in the South, was crucial for preserving traditional race relationships in a post-slavery era.

The twentieth-century transformation

Partisan views of federalism change with shifts in the interests of groups with which the parties are aligned. Since these alterations are gradual, parties do not herald their new positions with loud proclamations. But just as continental drift can gradually accumulate to produce massive geological change, so partisan adjustments can acquire large significance, even when taking place slowly, without fanfare.

Just such a tectonic shift in party views of federalism occurred in the early decades of the twentieth century. Gradually, the influence of the Democratic party's southern wing gave way to the growing power of immigrants, trade unions and workers in northern cities (Burnham 1970). These groups began to demand a managed economy and a welfare state, policies that could be accomplished only with the exercise of national power. Meanwhile, Republicans sought to protect business interests by rejecting as unconstitutional such exercise of central power (Greenstone 1969).

It is worth keeping in mind how long it took before the New Deal alignment became clear. In the early decades of the Twentieth-Century, Democrats still remained the states-rights party. Even Woodrow Wilson, as a young man, argued against educating southern blacks with federal dollars for fear of trampling on the rights of states and localities. Redefining the party's position on federalism was carried out cautiously, over the resistance of important party loyalists. Third-party movements played a role in the process. Progressives Theodore Roosevelt and Robert LaFollette, who championed the extension of the authority of the central government, deserted the Republican party to run third-party races (rather than join a Democratic party still tied to its southern states' rights past). Shortly after the LaFollette presidential bid in 1924, Al Smith shifted party dynamics by appealing aggressively to immigrants,
Catholics and the liquor interests, shifting the Democratic base northward. The new alignment solidified when the economy entered a depression, preparing the way for Franklin D. Roosevelt's decisive rejection of the Coolidge–Hoover era (Sundquist 1973).

But even at the apex of Roosevelt's political power, James McReynolds, a Democratic justice on the Supreme Court appointed by Woodrow Wilson, formed part of the conservative coalition that resisted federal expansion. Because of a continuing conservative presence on the Supreme Court, and southern Democratic influence in Congress, the laws extending the power of the central state had to be written cautiously, with plenty of attention to state prerogatives. Eventually, however, Roosevelt was able to appoint enough new justices to create a strong base of support for an expansive central government. The influence of the party's southern wing dwindled to the point that many of its leaders bolted from the party at the 1948 Democratic convention and backed Strom Thurmond's states' rights candidacy. Despite this southern desertion, the winner of that election, Harry Truman, appointed as Chief Justice of the Supreme Court a southerner, Fred Vinson, who remained reluctant to overturn the infamous “separate but equal” Plessy v. Ferguson (1896) decision.

The Republican shift toward a states' rights position was abetted by the departure of Progressives such as Roosevelt and Lafollette, allowing stand-pat Republicans, such as Harding, Coolidge, Landon and Taft, to rise to the top of the Republican party. Nonetheless, enough of the Lincoln tradition remained intact so that no less a Republican than former California governor and presidential aspirant, Earl Warren, could write the court opinion in Brown v. Board of Education, the most important assertion of federal power in the twentieth century. Nor should we forget that Blackman, the author of Roe v. Wade, was also a Republican appointee. Yet these were the exceptions, no more than proofs that major shifts are always glacial, erratic and imperfect.

Despite these anomalies, the twentieth-century configuration, once fixed by Franklin Roosevelt, proved remarkably durable, gaining additional force and energy during the Great Society years over which Lyndon Johnson presided. Under mainly Democratic tutelage, the major components of the welfare state—social security, Medicare, Medicaid, Aid to Families with Dependent Children, food stamps, housing assistance, the Earned Income Tax Credit and civil rights legislation—were enacted (Sundquist 1968). The economy was subjected to the regulations of the securities and Exchange Commission, Environmental Protection Agency and Occupational Safety and Health Administration.
Admittedly, this expansion of central state power was not simply a one-party effort. If Ohio Senator Robert Taft and most other Republicans opposed most expansions of national power, a few liberal Republican colleagues were swept along by widespread public support for these initiatives. Dwight Eisenhower, though instinctively a Kansas conservative, prudently chose not to roll back social security and, after Sputnik, signed into law a small math and science education bill. Richard Nixon, never one to let party principle stand in the way of political advantage, acquiesced in further welfare advances. Under heavy pressure from a Democratic Congress, Nixon agreed to a food stamp program, the indexation of social security and the Environmental Protection Agency, all in the name of resisting more profound changes demanded by large Democratic majorities on Capitol Hill.

When moderate Republicanism was disgraced by the Watergate scandal and lost the presidency to Jimmy Carter, conservative Republicans gained control of their party and firmed its opposition to the growing size of the welfare state. When Ronald Reagan assumed office in 1981, welfare state retrenchment became the first order of domestic business. More importantly, Republicans became the dominant political party in the South, the region most opposed to federal power (Chubb and Peterson 1985). The partisan realignment over federalism that had begun with the New Deal had now fully crystallized. The party of the right, the party of Hamilton, had become identified as a states’ rights party with a strong basis of southern support. The party of the left, the party of Jefferson and Jackson, had become the advocate of a strong central state, with only a whisper of support south of the Mason-Dixon line.

The twenty-first-century transformation

It is striking, then, that just a few years later, with the dawn of the twenty-first century, a new transformation of the federalism divide has begun to emerge. With the maturation of the welfare state, Republicans are using central power to control and limit the size of the welfare state, while Democrats seek to use local power centers to resist the retraction.

Education policy

Education policy provides a compelling instance of the new politics of American federalism. For the first hundred years of American education, elementary and secondary schools were under the control of state and local governments, with scarcely any central-government role at all. Then Lyndon Johnson, as part of his Great Society strategy, expanded its responsibilities. Today, those duties are being redefined once again by George W. Bush.
New Deal alignment. Welfare, not education, was the original preoccupation of the New Deal. But when the baby boom overwhelmed local school capacities following the Second World War, public support for federal aid to local schools gained strength. To meet the educational emergency, northern Democrats advocated a general aid program for state and local governments. Republicans, as part of their by now traditional opposition to national control, resisted all forms of federal aid. For two decades, Republican opposition was successful, mainly because of church–state issues and southern fears that federal aid would hasten school desegregation. The minor exception was the passage of the small math and science that Eisenhower signed (Peterson 1983).

In 1964, the election of Lyndon Johnson, together with an overwhelming Democratic Congress, broke the legislative logjam over broader school aid ventures. The president sold school aid as an anti-poverty measure, and a compensatory education program for disadvantaged students was approved. A few years later, a companion piece of legislation provided funding for the education of the disabled. Meanwhile the Civil Rights Act of 1964 gave the federal government new tools to force southern school systems to desegregate. In short, the New Deal welfare state agenda was finally broadened to include the nation’s schools.

As the federal role increased, the partisan conflict intensified. When Jimmy Carter, in his campaign for the presidency in 1976, embraced the demand by teacher unions that a separate Department of Education be created, the partisan cleavage deepened. Republicans complained that forming such an agency would only lead to federal thought control. Ignoring their complaints, Democrats pushed the establishment of the Department through Congress in 1978, one of Carter’s few legislative triumphs. Federal aid grew to as much as 10 per cent of total school spending (Peterson 1983). Strongly opposed to these trends, Ronald Reagan promised to cut federal expenditure and dismantle the new department. Upon his election to office in 1981, monies were cut back sharply, and only hard-nosed Democratic opposition in Congress saved the Department from abolition.

Twenty-first-century alignment. Yet it was during the Reagan years that the forces that would create a new partisan alignment appeared, if only in a form that at the time was scarcely recognized. The issuance of a report, A Nation at Risk, issued by the National Commission on Educational Excellence, proved to be the harbinger of a new future. At the time, the Republican party had no idea of what was happening to itself. So little importance was placed on the undertaking the report was written not by a high-status “presidential” commission appointed by
the president but by a “national” commission appointed by the Secretary of Education (Ravitch 2003: 25–38).

Even though the educational excellence commission had less than presidential status, it captured public attention. “A rising tide of mediocrity” in education threatened the nation’s well-being, *A Nation at Risk* intoned. The report went on to urge schools, teachers, parents and students to reform themselves. The media gave the topic extensive coverage; governors embraced its agenda; and even the White House realized that education could become a Republican issue. The Republican party began a crusade for quality, standards and choice from which it has never swerved. When Secretary of Education Terrence Bell stepped aside, the president appointed an outsized, outspoken, Texas educator, William Bennett, to the education bully pulpit. He proposed that the compensatory education program be turned into school vouchers for poor children. Republican presidential candidates ever since have championed the issue, calling for goals, accountability and parental choice.

Taken by surprise by this theft of a Democratic issue, the party of the left responded in much the way Republicans had once responded to the welfare state in its heyday: acceptance of the basic concept while opposing as many of its specific features as politically feasible. President Bill Clinton found the appropriate political strategy. He helped secure passage of legislation that promoted standards, accountability, public school choice, and privately managed charter schools, which received public monies under a government charter. But he opposed school vouchers, the most sweeping of the Republican proposals. Further, his help for charter schools remained skimpy, and his administration did little to enforce the accountability provisions of the legislation (Rudalevige 2003: 23–54).

It was left to a few high-visibility governors to push the *Nation at Risk* agenda in Michigan, Wisconsin, North Carolina, Tennessee, Florida and elsewhere. The most notable results were obtained in Texas, where Governor George W. Bush took credit for a well-developed accountability plan.

So when George W. Bush came to Washington, he had a well-defined education agenda in mind. Long gone was any thought of abolishing the Department of Education. On the contrary, he oversaw the enactment of *No Child Left Behind* (NCLB), the most significant piece of federal education legislation since Lyndon Johnson’s compensatory education bill. It required the testing annually of all students in grades 3–8, with another test administered in high school as well. All schools had to demonstrate annual progress on these tests. Schools which do not make
progress must give parents a choice of school elsewhere in their district. After repeated failure, the lower tiers must reconstitute the school. Never before had state and local governments been subject to such a stringent set of federally imposed educational regulations. The party of local control had become the party of federal mandate (Peterson and West 2003).

Meanwhile, the Democratic party, once the strongest proponent of national power, dragged its feet at proposals that went far beyond anything Johnson had advocated. Although Democrats on Capitol Hill voted for NCLB, many did so reluctantly, saying they supported the law only because it increased federal funding. Under Senator Edward Kennedy’s leadership, Democrats on Capitol Hill, in exchange for their political support, insisted that the Bush Administration strip the legislation of all school voucher provisions, soften accountability rules and tightly limit school choice opportunities. Even then Democratic support was only temporary. Within months after the passage of the law, Democrats criticized the Bush Administration for its draconian efforts to impose restrictions on state and local governments. The party of federal mandates had become the party of state and local control.

These revised party partisan perspectives on the proper division of responsibility between central and lower tiers of government were driven by broader socio-economic changes in a post-industrial society with a mature welfare state. For most of the twentieth century, the central educational issue had been growth – the extension and resource enhancement of the country’s educational system. The numbers of students in secondary school steadily increased, the percentage receiving their high school diploma climbed, class size fell, teacher credentials were enhanced, teacher salaries rose, educational expenditures climbed dramatically, schools became more larger and more lavish, playgrounds were extended into athletic fields and more students entered the higher educational system.

But for all this growth and enhancement, American schools did not get better, despite the need for a more educated population in an age when human capital was at a premium. As A Nation at Risk stressed, student test scores were falling, the United States was trailing its competitors abroad, too little time was being spent in school, and too much time was being devoted to other than academic subject matter. Now that a well-financed system of public education had been put into place, it was time to find a way to manage it successfully. That was a task that required national direction. That was a task better performed by a party of the right, with its emphasis on efficiency and responsibility. Meanwhile, the political left gathered the vested interests within the
educational system – teacher unions, local school boards, schools of education, all looking for protection from a less maternal, more demanding central state.

Social policy

Education is not the only policy domain where the issues generated by an overgrown welfare state have induced the political right to assert the power of the central government, the political left to defend lower-tier prerogatives. Social policy, too, was stumbling under the heavy burden of its maturing responsibilities. By design, the welfare state became more expensive with the passage of time. To facilitate initial passage, both social security and Medicare were given a Ponzi-scheme design in which each person’s return on his or her contributions depends on the willingness of newcomers to pay for them. Each generation’s benefits are paid by the succeeding one. As benefits increased and spread to more workers, the burden on the next generation intensified.

Quite apart from the Ponzi-scheme design, the welfare burden was aggravated by longer life expectancy. When pension schemes were first put into place, the average age of retirement fell just a few years short of the year the average person died. Long-term pensions were paid only to a relatively few survivors of life’s lottery. Today, those who reach the age of 65 can anticipate 15 to 20 retirement years. The cost is borne not by senior citizens directly but by succeeding generations. Unless younger workers are willing to pay a much higher tax burden than their predecessors, government must raise the age of retirement, cut benefits, or both. Neither task is easily performed by parties of the left, toward whom senior citizens gravitate (Campbell 2003).

Even more disconcerting, welfare states, as they mature, also increase the risk of dependency. As benefits rise, senior citizens take early retirement and plan for longer periods as pension recipients. As an income stream is assured, the unemployed search less diligently for new jobs. Disabilities grow apace, as more diseases and handicaps are so defined. Welfare provision to needy families generates divorce, separation and child birth out of wedlock. All factors contribute to rising government costs – and greater social malaise.

The political right is the first to recognize the risk of dependency. For them, the problem can be addressed only by welfare reform and retrenchment. The political left, meanwhile, opposes cutbacks that marginalize the poor and the outcast. The partisan struggle can turn to the appropriate balance of power between the central and lower-tier governments whenever they share policy responsibilities.
**New Deal alignment.** During the New Deal and Great Society years, Democrats favored extending the power of the central government over welfare programs for the poor, while Republicans preferred that they remain in state hands. In general, the parties split the difference, with the financial cost of welfare assistance (Aid to Families with Dependent Children or AFDC) and Medicaid more or less equally divided between the two tiers of government (Peterson and Rom 1990). The central government established the general parameters for the program, but state governments set eligibility requirements and benefit levels deemed appropriate to local circumstances. For decades, the parties debated the disparities in policy among the states. Those on the political left favored greater centralization, objecting that eligibility was more restrictive and benefit levels lower in southern states, whose welfare rolls were comprised of a disproportionately large percentage of African American families. Gradually, the left succeeded in expanding eligibility and expanding benefits through legislative, regulatory and legal action (Melnick 1994). As access to benefits improved, dependency increased. Marriage rates fell, the number of one-parent families burgeoned and welfare rolls skyrocketed. Republicans called for a relaxation of federal rules so that states could explore ways of trimming their welfare rolls. For decades, the two parties fought over the issue along well-defined lines. Democrats favored tighter federal control, Republicans greater state discretion.

**Twenty-first-century alignment.** When Bill Clinton, campaigning for president, called for “the end of welfare as we know it,” welfare politics took off in a new direction. Upon taking office, his appointees in the Department of Health and Human Services sought to facilitate the transfer from welfare to work without significantly cutting welfare benefits. But two years into the Clinton Administration, Republicans captured control of Congress, and, exercising their new authority with energy, insisted that welfare reform include strict work requirements and limit the number of years a person could remain on welfare. Democrats fought the passage of these harsh restrictions on state and local governments, suggesting instead that states be given waivers that would allow them to experiment with alternatives. With the passage of Temporary Aid to Needy Families (TANF) in 1996, the word “temporary” given special prominence so as to underline the major objective of the new legislation, Republicans won most of the main points, though Democrats, backed by a threatened presidential veto, were able to win waivers from federal strictures for some states.
Ironically, Republicans declared this muscular exercise of central power to be a devolution of power from the central government to the states consistent with their traditional philosophy. To support this not very convincing claim, Republicans pointed out that TANF was a “block grant” that gave states almost complete discretion as to how the monies could be used – either for income maintenance, or employment training, or as child support for working mothers. Further, the grant remained the same, regardless of the number of welfare recipients in the state. If the number increased, the state was to pay the difference. If the number fell, the state pocketed the balance.

But if states were given flexibility as to how the money was spent, and an opportunity to cut their own welfare costs, they in fact came under tighter central control. States could no longer grant individuals a federal right to welfare assistance. Within five years, half those receiving assistance had to be working, so that the assistance supplemented earnings from work. Teenage recipients had to live with their parents or in a setting supervised by adults. Above all, no person could receive assistance for more than five years (though it exempted from the rule single parents with children under the age of 6 who could not find child care services) (Weaver 1998: 361–416). All in all, TANF constituted a rapid expansion of federal power over welfare assistance.

Under the new law, expenses were capped, and welfare rolls dropped, taking the issue off the political agenda. Even when the economy slowed, welfare rolls remained low. Republicans had successfully used central power to curb a highly controversial component of the welfare state, though Democrats, by invoking state and local prerogatives, were able to protect welfare recipients in some places.

For Republicans, Medicaid remained a burning issue, however. As in the case of welfare, costs were more or less equally shared between the central and lower tier governments, with the lower tier setting the eligibility standards and reimbursement levels for providers. The central government lacked the authority to prevent steep Medicaid costs from rising at the rate of 9 percent a year between 1997 and 2002. In the spring of 2004, the Bush Administration proposed new rules that would give the federal government “new power to review state decisions on Medicaid spending.” When governors objected, the Administration promised to give the rules further consideration (Pear 2004: A-19). Sooner or later, it is likely that the central government will find a way of keeping under control a state-run program perceived to be fiscally out of control.

Once again, the problems that come with the maturation of the welfare state altered partisan political strategies. Republicans asserted
central authority, despite their longstanding defense of state rights. Democrats sought waivers and protections for states, despite their traditional commitment to a more unified national welfare policy. Noticeably, the transformation was awkward for both political parties. Republicans claimed that they were using a “block grant” to devolve power to the states. Democrats did not so much defend states’ rights as object to specific welfare reforms. Still, party practice had come to differ from standard party doctrine.

**Intergovernmental grants**

Calling TANF a block grant allowed Republicans to appeal to traditional party values on federalism-related questions. But even as these traditional values were invoked, actual practice with respect to intergovernmental grants was also undergoing significant change.

**New deal alignment.** The nature of the intergovernmental grant system was once at the very heart of the partisan dispute over federalism. Democrats wanted categorical grants that contained well-defined restrictions on the way in which federal dollars could be spent, so that the values of the central state could be imposed upon lower governmental tiers. Republicans wanted to give these lower tiers maximum flexibility by handing over blocks of money that could be spent at local discretion. Nixon went so far as to propose a revenue-sharing scheme, in which the federal government collected the taxes, while states and localities would choose the program for which the monies would be spent. The Reagan revolution of 1981 transformed many categorical programs into a smaller number of block grants. As late as 1995, Newt Gingrich and his fellow Republicans enacted a law forbidding any new unfunded federal mandates, apparently a ban on new categorical grants. Curiously, few federalism watchers noticed at the time that the law was absolutely meaningless, because any new federal mandate would, by its very passage, supercede this alleged ban. In fact, Congress did enact new mandates (such as in TANF) in subsequent years.

**Twenty-first-century alignment.** Despite all the rhetoric about unfunded mandates, Republican fondness for block grants was cooling – even in the waning years of the Reagan Administration. Republicans at the national level began to wonder why Congress should bear the political burden of raising taxes – just to give away dollars to lower tiers of government often controlled by their partisan opponents. As enthusiasm for block grants waned, the amount in real dollars spent via block grants
stabilized. The amount spent was barely larger in 1998 than it had been in 1967. Meanwhile, categorical spending escalated from $60 billion in 1967 to $250 billion in 1998.

Then, in 2003, the parties reversed positions altogether. As the Bush Administration pushed to get tax cuts through Congress, Democrats proposed that monies instead be set aside for a block grant to lower tiers of government (though the name was never publicly employed by either side). A compromise was finally struck, some taxes were cut, and states were given $20 billion dollars in a broad-based intergovernmental grant that resembled the revenue-sharing scheme Nixon had advocated three decades earlier (Calmes 2003: A-4; Pear 2004: A-19).

The mature welfare state and the new politics of federalism

For much of the twentieth century, the central issue for the welfare state was its rate of expansion. Social security benefits increased in size and breadth, Medicare and Medicaid were embedded within the system, welfare eligibility was expanded, school costs rose, numerous other anti-poverty laws were enacted, the federal government passed money to states and localities through a system of categorical and block grants, and the cost of federally funded domestic policies grew from less than 1 percent of GNP in 1933 to over 15 percent of GNP by 1995 (Peterson, 1995; Weaver 1988). But with the election of Ronald Reagan, the politics of the welfare state shifted from growth to retrenchment. Though costs continued to escalate, the age of retirement was lifted, some social security benefits were cut or eliminated, Medicare and Medicaid regulations were tightened so as to slow growth in costs, welfare was reformed, school reform was initiated and new entitlements became impossible to enact. Reform no longer meant finding new ways to serve the putatively needy; instead, the word connoted innovative ideas for keeping costs under control or making more effective use of tax dollars. These changes were reinforced by political developments, both nationally and locally.

National political trends

As the popularity of the welfare state wanes, Republicans gained strength at the political center while Democrats battled vigorously just to hold their own. These same political facts re-shaped party thinking about federalism.
Congress and the presidency. It is too simple to say that parties like that level of government that they happen, at any particular moment, to control. But if a party has little opportunity to win a particular bastion of power, they are unlikely to appreciate its virtues. When Republicans found themselves unable to capture undivided control of Congress for any more than four years out of over sixty between 1933 and 1968, and when control of the executive branch was in the hands of Democrats for all but eight of these same years, Republicans had few partisan incentives to support the expansion of federal power. For Democrats, the shoe was, of course, altogether on the other foot.

But as the solid South became solidly Republican instead of solidly Democratic, Republicans only had to come close to parity elsewhere to capture national power, giving them an advantage in presidential and congressional elections. After decades in the wilderness, Republicans controlled the House of Representatives continuously between 1996 and 2004, and they had near parity in the Senate over this same period of time. Since the battle for the presidency remained very closely contested, the Republicans now had the opportunity to exercise unified power over the central government in the same way the Democrats enjoyed this opportunity during the New Deal and Great Society decades. For the winners, it was hard not to become more interested in federal power; for the losers, it’s easy to rediscover the value of state and local control.

Judiciary. The balance of power within the judiciary trails that within the elected branches. Since federal judges are appointed for life, new presidential appointees only gradually replace an older generation. And not all presidential appointees behave as presidents expect. But the conservative trend in national politics has now been in place for a long enough period of time for the activist judiciary of the New Deal generation to have lost much of its political potency (Abraham 1992).

From New Deal to Great Society, the federal judiciary did much of the heavy lifting on behalf of the liberal causes that Democrats espoused. Admittedly, the courts were not so much as imposing their own will as serving as the instrument of the dominant political party. Yet it is striking just how much the growth in federal power owed to a supportive judiciary. Whether it involved the regulation of commerce, school desegregation, reapportionment, abortion rights, equal treatment of women, or other liberal objectives, an activist federal judiciary was an essential tool that Democrats could only applaud – and Republicans disparage (Melnick 1994).
The high watermark of judicial activism was reached during the Warren court. Both the Burger and Rehnquist courts shifted in a more conservative direction. Not every Nixon, Ford, Reagan and Bush appointee faithfully followed Republican doctrine, Blackman, Stevens and Souter providing outstanding examples to the contrary. Nor were the most crucial of the Warren court decisions overturned. But gradually the federal courts began acting as a brake on social change, not its engine (Simon 1995; Jeffries 1994). De jure segregation remained unconstitutional, but de facto segregation was not. Affirmative action was acceptable, but only if quotas were not imposed. Abortion could not be outlawed, but many restrictions could be imposed. Women had equal rights, but gays did not. More often than not, the search for new constitutional rights was put on hold.

The new federal judiciary became publicly apparent in the most visible way in the extraordinary Bush v. Gore (2001) case. Few cases better exemplifies the changes occurring within the American federal system. On the one side, liberals had captured control of the court of last resort within the State of Florida, once a conservative stronghold.3 Using their judicial authority to overturn decisions by an elected state official, a bare majority of left-leaning state judges insisted on a recount, as requested by the Gore legal team. That team then argued before the U. S. Supreme Court that federal courts had no authority over procedures used to count the votes in presidential elections but must instead defer to the decisions of lower tier courts, a position that contravened the traditional doctrine on federalism long espoused by the political left. Meanwhile, the Bush team argued that the Constitution and federal law superceded state judicial interpretation of Florida election law, a stance contrary to traditional doctrines of the political right. By a bare majority, the conservative wing of the Supreme Court upheld the Republican position, despite its previously expressed commitment to state sovereignty.

The entire imbroglio can be dismissed as sheer partisan posturing. But it nonetheless reveals the extent to which the power bases of the political left and the political right have shifted within the American federal system. If the federal courts are a conservative force, Democrats lose interest in extolling federal power. If state courts, such as the Florida supreme court, have swung to the left, then the left-leaning party of the left will want to preserve the powers of lower-tier governments. But just how much to the left have lower tiers of government drifted? To that topic, we now turn.

Change at the lower tiers

Traditionally, governments within the United States served conservative interests. Banks, commercial interests, real estate dealers and
manufacturing companies were expected to contribute to the vitality of the local community, both through charitable activities and joint civic action, especially if their corporate headquarters were located in the town. Each community had to become an attractive place for business – low taxes, minimal regulations – or lose out to competing cities and towns with more supportive policies (Peterson, 1981). At the state level, agrarian interests were given preference over urban ones, in part because many state legislatures over-represented voters in rural areas. Voting laws restricted access to the ballot of African Americans and other disadvantaged interests, especially in the South.

**Political change.** Gradually, a series of political and economic changes undermined the conservative bias of local tiers of government. Politically, a series of court decisions and federal laws opened up the lower tiers of government to a broader set of interests. In 1961, the Supreme Court required states to reapportion their state legislatures so that all representatives – in both the upper and lower chambers – would represent roughly equal numbers of residents. As a result, rural interests were pushed to the periphery of state policy making. The 1966 voting rights legislation gave minority voters access to southern politics, forcing candidates to find more balanced platforms upon which to campaign. Meanwhile, investigative journalists, modern-day muckrakers as it were, swept court rings and machine-style politicians from office. Professionalization and modernization became the order of the day.

**Economic change.** Economic forces were undermining business influence at the local level as well. With the globalization of the economy, and the amalgamation of firms into international corporations, corporate headquarters disappeared from middle-sized cities and became concentrated in New York City, Chicago, Los Angeles, Atlanta and a few other international centers.

Most significantly, the hometown bank went the way of the spotted owl. Traditionally, it was the president of the leading bank in a community who organized business and commercial interests for political action. The bank had a stake in the community as a whole, less of a stake than most businesses in any particular domain. Local banks also lent local governments the money they needed to finance capital expenses and short-term deficits. As such, banks were natural community leaders. But tax reform in 1986 made it costly for banks to hold municipal loans, and the financial needs of local governments came to be supplied by an international investment community less concerned about the affairs of
any given community. Opportunities for local banks to shape local politics were reduced accordingly. At the same time, the fate of the hometown bank itself was placed in jeopardy by larger banks that used modern technology to build national and international systems of credit and exchange with which locals could not compete.

Similar trends were occurring in real estate. At one time, all real estate dealings were local, because the one who knew the territory had the advantage. But today local knowledge is being combined with national communication and advertising strategies, and the local real estate broker now works for a firm whose headquarters is hundreds of miles away.4

As economic elites lost the interest in and capacity to act in local affairs, their influence was replaced by policy professionals spawned by a maturing welfare state. Intergovernmental programs required professional expertise, supplied by knowledgeable civil servants who had a stake in the programs they operated. The upper echelons of this work force became entrenched civil servants, professionally loyal to their programs, capable of mobilizing political support for their perpetuation. These professionals became advocates for causes in which they believed and developed strong ties to groups dependent on the largess they distributed (Peterson, Rabe and Wong 1986). Moreover, these civil servants held their office by right. Now that machine politicians had been all but kicked out of office, professional loyalties were substituted for partisan ones. For those who opposed the retrenchment of the welfare state, state and local government became a new point of resistance. The professionals committed to its perpetuation were not even subject to the federal Hatch Act, which has effectively kept federal – but not state and local – employees out of active politics. The balance of power shifted from those with an interest in low taxes and a business-friendly climate to those interested in perpetuating a high level of service provision and enforcing restrictions on the damage businesses can inflict on the environment.5

As just one sign of this transformation, growth in state and local government expenditure from their own fiscal resources grew almost as fast as federal domestic expenditure. In 1995 state and local spending was 15 percent of GNP, hardly less than the 16 percent being spent by the national government. The federal debt in 2003 remained below levels it had reached in 1998, but state and local debt, over this same period, grew by 26 percent (Despeignes 2003: 1). Which level of government was the more liberal, which the more conservative, was more a matter of particular times and places, less a matter of structural fact.

As state and local governments expanded their activities, their workforce grew even when the size of the federal workforce hardly changed.
Few realize that the federal civilian workforce numbered less than 3 million workers both in 1951 and, fifty years later, in 2001. Meanwhile, the size of the state work force expanded from 1 million to 5 million, and local workers skyrocketed fourfold from 4 million to 12 million. The federal government may be paying half the cost of domestic public expenditure, but the state and local governments are doing most of the work.

Public sector unionism. For years, laws against public sector strikes had prevented these government workers from exercising the crudest form of political power, the power to withhold their services. When Governor Calvin Coolidge was asked to respond to the Boston police strike of 1918, he won widespread public backing when he declared “there is no right to strike against the public safety by anybody, anywhere, any time.” So popular was his stance, it propelled him from being a little known governor into the vice-presidency and, ultimately, the White House. For decades to come, public sector unionists were at risk if they went on strike. Statutory law, backed by strong court enforcement, declared such actions contrary to the public interest, strictly illegal and subject to criminal punishment.

All this began to change in 1961 when President John Kennedy, by means of a little noticed executive order, authorized collective bargaining by unions representing federal workers. Once this right was granted to federal workers, the practice spread to lower tiers of government. With the right to bargain well in hand by the mid-1970s, public sector unions were able to boost their membership rapidly. If one classifies as unions only those organizations that have – or aspire to having – collective bargaining rights, the percentage of public sector employees unionized jumped from about 12 to 14 percent in the 1960s to around 40 percent in the mid-1970s, where it has since remained.

This expansion occurred at the same time that unions were losing ground in the private sector. Faced with foreign competition, businesses in the United States bargained aggressively against union demands for job and pay protection. As union leaders found it increasingly difficult either to strike, negotiate desired contracts and organize new industries, and as the manufacturing sector declined as a share of the private economy, private-sector union membership fell precipitously. Having peaked at about 38 percent of the private labor sector in 1952, it had fallen to 8.5 percent by 2002.

The consequences for the Democratic party were serious. Since the New Deal, unions had become both the paymasters and the foot soldiers
of the Democratic party. Its most reliable support was eroding away beneath its feet. Fortunately, public sector unions filled the breach, as the membership in these unions became, by 2002, nearly one half of all union workers. Were it not for public sector growth, the Democratic party of the twenty-first century would bear little resemblance to the party that wrote New Deal and Great Society legislation (West, forthcoming).  

By far, the most important of the public sector unions are two teacher organizations, the National Education Association and the American Federation of Teachers. During the early 1970s, they conducted successful strikes in numerous cities, opening the floodgate to collective bargaining rights across the country. Since then, teacher unions have amassed, by means of union dues and voluntary contributions, extraordinary sums for use in elections at all levels of government. In addition, teachers, spread as they are across the political landscape, located in every political constituency, trained in the arts of writing and speaking, are effective campaign workers and able policy advocates. Ever since the days of Jimmy Carter’s endorsement of a national Department of Education, teacher unions have committed all but a small fraction of these resources to the service of Democratic party candidates.

Significantly, teacher unions have more influence in state and local politics than at the national level. When the Nation at Risk report was issued, teacher unions were well positioned to shape state and local response. Teacher salaries rose, and class size fell, but the main reforms recommended by the Nation at Risk report were never implemented. The school year became shorter, not longer. So did the school day. Students did less homework. And student performance remained virtually stagnant for the next two decades. State and local government acted as a brake on change, not a catalyst for experimentation. Republicans were forced to rethink their view of federalism.

In Washington, teacher unions are challenged by a network of think tanks, cause organizations and policy professionals who articulate the reform agenda spawned by A Nation at Risk. In state and local politics, unions seldom face as well-defined an opposition. In Washington, presidents are able to use their rhetorical powers to control the political agenda. Interest groups must work within the constraints the agenda setter creates. At the state and local level, these same issues become matters of implementation, something that well-organized insiders can control. The greater the control at the lower tiers of government, the more obstacles education reformers encounter.

What’s true in education applies more generally. Public sector unionism carries greater weight in state and local elections than in national
ones, simply because, at the local level, elections have low visibility, with few voters and obfuscated issues. As V. O. Key noted long ago, it is in such contexts that the well organized have the most clout. According to some estimates, public sector employees out-vote the ordinary citizen in local politics by a ratio of anywhere between 2 : 1 to 6 : 1. (Moe 2003, 2005)

Nationally, public sector unions must make their demands in open daylight and argue against the claims made by other interests. The large number of other voters swamps the significance of federal employees, who, after all, amount to little more than 1 percent of the federal electorate.

Consider the fate of the Homeland Security bill in 2002. The president called for the elimination within the new department of many of the traditional civil service prerogatives that federal workers enjoy. In language reminiscent of Calvin Coolidge’s, he claimed that national security was too important to let workers’ rights stand in the way. The Democratic party leadership in the Senate, prodded by their public sector union allies, fought the president bitterly, preventing passage of the law prior to the 2002 congressional elections. As a consequence, the issue dominated the closing days of the fall election campaign. Afterwards, Republicans felt the issue won for them control of the Senate. Democrats apparently agreed with this assessment, for in the aftermath of the election they quickly acquiesced to presidential demands. In short, public sector unionism lacks the clout in Washington it enjoys in state houses and city streets.

Conclusions: Partisanship and the health of a federal system

Nothing in this analysis should leave the reader convinced that Republicans will in short order become aggressive Hamiltonians. Especially within the judiciary, one should expect a sentimental attachment to past Republican federalism clichés. The quaint revival of a faded version of dual sovereignty theory by a bare majority of Supreme Court justices, all of them Republican appointees, is particularly out of step with the times. But one should not give too much weight to the Rehnquist court’s rediscovery of dual sovereignty. Thus far, the Supreme Court decisions in which the concept has been invoked have been of minor significance. According to these decisions, Congress cannot order states to dispose of their low-level radioactive waste and cannot regulate the use of guns on school grounds. Disabled Americans cannot use federal law as the basis for a suit against state governments. These are interesting,
even novel, interpretations of the Constitution. But until something more substantial is forbidden in the name of dual sovereignty, not much should be made of these cases.

Politically, the pressures for a resurgent Hamiltonianism within the Republican party seem stronger than ever. A security agenda requires a strong national government. Containing the welfare state will require the exercise of national control. State professionals can be expected to resist the new reform agenda to which many Republicans are committed. Public sector unionism, one of the most powerful sources of resistance to Republican objectives, is more entrenched locally than nationally. Inasmuch as Republicans control all the power centers of the national government, they have little reason to trumpet the rights of states, many of which remain in Democratic hands.

Conversely, the Democratic party must either win the presidency or find solace in the gubernatorial chairs it holds and the state legislators it has elected. Much of the time, it is fighting a rearguard action, one better fought in the hinterland than in the capitol city. The street-level bureaucrat is now, more than ever, a major source of its political strength.8

One should not expect either party to give up nominal commitment to the ideals they have each long expressed. But neither should one expect either party to act assiduously to protect them. Party interests have changed. So must their principles. We call attention to this fact not to lament it but to underline the durability – and value – of American federalism. Institutions need to have strengths beyond the interests of particular groups and parties. As Madison pointed out, federalism safeguards liberty by protecting minorities. As Brandeis observed, it provides places for experimentation. Its place in the American political system needs to be more deeply embedded than in the faith system of any one particular party. At the same time, Hamilton’s view of the value of central authority cannot be gainsaid. Without a strong central government, a nation’s economic prosperity is endangered. The United States needs to search for the appropriate balance as much today as it has in centuries in past. Shifts in partisan attachments may be one way of finding it.

Acknowledgments

For their comments on earlier drafts of this paper I wish to thank William Howell, Martin West, the participants in the Spring 2004 Research Workshop in American Politics at Harvard University and, the Conference on Federalism at Syracuse University, April 10–11, 2003.
Notes

1. For a standard “left” view of federalism, see Choper, 1980.
2. For a dissenting view, see Rosenberg, 1991.
3. Florida is not the only state where state judges have become more activist-minded. Although it is too soon to tell whether state courts are now more activist than federal courts, it is at the state level that courts are extending civil union and marriage rights to gay couples, even when Congress is forbidding the recognition of such rights. Also, states have been more willing than federal courts to assess high punitive damages to businesses and corporations in class action cases. See, for example, *Campbell v. State Farm*, 2004.
4. For his insights on these matters, I am indebted to David Luberoff, Director of the Rappaport Institute on Greater Boston at the Kennedy School of Government.
6. I am indebted to Martin West for providing both the analysis and the evidence on the rise of public sector unionism.
7. Of 14 Supreme Court decisions between 2001 and 2004 involving federal questions (apart from *Bush v. Gore*), in all but one the liberal-conservative split was along traditional lines. For the exception, see *American Insurance Association v. Garamendi*, 2003. On the reasoning of court conservatives, see Melnick, 2003 and Pettys, 2003: 329–91. An interesting case before the US Supreme Court during its 2004–05 term pits social conservatives against market conservatives. The former support state restrictions on the sale of alcoholic beverages over the internet; the latter find this an interference with interstate commerce. See Brown, 2003.
8. The term is taken from Lipsky, 1980.
The present book mainly deals with the impact of institutional change on issues of democracy, welfare and policy divergence in federal states. This chapter, by contrast, is primarily informed by the experience of Western continental Europe, and France in particular, that is, a non-federal state. The French case is interesting, since two decades of ongoing decentralization reforms have left a profound impact on the organization of French society. Issues of territorial inequalities and policy divergence are now central in French politics, as is the fact that these debates take place within an increasingly Europeanized polity. Keating (1998: 185) has shown in detail the importance of the European Union in structuring the “new territorial politics” in Western Europe, within and beyond the state: “The new territorial politics is focused less on territorial management and national integration, and more on territorial competition, within national arenas but also within Europe and the wider market.” The enlargement of the European Union, now comprising 25 members, the decreasing salience of EU regional policy (i.e. financial support for the less developed regions), the iron law of EU competition policy, which prevents local or state aid to firms, and the ongoing privatization and competition between providers of what was seen as public services all shape territorial and other politics. Regional governments are increasingly under contradictory pressures from both Europeanization and changes in the society (see also Joan Subirats’ chapter in this volume).

It is worth starting by emphasizing the limits of the arguments about the impact of institutional reform on a given place. We take it for granted the fact that there is never a simple causal relation between the creation or reform of a government and changes in complex issues such as government restructuring, social order, economic development or
democracy. First, for instance, within the European context, neither the EU nor the regions emerge within a vacuum. Any emerging level of government is profoundly dependent upon the support, the conflict and the interactions with other levels of government.

Second, as social scientists, we tend to consider the impacts of government in relation with the economy and the society at a given moment. The success of German Länder remains for instance a remarkable example of institutional creation after 1945 despite the conditions under which they were created. But it is hard to see how a similar imposed reorganization would lead to the same results in Germany now, or anywhere else. The remarkable surge of Autonomous Communities in Spain does not make sense without the end of Franco’s dictatorship. Historical dynamics are fundamental to territorial politics.

Third, institutions are embedded and interact with “varieties” of organized capitalism and different types of societies. Beyond the characteristics of the state, attempts to create regional governments have different meanings and different impacts depending on whether they take place within an old jacobin state – a profoundly territorialized and differentiated society marked by lack of trust towards the state – or in a small, homogeneous, universalist welfare state. From that point of view, the emphasis is on analyzing the combination over time rather than the impact of whatever level of government upon X or Y. Within the rich world of local and regional government and democracy, the number of combinations and counterexamples is enormous. This breadth explains the frustration of researchers attempting to rationally show the convergence of structures under the impact of one single factor such as the institutionalization of the European Union (which was once expected to lead to the creation of regions across the continent).

Fourth, although, regions, cities and local government take different forms in different countries, there are indications that in terms of the state-society relationship, what takes place at the regional level is not the same thing than what takes place at the neighborhood, local or sometimes urban level. Much of the discussion about local and regional democracy is blurred by the overly general category of “subnational,” as if everything else than the state itself is supposed to react the same way.

The current chapter is organized in two ways: in the first, speculative section, it discusses the likely impact of regional government on society and economic development. The second section of the paper attempts to deal with the issue of inequalities. It argues that within the parameters of a unitary state, financial and political mechanisms, allow for decentralization and reduction of inequalities to go hand in hand.
The evidence will be provided by new data which has been put together for the French case.

**Impact of regional governments**

*Do regional governments bring government and society close together?*

This question is often raised in politics. It implicitly assumes either (1) that society is more organized at the regional level rather than some other or (2) that society is generally more organized at the local level and that regional government is closer to society than national governments. Both arguments require some assessment. We would argue that if they are examined, the key variable turns out to be “society,” and not regional government. Classically, the concept of society refers to three ideas: the idea of intensity of relations between individuals and groups, the idea of capacity and autonomy, and, finally, the idea of territory. A society may be defined as a human grouping characterized by culture, institutions, values and ideas.

In Western Europe, for about a century it was the case that “the abstract idea of society cannot be separated from the concrete reality of national society, since it is defined as a network of institutions, controls and education, which relates to a territory and a government” (Touraine 1990). This meant “the relative integration of a national economy, a social grouping, a political system and a modern culture within a territory controlled by the state, so that a national society is a structured community, into which all these elements have been integrated.” The nation-state represented an horizon beyond which society could not travel. In this model, the nation-state had the monopoly over the structuring of identities, and what was left – local and regional identities – seemed to be remnants of tradition that were gradually being eroded by the modernizing force of the nation-state. This national society resulted both from the political project of élites and from the pressures of groups sharing a language and a culture. Large organizations were a powerful means of mobilizing this national society: parties, trade unions, the Church, employers’ organizations and large associations structured society and defended their interests at the center.

Closely linked to the political project of the making of the nation-state, national society has been constructed, both socially and historically, and with varying degrees of proactive intervention, in such a way as to erase internal differences. This homogeneity is particularly marked for the Scandinavian nation-states (except the Sami). However, even in the
case of France, local and regional diversity in France only really became blurred in the 1960s with the advent of mass consumption and television. These surviving local and regional societies, and their tradition of dynamism, have also provided the basis to understand the territorially differentiated Italian society. Territorial social and cultural cleavage did not ever disappear in most nation states.

Within Western Europe, each national society has followed its own version of the Weberian process – that is, the dual movement in which borders are strengthened and inside differentiated from outside, while an internal order is organized and a national society gradually homogenizes (Bartolini 1998), despite homogenizing international relations and international commerce. Crouch (1999) stresses that the social compromise forged after the Second World War gave a new vigor to this model. European industrial capitalist societies were organized around the state, its citizens’ rights and its institutions.

Even today, most social structures are to be found within the national context, and European societies function there. However, the cycle of a century of reinforced national structuring of European societies is perhaps now coming to an end. Transnational networks, Europeanization and globalization processes, and pressures from cities and regions are damaging the never quite realized model of national society. Although still robust, the national model of society is under enough pressure from all these processes to sustain much jargon about the “denationalization of society.” And it is easy to argue that there is no mechanistic transfer of the mechanisms that structure the national state to some other level, such as the regional.

In most areas of contemporary social life – work, family, consumption, education, leisure, politics, religion – social science research tends to stress individualization and fragmentation but also rearticulation of groups, differentiation, pluralization, detraditionalization and deinstitutionalization. These processes are often proposed under the heading of the fragmentation of societies (Dubet and Martucelli 1996; Lash and Urry 1993; Mingione 1991) and the apparently ever increasing autonomy of individuals vis-à-vis national institutions. Hence political parties, national economic interests, national churches, national armies (the military industrial complex) but also welfare states and school systems are facing increased pressure from above and from below in most European countries (Therborn 1995; Mendras 1997). That does not mean they are disappearing. But national institutions which used to structure societies, to organize interactions, provide social links, representations, norms, social practices are less and less able to impose their logic. They
are less able to work as hierarchies or structures of control and domination. Individuals and groups, or some of them, have more ability to exit. In polarized societies (Netherlands, Belgium) or national societies organized around the dynamics of two conflicting forces (Catholicism and communism in Italy for instance), national sets of institutions bringing together schools, parties, trade unions and various organizations, are less able to integrate individuals, to structure society and to define boundaries. Immigration, too, is an important feature which reinforces the processes of differentiation and pluralization of national societies, albeit more in North America than in Europe, and although hotly contested in many cases (Joppke 1998; Rex 1997).

Beyond national societies, sociologists of globalization suggest that ever-stronger cross-national flows of people, money, information and images make nations less important in people’s lives. On the one hand, there is an increasing role for transnational practices and networks from above and from below. Changing national societies are analyzed in terms of growing interdependence, transnational practices and the ever growing dynamism and expansion of social networks (Hannerz 1996). This raises the question of what is left of national societies when there is growing pluralization of the population (immigrants from different backgrounds, illegal workers and cosmopolitan high flyers) and cross border flux. Transnationalism (Appadurai 1996) from above (for instance related to the transnationalization of firms) is also matched by transnationalism from below (Sassen 1994). If population flux and networks lead to interdependent national societies, what is left of national society?

And is the making of the European Union having an impact on national societies, or even, should it have an impact? Recent overviews of social changes in contemporary Europe (e.g. Crouch 1999) have clearly underlined the fact there is no such thing as a European society. But the making of the European Union is also a political project which aims to promote a European model of society based on welfare, universal services, in contrast with the United States based on social cohesion. The development of indicators goes hand in hand with elements of rationalization and normalization around European standards (for instance in higher education). European public policies strengthen some groups, influence representations of the society and become the central focus for interest groups. Increased mobility (students, tourists, immigrants, business) within Europe enhances interdependencies. Groups involved in Brussels learn about other countries and enter into discussions about European norms and policies (a competitive game) which, eventually become binding rules. The slow emergence of a
fragmentary European society, articulated upon increasing diversity, is led by discourses, images, rules and interest groups. It is pushed in particular by the middle classes which have the skills to take advantage of all ranges of opportunities, but other groups and social actors are also involved. Can regional governments have the same impact on societies?

The question of the nature of society also matters in understanding local and regional politics. At the time of the triumphant modern nation state in the 1960s, new forces started to appear which used localities and regions to contest national homogenizing tendencies: new social movements, regionalist movements. When social and economic mobility meant that regions and localities became less important as constraints on individuals they became increasingly significant for the formation of social groups, the invention or re-invention of identities and solidarities within or against the nation-state. While national symbols started to lose their significance in the face of the uncertainties and variability of economic relations, and the state became less central, local and regional cultures became codes for the satisfaction of needs for self-expression and identity. In Europe, the rise of infra-national territories was first led by cultural minorities which resisted the homogenizing forces of the nation-states and/or which were economically losing ground within the national economy. As was mentioned before, few states were homogenous to start with and national integration was incomplete because cultures, identities, traditions have not been eliminated (Keating and Loughlin 1997). However, even if the renaissance of regionalism and localism has often been interpreted in cultural terms the question is not to know whether the rediscovery of local cultures stems from the need to express identity. That may be the case, without it having much effect on social organization.

The revival of identity-seeking claims perhaps counts less in Western Europe for explaining regional and local mobilization than the (offensive and defensive) reaction to globalization processes. Sub-national, territorial, political mobilization is pushed by the need to face the destructuring of local and regional societies, pressure from globalization processes and rivalries among sub-national territories. Faced with logics of fragmentation, social groups, organized interests and political elites mobilize for collective projects, reinvent local identities and organize in governance regimes in order to resist or adapt to globalization processes. But pressures on the nation-states also apply to regions or localities and fragmentation often prevails. Pressures on national societies and the restructuring of the state itself within the European Union mark the end of one cycle of the state story. In Europe, political sociologists are
looking forward to seeing the “post nation state period” and the making of a more open, tolerant, pluralist (post modern?) society within some form of constitutionalized state (Habermas 1996).

In the European context, the fragmentation pressuring national societies also pressures regional or urban societies. One of us has argued elsewhere made the case that in the European context it was difficult to conceptualize regional or urban societies (Le Galès 1998, 2002) and that it made far more sense to think at the level of medium-sized cities. Regions or cities do not develop solely according to interactions and contingencies: groups, actors and organizations oppose one another, enter into conflict, co-ordinate, produce representations in order to institutionalize collective forms of action, implement policies, structure inequalities and defend their interests. Consequently, they can, be studied as incomplete local societies. Local and regional societies are the result of interaction between multiple actors working at different levels, some of whose actions are guided by local or regional society and take on a particular pattern over time. They are stabilized by a set of organizations, linked to the government in varying degrees. Social movements, associations and sometimes even families, are deployed in different organizations and help to shape – although always partially and with only occasional stability – a degree of coherence and a certain local or regional social and political order. In the tradition of Weber, the city or the region as society can be analyzed in terms of aggregation, integration and representation of groups and interests. But regions and cities at best are only one of the levels at which social actors interact, represent themselves and live in mutual interdependency.1

This analysis works when regions and/or cities are structured in their economic and cultural exchanges and the different actors may be related to each other in the same local context with long-term strategies, investing their resources in a co-ordinated way and adding to the social capital riches. In this case the society appears well structured and visible, and one can detect forms of (relative) integration. If not, the region or the city reveals itself as less structured and as such no longer a significant subject for study: a place where decisions are made externally by separate actors (Bagnasco and Le Galès 2000).

This long analysis has identified some of the dynamics of contemporary societies and the extent to which a case could be made to analyze local regional societies. And if there is a case to be made to analyze a few regional societies in Europe, they still remain the exceptions. We could better hypothesize that the impact of regional governments will be essentially differentiated in accordance to the type of regional societies.
This simple argument does not take into account the long-term effect of institutionalization of regional societies following the development of regional government. However, it does help to differentiate cases:

**Case 1:** There is something of an organized regional society which is identifiable in institutions, interest groups, identity and mobilization, for instance Catalonia in the 1970s or Brittany in France. In that case, the creation of regional governments adds a pillar to this existing society and the idea of closer relations between regional government and society makes a lot of sense.

**Case 2:** There is no such thing as a regional society, and not much local society either within an homogeneous nation/state. Regional governments are unlikely to have any significant impact in terms of closer relations between society and government.

**Case 3:** There is no such thing as regional society but there are relatively strong local societies. Regional government is unlikely to have any impact in terms of closer relations between state and societies (Italy for a long time) or worse can even increase the distance if power is taken away from local government. The scale issue is central: it is common for increased institutional proximity at one level to create new distance at another.

A different assessment may emerge from the long term perspective for cases 2 and 3 in particular.

In a neo-institutionalist scenario, the creation of a new level of government goes together with the creation of norms, the stabilization of interactions among different groups, public policies with impacts in terms of resources, clienteles, voluntarist mobilization to create an image and a cognitive framework for inhabitants and political entrepreneurs actively seeking to legitimate a new institutions. Over a relatively long period of time, a successful regional government can articulate and structure networks (Balme 1998), can contribute to the making of a regional society, and can contribute to closer links between society and government. Organized groups, civil society organizations, trade unions or political parties, in this rather functionalist view, are likely to reorganize and interact at the regional level and therefore develop regional conflict-solving mechanisms and political debates (see Stone Sweet 2000 on similar dynamics at the EU level). To some extent, the case of German Länder or the more recent case of Lombardy in Italy follows this pattern. But there are many cases in which this virtuous circle does not take place.
In institutional design terms, it is possible to speculate on the factors which would make such a virtuous circle possible, whatever the existing conditions in terms of society. First, as pointed out before, interactions with other levels of government are central. If the creation of regional government goes together with creation or the strengthening of any other level of local and regional governments, the neo-institutionalist scenario of regional strengthening is unlikely to take place, or it will happen only slowly. A good example is the creation of French pseudo-regions in 1972. They became a regional level of government in 1986. By contrast, it is possible to argue that the failure of the 1990 act on metropolitan government in Italy, which stifled a rival level of government, has probably facilitated the rise of regional government there.

Second, the more power and resources the new regional government has, the more likely the neo-institutionalist scenario becomes. Legal power, hierarchical power over other regional levels of government, financial resources, financial autonomy, legal and financial capacity to implement public policies and resources in terms of bureaucracy and expertise are all likely to make that scenario more likely. Again the ambiguity of French decentralization laws, or, in Britain, the limits of the Greater London Authority underline the importance of those classic factors.

Third, there is the legitimacy issue. Two factors are supposed to enhance the legitimacy of a regional government: the election, the input dimension of legitimacy in the words of Scharpf (2000) and the impact in terms of public policies, that is the output dimension. Within my limited knowledge, there is some evidence that success in terms of public policy, in particular in terms of economic development and welfare but possibly in terms of environment, transport or culture, tends to increase the legitimacy of a regional government. Stronger evidence is needed before we can assert this, though.

Do regions help economic development?

A second classic argument in favor of regionalism deals with issues of economic development and mobilization for economic development. The issue of economic development has clearly become a major issue for all levels of government, and regions in particular in most part of Europe. We argue that this is not related to the creation of regional government as such but is due rather to the changing role of the state in the economy, the rise of SMEs (small and medium enterprises) and the development of local production systems requiring goods and services which can be produced at the local and regional level.
Briefly the argument could be stated as follows: (1) nation-states play a less important role in the structuring and the governance of the economy as economic policy and rules are less determined by the state and more by the European Union, the European Central Bank or trade agreements; (2) Large transnational firms but also many SMEs operate on an international scale and have the capacity to exit, one dimension of globalization; (3) Issues of equity among regions and interventionist regional policies are giving way to a more regulatory state and to competition between territories; (4) Cities and regions are not anymore protected by the shield of the state and remaining levels of poverty and unemployment bear witness to the limits of the state, hence questioning its legitimacy. It follows that from the mid 1970s onwards, the mobilization of local and regional authorities to promote economic development has increased and moved to the core of urban and regional politics (Brenner 2004; Harding 1996; Le Galès 1993).

Within that context, regional governments, together with other levels of government, have become more concerned with economic development issues. It is, for instance, striking to notice that although French and Italian regional governments were supposedly given powers to enhance economic development, cities and provinces or departments have also done the same without the formal powers. This prevents the development of a clear structure for regional economic interests – the famous “paradox of regions” identified by Trigilia in Italy (1991) and Le Galès in the French case (1994).

A second issue contributes to the rise of economic development issues at the local and regional levels, and the role of SMEs in particular: the demands from the firms themselves (Crouch, Le Galès, Trigilia and Voelzkow 2001 and 2004; Veltz 1996) in relation to the above mentioned importance of economic development. In order to develop and prosper, firms need to use all sorts of goods and services that are provided in different ways, from knowledge about foreign markets to specialized skills. Where autonomous SMEs develop, the theory suggests that they spread a culture of endogenous skills that may survive the departure or collapse of some individual firms. These are viable alternative forms of manufacturing in advanced societies beyond the model of large firms and classic cases of vertical integration.

A central problem for small or even medium-sized firms in an advanced economy is that, while large corporations can provide many of these goods in-house for themselves, smaller firms must buy them on the market, where transaction costs are likely to make them more
expensive than in the large-firm case. They often lack the specific resources that would enable them to cash in on their potential advantages within the competitive marketplace – flexibility, creativity, the high motivation of both management and workers, links with innovative firms and markets, and others – and can be pushed out by large firms. They may lack, for example, specialized expertise regarding the introduction of new technologies; or they may need information regarding current developments on sales or procurement markets; or they may be too small to afford the costs of setting up a differentiated marketing system.

Many SMEs solve these problems by clustering geographically, and finding means whereby these facilitative goods and services can be made available on a more or less non-market basis within the locality. Within such a network, internal co-operation secures firms’ external competitiveness. In other words, networked forms of production make firms more dependent on the local environment in which they are located. Therefore, local contexts became important as providers of rich external economies.²

 Provision of such goods on a more or less non-competitive basis among firms otherwise engaged in product competition will rarely be maintained by chance. If they are provided without cost, who has an incentive to supply them and to maintain their quality? And who can control access to them, so that the beneficiaries remain the intended ones?

We can hypothesize that local collective goods and the modes of local or regional governance of the economies are the key to explaining the successes of local economies (Crouch, Le Galès, Trigilia, Voelzkow 2001). When a local industrial system is developing, it is usually possible to identify the collective competition goods that were sustaining it, and the governance mechanisms which in turn held these in place. SMEs and local production systems based on them had been able to develop – and avoid the predictions made of their demise – though this often took the form of becoming part of localized supplier hierarchies grouped around one large enterprise – a change that can be described as a change from the “network of firms” to the “networked firm” (Crouch Le Galès and Voelzkow, Trigilia 2001). Interpreted in terms of governance mechanisms, both the market and the corporate hierarchy are exogenous to particular localities, and both contrast with the community regulation of the classic industrial district. But the hierarchy of a typical corporation, like community regulation, operates through agencies and organizations which are related to regional and local governments, including business associations.
Again, in that case we concur with Harding’s analysis that there is no obvious impact of regional government on economic development (2002). Rather, most of the effective support to firms and networks of firms is organized both at the local and regional level. If regional governments concentrate on economic development issues, they are part of the “new territorial politics” together with other levels of governments.

But because this “new” political economy of regions is more about competition between territories, and less about opposing the state, a “new regionalism” has emerged over the past two decades (Balme 1996; Keating 1998). As mobilization against the state has become less central in many regions, the combination of identity and successful economic development has paved the way for regionalist movements in Italy, Spain and to a lesser extent Belgium, France and Germany. In the development of new regionalism the involvement of social partners is one variable among many. Economic interest groups, including trade unions, are slow to re-organize their level of territorial organizations. In Italy and France for instance (large non-federal countries), social and economic partners are slowly organizing a rather weak level of coordination at the regional level. In other words, the neo-institutionalist argument about regional government might work, but the processes it describes might be very slow.

Is such regionalization then a good thing or not? Again, the question only makes sense if one asks the questions (1) good thing for who? and (2) to what extent is the involvement of social partners at the regional level related to reorganization of other levels of governments? The European Union, for example, is using partnership as a norm for structural funds programs but the judgment about whether that is a good or bad thing depends upon the criteria and the group (Benington and Geddes 2001).

Decentralization and inequalities: The French case

The question of the link between the state’s organization and the level of equality among citizens is an old one for political scientists. In a centralized state, equality is supposed to be guaranteed by the centralization of the state. Centralization would assure that each citizen gets the same treatment. In federalist states, equality is supposed to be established by balancing out between local governments. In decentralized France, interterritorial financial equalization does exist, between regions on the one side and départements on the other side. It attempts to compensate for the differences between local governments caused by an inferior tax potential (in “poor” local governments) or by the importance of the
population who are targeted by the public policies of the various governments. Such equalization raises the question of governments’ efficiency. The question is made more complex by the gap between public policies in the policy areas covered by equalization payments, and the domains in which local governments intervene without support from equalization mechanisms. When local governments intervene in policy areas for which they lack competences no equalization mechanism reduces the gaps between their funding.

Classically, in unitary states, the rise of welfare states and centralization went hand in hand with the decline of regional and local inequalities. In some cases, the process was politically driven with the objective of creating an homogeneous nation-state. In France for instance, Tocqueville has shown that the passion of equality has been a major motive for the development of the state. In Scandinavian countries, the development of the universalist welfare state was a powerful tool to decrease individual and regional inequalities, as it also was in Britain and France.

Decentralization reforms therefore are often associated with increasing inequalities and are contested upon those grounds. Different large scale reviews of the subject, such as Richard Simeon’s chapter in this book, tend to give credit to the argument. We won’t dispute that. However, we’d like to argue that there is no straightforward relationship between the two variables. Making a partial assessment of the French case, we’d like to argue that political mechanisms associated with the decentralization dynamics have rather contributed to the decrease of at least some regional inequalities.

There are two mechanisms:

1. Within a centralized welfare state, decentralization does not impede the massive redistribution mechanisms which automatically support the population outside the richest areas and thereby promote inter-regional equality.

2. Decentralization reforms make the issue of regional inequalities more salient, promoting national political mobilization to increase financial redistribution among regions. Decentralization reforms have given autonomy and room of maneuver to regional political entrepreneurs. This has been used to measure and rank different access to public services (health, education), data which was not available, or not public at the regional level. Regional inequalities have become much more visible. This has given regional political leaders the opportunity to target the more obvious inequalities on a regional basis or to get more resources from the state. In the fields of health
and education in particular, decentralization has permitted effective mobilization against important inequalities.

Decentralization started slowly as a movement in the 1960s and was accelerated in the 1980s. Briefly, the French system of local and regional government comprises 36,500 communes (the oldest structure, inherited from the parish system), about 3000 intercommunal organizations (including metropolitan governments), 96 départements and 22 regions (territories outside mainland France are not included here). Basically the system brings together the old rural system of communes and departments inherited from the jacobin Revolutionary model, the symbol of French centralization, together with the new systems of metropolitan government (coming of age in the 1990s) and the regions (which emerged as an official level of government in the 1980s and have slowly gained importance ever since). In short, the 96 départements are the level of social and territorial solidarities in charge of social policies, except some social benefits which remain the responsibility of the state.

The départements are also in charge of the secondary schools buildings, their construction, renovation, extensions and repair; they shared with the State the responsibility for territorial planning and can also complement regional actions regarding economy. Regions, which have become full local governments, are in charge of the development of their territory, and are leaders in the economic affairs. Regions also have responsibilities for vocational training and the buildings of the lycées (second level of the French high school system). They benefit from growing resources, from the Contrat de Plan Etat-Région (joint actions of a region and the State), direct financial grants from the state, and their own taxes.

Proposition 1) Within a centralized welfare state, decentralization does not prevent the strength of massive redistribution mechanisms which automatically support the population outside the richest areas.

This section derives from the important contribution of the economist Laurent Davezies. Analyzing regional inequalities over the past two decades, that is, since the implementation of the major decentralization laws, he was able to demonstrate two points.

1. In terms of GDP per inhabitant per region, and in terms of productivity, the gap has increased between the Ile de France (Paris) region and the rest of the country. Ile de France concentrates about 23 percent of the population and produces about 30 per cent of the GDP, as shown in Figure 6.1.
The French market-oriented economy is now concentrated in the Paris region, the Rhône Valley, and to a lesser extent in the south east, Alsace and West of France. In crude terms during the height of the fordist period, the French voluntarist regional policy aimed at mobilizing the workforce in every remote corner of the country. Now, more than one civil servant takes the view that market discipline should be imposed on some poorer regions to force them to compete – but that it does not matter too much for the real French economy whether they do or not. Over the 1980s, mainly for economic reasons, the Ile de France region has overshot economic trends, growing more than the rest of France during the growth period, but also declining more during the 1992 recession. All in all, this measure clearly indicates increasing inequalities between regions in the French case, although the explanation at this stage is not related to the impact of decentralization reform.

2. GDP per inhabitant is not an adequate measure, though, as it focuses on the market productive side. As argued by Davezies (2001), there is a high level of redistribution between Paris and the rest of the country. Another way to measure inequalities is indeed to concentrate on
regional inequalities measured in terms of income. This measure, *income per inhabitant*, shows by contrast a regular decline of regional *inequalities* that is, that the massive redistribution mechanisms of the welfare state at work.

Recent work confirms the assessment of Davezies, that is, the level of inequalities between regions measured in terms of revenue has been systematically declining over the past three decades (Figure 6.2). The level of regional inequalities in France has probably never been so low. All this has very little to do with globalization on the one hand or decentralization on the other. Massive centralized welfare state redistribution mechanisms, social security or pensions, did it.

Those figures shed some light on one of the main redistributive issues related to decentralization. They underline the growing gap between the market productive side, in which we see great interregional inequality, and what Davezies call the “residential economy,” which is largely built on social transfers.

Figures 6.3 shows the increasing discrepancy between income and GDP per inhabitant measured at the level of regions Ile de France is increasingly productive and dynamic, is getting younger and concentrates
of the highest level of wealth and inequalities. It is the greasy pole that ambitious people try to climb, attracting the most qualified labor force and the firms in dynamic economic sectors. Other regions such as Limousin or Languedoc Roussillon are getting older and older, their economies reliant on tourism, pensioners, and what Davezies calls the “residential economy.” There are therefore large groups of organized interests within those regions that oppose any regionalization of welfare or social policy on the grounds that it would threaten the large-scale redistributive mechanisms on which they depend (see Charlie Jeffery’s chapter on this point as well).

It is however important to stress the interdependence of those regions: busy Parisian middle classes need rural countryside and the mountains to escape the pressure of their daily lives. They spend more and more time outside Paris and often send their children away for three months per year. Once they get older they leave Paris for calmer places. In an old centralized state, despite two or three decades of decentralization, powerful redistribution mechanisms remain fundamental to the economy and society while, deeply ingrained and yet constantly changing interdependence also continues to make sense.

Figure 6.3  GDP per capita and raw available income per capita in Ile de France compared to French mean (100)

*Source:* Calculations from INSEE data.
Proposition 2) More visible inequalities and the opportunity to make more targeted interventions produce decentralized political mobilization to reduce regional inequalities.

At the beginning of the 1980s, the French Ministry for National Education initiated an ambitious new policy with the aim of obtaining an 80 percent success rate for students taking the baccalauréat, the final exam at secondary school before entering university. The first results demonstrated a gradual improvement on the number of students passing the baccalauréat: in 1972 the figure was 24.2 percent, it rose to 51.1 percent in 1992 and to 61.8 percent in 2002. This policy was started at the time at the coming of age of regional government.

An interesting development has been the notable reduction of the gap between regions, or académies as there are known by the Ministry of Education. The number of students passing the baccalauréat in the regions improved by reference to the French average. For example, between 1975 and 1992, 13 regions improved their average figures in relation to the French average. This was the case for Rennes, Nancy-Metz, Poitiers and Orléans-Tours. During this same period, the average figures stabilized for 7 académies and for 7 académies (Corsica, Nice, Aix-Marseille, Montpellier, Bordeaux, Strasbourg and Créteil) the average figures improved.

From 1992 to 2002, the trend was the same. Seven académies narrowed the discrepancy between their average results and the national average. Another 7, after the period 1975–92, continued to improve their average figures by reference to the French average (the academies of Rouen and Caen for example). Others obtained even higher results than the metropolitan average. Only seven académies (Corsica, Nancy-Metz, Strasbourg, Orleans-Tours, Reims, Lille and Amiens) had a negative performance (in other words the discrepancy between their average figures and the metropolitan average increased) (Tables 6.1 and 6.2.)

Those figures demonstrate reduced inequalities among regions. It is important because success in the Baccalauréat is considered as a major indicator to measure education performance. We argue this is related to the decentralization process.

National expenditure is of course a factor regardless of regionalization. The central administration implemented action plans, especially in deprived areas, which contributed to reducing inequalities between academies. But this central government effort did not happen by accident. Those regional inequalities had not been studied or identified as a problem in the past, and most figures were not systematically available on a regional basis. Although national policies would take into account
those inequalities, it was never a major priority. The first regional elections in 1986, though, had one immediate effect: the systematic production of regional statistics, and the political pressure to get the full picture even in this matter of national policy. Regional governments put pressure on national government officials first to produce the statistics they needed, and second to make them available and visible they then mobilized political resources within the French political system to redress the inequalities. The region Nord-Pas-de-Calais, for example, was among the regions with the worst educational results. Decentralization reforms gave an impetus to its regional elites to mobilize in Paris in order to get more resources from the Ministry of Education to reduce this inequality. They did that within the normal parameters of French

<table>
<thead>
<tr>
<th></th>
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<tbody>
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<td>18,1</td>
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</tr>
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<td>Nice</td>
<td>6,8</td>
<td>-3,6</td>
<td>-1,8</td>
</tr>
<tr>
<td>Toulouse</td>
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<td>4,7</td>
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<tr>
<td>Versailles</td>
<td>3,3</td>
<td>1,1</td>
<td>1,8</td>
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<tr>
<td>Aix-Marseille</td>
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<td>Nantes</td>
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<tr>
<td>Créteil</td>
<td>-3,5</td>
<td>-6,7</td>
<td>-7,1</td>
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<tr>
<td>Orléans-Tours</td>
<td>-3,7</td>
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<td>Poitiers</td>
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<td>Reims</td>
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<td>Rouen</td>
<td>-6,4</td>
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Source: French Ministry for National Education.
Table 6.2  Education spending among regions, 2003

<table>
<thead>
<tr>
<th>Region</th>
<th>Expenditure on secondary education</th>
<th>Operating expenditure</th>
<th>Capital expenditure</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Total (millions of euros)</td>
<td>% of the total budget</td>
<td>% financed by the DGD</td>
</tr>
<tr>
<td>Alsace</td>
<td>89,1</td>
<td>19,1</td>
<td>28,3</td>
</tr>
<tr>
<td>Aquitaine</td>
<td>146,6</td>
<td>22,3</td>
<td>37,1</td>
</tr>
<tr>
<td>Auvergne</td>
<td>65,9</td>
<td>15,1</td>
<td>20,8</td>
</tr>
<tr>
<td>Bourgogne</td>
<td>66,6</td>
<td>18,5</td>
<td>24,3</td>
</tr>
<tr>
<td>Bretagne</td>
<td>152,4</td>
<td>23,4</td>
<td>44,1</td>
</tr>
<tr>
<td>Centre</td>
<td>160,5</td>
<td>26,1</td>
<td>41,3</td>
</tr>
<tr>
<td>Champagne-Ardenne</td>
<td>99,7</td>
<td>26,5</td>
<td>29,4</td>
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<tr>
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<td>4,6</td>
<td>7,3</td>
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<tr>
<td>France-Comté</td>
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<td>21</td>
</tr>
<tr>
<td>Languedoc-Roussillon</td>
<td>139</td>
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<td>28,7</td>
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<td>15,2</td>
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<tr>
<td>Lorraine</td>
<td>95,5</td>
<td>17,8</td>
<td>39,9</td>
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<td>Midi-Pyrénées</td>
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<td>38,6</td>
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<tr>
<td>Nord Pas de Calais</td>
<td>247,1</td>
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<td>76,6</td>
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<tr>
<td>Basse Normandie</td>
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<tr>
<td>Haute Normandie</td>
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<td>36,9</td>
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<tr>
<td>Pays de la Loire</td>
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<td>53,4</td>
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<tr>
<td>Picardie</td>
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<td>40,5</td>
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<td>Poitou-Charentes</td>
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<td>Metropolitan France</td>
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<td>Réunion</td>
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<td>13,8</td>
<td>10,7</td>
</tr>
<tr>
<td>Overseas regions</td>
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<td>33,6</td>
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<tr>
<td>France</td>
<td>3 445</td>
<td>21,7</td>
<td>1 022,8</td>
</tr>
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</table>

Notes: 1 DGD: Dotation générale de décentralisation. Given by the State to the regions, it aims at compensating for the new responsibilities of regions since the decentralization laws. It concerns functioning expenditure.
2 DRES: Dotation régionale d’équipement scolaire. It concerns capital expenditure.

politics, of course (i.e. it helped to have the former Socialist Prime Minister Pierre Mauroy as Mayor of the region’s principal city Lille, former president of the region and a politician committed to this issue).

However, it is also important to point out that the central administration was not the only public actor to intervene in the field of secondary education. After 1986, the regions assumed the responsibility of building and renovating lycées (secondary schools in the French system). By considering the role played by this additional actor, we have developed the following hypothesis: On the one hand, the expenditure of regions on secondary education played a determining part in reducing discrepancies between the académies. On the other hand, regions invested at different levels in the education sector in order to compensate for different levels of inequalities. Indeed, decentralization led each region to evaluate its lycées. One of the findings was the identification of marked inequalities inter and intra regions. These differences existed beforehand, but they were hidden under the veil of centralization, which was supposed to ensure the equality of citizens wherever they resided.

We do not have yet the data to fully demonstrate our point. However, there is some evidence. Regions made a considerable effort between 1986 and 1992, resulting in a rapid growth of investment in the Lycées. Subsequently, the investments were reduced, partly because the standards of most Lycées had reached a satisfactory level. By 2003, an average 22.2 percent of the total budget was spent in building and renovating the Lycées. This investment is concomitant with a reduction of the discrepancy between the académies, and we assume that part of it is a result of the investment of regions.

Moreover, from 1998 onwards, some regions, going beyond their legal power, set up programs to facilitate the buying of textbooks for the Lycée students. The first four regions which implemented this practice between 1998 and 2001 were the Centre, Haute-Normandie, Ile de France and Provence Alpes Cotes d’Azur (PACA). These regions were followed by others (Champagne-Ardenne, Languedoc-Roussillon, Lorraine, Limousin, Alsace, the Midi-Pyrenees, Nord-Pas-de-Calais, Picardie and Rhône-Alpes), so that by 2004 thirteen regions were supporting their Lycée students by purchasing textbooks. These programs can take different forms: regions can give money to each Lycée (Centre, Ile de France and PACA), or provide direct assistance to families, which is the practice largely adopted. The majority of the académies belonging to these regions have lower figures of graduates than the metropolitan average. The adoption of these measures is an example of the attempt of regions to
compensate the inequalities on their territory. It shows that they conduct different policies depending on the level of inequalities. The more dynamic regional governments with low level of education performance proved the most innovative in investing in education. Decentralization made education inequalities visible and political. The consequent political mobilization and investment programs have led to the rapid decrease of education performance among regions. This is another mechanism through which the growing role of regions goes together with the decrease of inequalities in the education sector.

Conclusion

In this brief chapter, we argued, first, that regional governments have a limited impact on civil society and their empowering impacts should not be overestimated. But second and by contrast we also argued that the negative impact of regions on inequalities should not be overestimated either.

There is not much evidence of democratic renewal as a result of regionalization, and there is considerable evidence of social resistance to any such role for regions. With some exceptions (Alsace in France for instance), there is little evidence of the rise of dynamic civil society engaged and mobilized at the regional level following the rise of regional government, and little evidence improvement in the quality of the democracy. One of the main reasons is the strength of local and urban governments and interest groups compared to regional ones. The impact in terms of either political participation or participation of different groups to the policy process is not very strong unless the new regional government is given time and a fair amount of financial, political and legal resources and powers.

In other words, the creation of a regional level of governments is not often related to the improvement of democracy or economic development. The added value of regional governments is more to be seen in terms of their contribution to coordination, innovation and effectiveness of public policies.

Second and by contrast, we tried to show that regions do not necessarily increase inequalities. In the French case, where regional governments have had steadily increasing power over the last 20 years, some mechanisms have led to the serious decrease of some of the more visible inequalities which used to be hidden under the veil of centralization. There are many more connections to explore and mechanisms to
identify the impact of decentralization on inequalities in the context of rather centralized countries, and many paradoxes to underline. Territorial politics is still a long way from being well understood.

Notes

1. Examination of local societies has been fruitful for understanding the dynamics of local economies and the reshaping of cities, and has helped to highlight local forms of regulation in Italy for example: “One can speak of local society when one can identify specific – lasting over time – constellations of economic conditions, actors and processes, social and political cultures, including patterns of family and kinship arrangements, of organization and participating in civil society and so forth” (Saraceno 2002: 2).

2. One can distinguish between two basic kinds of such economies: intangible and tangible. The former have to do with cognitive and normative resources, such as tacit knowledge, specialized languages and conventions, and trust. The second include infrastructure and services. See Storper (1997).

3. Among the balancing out between the State and the département there is: dotation potentiel fiscal, dotation fonctionnement minima; and between the State and the regions there is the fonds de correction des déséquilibres régionaux.

The Adventure of Divergence: An Inquiry into the Preconditions for Institutional Diversity and Political Innovation after Political Decentralization

Roland Sturm

Territorial politics – The window of opportunities opens

We expect that decentralization should create pluralism and political diversity. More centers of power should mean more and different political and institutional realities. We might also expect to see polities and policies at the central state and regional levels diverge; constitutional decentralization also creates room for change in the way democratic politics works – for institutional innovation.

But the reality of territorial politics disappoints many observers. Divergence is deviant. Decentralization of the political system which re-creates the institutional inventory of the central state on the regional level, and even interconnects regional institutions closely with national ones, seems to be the norm. National political discourse, far from being fragmented and sensitive to regional needs, tends to dictate priorities at the regional level, especially with regard to constitutional issues and the dynamics of party competition. Regional elites often lack vision, knowledge, or a sense of their options in institution-building and policy making. They neither question the effectiveness and democratic responsiveness of inherited institutions nor muster much courage when it comes to institutional reform and policy innovation. At best, they are content with policy variation and their influence on policy output, and neglect the search for new forms of democratic governance – institutional innovations – which might improve political participation and policy input.
Two sets of arguments might explain these common regional political dynamics. One focuses on the pre-conditions for regional divergence, a second on its consequences. When we know how regional governments need to be tailored in order to work to their full potential, we can assess, both theoretically and by looking at specific country cases, likely levels of institutional variation, policy variation and policy learning. The consequences of regional institutional dynamics will, of course, not always be identical. The potential for institutional variation inherent in the politics of decentralization opens a window of opportunity for policy makers. However, it cannot determine their priorities when they make decisions on both institutions and policies.

A theory of divergence

Five elements form the essence of regional autonomy and are necessary preconditions for institutional divergence and policy innovation at the regional level of politics. If one or more of these elements are lacking, the probability that divergence is an option for regional decision-makers or is to be found in decentralized polities, diminishes. Those five elements are:

1. Institutional identity
2. Financial autonomy
3. Regionalized party competition
4. Separation of responsibilities for public policies
5. Distinct regional political cultures.

These five elements are independent of each other. With regard to their relative importance we can distinguish between variables which have a greater influence on institutional divergence (institutional identity, regionalized party competition and distinct regional political cultures) and those that are of special importance for autonomy in regional policy making (financial autonomy and a clear separation of regional responsibilities for public policies from the responsibilities of the central state).

Institutional identity

Institutional identity, meaning the region’s ability to define its institutional form has at its core the sovereign rights of the people in the constituent parts of a federation. If a political system does not accept that regional institutions are based on the popular will, the distinction
between administrative decentralization and regional self-government becomes blurred. Institutional identity and democracy go hand in hand. It is therefore not plausible to assume that “it is possible to create a working federal system in a polity which is not otherwise democratic” (Saunders 1996: 62). Only if the institutional set up of regional government is controlled on the regional level can it express regional identity, and only in this case are divergent forms of governance based on the needs and expectations of the people in the regions.

Of course, administered decentralization can be arranged by the central government in a way that is supposed to reflect regional differences. But institutional identities cannot be invented by proxy. In the worst case, this results in a misfit between constitutional arrangements and the popular will in the constituent parts of a polity. If regional institutions are an expression of institutional identities, meaning that they derive justification from the constitution of a region, constitutional conflict will be a matter of regional political dispute and/or decisions of the regional constitutional court. If, however, central government is responsible for regional institutions, then constitutional conflict no longer has at its core the question of regional identity, but is instead about the defense of regional interests which cannot be expressed properly because the adequate institutions for identity formation and protection are lacking. In other words, in adverse circumstances institutional identity may become a controversial issue of sub-national politics, but if it is a centralist blueprint from the start, it has no future.

Institutional identity also means a full set of institutions (parliament, government, constitutional court, civil service) at both levels of government, that is, not only at the central government level, but also in the regions. The mere existence of a full set of institutions, however, does not guarantee by itself institutional identity. Both adequate powers and popular acceptance of the institutions are necessary additional elements. The special importance of a separate civil service is often underestimated, but for eliminating centralist routines and for the production of new ideas for democratic governance it is essential to overcome established civil service traditions through the opening up of recruitment, for example, especially if it was in the hands of one academic profession (often lawyers).

Last but not least, institutional identity implies rules for dealing with the political environment within regions. Regional representatives need an accepted and efficient way of defending regional decisions in the wider context of the national polity. For extreme cases of conflict, a national constitutional court may be necessary, but for day-to-day
political bargaining either a Second Chamber or regular meetings of regional first ministers with the prime minister, and/or regional ministers with their counterparts may suffice. The clearer the separation of powers between the national and the regional level of government the less important this method of consensus building becomes.

Financial autonomy

Financial autonomy means both regional control of (some) taxes and (most) expenditures. There are a number of reasons why this is relevant for democratic governance on the regional level. The most basic aspect of financial autonomy is its link to regional democracy. Only a regional Parliament which is forced to justify its expenditure needs before its regional electorate is truly accountable. Regional financial autonomy which forces decision makers to connect spending levels and tax levels produces transparency of democratic governance and guarantees that the institutions of political decision making are perceived as having importance and a political role to play, notwithstanding the overall context of national politics.

This is the central argument of the theory of fiscal federalism (Olson 1969). These theories assume that if a substantial proportion of the population or at least a strategic stratum of that population is mobile enough to react to the relative performance of the constituent units of a polity, for example policy failures, corruption or the waste of resources, then migration from low-performing to high-performing regions will result. Weak performers would lose tax payers. To restore their resource base, the political elites in the weakly performing regions would be forced to work for improvements in regional governance (Tiebout 1956).

In other words, financial autonomy can engage with regional government, creating a permanent learning process. Regional competition for resources can only be won. This is a strong incentive for creativity and the diffusion of ideas, because every region will try to embrace a successful political strategy.

Financial autonomy is also conducive to regional policy divergence because it fends off central government intrusion. There is no one who pays the piper, and so central government cannot insist on a copy of the national institutional blueprint at the regional level. Central government intrusion can also take another route which has even more adverse consequences for regional distinctiveness. If the national parliament legislates unfunded mandates, regional governments suffer both from their fiscal consequences and their unifying impulses, without having even been involved in the respective legislation. The minimal
solution, if federal legislation cannot be avoided, would be to fund those mandates at the national level, which the central state defines. Otherwise, the regional polity is not only subjected to uniformity in one aspect of democratic governance, but is also robbed of financial resources needed for other policy decisions.

**Regionalized party competition**

Modern democracies are party democracies. To understand constitutions does not suffice if one wants to get to grips with political realities. The institutional and financial prerequisites for the divergence of regional governance could exist, and we would yet find mostly convergence with regard to the institutional and informal solutions found on the regional level. It is the unifying pressure of the national party competition which forces local and regional branches of political parties to ignore regional interests and preferences and to accept centrally imposed uniformity. For regional party leaders, career interests and ideology (which means by implication the nationalization of regional party competition) are often of greater importance than regional solidarity and autonomy. This political logic was first discussed by Riker (1964), who argued that the more the same parties compete for office in national and state forums, and the more disciplined those parties are, the greater is the potential reduction of regional divergence.

This does not mean that party competition always has the effect of nationalizing regional politics. If for economic, cultural, ethnic, religious or ideological reasons, regional political elites see their future in the regional polities and not in central government, the chances for divergence of regional government increase. Local, regional and national elites (Hroch 1971) like national ones (Anderson 1983) are able to “invent” a relevant polity if this serves their ends. There may be social reasons for such an orientation of regional elites, ranging from ethnic self-determination to political or religious separatism, but also more profane motives.

The probability of a regionalization of national party systems increases with the gradual loss of importance of the nation-state, for example because of the economic consequences of globalization and/ or Europeanization. Regionalization is also facilitated by some provisions of electoral systems. The imperative of getting re-elected by a regional electorate may supersede every kind of pressure exerted by national party headquarters.

The regionalization of party systems can take different forms. There can be a complete separation of national and regional party systems,
including separate party memberships; different forms of party competition at the regional level that have nothing or not much in common with national party competition increase the probability for regional institutional divergence. Party competition at the regional level may have special features because of the regional strength of one party because of regional political coalitions which differ from national ones and because of the existence of regional parties, which may or may not compete also at general elections. Finally, one has to test the degree of inner party discipline and the extent to which regional party branches claim and use autonomy in order to secure regional diversity (Sharman 1994).

Separation of responsibilities for public policies

The allocation of clearly delineated responsibilities for both the central and the regional levels of a polity erects a dam against the intrusion of national political decision making into the regional sphere of competences. It avoids direct or indirect incentive for strong and permanent cooperation between the two levels of government which may justify, or even result in, a convergence of institutional choices.

In the real world, we will of course find no multi-level government with institutions that exactly follow these rules. The principle behind the form of cooperation is what is important for divergence. Who shall be given greater power through cooperative arrangements? Divergence is best secured when the principle of subsidiarity is the common denominator for institution-building and includes cooperation.

Subsidiarity means that cooperation respects the needs and wishes of regional governments. Separate responsibilities for public policies should be the norm; cooperation should be the exception, and it should not be imposed on regional governments. The lower level of government must request cooperation. Only then will the center intervene to assist the region in building up a framework (financial, institutional, social or some other form) of cooperation which is adequate for regional good governance.

A crucial role in the defense of regional institutional autonomy in the field of public policy is played by constitutional courts. They are often the rule-makers because they can interpret institutional arrangements both ways – providing either more or less room for institutional divergence at the regional level.

Distinct regional political cultures

Even if all other prerequisites for institutional divergence at the regional level of a polity are provided, convergence is still likely if there is no
popular demand for distinctiveness. The core element of this demand is regional political culture which may be based on history, culture (especially language), religion or economic interests. Elazar (1993: 193) aptly summarized the relationship between institutional realities of federalism and different orientations of political culture:

If the political culture is not supportive, at the very least it must be sufficiently congenial to accept federal constitutional-institutional arrangements and relationships, and to make them work. If the political culture is sufficiently neutral, or if the variety of political cultures within a potential federal entity eventually balance one another, it may be possible to achieve some kind of federal arrangement. But if the political culture is hostile, the possibilities for federalism in any form are greatly diminished.

Institutional divergence: The experience of federations

A closer look at the realities of federations (Griffiths 2002) shows that the skeptics have a point. Although “what federalists commonly aspire to is securing and ensuring the reproduction of a particular form of political institutionalisation which reflects and acknowledges diversity” (Smith 1995: 7), there is indeed no federation in the world which fulfills all preconditions for institutional divergence. If the theoretical assumptions made so far are correct, one should expect the lowest degree of institutional experimentation in Austria and Germany and institutional innovation above all in Canada and Belgium, and to some greater degree in the United States, India, Spain and South Africa (see Table 7.1). The UK experience corresponds with the lower level of expected institutional variation, but surpasses the amount of institutional divergence Germany or Austria can bring about.

Institutional identity

Federations tend to have some form of regional institutional identity. Regional constitutions, regional governments, regional parliaments and regional constitutional courts are now the rule. The greatest degree of variation among state constitutions can be found in the United States. The text of a typical state constitution is three times as long as the federal constitution and has in addition an average of over one-hundred amendments (Tarr 1992: 1170f.)

But there remain exceptions to the rule of constitutional pluralism. In India, for example, the relevant constitutional document is the federal
constitution. It even allows the federation to make wide-ranging changes to state boundaries. A strictly legalistic interpretation of the Indian constitution gives the center the power even to reorganize or rename the territory of states. “As per Article 3 of the Constitution, the bill contemplating alteration of area, boundaries or name of the state is merely to be referred by the President to the legislatures of the state, but the Parliament is not bound to accept or act upon the views of the state” (Sait 1998: 86). Though de facto such changes have not been imposed by the center, this does not change the fact that institutional reform is in the hands of the central government and not the states. It is telling that Indian legal realities (the Indian interpretation of the Westminster model of government) mirror the situation in the United Kingdom which is de jure not a federation. Here, too, devolution reserves the legal responsibility for the framework of devolved government to the political center.

A strong unifying force in federations can be the civil service. Whereas in the United States or Canada a separate civil service exists at the federal and regional levels, some federations unify political options either because of the predominance of the administration of the central state (in India the All India services), or by the organized nationwide cooperation of civil servants. In Germany, most of public administration is in the hands of the Länder, but there is little variation with regard to the institutional expression of policy implementation. One reason is the high degree of coordination of regional bureaucracies, the other is the ability of federal government, guaranteed by the constitution, to

### Table 7.1 Preconditions for institutional divergence

<table>
<thead>
<tr>
<th>Country</th>
<th>Institutional identity</th>
<th>Financial autonomy</th>
<th>Regionalized party competition</th>
<th>Separation of responsibilities for public policies</th>
<th>Regional political cultures</th>
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<tbody>
<tr>
<td>Australia</td>
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<tr>
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<td>Switzerland</td>
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Notes: 0 = not relevant, 1 = exists, 2 = important.
define the rules of policy implementation whenever the Länder bureaucracies execute federal laws (Sturm 2000).

The defense of regional institutional identities can take different forms. The major distinction to be made here is between the establishment of regional institutional identities and their management in a federal context. New institutional arrangements have mostly been the result of pressures from the regions, be they mostly non-violent as in the case of many Spanish regions, Canada, Belgium or India, or be they violent as in the case of the Basque country or the Swiss Canton Jura. The creation of new regional entities is rarely inspired by desires for new institutional arrangements. In India or Switzerland it was a question of giving the new states the same rights as the old ones.

Even in Spain, which is the prototype of a stable political system based on asymmetrical decentralization, the less privileged regions do not forever want to differ in their institutional capabilities from the more privileged ones, the historic regions with special status. They want to follow their example and strive to catch up. “The attempt to generalize devolved powers is,” as Agranoff (1999: 108) remarked, “commonly known in Spain as café para todos, or coffee for everyone instead of champagne for the historic regions.” In Germany, the last two decades have seen a gradual disappearance in the institutional differences between states. The formerly four distinct models of local government have been reduced to one by the state legislators. All states introduced referenda (though not with exactly the same technical requirements) and Bavaria, the only state with a Second Chamber, lost this regional specialty because of a negative referendum result.

Examples of institutional innovation which pay tribute to institutional identities are Belgium and to some degree Canada. It is interesting that in both cases the background to innovation is atypical for decentralized polities. Decentralization usually involves more than two subunits. But both in Canada and in Belgium the driving force behind institutional innovation was and is a conflict between only two communities: in the case of Belgium, between the Flemish and the Walloons, and in Canada between two founding communities, one French-speaking and the other English-speaking.

In Belgium, a complicated system of representation for the three communities (Flemish, Walloon and the less important German community) and the three geographical regions (Flanders, Wallonia and Brussels) was devised. This included at a later stage a half-hearted reform of the Second Chamber which did not suffice to transform the Senate in an institution fit for the defense of institutional identities. This is one
reason why institutional reform (including Senate reform) is still on the agenda in Belgian politics. Another is the still insufficient fit between political pressures and regional institutional boundaries and competences (Downs 1999). The merger of the Flemish Region and the Flemish Community in 1980 was already a step toward better fit.

In Canada, there is wide variation in the institutional identities of the provinces (Watts 1999c). The conflict over their political role dominated Canadian politics in the 1980s and 1990s. Though both the Meech Lake and Charlottetown constitutional proposals failed, the wide scope of institutional innovation became apparent. As in Belgium, institutional divergence created institutional complexity and pressure for a new role and composition of the Second Chamber, the Canadian Senate. What has been said about the misfit of political pressures and institutional realities in Belgium is equally true for Canada. In contrast to Belgium, however, the institutional reformers on both sides of the political divide had different institutional agendas. This was a dilemma for decision making as Weaver (2000: 72) pointed out:

In particular, Québec has sought recognition as a “distinct society”, which English Canadians have greeted with reactions ranging from indifference to hostility. In addition, Québec governments have continued to worry about amendments that would threaten their interests; but they also sought a constitution flexible enough to allow Québec to acquire new powers from Ottawa. Québec’s amending formula concerns could be addressed most directly by a formula that allowed significant flexibility but gave Québec a veto; such, special status’ was, however, unacceptable to most of the other nine provinces. Extending a veto to all the other provinces would remove the flexibility sought by Québec.

Below the threshold of creating new institutions there are different ways regional governments can use the rights already granted to them. The experience of the United States provides numerous examples in this context. One example has been termed “new judicial federalism,” which emerged in the early 1970s.

Initially, recourse to state constitutions was limited to a few courts in a few cases. [...] Over the next two decades, however, the new judicial federalism spread throughout the nation, and courts in almost every state announced rulings based on the rights guarantees of their state constitutions. Some state courts even indicated that they would
address state constitutional claims first and consider federal constitutional claims only when cases could not be resolved on state grounds. By the early 1990s, then, the new judicial federalism had become an established feature of American federalism. (Tarr 1994: 55)

The struggle for institutional reform is only one way to defend regional institutional identity. The less spectacular routine process is political bargaining between central government and regional governments. Institutionalized bargaining in Second Chambers is the exception. In most federations it is party political competition which sets agendas. States have no chance to use the forum of Second Chambers for their institutional reform agendas. Only in Germany do we find an institution which can represent governments in such a bargaining process (Sturm 2003). But for this institution, the Bundesrat, which organizes the role of the Länder in federal legislation, the institutional counterpart is the federal government or the European Union. As a consequence we find institutional reform efforts (e.g. the new Article 23 of the German Basic Law) which defend the institutional identity of regional government vis-à-vis Berlin or Brussels but are irrelevant to state “domestic” issues.

Informal reform efforts are an alternative if Second Chambers ignore regional governments’ demands for institutional reform. The lobbying of state governors in the United States has at best indirectly influenced federalism reforms because it is much more oriented towards financial demands and policies than state rights. In Austria the state governors (Landeshauptmänner) can claim that their regular meetings had some effect with regard to federalism issues at the national level. Institutional innovation is not the central aim of their meetings. Successfully defending state rights against the intrusions of the federal government would be considered an achievement. (Bußjäger 2003). In Australia the Special Premiers’ Conferences and the Council of Australian Governments, established in 1992, were essentially a federal initiative. The states were, however, successful in the defense of divergence: a number of the agreements found here “were neither completely uniform nor [...] fully ‘national’ in scope. The basis of each state’s participation was voluntary, and many of the outcomes showed various locally specific forms of association, partial membership, or opting out” (Painter 1996: 118).

Informal efforts to redirect democratic governance at the sub-national level were most effective in Canada. Here the federal/provincial meetings of government representatives were able to make deals which, in contrast to the predominant policy orientation of the meetings in other federations, also tried to solve constitutional issues. Garth Stevenson
(1985: 73) argued, long before Canada’s far-reaching efforts to reform her constitution in the Meech Lake and Charlottetown rounds, that “new subjects requiring state interventions have been dealt with through a combination of informal intergovernmental collaboration, judicial interpretation, or unilateral extension of authority by whichever level of government is the one to take the initiative.”

Financial autonomy

Of all preconditions for experiments with forms of democratic governance on the regional level, financial autonomy is the least developed. States enjoy spending powers, but are dependent on the federation when it comes to resources. This implies that variation amongst policies at the state level is much easier to achieve than either the variation of tax regimes or the creation of income on the regional level, which can be used to finance institutional variation independent of the influence of the center.

The de jure financial dependency of regional government on the federal level, which by its very logic rules out divergence, is the exception. We find such a case in Austria, for example, where the constitution does not define tax-raising powers. This is left to federal legislation that cannot be vetoed by the states. As a result, the states have almost no income of their own and depend on tax income shared by the federation or transfer payments by the federation. In Belgium, the federal government retains legal power over the allocation of financial competences. In Spain, on the sub-national level, only the Basque Country and Navarre – which have retained historic tax-raising powers – have some financial autonomy.

In most countries (Australia, Germany, India, South Africa) regional dependency on the central state, through shared taxes or grants, has developed over time. Though the states are guaranteed autonomous sources of income this income is either too meager to matter or these autonomous sources have by now been merged with federal taxes. Often, sub-national governments traded a greater tax share for autonomy. Instead of deciding by themselves they became co-decision makers. And what is worse, institutional innovation in one state or the other is ruled out in this way. States have to collaborate between themselves when they negotiate with the federal government. The tax rules affect every state in the same way. The federal government knows all too well that its financial superiority implies considerable power to steer policies and institutions at the regional level.

Only Switzerland, the United States and Canada have developed systems of regional financial autonomy which permit significant divergence. True,
in these countries a system of transfer payments between the federal government and the states exists and still remains necessary; in other words, we are in no case talking about complete autonomy. And autonomous decision making in Switzerland, the US and Canada affects policy making more than institution-building. Still, sub-national responsibility for taxes and expenditures can create institutional innovation here.

In the United States during the 1970s and 1980s, for example, legislative committees in state legislatures started to engage in legislative oversight and upgraded their legislative audit bureaus. Two-thirds of the state legislatures adopted sunset laws. Governors reorganized the executive branch to make it more efficient, among other things, by the introduction of new budget techniques. In the field of interest representation there were experiments with ombudsmen and “proxy advocacy” offices to represent consumer interests in state public utility commission proceedings where decisions on the rates consumers have to pay were made (Gormley 1993: 172ff.). Most states also developed new and better balanced revenue systems that were adequate to fund their principal responsibilities and less vulnerable to economic swings (Conlan 1998: 310).

Regionalized party competition

Regionalized party competition provides a pool of regional political entrepreneurs who are willing to challenge the institutional status quo and to demand specific solutions for one state or the other. Regional pressures of this kind can be a driving force behind the creation of institutional divergence in federations. An example of this phenomenon is Québec’s so called “quiet revolution” of the 1960s, when the province’s political elites became less concerned with defending Francophone interests within Canadian federalism and more concerned with the protection of these interests through demands for greater autonomy. In the case of Belgium, too, it has been argued that the “re-imagining” of Belgium was, by and large, an elitist endeavour” (O’Neill 1998: 244).

For the regionalization of party systems, it is not sufficient for the relative strength of parties in different states to vary. The two decisive indicators are – and at least one must matter – that the logic of party competition at the regional and the national level is separated (formally or informally) and that regional parties exist which do not aspire to broaden their territorial appeal to govern the federation.

Relevant regional parties exist in Belgium, Canada, India, South Africa and Spain. Belgium is the most extreme case of regionalization. Here we find regional parties in the traditional sense of the word, that is, parties which only field candidates in one part of Belgium, such as the Flemish...
parties Volksunie or Vlaams Blok (now Vlaams Belang) and the Walloon FDF-PPW. If they are successful and gain a pivotal position, they may pressure the parties in government to allow more regional divergence in the Belgian federation. But all major parties (the Christian Democrats, the Socialists and the Liberals) are split on language lines, so that every ideological family of parties is regionalized and represented by two parties.

Regional parties with strongholds are also relevant for South Africa (Inkatha Freedom Party in KwaZulu-Natal) and Canada (Parti Québécois on the regional and Bloc Québécois on the federal level). In India, of over 550 registered political parties only six are recognized as national parties, 40 exist at the state level and 504 have only a local base (Mathew 2002: 170). More than ten regional parties were part of the past governing coalition in India led by the Hindu nationalists (BJP). This gave the regional parties power to broaden the scope of divergence in the Indian federation.

Spanish regions also provide examples of regional party systems which follow their own political logic. In the Basque country, for example, the relevant political cleavages are the traditional left/right divide one can find in all of Spain and the nationalist/ non-nationalist divide. In Spain, regional parties also succeeded in becoming more than lobbyists for their respective regions. This is especially true for the Catalan CiU (Convergència i Unió) which did not become a member of national coalition governments, but provided the essential votes for parliamentary majorities of the government. This mechanism successfully secured an extension of institutional autonomy for Catalonia and increased divergence among the Spanish regions.

The informal autonomy of regional party branches is difficult to measure, but even more integrated party systems, such as the Austrian or German, provide some evidence that such autonomy exists and matters (Schmidt 1980). In Canada, most relevant parties (exceptions are the NDP and the Bloc Québécois) operate with provincial parties which only rarely have formal links to the federal party. Both formal and informal autonomy of regional parties can be shown to contribute to a greater institutional divergence in federations.

The separation of responsibilities for public policies

Even if regional parties that are inclined to support greater regional autonomy and greater regional distinctiveness govern on the regional level, institutional innovation will only be possible with a combination of financial autonomy and responsibilities for public policies in the regions. The more important this combination is in the national
context, the more likely that regional institutions with their own special outlook and profile will emerge. In Australia, Austria, Germany, Spain (depending on the status of the region) or South Africa only very few competences remain exclusively regional. Observers speak in the German case sometimes even of a joint decision trap, which means that not only is there a standstill because of a need for joint decisions by federal and the regional governments, but that institutional change is extremely difficult. At all levels, the losers in the event of a system change are in a majority position, which means there are no incentives for institutional reforms (Scharpf 1988).

In India, central government has a special tool to block institutional innovation: the imposition of President’s Rule. In accordance with Article 365 of the Indian Constitution, the Union can take over the governance of one of the states in the case of a national emergency or whenever it observes a failure of the constitutional machinery of a state. Only the latter part of the provision has so far been of relevance. Failure is registered via a report written by the Governor (who is not necessarily guarding the interests of his or her state) or when the Dehli government otherwise feels that the state cannot continue to be governed in accordance with the constitution. Between 1951 and 1995 there were already more than hundred cases of imposition of President’s rule (Dhavan and Goel 1998: 70ff.).

The separation of responsibilities for public policies is best established in the United States, Canada, Switzerland and Belgium. The Swiss Constitution stresses the sovereignty of the Cantons (Article 3) and their right to define the rules for the policies they are responsible for (Article 43). And even if the Cantons execute federal law, the Constitution stipulates that the Cantons have the greatest possible degree of discretion and should take into account their special traditions (Article 46.2) (Schweizer 2000).

In some federations the critical element in deciding which direction regional autonomy and – closely connected with it – institutional autonomy followed was the constitutional court. Examples can be cited for Germany, where the court has only recently begun to pay greater respect to regional autonomy, or Australia, where the Court seems to be moving in the opposite direction (Nelson 2000: 138). In Spain, the Tribunal Constitucional has had and still has a crucial role in shaping regional autonomy. Moreno (1997b: 71) argues: “For instance, the important judgment of the Court (5 August 1983) on the LOAPA Act (Organic Law on the Harmonization of the Autonomy Process) passed by the Spanish Parliament, reinforced the open and federal-like interpretation of the 1978 Constitution very much against the views of
center-right Union of the Democratic Center (UCD) and center-left Socialist Worker’s Party of Spain (PSOE) governments in the early 1980s.”

Even more pronounced is the role of the Supreme Court in American history with regard to the interpretation of federalism. From the New Deal period onwards until the 1990s, the Supreme Court accepted a very broad interpretation of constitutional provisions, such as the commerce clause, the welfare clause, and implied powers, with the result that states rights were diminished and federal government could reduce regional divergence by its interventionism (Sturm 1997). Beginning in 1991, the Supreme Court changed course. The Rehnquist court started with a series of decisions which all defined a sphere of state sovereignty protected from federal regulation and intrusion: the cases “have touched on diverse issues from nuclear waste disposal to gun control to Indian gambling casinos” (Conlan 2000: 134), and have massively restrained the federal government’s power to authorize private suits against states for violations of federal law (principle of state sovereign immunity) (Mezey 2000).

Regional political cultures

A permanent pressure to respect divergence in a federation comes from references to regional political cultures, especially if they have ethnic roots. This stimulates conflict-resolution strategies which provide “sufficient institutional guarantees to enable an appropriate representational base and protection for particular ethno-regions” (Smith 1995: 13). Moreno (1999) sees this pressure, which he calls ethnoterritoriality, reinforced even by processes of globalization.

When federal countries are fairly homogenous, as is the case in Austria, Germany or the United States the institutional framework of federalism is stable and the divergent interests in a society can be accommodated in the same way at the regional level as they are dealt with at the national level. In Germany, opinion polls have shown time and again that Germans have a problem with divergence in federalism (see Charlie Jeffery’s chapter in this book). With regard to many policies they favor even more institutional convergence between the Länder than we already find.

This is very different in the case of multinational states. Here federalism is a compromise to house different ethnic identities and to avoid conflict. Almost by definition these different ethnic identities also find different institutional expressions. In Canada, for example, we find the legal tradition of the Code Napoleon or special language laws in Québec and in KwaZulu-Natal, South Africa, the Zulu monarchy. In Spain, the
distinction between the historic regions, that is, those with a secure identity base, and others justifies regional institutional divergence. And in Belgium, federalism has often been described as the last chance for keeping together two ethnic groups which do everything to prove that they are different.

Conclusion

It has been shown that institutional divergence after decentralization has a number of preconditions. Divergence is not predictable, but path-dependent on the development of the political system in question and the power struggles between the centre and sub-national interests. The surprising finding that federal systems regularly “underperform” with regard to the wide range of opportunities that federalism in principle offers alerts us to the fact that if we want to fully understand the logic of decentralization, we need to reflect also on the effects of the federal “environment” of regions. The interaction between forces of centralization and decentralization on all levels of society, economy and politics defines the parameters which regions take into account when they position themselves vis-à-vis the centre.

It is also obvious that this process is an ongoing experiment. The degree of plausible and/or fought-for decentralization varies over time. All federal states with a longer history had periods of less and of more decentralization. One important variable in this context has been the rise to prominence of ethnic conflicts, which regularly led to demands for more regional autonomy. Another one has been, as Keith G. Banting notes in his chapter, the stress on policy outputs, especially welfare state policies, which has been used to justify the centralization of federations.

Without institutional and financial resources and the power to make decisions independently, sub-national government is robbed of the opportunity to opt for divergence. But without collective willpower in the regions, collective willpower expressed in a set of generalized expectations in the regional public and reflected in both the regional culture and the specifics of the regional party systems, regional institutional and financial resources will have no noticeable impact on national uniformity. A next step for research could be to locate specific policies in the context of regional resources and regional political mobilization to see how relevant these policies are for sub-national governments, or how sensitive they are to a redefinition of the power balance between the center and the regions in a comparative context.
This could answer questions which differ substantially from the often asked pragmatic question of which policies are best suited for policy making on the regional level? Dahl and Tufte (1973: 28) believe that it should be possible to find a general rule for this problem. They argue that in democracies, “The balance of advantage will favor a unit for one size for some purposes and a unit of a different size for other purposes. No single unit will be optimal for every purpose.” The scientific debate has so far, however, not produced unequivocal solutions which specify policies and separate those at the center and those within regional government. Empirical evidence, too, is less than clear (DeVries 2000).

Technocratic answers to the role of sub-national government, and especially their room for maneuver, accept nationwide efficiency standards. But the reality of divergence in communities which thrive on institutional competition has a different background. Divergence here is a social phenomenon. Divergence in federations remains a yardstick for the democratic qualities of federalism. Political innovation in federalism is not only driven by outside challenges. In essence, it is the expression of regional identity struggles and the logical outcome of a process of trial-and error which characterizes the activities of all regional “laboratories of democracy.”
The promise of local autonomy is in good part the promise of doing things differently – in a way that better represents a community, that better responds to opportunities and needs, that does it more flexibly and that better suits policy to place. But that promise seems to be endangered. Comparative political study supplies multiple reasons to expect little, if anything, from regional governments – and less as time passes. Smaller governments and polities might have all sorts of virtues, but their real political impact, their ability to go their own ways, might be small and steadily shrinking.

Advocates of autonomy and distinctive regional trajectories worry about low or declining potential for policy divergence because there are a variety of powerful, structural arguments predicting convergence between the rich democracies. Different authors select different variables that drive convergence, but all should be even more potent when applied to regional governments, which are weaker and more vulnerable in most ways than independent states. This chapter reviews them, and then makes the case that divergence emerges inevitably from the confusing mess of politics. It is the coherence of a distinctive regional policy trajectory, rather than its distinctiveness, that varies significantly.

Fears

The arguments that regional government will not have much impact on policy tend to be based on the observation of powerful forces: among the most prominent modernization, which creates convergent societies; global markets, which constrain divergence; or international networks, which produce convergent ideas among advocates from different countries. They supply reasons to expect that regions will not diverge
because their populations do not want it, and arguments that they
cannot because their politics or economic exposure forbid it.

On one side there are arguments that there is, truly, limited demand
for policy divergence. Consider the data discussed by Keith Banting and
Charlie Jeffery in their contributions to this volume; Germans,
Canadians, Australians, Spaniards and others show strong signs of pre-
ferring similar, statewide, standards of provision to regional variation. If
people do not want great variation, and the empirical evidence suggests
that the actual level of variation within most states is not great, then
there is, a democrat might hope, a powerful check on even the most
determinedly divergent political elites.

There might also be broad social forces driving population preferences
closer. This argument has its roots in the key insight of modernization
theorists and postwar social sciences in general. It is that there appear to
be common logics of bureaucratic advanced industrial societies,
whether they take the form of democracy (Lipset 1959), postmaterialism
(Inglehart 1990), or an unmediated relationship between atomized
modern citizens and the modern bureaucratic state (Bendix 1969). They
should, over time, snuff out much of the divergence in politics as soci-
eties converge on a modern norm; this should be because there will be
an increasing number of similar problems and political or public expec-
tations in different rich countries. The argument might be easy to
attack, but it remains popular, and has serious academic defenders
(reviewed in Dirlik 2000). And as with other pressures, regional govern-
ments should logically be under more pressure because they are more
exposed – citizens of a single state are likely to be undergoing many of
the same social changes at the same time. If anything, there is evidence
that basic aspects of lifestyle between the various parts of the United
Kingdom, Canada, Spain, or the United States are more similar now
than ever.

The idea that there might be a powerful trend toward convergent
popular preferences fits in with a second class of argument, based on
ideas. This often appears as some kind of technical argument about what
is “best” given shared or identical desires. This is a longstanding aspect
of the analysis of decentralization; the famous idea of jurist Louis
Brandeis that American states could serve as “laboratories of democracy”
implies the equivalent of a community of scientists who can and will
learn from innovations that are demonstrably superior on some agreed
metric. It is not hard to scoff at such a worldview, but it is ubiquitous in
politics and policy debate (Majone 1989) – consider the popularity of the
concept of the “evidence-based policy.” And if there is real convergence
in (or underlying similarity of) preferences, then such a technical discourse makes sense. If electorates essentially want the same things and politicians deliver what their voters want, then it is reasonable to view decentralized or federal governance as primarily a subordinate device for providing it more efficiently – with better local needs identification, greater transparency and scope for experiments whose results will then diffuse.

There is another, non-technical argument for the autonomous power of ideas that is independent of electoral preferences. This focuses on the ways policy advocates and elites can form “epistemic communities” or other networks that diffuse not just technical advice but also political goals, ways of understanding the world and forms of legitimation that improve their members ability to specify and do what they want (Finnemore 1996; Haas 1992; Helleiner 1994; Keck and Sikkink 1998 are the touchstones in political science; see also the innovative Dezalay and Garth 2002; Dezalay and Garth 1996 and Slaughter 2004). Participation in such networks, according to these theories, does not just give participants new technical ideas and experience; it also shapes their preferences, images, identities and approaches. It shapes them. If human rights activists or central bankers around the world are becoming more similar as a result of their interactions, that suggests their counterparts within a given state, subject to much denser interaction networks and sharing much of their environment, will long have gelled.

The result, these theories suggest, is increasing convergence of advocates around the world. Note that these approaches come primarily out of international relations. That is because it would be much less interesting to uncover processes that produce state-level interest groups and networks.¹ We assume that the mechanisms that bind groups together already bind states together, so “when a problem has emerged as a public concern … it has emerged as a concern of publics at all levels of government … without regard for niceties of structure” (Elazar 1972: 24).

A third class of arguments for convergence is economic. Even if a region does attempt to do something different – if its population or elites want to do something distinct – there is a battery of arguments suggesting convergence will happen anyway. This is the much-discussed thesis that there is a “race to the bottom” between governments driven by global capitalism, with a voluminous literature well reviewed by Schmidt (2002: 13–58). The argument was formalized for territorial politics in a theory of local government by Charles Tiebout, who argued that governments can be modeled as firms that “sell” services for taxes and can opt for sizes and strategies (Tiebout 1956). If they are selling
into a market that does not want or cannot afford good services, they will reduce taxes and services; if their market appreciates and can pay for good services, they can raise the taxes to fund them; if they are inefficient they will be under pressure to become more efficient; if they still cannot compete they will be replaced by something closer to the optimal size. Crucially, the analogy between taxpayers and customers depends on the possibility of exit – on their mobility. Financial deregulation, freer trade and the growth of international economic interaction (and, possibly, migration) all increase mobility for factors of production and should bring Tiebout’s logics to bear on states with increasing force.

Again, regional governments should be particularly vulnerable because of this assumption of factor mobility. Such an assumption limits the impact on states – money these days might move but emigration is a big decision. But it leaves subordinate jurisdictions vulnerable to the departure of not just investors but also labor and firms. There certainly is anecdotal evidence for this, such as the spectacle of Canadian provinces competing away the inheritance tax once it was transferred from Ottawa, or American employers fleeing to anti-union states in the aftermath of the Wagner Act. Paul Peterson has collected evidence that suggests state and local governments do, indeed, focus on economic development (which rewards mobile factors of production) and leave redistribution (presumably unproductive from the point of view of investors) to larger-order governments (Peterson 1995; but see also Richard Simeon’s chapter in this book and Oates 1999). Global markets famously humbled France in the early 1980s and the “Asian tigers” in the late 1990s; they could certainly make short work of innovations in a French region or Malaysian state.

In short, then, there are at least three major arguments against inter-state divergence: public preferences, the autonomous power of ideas and markets. There first might not be demand for divergence. Anything from hierarchies of need to postmodernization can explain why politicians would not see electoral reward in diverging when their populations want the same thing. Ideas can also be separated out to form a second reason for international convergence – activists and advocates as well as state institutions themselves are increasingly embedded in trans-border networks. Their ideas, formed and propagated across borders, could shape both advocates and debates in multiple countries. Finally there is the economic argument that the structure of the world economy increasingly obliges convergence because factor mobility constrains governments’ decisions.
All these dynamics should be more powerful in the case of *intrastate* divergence. If we consider the argument that populations might want little divergence because they share preferences, then we can expect that the electors of regions, integrated into dense webs of interaction with their neighbors in the same state, will not want much divergence at all. Even if the populace does support divergence, there is no reason to expect that globally networked policy advocates will suggest divergent policy or that global capitalism will allow them to pursue it.

Regional governments should therefore be a “least likely” case to test the proposition that governments can and will diverge in social policy (Przeworski and Teune 1970), even more so than the independent states that have been the subjects of similarly designed studies (Gourevitch 1986). There is some empirical evidence as well: in the latest state to regionalize, the United Kingdom, the new assemblies for Northern Ireland, Scotland and Wales quickly enough suffered from public disenchantment at the gap between expectations and reality, at the lack of a “new politics” (Curtice 2001; Curtice 2003; Mitchell 2004). Similar disenchantment with outputs (if not regional governments in themselves) attended many French and Spanish regions after their creation (Dupoirier 1998; Schmidt 1990). Rightly they should, a cynic might observe. They are often new and always vulnerable in a world ready to keep them from developing their own personalities and policies.

**Hopes**

But, this chapter argues, there is little reason to worry about lack of policy divergence; even in the historically centralized United Kingdom, the surprising thing about the six years since devolution is how much policy divergence we see (Adams 2005; Adams and Robinson 2002; Trench forthcoming 2005b). If regions, the most vulnerable and interconnected levels of government, diverge, then there are limits to the effect of broader global forces for convergence – and reason to explore the relationship between territorial decentralization and policy diversity.

The reason for this divergence despite structural constraints lies in the process of politics and its “interference” with the pressures for convergence. Policymaking is dominated by complexity, contingency and timing in decision making, which makes it unlikely that even similar governments and societies will opt for the same policy at the same time. This means that policy convergence is unlikely, policy divergence is likely, and responses to both ideas and outside pressures will be shaped above all by events in each political arena. Regionalization means more
governments and, especially in the most territorially differentiated societies, more agendas, more policies, more flukes or systematic tendencies and more opportunities for advocates to sell their ideas. And since no society is territorially homogeneous – since no society has its different social strata, institutions, networks and nodes evenly distributed across its territory – it means that policy divergence, and the divergence in the folkways and functioning of political systems, is inevitable. Even convergence on common standards, unless codified in some specific and binding way, is unlikely to survive political reality; as little decisions build up in each jurisdiction the gaps between the implementation of even common goals will inexorably grow. The question will be whether the systematic biases are so systematic as to make policies cumulate into something so distinctive as a “model.”

We have focused for long enough on the constraints facing government. Even the strongest external force, whether economic incentives or powerful ideas, must be refracted through “domestic,” internal concerns of the political system. It is as with light when it hits a prism: outside ideas and pressures fragment, shear off and change colors when they pass through politics.

Politicians, policies, problems and powers

To have a truly original idea is a waste of time for an active politician, because there will be no constituency for it. The first quality for political originality consists in having a nose for an idea marginalized in the current ethos and round which nevertheless a coalition can be built to carry the day ... To recognize a relevant issue and opportunity demands a sense of timing. The right idea at the wrong moment cannot be concrete. ... In a crisis, ministers who are far too busy to act unless forced to do so, face choices which are as unpleasant if they fail to act as if they do. They are temporarily open to, even eager for, advice. “When ideas are lacking, they accept yours with gratitude – providing they can present them as their own”. (Duchêne 1994: 347, quoting Jean Monnet at the end)

Looking at comparative territorial politics through the lens of public policy entails starting with the processes of public policy formation – essentially, of agenda-setting, decisions and implementation. Rather than start with correlations between outcomes and broader social forces, or particular institutional forms, a policy perspective begins by looking at the processes of policy formation in the time-constrained,
information-poor, controverted and difficult process of political decision making.

As an approach, this has several virtues. One is that it deals with the decisions that are the stuff of politics; concepts such as overall welfare spending, citizenship rights, or inequality in society are the cumulative consequences of policy decisions, and that means their explanations lie in the study of those decisions. It avoids the biases that enter studies focused on high-profile legislation or big decisions; one law might be high-profile evidence for convergence, but its effects might be completely submerged by the accretion of “small” and divergent decisions. It is also data-rich, since it offers many case studies and ways to observe issues that can otherwise be intimidatingly large. And its great advantage is that it provides many ways to identify what pressures and ideas influenced politicians as they made decisions, thereby increasing the scope for the deductive identification of important factors. Particularly important, it makes it possible to compare systems as they work. Comparing systems, and tracing backward the policies that shaped them, allows the analyst to identify which decisions mattered and thereby contributed to divergence.

In short, then, focusing on policymaking and patterns in policy, and building upwards toward broad generalizations, is a way to develop new data sources, reduce the likelihood of spurious comparisons, and identify issues that broader debates should note. And the first thing we see when we look at policymaking is indeed that it is difficult to pick out big social forces.

Social policymaking is a “about puzzlement as much as power” (Heclo 1975: 152). Puzzlement is the right word because much of the time there is no clear definition of the problem at hand – or, better, there are far too many things that could be done, far too many reasons to do things, and far too many people who want something done. Overloaded with ideas, problems, potential problems, headlines and politicians anxious to make a mark, political systems of any complexity at all have a high degree of randomness in agenda-setting and decision. Even the most determined of interest groups, with advantages of access and resources, will not be guaranteed to get its policy in the way it wants, or at the time it wants; at a minimum, its policy goals will have to be repeatedly rebadged as solutions to the various problems of the day.

One school of analysts formulate the development of public policy in light of this chance and contingency (Baumgartner and Jones 1993; Cohen, March and Olsen 1972; Kingdon 1995; Zahariadis 1995; Zahariadis 2003). These “multiple-streems” or “garbage can” theorists have broken
down policy outcomes into three base elements: the politician (who can and would like to do something), the policy (an idea that some “policy entrepreneur” is hawking as the solution to all the various problems that erupt) and a problem (which forces some issue onto the agenda).

All of these run independently of each other most of the time. The career of a politician is dominated by standing in the party, resources, allies, networks and public visibility, the career of the policy idea is inextricably linked to the debates among analysts, advocates, academics and all the other policy entrepreneurs, and the problem is from the point of the other two unpredictable, driven by the press, by scandals, by statistics or by disasters. When the three flow together, a policy could well emerge.

The randomness comes from the difficulty of ever predicting if something will happen (if the three streams of policy, problem and politics come together), when something will happen, and what (out of the various possible policies in contestation) will be the outcome. All this randomness makes it unlikely that some external force, be it demographics, ideas, or capital, will manifest itself as a problem that is solved in the same way at the same time in different places. The contingency of decisionmaking makes that improbable.

The multiple-streams perspective’s identification of the necessary components of a decision rather lets us understand outcomes by examining systematic patterns in the politics, problems and policies. Not all ideas are in contestation in all polities at the same time; policy communities and debates filter them. Not all political strategies are available in all places. Identifying patterns in the ideas and political strategies in a given polity allow us to look at the likely extent and direction of divergence. This is essentially the “method of agreement” of Mill – causation is complex, but for all of the policies that we look at, we find that territorial factors matter (Ragin 1987).

I make two changes to the classic framework of policies, problems and politicians. First, while a problem is in the theory a necessary condition for anything to happen, the origins of the problem are as often as not in the activities of policy advocates (who are always trying to bring forth problems they think their policies can solve) and politicians (who are trying to find a problem they can solve in order to make their mark). Or it is exogenous and can be treated, pending further research, as a sort of random factor. A focus on the origins of problems is not, therefore, as likely to produce distinctive, systematic explanations as a focus on the activities of politicians and advocates, and is not discussed here.

Focusing on the powers of the government, on the other hand, is. Classic works of multiple-streams analysis often focused on a single tier
of a single government, whether the United States, France, or Britain (save for the admirable Baumgartner and Jones 1993). Adapting the framework for use in comparative territorial politics requires some attention to the different powers of governments and the constraints under which they work. Politicians who are not trying to expand their powers (and much of the time they are not – substantive policy generally gets more votes) and advocates who want to be practical will filter out policy ideas that require more autonomy and power than their government has.

In other words, a policy requires four things: problem, politician, policy and power. They must all come together if a policy is to emerge – a successful policy must respond to a problem that puts the issue on the agenda, be proposed by advocates who frame the idea correctly, correspond to a politician’s strategy for partisan advancement, and be appropriate in light of the power and position of the government. The latter three of these factors – politician, policy and power – are all likely to vary systematically with the territorial structure of society and the institutional structure of decentralization. The rest of this section analyzes them and their contribution to territorial policy variation.

**Policies: policy communities**

Policies, in the multiple-streams analysis, live long and varied lives more or less independently of whether anybody needs them. They might be the preferred, lucrative or mobilizing goals of interest groups, or they might be the pet ideas of individual policy advocates. Regardless, they are long-lived and reappear constantly in new guises as solutions to different problems. They come from the groups of analysts, advocates, journalists, politicians, academics, interest groups, civil servants and others who cluster around governments and try to sell their particular favored policy prescriptions to politicians in need of a policy.

This means that the direction of the policy stream over time will come from the position of some policy advocates in the relevant policy community who have the ability to influence the stream of policy ideas. The basic concept of the policy community is simple, for all that there have been a long string of terminological debates. It is that around a given government there will be a set of people engaged in debates about a given policy area. These will be people and groups who bring some defined, useful, resource: expertise, money, mobilizational power, or something else that wins them entry and allows them to engage in debates. Policy communities filter the policy stream by making some ideas seem all cost and no benefit, others hopelessly exotic, daring or worthy, others common sense and good, and others desirable but too costly.
There will be conflict within most policy communities, but also a limit to which ideas they will introduce. If a policy community does not sustain advocates for a given idea, it will be much less likely to be presented, on the scene, and made properly relevant to a politician who suddenly has a problem.

Policy communities are territorial. The makeup of a policy community reflects the history and social institutions of the jurisdiction. At a minimum, resources might or might not be available to sustain certain kinds of advocates in certain places. Some places have universities with relevant expertise or willingness to incubate ideas; others don’t. Some have civil services with entrenched preferences and networks; others less so. Some have fragmented local elites that between them fund lots of ideas; some have unified ones that will not support policy advocacy they do not like. The resources required to supply policy ideas and to maintain credible participation in a policy community are unevenly distributed and come with different preferences. This territorial imbalance matters because while ideas may travel, political life is usually local. It is difficult to participate in a policy community from afar; an advocate’s credibility, visibility and trust all suffer if he or she is not physically present in the capital city and circulating in the right circles. Policy communities are also structured not just by territorial distribution but also by other territorial social institutions; it is no accident that tracing shared experiences of education does much to explain who has access and influence in countries as different as the United Kingdom, United States and France.

It is in policy communities that we see the clearest connection between global debates and ideas and concrete policies. Policy advocates live in two worlds – the world of their policy debates, many of which are international in at least academic discussions, and the world of concrete politics and policy. They are the bridge between international discussions and politics on the ground. The well-developed theory of policy advocacy coalitions focuses on this by highlighting the groups of linked officials, analysts, journalists and politicians who share an understanding of means, ends and mechanisms, and who stably advocate for one kind of policy or another (Jenkins-Smith and Sabatier 1994; Sabatier 1998). To some extent these have always been international, whether in the form of Keynesian economics (Hall 1989) or Galenic medicine. But while the international flow of a large and increasing number of ideas is patent, so is the uneven distribution of their advocates across territory and in different policy communities, and the according likelihood that an idea will be presented. And if the multiple-streams analysis of politics is correct, any time an advocate’s policy is adopted in a new country, it
will be in response to a different problem, conditioned by a different set of government powers, and probably forced through by a politician as part of his or her own and his or her party’s strategies – and will accordingly be different from the policy idea that it was back at the international conference. Adoption will be adaptation.

**Politics: party systems**

The actual motor of action is often the presence of a politician or party leader who tries to make a mark by adopting a particular policy, the better to receive credit for resolving a problem that has flared up. The party system will dominate their actions because of the extent to which it shapes their alliances, opponents, resources, position and possible venues for advancement (Greer 2004; Zahariadis 1995). This is particularly true for leaders of parties in parliamentary systems, because they are the generals of opposing armies, and can shape their tactics to occupy and defend electoral space by adopting policies with the right appeal to their activists and the voters they target.

Parties often then unify decentralized countries, even ones with parties as fragmented as the United States or France, in two ways. First, as labels, they create incentives to stick together, the better to appeal to voters who value partisan consistency and the better to use their cumulative strength to make policy. Second, as organizations, they often create a bond between different politicians, an expectation of loyalty expressed by Scottish Labour politician Helen Liddell, who observed that when Scotland’s Labour government meets the UK Labour government, “we’re among friends (Constitution 2002).” This unifying logic need not show up in explicit coordination (see the discussions in this book by Roland Sturm and Alan Trench). It can be shared incentives and the greater ease of establishing trust.

If a region has a distinct party, it could well – as most have – opt to present itself as the best defender of the region’s autonomy against parties beholden to the center. Quebec Liberals, separate from the federal Liberals in Canada, are relentless advocates of Quebecois autonomy because their rivals are fully fledged state-seeking nationalists who can always accuse them of being too pro-Canada. Non-state nationalists in Spain accuse the Spanish parties of *sucursalismo* or its translated versions; *sucursalismo* literally translates to “branch-office-ism.” In the party systems of several stateless nations it is difficult to compete as a party tagged as inadequately national; the Conservatives in Scotland or Partido Popular in Catalonia both suffer from a widespread image as “foreign” parties (Seawright 2002). There is a threshold in such polities – an obligatory level of national
identity. Parties beneath it suffer, and while its particular level is the subject of much political debate, it is supported by powerful, national, social forces (Greer forthcoming).

The likelihood that there will be such a distinct regional party system, though, varies. It varies above all with the likelihood that there is a separate, distinct party in a region – most often a nationalist party, but there are also other kinds, including ostensibly statewide parties that are basically regional (Canadian history has many of these). Parties do not appear from nowhere; they need to get their resources, such as supporters, finance, infrastructure and legitimacy from somewhere, and accordingly are dependent on the organizations that can supply them. For there to be a regional party of note, there probably must also be a regional civil society to sustain it, and as a result distinctive party systems tend to concentrate in the better-known stateless nations. This helps explain why stateless nations also often have distinctively coherent policy trajectories, and even models, such as those discussed by Joan Subirats in his chapter.

What the presence of divergent party systems means, though, is that politicians in distinct party systems will be fighting distinct battles. Different kinds of partisan conflict give them systematic incentives to adopt policies that only make sense in light of their partisan positions (Greer 2004). In the example of the United Kingdom, much of the policy divergence to date is explained by the differing party systems in which a single party (Labour) must govern. Scottish Labour’s opposition, the Scottish National Party, is to its left, and nationalist, while Labour in England faces a state nationalist party, the Conservatives, that is ideologically to its right. That means Scottish Labour in government must fight on its left flank, moving left and emphasizing its Scottishness, while England’s Labour party must move to its right and ignores devolution. Labour politicians around the United Kingdom might feel “comradely connections” but must fight different electoral battles (Laffin, Shaw and Taylor forthcoming). The result is that the “comrades” of the UK Labour party produce very different policies over time. The broader point is that if we take Zahariadis’ definition of the political stream as the ideology and strategy of the governing parties (or at least their individual politicians), we should expect that even the smallest variations in the problems facing a party in a given jurisdiction will influence it to behave differently and adopt different policies.

Power: intergovernmental relations and finance

The final component that is required before a policy happens and that varies systematically is the power of the government to enact the policy.
If a government clearly cannot do something, advocates are usually unlikely to propose it and politicians usually unlikely to adopt it. So power is just as much a component of decision making as problems, policies and politicians. And the power to do things is shaped by the extent to which a government is constrained by others’ control of its legal capacity, financial autonomy and its ability to develop and implement policy on its own.

Banting and Corbett (2002) highlight two major ways in which institutions of intergovernmental relations and finance shape the power of regional governments. One way is through *normative legal power* – the ability of the central government to regulate the activities of regional governments. Poirier (2001b: 147–52) elaborates on normative legal power, or what I call here legal regulation, examining the range of mechanisms that constrain the substantive decisions by governments. The first kind of legal regulation is the constitutional norm that guarantees certain rights or competencies (and which can be much expanded by superordinate legislatures or courts; in the United States, for example, “unfunded mandates” stretch federal powers remarkably far by allowing the central government to mandate states to do certain things – Halberstam 2001). The second kind of legal regulation is framework legislation that in Spain, Canada and Germany, for example, creates general norms but leaves the regional governments to set means and some ends. This interconnection can be built into the design; Wales must make its decisions within the powers allotted by Westminster’s primary legislation (Patchett 2000; Rawlings 2003) and Catalonia must abide by Madrid’s framework laws (Aja 1999). To some extent regulation is the form that the increasing EU influence is taking (Greer 2006; Leibfried and Pierson 1995). Such structures give the authority over broad policy goals to the central government, and generally have courts police the line between the central government’s framework and the regional governments’ implementation powers. The third kind of legal regulation is intergovernmental accords and agreements, which can be politically or legally binding.

The other half of power identified by Banting and Corbett is *financial autonomy*. It is the extent to which the regional governments control their own revenue – their ability to shift money around within budgets, and their ability to raise their own funds through taxation. In this sense, the greatest autonomy is the region that sets its own taxes and finances itself, almost like a state, with a state’s range of expenditures, tax expenditures and budgetary policies; the least is one that depends on the central government for designated funds for designated ends. The latter condition is often the one into which governments such as the
American states fall when they become increasingly dependent on central government grants – use of the central “spending power” to involve the central government in the details of policy (Watts 2000b). Canada’s constitution does much to confine health services policies to the provinces, but the Canadian federal government established the country’s universal system by offering to cofinance provincial health services, and even when it reduced its contribution it still could pass the Canada Health Act to set the limits on health policy variation (Maioni 2002: 88–89).

The logic of the argument is that the financial system can create diverse constraints. It can shield regional governments from the need to develop a tax base by leaving taxation in central state hands. If this comes with limited earmarking of funds, then it affords the regions considerable latitude to make divergent policy within their spending. This is the case in Scotland, by and large (Greer 2005). Such systems could well, according to standard public finance arguments, promote good and divergent welfare states by breaking the link between taxes and welfare spending. Systems with greater fiscal autonomy for regions will afford them more policy tools and the ability to vary the size of their budget in keeping with economic or social ideas, but will expose them to the mobility of factors of production. If Mississippi, bereft of direct transfers (as against federal pork barrel projects), were to try to pay for education at the level of richer Wisconsin or Iowa it would quickly find it had unbearably high taxes. Either way, there are almost always be financial transfers from the central state to regions and, to the extent that they are important, the degree of associated earmarking of funds is key to understanding the degree of constraint on policy divergence (Watts 2000b; Opeskin 2001).

The United States might be the most striking case of such resource dependencies – the federal spending power – shaping policy. Since the expansion of the welfare state, driven as it was by the federal government, American intergovernmental relations have mostly been about money (Conlan 1998: 5–6). States have great constitutional authority and enjoy a wide variety of tax possibilities, but can accept federal funds for given programs (as can local governments, whose autonomy varies). This they do, and the result is not just a series of headline programs such as the Medicare and Medicaid health programs, bases of American health finance, but also a host of complex federal influences in almost any area of policy. Of course, this is not entirely one-way; money is desirable and local policy advocates can very much appreciate a federal finger on the scales. Project grants from Washington allow local
advocates in the United States to advance their policies by lowering the costs to the states and towns; many of America’s urban mass transit projects of recent decades only happened with ample federal matching funds (cofinancing). The price, of course, is that American governments such as those of Houston or Miami, having spent the money on building the tramlines and trains, find themselves obliged to operate mass transit systems that they would probably not have created otherwise. American states, having accepted federal road funds, were obliged to raise minimum drinking ages to 21 after the federal government required it of those receiving the funds.

That is the story of constitutional and financial constraints, which are the two constraints in Banting and Corbett’s model. If we shift the focus away from control by the center over the regions, though, and away from the implicitly zero-sum logic of many discussions of policy autonomy, we find a third. The logic of policy making increases or decreases policy autonomy by including more or fewer different groups that must cooperate if policymaking is to be successful. The rule is that almost no activities in a decentralized system can be carried out by one government alone. Almost invariably some aspect of the activity will turn out to require resources, powers, or information that are in the hands of some other government, and if that government does not cooperate it is essentially exercizing a veto.2

Health policy, for example, is primarily about patients, professionals and payers, and some systems are quite clear about the locus of primary responsibility for them. One such system is Canada, where provinces are quite clearly the payers and the organizers of the system. The Canadian federal government can only negotiate a role in most areas of health policy by spending money. It still, though, holds a few health competencies. These competencies are for international relations in health, in quarantine and in border control – and those competencies turned out to be just as important in responding to the 2003 SARS outbreak as high-profile provincial powers over hospitals and doctors (and the Mayor of Toronto, with few health powers of any kind, could not avoid taking a role either when the crisis hit his city). For most practical purposes health in Canada is a provincial power with some federal money, but for one practical purpose, infectious disease control, the federal government turned out to be as crucial as – or more important than – any province.

Intergovernmental relations therefore gives different governments legal, financial and practical policy vetoes over each other. Identifying the available options of a government – and thereby its maximum
potential divergence – requires understanding the real power it has over a policy area when its legal position, financial resources and exposure to vetoes by other governments have been understood. Or at least understanding what the politicians and policy advocates think that government’s power might be.

Summary

A policy requires the conjunction at the same time of a problem, a politician, a policy and a power. If one of the four is missing, nothing will happen and the window of opportunity will close again. Each of these four things is shaped by different but territorial factors. Policy streams are territorially varied because policy communities are territorial. Political streams are territorial because party systems vary territorially, sometimes a great deal. And powers shape the possibilities facing territorial governments. In each of these three important components of a policy, we find a necessary role for territory and a way to analyze its consequences for policy. For politics, we look at regional party systems; for policies, we look at territorial policy communities; and for powers we look at the financial autonomy, policy autonomy and legal regulation in inter-governmental relations. The result of such examination should suggest the likely direction a given region’s policy trajectory will go, and the extent to which it will differ from its neighbors. At a minimum it means that policies will diverge – that common norms will have such different implementation and histories as to mean different things.

Conclusion

Policy divergence is guaranteed. In regions that are essentially similar to each other, with similar kinds of party competition, similar, interlinked, policy communities, and similar weak powers there will be divergence because the mechanics of agenda-setting and decision making are too random and chancy to coincide often. Even if politicians and advocates in two places agree on the solution to a given common problem, they are unlikely to have to deal with it at the same time and in the same form. In regions that have different versions of the same basic structures – such as regions with the same two parties, but different degrees of competitiveness – there will also be divergence because the small decisions politicians make will be conditioned by different opportunities to score points. And in regions with major differences, such as distinctive party systems, asymmetric federations, or highly differentiated policy communities, divergence will happen because there is constant pressure
on politicians whose battles their colleagues from other regions do not understand and from advocates who sense opportunities they wouldn’t have elsewhere. It is in these last that divergence will be so systematically different as to look like a distinctive model.

The presence of a level of policy divergence, in short, is interesting only insofar as it rebuts the claims of convergence theorists. Its extent will vary, with weaker and more similar governments more likely to move in parallel, but there will always be divergence. What will be interesting, though, will be the extent to which the process of policy divergence produces coherent regional policy models as against mere accretions of different decisions taken within similar parameters. There has always been territorial divergence within welfare states; provision was different but differences were less transparent in theoretically unified systems such as those of Britain or France (Claire Dupuy and Patrick Le Galès, this book; Mohan 2002; Wincott 2005). But there is now a case that the accumulation of decisions – of ordinary policy making – is what shapes changing welfare states. The “mature welfare states” of the developed countries, having broadly grown to their contemporary political limits, only rarely make dramatic changes. As decisions move “down,” from the level of major new programs or retrenchment to the level of specific changes in eligibility, distribution, allocation and service delivery, the chancy patterns identified by students of public policy should become increasingly visible as shapers of the welfare state overall. In other words, as the welfare state becomes more and more a question of public policy the propensity of policies to diverge should lead to increasingly obvious territorial divergence in welfare states within countries.

The question, though, will be whether the result is distinctive policy regimes and welfare states – “models” with their own coherence and logics – or just various accumulations of little decisions within the same basic parameters. I suggest that only in the most distinctive regions with some combination of wide powers, nationalist parties, and highly differentiated policy communities, ones like Catalonia or the Basque Country will we see distinctive trajectories that deserve the title “model.” That will be because their markedly distinctive politics and policy debates will produce markedly different trajectories, and call forth people willing to articulate that independent trajectory.

Otherwise there will be divergence without coherence. We already cannot speak of “the” welfare state or “the” environmental policy of the United States, Germany, Canada or most other decentralized states. But neither can we speak of different welfare state models in the United States or Germany. Trajectories that are divergent but not coherent are
the norm, and the interest of places like Quebec, Catalonia or Scotland is precisely in their ability to enunciate coherent alternatives of their own. Some baseline policy divergence should be inevitable because politicians, problems, policies and powers vary. It is likely to be enough to vitiate many aspects of citizenship rights; a right to good health care or adequate transport can, and will, mean many different things when left in the hands of different governments.

This inevitable divergence, often unconscious, and the importance of politics that it points up are not just cheering for those who believe in the autonomy of regions and the occasional stateless nation. It is not just consoling for those who have won their policy battles in only a few places and who appreciate their bastions. It also helps to answer major questions in the political economy of advanced industrial states: are there different ways to construct a polity, economy and welfare state, or are all systems on a trend towards neoliberalism? Are the differences between peoples being worn away by modernization or perhaps globalization? Does participation in politics still matter in the face of these pressures? Because if they are, then the proverbial canaries in the mineshaft, the first polities to lose their autonomy, will be the regions. Without the taxing powers, redistributive capacity, control over trade, representation in international forums and ability to control mobility of goods, people and capital across their borders that defend states, they are most weakly equipped to defend themselves against global forces for convergence. And yet we can take heart, for they do, even when not noticing it.

Acknowledgment

I would like to thank Robert Fannion for his exceptionally useful comments.

Notes

1. Although the actual processes are the subject of fascinating and important history; Weber (1976), is the greatest example of this literature and a study of the most famous case of state-led nation-building. See also the chapter by Claire Dupuy and Patrick Le Galès, and, for extensions of the discussion of French nation-building, Hazareesingh (2002).

2. This insight underlies the idea of multi-level governance that emerged in the study of European integration as it converged on comparative federalism (Marks, Gary, Liesbet Hooghe and Kermit Blank 1996); see (Grodzins for the comparative federalism version three decades earlier, including the famous metaphor of “layer cake” (dual) and “marble cake” (interpenetrated) federations. Grodzins, Morton. 1966 [1984]).
Multi-level Governance and Multi-level Discontent: The Triumph and Tensions of the Spanish Model

Joan Subirats

Policy making and territorial politics in Europe, both already complex enough, are becoming more complicated. The regional governments of today often emerged or took their present forms in response to concerns of the 1970s and 1980s – concerns like the resurgent mobilization of stateless nations, democratization and problems of effective policy making. Their structures today reflect a history of debate, contest and political compromise about those issues – even if many of those issues are not stably resolved.

But those regional structures and underlying patterns of conflict between states and nations are now under new, cross-cutting pressures that threaten not just existing patterns of governance, but also the old divisions and alliances that shaped territorial politics. Unresolved old problems of democracy and nationhood, new divisions emerging from social and economic change, and complex challenges of multi-level governance are all putting increasing pressure on old state structures, with their hierarchies and fixed divisions of power – and on the way we think about regionalism, decentralization and the positions of regions and states in multi-level governance.

And so it is that Spain, an international model of multinational democracy for many around the world and a frustrating regime for many inside it, finds itself enjoying success, worrying about still unresolved tensions between its different nations and governments and in danger of seeing crucial elements of its territorial system upended by unexpected challenges. It demonstrates what new regions can do over
time and how they might interact with old nations. It is also an important case to illustrate the radical ways that governance and policy problems can change in increasingly interpenetrated multi-level politics.

A Spanish system that originally emerged, like many others, as a form of multinational accommodation, has delivered not only a form of that, but also, often to participants’ surprise, radical changes in the process and form of public policy. Now, however, pressures on policymaking driven by the multiplication of levels of government and problems of coordination intersect with those old problems to create new challenges to territorial politics. And that makes it representative not just of many other complex, regionalizing, multinational democracies, but also of their likely futures as well.

What does multi-level governance mean?

For decades now academics and policymakers have issued and heard calls for new forms of governance: calls from governance specialists for new politics and governance that are less anchored to territory and therefore not so vulnerable to the effects of new economic dynamics, new forms of connection and new forms of social interaction that are collectively often called “globalization.” Local problems frequently end up being transnational ones; and at other times big global problems, issues and failures of coordination are increasingly likely to affect life in the remotest corner of the world. In other words, we see a blurring of the borders between what we previously understood as domestic and foreign affairs.

This globalizing trend crosscuts a second one – the renewal of cultural and territorial identity and mobilization traditionally present in some parts of Europe. The resurgent political mobilization of old stateless nations such as Scotland or Flanders has shaped territorial politics since the 1960s, forcing states to give up old dreams of territorial homogeneity and centralized public administration. At the same time, new cleavages are springing up within and around stateless nations, often without significant elements of cultural identity and more centered instead on change in the socio-economic defense of specific, often local, territorial communities.

And finally, and for territorial politics maybe the most important, there is the impact of European integration. The politics of the European Union constantly reveal tensions – the EU institutions try to reinforce the processes of integration as integration blurs the outlines of states and societies. At the same time, the European Union does not change
the determinant weight of the nation-states and/or its balance in the process of institutional renovation. The European “experiment” has been seen as a ground on which to test the merging of the old and new forms of government.

And all of this comes atop broad changes that affect the context of all politics, territorial and other. These changes include changing expectations and social roles (including feminism, environmentalism and demographic transition), the changing role of civil society (including its increasing interpenetration with the state), new technologies that change political engagement and communication, developments in the world economy and productive and technological changes. Debate consequently focuses ever more on the concept of “governance.”

It is easy to ridicule that word, but it tries to capture something important: the dynamics of a complex society that no one government can govern. It therefore goes beyond what we have traditionally understood by the classical notion of “government.” Proliferating academic expressions such as “multi-level governance,” “multi-tiered governance,” or “polycentric governance” try to capture not only political decentralization or fragmentation, but also, at the same time, the necessity – or possibility – of interaction between different levels of government that can create coherent order.

Many European states, under these diverse pressures, are still debating old issues of national identity and centre–periphery conflict at the same time as they adapt their institutional structures to cope with newer issues such as European policymaking. Germany, Belgium, the United Kingdom and Spain all have political debates that perforce involve the challenges of governance and multi-level politics. One of the most complex and discussed cases is Spain, on account of its experience with democratization and territorial cleavage as well as European integration. Spain’s combination of old and new cleavages, evolving territorial governance, complex politics of nationalism and the process of Europeanization turn it, voluntarily or not, into one of the world’s laboratories of territorial politics and multi-level politics.

That means Spanish virtues and vices are important for what they can teach us about the past and future of multi-level politics (Brugué, Gomà and Subirats 2001). In twenty years, its regions, called autonomous communities, have gone from non-existence to control over more than one-third of the state’s public spending, more than a million civil servants, and more than three thousand of their own laws. They do this at the behest of two hundred autonomous community councillors (ministers) and presidents and more than one thousand parliamentarians.
Eight thousand local governments and a strong European influence on policies and political debate add further complexity to Spain’s multi-level politics. Spanish political reality today presents very concrete examples in which to contrast the types of multi-level governance presented above.

The vertiginous conversion of Spain from a unitary, centralized country to a system in which up to six levels of government coexist (European, state, regional, provincial, supra-local, local) and the lack of a core in the autonomous system1 constantly generates debate about the federal or quasi-federal models which could simultaneously satisfy both regional demands for greater self-governance and the necessity of having a national government with recognized leadership which can guarantee inter-territorial equity. And the known and evident territorial differences of all types that Spain offers, the diverse identities that exist, the unequal distributions of social capital that can be detected, the very different use that the various autonomous communities have made of their powers for self-government and their very different presence and will to intervene in the European arena, together create a perfect case study of the “new” challenges of increasingly polycentric governance that escapes the bounds of traditional federalism.

**The Spanish context: Old regionalism, new regionalism and ambiguity**

Spain has a long history of political centralism and a long history of nationalist and separatist tensions. The history of Spain as a nation-state began in the fifteenth century, although in reality a significant degree of regional variation (legal, economic and cultural; systems of political organization; and even currencies, weights and measures) survived until the beginning of the eighteenth century (Carr 1982; Conversi 1997). The loss of the last colonies, namely Cuba, the Philippines and Puerto Rico, at the end of the nineteenth century led to an institutional and identity crisis which was seized upon by the persistent peripheral nationalist movements (which had survived throughout the nineteenth century under “Carlist” or federalist guises) as a way of resisting the approaching changes (in the Basque Country) or to propose new ways of modernizing the country more in line with its historical and cultural plurality (in Catalonia and Galicia). Crisis in the 1920s and the “regenerationist” and modernizing movements in the 1930s opened the gate to the opportunities generated by the establishment of the Second Republic. The republican solution involved recognizing the differentiating
features and accepting a framework of political autonomy for Catalonia, the Basque Country and Galicia, within a context of a new, more pluralistic and secular Spain. The reaction by the military faction headed by General Franco, which led to the Spanish Civil War, was coherent given the role as unifying and cohesive elements that the armed forces had been acquiring in Spain. In this sense, the Franco regime was the culmination of a particular Spanish identity linked to Catholic fundamentalism, economic conservatism, political anti-liberalism and unifying patriotism. The end of the Franco regime in 1975 and the approval of the Spanish Constitution in 1979 meant the apparent end to the reign of all these things, but they did not put an end to their existence beneath the surface of the new, democratic Spain.

When the future territorial distribution of Spain began to be discussed in 1977, during the democratic transition, the pros and cons of general decentralization of the political structures in a country with a long centralist tradition formed part of the central debates. For some people, then as now, centralization ensured certain economies of scale in the production of services; it implied proper coordination and management of externalities for each area; it guaranteed greater degrees of homogeneity in the provision of public services; it facilitated redistributive policies; and it brought with it greater efficacy in stabilization policies. For those in favour of decentralization, however, territorial autonomy would allow bureaucratic and administrative costs to be reduced; it would bring administrators closer to citizens; it would allow for a certain degree of competition among institutions, thus leading to better services for citizens; and it would make possible a certain degree of experimentation in that similar problems would be dealt with in different ways in each territory. To these technical or functional aspects we can add more political considerations that especially affected those communities that had traditionally expressed their discomfort with a centralist government and that, in defence of their unique historical identity, demanded a specific solution to their role within the new multinational, democratic Spain. To all of this, we have to add Spain’s accession to the European Community, which occurred in the middle of the 1980s, and its impact on the region. Among other consequences, the autonomous communities discovered new opportunities for political, economic and social representation which went beyond and sometimes totally bypassed the nation-state framework.

The political system that emerged from the Spanish democratic transition aimed to combine two aspects that had never before appeared together in the country’s contemporary history: a resolution of the
conflicts with the peripheral nationalist movements, and a general decentralization of the model of government (Solé Tura and Aja 1977). From the standpoint of the former, the solution was to establish a political system that acknowledged the historical, cultural and political diversity of Spain at the turn of the century (“champagne for the nationalities”), partially following the approach taken in the 1930s. For the latter, the goal was a decentralized yet homogeneous system, without major differences among the new autonomous powers (“coffee for everyone”). The option of the constitutional drafters, which was subsequently endorsed by the Spanish people, was to mix both perspectives (“coffee with liqueur for some, regular coffee for everyone”; Agranoff 1999). In this way, the new 1979 Spanish Constitution (SC) reflects both the diversity and asymmetry of the system of autonomous communities, while at the same time not ruling out the possible development of a system that would end up providing all its different components with a relatively similar degree of self-government. It is not surprising, therefore, that the final result was often highly ambiguous about key issues.2

An example of this ambiguity explains the vagueness of the Constitution about the basic nature of Spain’s territorial structure. The constitutional debate happened in the presence of what are called “pre-autonomies,” proto-regional governments led by democratically elected deputies (see also Aja 1999). The pre-autonomies were already functioning, and their presence and political force allowed the framers of the constitution to displace debates over their powers and nature from constitutional debate into legislation. As a result, a reader of the Spanish Constitution will not be able to determine, even after a close reading, how many autonomous communities exist, what their territorial limits are, nor what their legislative powers and institutions are.3 That ambiguity was designed to garner a political consensus which, given the centifugal force of the peripheral nationalisms and the centralist tradition of the country, was not expected to be easy.

Triumphs: Regionalism as politics and policy

Much of the case for decentralization, such as the arguments reviewed by Richard Simeon and Claire Dupuy and Patrick Le Galès in their contributions to this volume, focuses on the idea that regionalization can improve democracy and policy responsiveness through better representation, identification with civil society and adaptation of policy to place. Spain, with its comparatively new and evolving system of autonomous communities, shows just what happens when such regional governments come into being and develop on very different social bases.
More than twenty years after its inception, the diversity and asymmetry of the current Spanish autonomous system can be seen in numerous, varied ways. The autonomous communities are quite different from each other in terms of size, population and socio-economic conditions. In many of them languages other than Spanish are spoken to varying degrees; these include the Basque Country, Catalonia, Galicia, Navarre and Valencia. In some autonomous communities such as Catalonia there are significant differences with regard to the civil code in force, in matters as important as marital assets and inheritance. Two communities, Navarre and the Basque Country, base a right to fiscal autonomy on their historic rights; the model would in fact be impossible to extend to the other regions. The very statutes of autonomy recognise different rights with regard to some autonomous communities’ institutional organizations (the possibility of dissolution, holding elections at different times than the other communities, and so forth), and with regard to their responsibilities in the area of internal security corps or their competences in criminal matters. At the same time, the uses they have made of their powers of self-government have also been quite different, as are their citizens’ perceptions of their identity and the future of this autonomous state organization.

Let us examine some of these aspects in more detail. The 17 autonomous communities have full legislative powers within the framework of their competences. During the period from 1980 to 2000, 3300 laws were approved by the autonomous parliaments; however, the territorial distribution of these laws shows a very different use of this legislative power by each autonomous community. There is a large gap between the almost 400 laws enacted in Navarra and Catalonia and the 97 in La Rioja or 112 in Extremadura (Table 9.1).

**Table 9.1** Legislative output by community (1980–2000)

<table>
<thead>
<tr>
<th>Autonomous community</th>
<th>No. of laws</th>
<th>Autonomous community</th>
<th>No. of laws</th>
</tr>
</thead>
<tbody>
<tr>
<td>Navarre</td>
<td>388</td>
<td>Valencia C.</td>
<td>176</td>
</tr>
<tr>
<td>Catalonia</td>
<td>377</td>
<td>Castilla-León</td>
<td>175</td>
</tr>
<tr>
<td>Madrid</td>
<td>254</td>
<td>Cantabria</td>
<td>161</td>
</tr>
<tr>
<td>Basque Country</td>
<td>240</td>
<td>Andalusia</td>
<td>149</td>
</tr>
<tr>
<td>Aragon</td>
<td>197</td>
<td>Asturias</td>
<td>148</td>
</tr>
<tr>
<td>Galicia</td>
<td>190</td>
<td>Castilla-La Mancha</td>
<td>124</td>
</tr>
<tr>
<td>Balearic Islands</td>
<td>183</td>
<td>Extremadura</td>
<td>112</td>
</tr>
<tr>
<td>Canary Islands</td>
<td>180</td>
<td>La Rioja</td>
<td>97</td>
</tr>
<tr>
<td>Murcia</td>
<td>179</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3330</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Subirats and Gallego 2002.*
If we examine more administrative issues, we can also find significant differences. There are communities such as Navarre in which 94 percent of the administration are civil servants, while in the Community of Madrid only 27 percent are, with the remainder being hired on labor contracts. In the Balearic Islands, more than 40 percent of public employees have flexible or temporary contracts, while only 2 percent do in Madrid. In some communities, such as the Canary Islands and Andalusia, the majority of civil servants have low levels of education and specialization, while in Madrid there are many university graduates. In certain communities, the proportion of administrative supervisors to support personnel is very low, while in other communities there are almost equal numbers of higher and lower administrative levels (Tables 9.2 and 9.3).

With Franco’s death in 1975, public spending as a percentage of GNP in Spain was approximately twenty points below that of the other OECD countries. Since then, this gap has been almost totally closed, and a large part of this public spending as well as leadership in welfare policies is at the level of the autonomous communities. In an analysis of the welfare policies constructed by the seven most powerful autonomous communities in this area since their inception (Catalonia, Basque Country, Galicia, Andalusia, Navarra, the Community of Valencia and the Canary Islands),

<table>
<thead>
<tr>
<th>Community</th>
<th>Public employees</th>
<th>Inhabitants per public employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andalusia</td>
<td>206.883</td>
<td>34.6</td>
</tr>
<tr>
<td>Canary Islands</td>
<td>51.090*</td>
<td>30.9</td>
</tr>
<tr>
<td>Catalonia</td>
<td>129.000</td>
<td>47.0</td>
</tr>
<tr>
<td>Valencia C.</td>
<td>94.767</td>
<td>41.4</td>
</tr>
<tr>
<td>Galicia</td>
<td>69.179</td>
<td>39.3</td>
</tr>
<tr>
<td>Navarre</td>
<td>15.497</td>
<td>34.1</td>
</tr>
<tr>
<td>Basque Country</td>
<td>60.237</td>
<td>34.2</td>
</tr>
</tbody>
</table>

Notes: * Data published by the Ministry of Public Administration. Territorial distribution de efectivos by the Public Administration of the Autonomous Communities. The rest of the data have been obtained directly from the information supplied by the Autonomous Communities and correspond to the year 2000.

Source: Subirats and Gallego 2002.
Islands), we can witness major differences among them both in more substantial terms (their policies’ degree of autonomy compared to that of national government policies, and the level of public action compared to market action); and in more operational terms (the degree of complexity of the network of actors involved, and the predominance of instruments of public or private management in the provision of services). The conclusions of this analysis also show that diversity among the “welfare regimes” constructed is quite high, and that the ideological options and circumstances at their inception have clearly affected their outcome (Table 9.4 and Figures 9.1 and 9.2).

What are people’s perceptions of the functioning of the autonomous communities in the period from 1980 to 2000? The Spanish population has gone from being mainly skeptical and suspicious of political decentralization to being highly supportive of the autonomous communities model. In 1976, 39 percent of Spaniards supported the state’s decentralized or federal organization. This figure had risen to 70 percent by the end of the 1990s. This type of widespread support for the system of autonomous communities is support for the principles of the regime (Norris 1999), which in the autonomous regime basically consists of political autonomy and territorial decentralization of the state’s power.

### Table 9.3  Formal links of public employees of the autonomous communities

<table>
<thead>
<tr>
<th>Community</th>
<th>% Civil service</th>
<th>% Labor contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andalusia</td>
<td>44</td>
<td>56</td>
</tr>
<tr>
<td>Asturias</td>
<td>45</td>
<td>55</td>
</tr>
<tr>
<td>Balearic Islands</td>
<td>61</td>
<td>39</td>
</tr>
<tr>
<td>Canary Islands*</td>
<td>37</td>
<td>63</td>
</tr>
<tr>
<td>Castilla-La Mancha</td>
<td>58</td>
<td>42</td>
</tr>
<tr>
<td>Castilla-León</td>
<td>61</td>
<td>39</td>
</tr>
<tr>
<td>Catalonia*</td>
<td>68</td>
<td>32</td>
</tr>
<tr>
<td>Valencia C.</td>
<td>66</td>
<td>34</td>
</tr>
<tr>
<td>Extremadura</td>
<td>49</td>
<td>51</td>
</tr>
<tr>
<td>Galicia</td>
<td>68</td>
<td>32</td>
</tr>
<tr>
<td>La Rioja</td>
<td>69</td>
<td>31</td>
</tr>
<tr>
<td>Madrid*</td>
<td>27</td>
<td>73</td>
</tr>
<tr>
<td>Murcia</td>
<td>80</td>
<td>20</td>
</tr>
<tr>
<td>Navarre</td>
<td>94</td>
<td>6</td>
</tr>
<tr>
<td>Basque Country</td>
<td>77</td>
<td>23</td>
</tr>
</tbody>
</table>

* 1997 Data.

Source: Subirats and Gallego 2002.
<table>
<thead>
<tr>
<th>Policy domains</th>
<th>Substantive dimension</th>
<th>Operative dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>• Students registered at public and private (contracted) schools</td>
<td>• Education public expenditure per capita (5 to 14-year-olds)</td>
</tr>
<tr>
<td></td>
<td>• Public expenditure in education as a percentage of total education expenditure</td>
<td>• Participation in school councils</td>
</tr>
<tr>
<td></td>
<td>• Cost structure in public and private schools</td>
<td>• School autonomy and deregulation of access criteria in a double network system</td>
</tr>
<tr>
<td></td>
<td>• Ratio student/teacher in public and private schools</td>
<td>• Distribution of financing among government levels</td>
</tr>
<tr>
<td></td>
<td>• Students who use complementary services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Students who have passed COU</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Students in private education per social class</td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>• Population covered by reformed primary care</td>
<td>• Hospital beds classified by ownership</td>
</tr>
<tr>
<td></td>
<td>• Health legislation and programs and actions</td>
<td>• Health professionals in the public primary and hospital sectors</td>
</tr>
<tr>
<td></td>
<td>• Access to and use of health services</td>
<td>• Institutional/legal form of health authorities</td>
</tr>
<tr>
<td></td>
<td>• Satisfaction with the health system</td>
<td>• Financing tools</td>
</tr>
<tr>
<td>Social services</td>
<td>• Expenditure and coverage of services</td>
<td>• Providers’ management tools and organization forms</td>
</tr>
<tr>
<td></td>
<td>• Access to services</td>
<td>• Models of health contracts and types of providers</td>
</tr>
<tr>
<td>Housing</td>
<td>• Housing public expenditure as a percentage of total public expenditure, and of social expenditure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Subsidized housing: different intensities of publicness</td>
<td>• Legislative powers and resources differences</td>
</tr>
<tr>
<td></td>
<td>• Housing prices</td>
<td>• Housing policy tools used</td>
</tr>
<tr>
<td>Active employment policies</td>
<td>• Agreements for employment</td>
<td>• Institutional framework developed and actors involved</td>
</tr>
</tbody>
</table>

Source: Subirats and Gallego 2002.
A second type of widespread support that has been generated throughout these years is that which has been identified as support for the political community (Norris 1999), which is manifested in the degree of citizen identification with the political community. Currently, approximately half of Spaniards show dual subjective national identity; that is, they feel in equal measure citizens of Spain and of their autonomous communities (53% according to the 1998 survey by the Centre for Sociological Investigations – Centro de Investigaciones Sociológicas – CIS). Thus, it seems that one can claim that the autonomous political systems as a whole have reaped considerable success with regard to the level of legitimacy they have achieved, based on the widespread support that they have gained among citizens in a relatively short period of time. If we analyze the degree of citizen satisfaction with each of the autonomous communities in more detail, there are quite significant differences in perceptions. The Catalans are almost three times
more positive than the inhabitants of Cantabria, and residents of Castilla-La Mancha are twice as satisfied as those living in the Canary Islands (Table 9.5).

To what can we attribute these different perceptions? In Putnam’s well-known study of social capital in Italy, he raised the possibility that institutional performance is related to existing social capital in the Italian regions (1993). In studies carried out on this question in Spain, the data shows that there is a strong correlation between each community’s level of social capital and the indices of development and socioeconomic modernization in these communities. There also exists a significant correlation between social capital indices and the preference for the state having a federal organization. Correlations with regard to the perception of performance are less notable, and they are even less so with regard to political governability. Social capital appears to exert the
### Table 9.5 Citizen satisfaction with the autonomous system

<table>
<thead>
<tr>
<th>Autonomous Community</th>
<th>Compound Satisfaction Index</th>
<th>Support for Performance of Autonomous Region</th>
<th>Support for Performance of Autonomous Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAT</td>
<td>54 (49–59)</td>
<td>66 (55–76)</td>
<td>50 (31–69)</td>
</tr>
<tr>
<td>CLM</td>
<td>46 (42–49)</td>
<td>50 (44–57)</td>
<td>43 (26–67)</td>
</tr>
<tr>
<td>LR</td>
<td>41 (34–48)</td>
<td>47 (33–61)</td>
<td>39 (27–59)</td>
</tr>
<tr>
<td>CV</td>
<td>41 (37–45)</td>
<td>50 (43–57)</td>
<td>38 (24–55)</td>
</tr>
<tr>
<td>EX</td>
<td>41 (32–49)</td>
<td>46 (36–55)</td>
<td>39 (21–66)</td>
</tr>
<tr>
<td>NA</td>
<td>38 (32–44)</td>
<td>55 (44–66)</td>
<td>33 (20–54)</td>
</tr>
<tr>
<td>IB</td>
<td>36 (34–38)</td>
<td>41 (41–42)</td>
<td>33 (20–53)</td>
</tr>
<tr>
<td>PV</td>
<td>36 (26–46)</td>
<td>47 (30–63)</td>
<td>35 (15–57)</td>
</tr>
<tr>
<td>MEDIA</td>
<td>35 (28–42)</td>
<td>42 (32–52)</td>
<td>33 (18–53)</td>
</tr>
<tr>
<td>GA</td>
<td>31 (24–39)</td>
<td>36 (27–44)</td>
<td>30 (13–50)</td>
</tr>
<tr>
<td>MA</td>
<td>30 (20–40)</td>
<td>35 (24–47)</td>
<td>29 (11–56)</td>
</tr>
<tr>
<td>CYL</td>
<td>30 (23–37)</td>
<td>35 (25–46)</td>
<td>28 (13–46)</td>
</tr>
<tr>
<td>AN</td>
<td>29 (25–34)</td>
<td>35 (27–43)</td>
<td>27 (16–46)</td>
</tr>
<tr>
<td>MU</td>
<td>28 (18–38)</td>
<td>28 (20–36)</td>
<td>27 (11–48)</td>
</tr>
<tr>
<td>AS</td>
<td>27 (25–29)</td>
<td>32 (30–35)</td>
<td>25 (16–33)</td>
</tr>
<tr>
<td>ICA</td>
<td>24 (18–30)</td>
<td>31 (19–44)</td>
<td>22 (10–40)</td>
</tr>
<tr>
<td>CAN</td>
<td>20 (13–27)</td>
<td>24 (13–35)</td>
<td>18 (5–36)</td>
</tr>
</tbody>
</table>

**Abbreviations:**
- EX: Extremadura
- GA: Galicia
- AR: Aragon
- IB: Balearic Islands
- AS: Asturias
- ICA: Canary Islands
- CAN: Cantabria
- MA: Madrid
- MU: Murcia
- CV: Comunidad Valenciana
- PV: Basque Country (Pais Vasco)

**Note:** Autonomous averages (unweighted) obtained from items present in the surveys 2025–2041 from 1992 and 2286 from 1998 from the CIS (min/max in parentheses).

**Source:** Subirats-Gallego 2002.

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most influence on widespread support for the autonomous community (support for political autonomy and decentralization and support of the regime’s performance), while political governability is more closely associated with levels of specific support (support of political institutions’ performance) (Tables 9.6–9.11). The more qualitative studies carried out on citizen opinion in each autonomous community show that the perception of diversity among the autonomous communities is quite well established. The most widespread opinion among Spaniards is that regional differences have increased in Spain since autonomy has existed, and that the greatest beneficiary of all of this has been Catalonia, whose nationalist governments have known how to take
Table 9.6  Individual attitudes and behaviors relative to public affairs

<table>
<thead>
<tr>
<th>Autonomous communities</th>
<th>Strong interest in autonomy policy</th>
<th>Percentage of population older than 14 years that reads daily press</th>
<th>High level of political information from the autonomous government</th>
<th>Component: Index of “citizen commitment” (factor score)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basque Country</td>
<td>47</td>
<td>57</td>
<td>36</td>
<td>201.095</td>
</tr>
<tr>
<td>Navarre</td>
<td>42</td>
<td>61</td>
<td>34</td>
<td>171.357</td>
</tr>
<tr>
<td>Rioja</td>
<td>46</td>
<td>49</td>
<td>27</td>
<td>104.796</td>
</tr>
<tr>
<td>Catalonia</td>
<td>40</td>
<td>44</td>
<td>30</td>
<td>0.86864</td>
</tr>
<tr>
<td>Madrid</td>
<td>42</td>
<td>34</td>
<td>27</td>
<td>0.49344</td>
</tr>
<tr>
<td>Valencia C.</td>
<td>36</td>
<td>36</td>
<td>26</td>
<td>0.16835</td>
</tr>
<tr>
<td>Balearic Islands</td>
<td>38</td>
<td>47</td>
<td>20</td>
<td>0.11001</td>
</tr>
<tr>
<td>Aragón</td>
<td>38</td>
<td>39</td>
<td>22</td>
<td>0.02237</td>
</tr>
<tr>
<td>Galicia</td>
<td>39</td>
<td>36</td>
<td>22</td>
<td>0.01468</td>
</tr>
<tr>
<td>Canary Islands</td>
<td>37</td>
<td>38</td>
<td>22</td>
<td>−0.03992</td>
</tr>
<tr>
<td>Andalusia</td>
<td>33</td>
<td>29</td>
<td>23</td>
<td>−0.37581</td>
</tr>
<tr>
<td>Asturias</td>
<td>17</td>
<td>49</td>
<td>23</td>
<td>−0.52770</td>
</tr>
<tr>
<td>Castilla-León</td>
<td>29</td>
<td>41</td>
<td>18</td>
<td>−0.59786</td>
</tr>
<tr>
<td>Extremadura</td>
<td>27</td>
<td>31</td>
<td>17</td>
<td>−106.504</td>
</tr>
<tr>
<td>Cantabria</td>
<td>17</td>
<td>57</td>
<td>13</td>
<td>−111.209</td>
</tr>
<tr>
<td>Murcia</td>
<td>23</td>
<td>29</td>
<td>17</td>
<td>−133.495</td>
</tr>
<tr>
<td>Castilla-Mancha</td>
<td>24</td>
<td>22</td>
<td>18</td>
<td>−139.660</td>
</tr>
<tr>
<td>Mean CCAA</td>
<td>36</td>
<td>39</td>
<td>25</td>
<td></td>
</tr>
</tbody>
</table>


advantage of political situations in which the Spanish parliament lacked a solid majority in order to “look after number one” (i.e., profit from these situations). This same opinion is applied to all the “internal nationalisms,” which are considered “extractive, non-solidary and conflictive.”

In all the communities, this same qualitative study, which was carried out by CIS, shows that the Spanish public (with the exception of the citizens in Castilla-La Mancha, Castilla-Leon and Madrid) shares the opinion that regional self-governance has allowed an underlying feeling of identity to stir, and, by giving it political content and opportunity, this has facilitated the emergence or mobilization of forces focused on demanding or obtaining resources for local problems.

On the other hand, there is a high degree of similarity among groups in the communities that do not have their own language in their discourse on language and identity. First, we can discern that having a
Table 9.7 The associative fabric of the autonomous community: index of coordination-cooperation associativity

<table>
<thead>
<tr>
<th>Autonomous communities</th>
<th>Economic and professional associations</th>
<th>Philanthropic and charitable associations</th>
<th>Autonomous community association-cooperation score (factor score)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andalusia</td>
<td>2.42</td>
<td>2.95</td>
<td>−0.68</td>
</tr>
<tr>
<td>Aragón</td>
<td>4.37</td>
<td>2.94</td>
<td>0.76</td>
</tr>
<tr>
<td>Asturias</td>
<td>2.77</td>
<td>2.03</td>
<td>−1.38</td>
</tr>
<tr>
<td>Balearic Islands</td>
<td>3.40</td>
<td>3.01</td>
<td>0.11</td>
</tr>
<tr>
<td>Canary Islands</td>
<td>4.34</td>
<td>2.50</td>
<td>0.28</td>
</tr>
<tr>
<td>Cantabria</td>
<td>3.92</td>
<td>2.85</td>
<td>0.33</td>
</tr>
<tr>
<td>Castilla-León</td>
<td>3.10</td>
<td>2.61</td>
<td>−0.53</td>
</tr>
<tr>
<td>Castilla-La Mancha</td>
<td>2.55</td>
<td>2.81</td>
<td>−0.73</td>
</tr>
<tr>
<td>Catalonia</td>
<td>4.73</td>
<td>2.87</td>
<td>0.95</td>
</tr>
<tr>
<td>Valencia C.</td>
<td>2.70</td>
<td>2.47</td>
<td>−0.97</td>
</tr>
<tr>
<td>Extremadura</td>
<td>2.33</td>
<td>2.46</td>
<td>−1.26</td>
</tr>
<tr>
<td>Galicia</td>
<td>2.40</td>
<td>1.99</td>
<td>−1.70</td>
</tr>
<tr>
<td>Rioja</td>
<td>3.80</td>
<td>3.30</td>
<td>0.71</td>
</tr>
<tr>
<td>Madrid</td>
<td>5.36</td>
<td>3.22</td>
<td>1.78</td>
</tr>
<tr>
<td>Murcia</td>
<td>2.99</td>
<td>3.52</td>
<td>0.34</td>
</tr>
<tr>
<td>Navarre</td>
<td>2.91</td>
<td>4.08</td>
<td>0.87</td>
</tr>
<tr>
<td>Basque Country</td>
<td>2.60</td>
<td>4.51</td>
<td>1.09</td>
</tr>
</tbody>
</table>

Source: Data come from the Registro Nacional de Asociaciones del Ministerio del Interior and refer to the associations registered up to December 31, 1999. Subriats and Gallego 2002.

unique language affects collective identity, in terms of a people having a sense of differentiation, and this affects the group's ability to defend its rights. As a result, since there is less sense of a differentiating identity in communities without a unique language, there is less cohesion in the community and it is more difficult to plan demands that are supported across the board. Furthermore, in the bilingual communities there is a tendency for the vernacular language to be converted into an instrument of selection for and exclusion from opportunities (such as for civil servant positions). Also, citizens of the communities without their own unique language blame themselves, not without a certain sense of regret, for their complacency and inability to make claims for their rights. The consequence of a better development of autonomy, services and welfare in the communities with their own language is logical, given that from their point of view, the greater the self-identification, the greater the cohesion, the more mobilization of resources and the more development.
Table 9.8  Associative participation index, 1998 (factor score of the first principal component on participation)

<table>
<thead>
<tr>
<th>Autonomous communities (descending order)</th>
<th>Associative participation index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basque Country</td>
<td>1.48581</td>
</tr>
<tr>
<td>Rioja</td>
<td>1.42989</td>
</tr>
<tr>
<td>Navarre</td>
<td>1.16504</td>
</tr>
<tr>
<td>Madrid</td>
<td>1.00478</td>
</tr>
<tr>
<td>Aragón</td>
<td>0.96188</td>
</tr>
<tr>
<td>Comunidad Valenciana</td>
<td>0.65472</td>
</tr>
<tr>
<td>Balearic Islands</td>
<td>0.13977</td>
</tr>
<tr>
<td>Catalonia</td>
<td>0.01901</td>
</tr>
<tr>
<td>Castilla-La Mancha</td>
<td>0.00743</td>
</tr>
<tr>
<td>Asturias</td>
<td>−0.06523</td>
</tr>
<tr>
<td>Andalusia</td>
<td>−0.41120</td>
</tr>
<tr>
<td>Galicia</td>
<td>−0.61691</td>
</tr>
<tr>
<td>Castilla-León</td>
<td>−0.67182</td>
</tr>
<tr>
<td>Murcia</td>
<td>−0.87710</td>
</tr>
<tr>
<td>Canary Islands</td>
<td>−1.0856</td>
</tr>
<tr>
<td>Extremadura</td>
<td>−1.3225</td>
</tr>
<tr>
<td>Cantabria</td>
<td>−1.8180</td>
</tr>
</tbody>
</table>


Table 9.9  Autonomous community social capital

<table>
<thead>
<tr>
<th>Autonomous communities in ascending order</th>
<th>Social capital index (3 previous components) (factor score)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremadura</td>
<td>−1.4056</td>
</tr>
<tr>
<td>Cantabria</td>
<td>−1.0729</td>
</tr>
<tr>
<td>Galicia</td>
<td>−0.8304</td>
</tr>
<tr>
<td>Castilla-La Mancha</td>
<td>−0.8247</td>
</tr>
<tr>
<td>Murcia</td>
<td>−0.7827</td>
</tr>
<tr>
<td>Asturias</td>
<td>−0.7228</td>
</tr>
<tr>
<td>Castilla-Leon</td>
<td>−0.6993</td>
</tr>
<tr>
<td>Andalusia</td>
<td>−0.5545</td>
</tr>
<tr>
<td>Canary Islands</td>
<td>−0.3564</td>
</tr>
<tr>
<td>Valencia C.</td>
<td>−0.0051</td>
</tr>
<tr>
<td>Balearic Islands</td>
<td>0.1406</td>
</tr>
<tr>
<td>La Rioja</td>
<td>0.2532</td>
</tr>
<tr>
<td>Aragón</td>
<td>0.6584</td>
</tr>
<tr>
<td>Catalonia</td>
<td>0.6960</td>
</tr>
<tr>
<td>Madrid</td>
<td>1.2263</td>
</tr>
<tr>
<td>Navarre</td>
<td>1.4759</td>
</tr>
<tr>
<td>Basque Country</td>
<td>1.8038</td>
</tr>
</tbody>
</table>

Finally, the absence of a differentiating identity makes it difficult if not impossible for nationalist parties to take root. They are viewed in all cases as those that best defend territorially based interests. For their part, in the bilingual communities there is also agreement on the link between language and identity or differentiating element.

In other words, regardless of whether regional governments represented well-established stateless nations or new and flimsy territorial constructs such as Castilla-La Mancha, they are now relatively popular and well-respected. Their politics are distinct and important, but the novelty of their policies varies, with some picking out quite distinctive policy trajectories (especially the Basque Country, Catalonia and Valencia). The importance and popularity of the regional governments is as striking as the difference in the extent of their policy distinctiveness and divergence.

### Tensions: Old problems and new problems

Territorial politics continues to be at the center of the Spanish political agenda. There is no doubt that there has been decentralization if we
Table 9.11 Political governance of autonomous communities 1980/89–1998
(Governability index – factor score – the least value corresponds to the greatest political governance of the autonomous institutions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CLM</td>
<td>−1.314</td>
<td>2.1</td>
<td>1</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>CA</td>
<td>−1.121</td>
<td>3.2</td>
<td>1</td>
<td>0</td>
<td>16</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>EXT</td>
<td>−0.928</td>
<td>2.5</td>
<td>1</td>
<td>0</td>
<td>20</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>CV</td>
<td>−0.903</td>
<td>2.7</td>
<td>2</td>
<td>0</td>
<td>18</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>MA</td>
<td>−0.894</td>
<td>2.6</td>
<td>2</td>
<td>0</td>
<td>14</td>
<td>0</td>
<td>2</td>
</tr>
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<td>GA</td>
<td>−0.627</td>
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<td>3</td>
<td>1</td>
<td>14</td>
<td>0</td>
<td>0</td>
</tr>
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<td>AN</td>
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<td>3</td>
<td>1</td>
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<td>0</td>
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<td>1</td>
<td>2</td>
</tr>
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<td>2</td>
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<td>0</td>
</tr>
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<td>1</td>
<td>2</td>
</tr>
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<td>22</td>
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<td>1</td>
</tr>
<tr>
<td>PV</td>
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<td>3</td>
<td>1</td>
<td>28</td>
<td>2</td>
<td>3</td>
</tr>
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<td>4</td>
<td>1</td>
<td>31</td>
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<td>1</td>
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<td>1</td>
<td>26</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
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<td>5</td>
<td>3</td>
<td>28</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>CAN</td>
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<td>3.1</td>
<td>5</td>
<td>3</td>
<td>30</td>
<td>3</td>
<td>15</td>
</tr>
</tbody>
</table>

Notes: ¹ Results correspond to data taken from the Informes sobre las Comunidades Autónomas, directed by Eliseo Aja and published by the Instituto de Derecho Público de Barcelona, 1989 until 1998.
² The weights applied to the types of government have been: homogeneous majority (1), majority coalition (2), homogeneous minority (3), minority coalition (4).


look at the the institutionalization of the sphere of autonomous government and the percentage of public spending that they control. But the level of dissatisfaction in the so-called historical communities continues to be very significant. At the time of writing (December 2004) a new Statute of Autonomy for Catalonia was being discussed, a new project of “free association” between the Basque Country and the Spanish state proposed by Basque nationalists is on the table, and since the new socialist government of Rodriguez Zapatero took office there has been work on a constitutional reform that would modify the autonomous system in the federal sense, with some kind of acceptance of the asymmetrical reality among Spanish territories. All appears, then, to indicate that we are before a new constituent moment for Spain’s territorial model.
Our principal hypothesis to explain this new crisis in the Spanish model is that the reasons for the apparent initial success of the autonomous system (autonomy for all with temporary differences in the level of governance) have created new forms of old problems, above all the basic tension between stateless nations and the central state’s nation, that the system does not seem capable of resolving without significant changes. This takes the form both of classic tensions over issues such as symbolic recognition of multinationalism, and new issues such as the failures of hierarchical planning in such a decentralized system.

“Old” tensions

If we examine the comparative experiences of countries like Canada, Belgium, or Switzerland (comparable with Spain in the level of political and cultural diversity), we can conclude (following Requejo and Viver 2003), that their territorial models have tried to capture three central aspects in all plurinational democracies:

1. An explicit political and constitutional recognition of of the national, linguistic, cultural and other characteristics of the distinctive collectives are present in the state.
2. The regulation of a wide level of self-governance which permits the establishment of sub-state entities and policies, and differences in core powers (education, health, research, culture, finance, international image and policy, self-government), as well as the participation of these sub-state entities in the establishment of common policies in remaining areas.
3. Guarantees that sub-state entities will be granted sufficient economic resources to fulfill the previous objectives.

In the case of Spain, the fulfillment of these 3 objectives over almost 25 years of decentralized government is considered insufficient by the historic nationalities and the majority of its political forces. Part of the problem is symbolic – symbols and language that bespeak old tensions and problems. There is no serious recognition of plurinationality in its most symbolic elements. Nor has the central state showed understanding that the autonomous regions were “also” part of the state and that the Basque, Catalan and Galician languages were “also” part of the country. Self-governance in practice has ended up being “deconstitutionalizing” and highly political. It has not been underpinned by a constitutional protection that is stable and sufficient. The result is that the political dynamic and the different “sensitivities” of each parliamentary majority
are what end up defining the limits of the game of exercising self-government and of the concomitant policies. It is expressed in basic legislation of the state which “invades” the field of autonomous competency in its pursuit of a homogenizing vision of the rights of citizens and a very expansive vision of the idea of market unity and of the executive functions of the state. The model has come to routinely homogenize the most relevant aspects of self-government, thereby running counter to the obstinate reality of plurinationalism, persistently bringing out the differences between autonomous communities, and irritating those who feel constrained and unrecognized. This problem was aggravated in recent years by the renewed centralist vision of the Partido Popular government of Jose Maria Aznar (1996–2004), and by the marginalization of the autonomous communities in areas as significant as European policy and immigration.

The clear lack of the sense of the state as an entity shared by all Spaniards, the absence of shared government or co-government, leaves cooperation to be between autonomous regions and bilateral relations with the central state. This is leading to a partial defederalization of a model which, although not formally federal, could be understood as such. The tension between asymmetry and harmonization is not carried through an institutional context of co-governance, which means that the autonomous system lacks basic stability. This situation ends up providing the basis for the argument and conflict about the rules of the game, beyond the demands for greater areas of responsibility and more resources.

The other great classical theme of territorial politics, the existence of a tradeoff between economic efficiency, and interjurisdictional solidarity, is also clearly visible in Spain. The progressive decentralization of spending has shifted political conflict to the area of the distribution of powers. Since 1979 the relative wealth of each autonomous community has remained substantially unchanged. Imbalances in per capita disposable income have even increased (De la Fuente and Vives 2003). At the same time, Spain is a fiscal model in crisis. While the Basque Country and Navarre, thanks to their peculiar fiscal system, have achieved an enormously advantageous degree of financial autonomy, the most economically powerful communities subsidize others and suffer significant fiscal deficits. These constantly generate new forms of pressure and protest.

The legitimacy of the autonomous communities is well-established. It should be kept in mind when measuring the level of consolidation of the model. The future of that legitimacy, however, will depend a great
deal on its capacity to maintain the implicit pact between decentralization and recognition of differences that is written into the constitutional settlement which, for various reasons, the distinct territorial regions of Spain would now like to reopen.

Celebrating the 25th anniversary of the constitution, one of the most prestigious constitutionalists of the country, who was a member of the Constitutional Court for many years said: “in order to give satisfaction to the reasonable nationalist sense of those who aspire to enjoy a level of autonomy greater than that which they enjoy today ... they can follow ... two paths: take the constitutional limit of all of the autonomous regions to a level whose result is satisfactory to the majority of Catalans, Basques and Galicians, or, if not, permanently incorporate into the Constitution a differentiated regime for these communities. By the first of these paths we arrive at the Federal State ... by the second to a system more accommodated to the peculiarities of our society, but also more complex” (Rubio Llorente 2003).

The federal alternative has been understood, in the context of the Spanish debate, as a potential solution to the dilemma already present in 1979 (or 1900) between “generalized decentralization” and “fitting nationalities,” that is, asymmetric decentralization that gives greater power and autonomy to the stateless nations. But what is certain is that these 25 years tended toward generalized decentralization rather than a good fit for the nationalities. Another illustrious constitutionalist, in this case a Catalan and a member of the Constitutional Court, says, in reviewing the past quarter-century: “after 25 years of functioning ... it can be said that the state has strained too much at the cord and has degraded the recognized political autonomy of the autonomous communities ... One fundamental question that is at the base of these problems ... is the absence of a constitutional culture of political decentralization. The manifestations of this phenomenon are numerous. ... One of them was summed up in the phrase of a minister: ‘a central government cannot renounce having power in any social area.’ ... Another manifestation of this lack of culture of decentralization is the generalized and instinctive sensation of discomfort and alarm that a very significant part of the citizenry typically feels faced with the mere existence of several diverse actions being taken on the same issue ... it is not understood that the total equality of the citizens is compatible with the very essence of decentralization” (Viver Pi Sunyer 2003).

So on the one hand the objective of decentralization has been achieved, and Spain can now enjoy its status as an international model of territorial power-sharing among diverse states. In twenty years regional
governments have gone from non-existence to an important place in the collective imagination of the Spanish citizenry thanks to both the services they provide and to mechanisms of regional identity formation. We can say, from this perspective, that the status of autonomous regions in Spain has been fully consolidated. But dissatisfaction still exists on the part of the historic nationalities due to a lack of recognition of their differences and the constant tendency of the central state to impose conditions upon the self-governance of the communities. If the United Nations Program for Development (UNDP) in its annual report about Human Development places the Spanish system as a model of asymmetrical federalism (El Pais, July 16, 2004), it is certain that a good part of the Basque or Catalan citizenry does not feel happy with how the diversity and plurinationality of the state is managed.

New tensions
This is so not only with respect to the nation’s relationships with the Spanish state, but also with respect to the accommodation of these stateless communities in the framework of the European Union – in Spain’s 2005 referendum on the European constitution, the Basque Country and Catalonia were notably less enthusiastic about support for a document that paid no heed to stateless nations.6

Twenty-five years of increasingly Europeanized multi-level governance have also been twenty five years of increasingly complex problems for policymaking and threats to any equilibrium of the system. We have gone from an apparently well-organized reality consisting of two basic levels of governance, the central and the local, with the former having clear supremacy over the latter, to a situation in which there exist a vast plurality of powers, and in which hierarchies tend not to function. We cannot say that the conflicts between the different levels of government form part of the pathologies of the system. Rather, they make up the physiognomy of this complex, sophisticated system of government. Relations between the State and the autonomous communities have been changing from jurisdictional litigiousness7 to sectoral cooperation, or at least inter-relation. This involves 24 sectoral conferences covering major policy areas such as agriculture and health, backed by the relevant ministers from the central state and autonomous communities. They attempt to govern the cross-cutting powers and political dynamics in each policy area. The results, though, are uneven. There are sector-based conferences that are very active and powerful (health care and agriculture), and others that do not even manage to generate a single regular function or substantial impact (infrastructure, culture, housing and
The system of intergovernmental relations works better in those sectors in which the central administration has learned to exercise its influence more through the sharing of information and mechanisms of intermediation and compromise than through the formal exercise of its theoretical hierarchical superiority.

As we know, so-called cooperative federalism starts with a large dose of homogeneity, but at the same time it requires a large dose of multilateralism, which is channelled through the so-called mechanisms of rearrangement (see the chapter by Ronald Watts in this book). In the case of Germany, the Länder manage to maintain large doses of multilateralism while at the same time having channels for participating as federal states in the functioning of the German federal state and in those EU decisions that directly affect them. Spain lacks the institutional structures for joint decision making that are characteristic of many federal states. Such structures are not generally seen as a desirable solution by the nationalities, particularly their nationalist parties, which fear losing the ability to find solutions to their differences if the door of bilateralism begins to close.

The central state itself plays with this mutual distrust (that of the autonomous communities as a whole, who are suspicious of the peripheral nationalities’ abilities to exert pressure, as well as these nationalities’ suspicion of federalizing solutions, which leaders of the nationalities’ generally see as overly homogenizing). Bilateralism and poor collective action among autonomous communities allow the state room to manoeuvre and great strategic decision making in the state apparatuses. Thus, we could say that aside from the overall positive results in these twenty years of autonomous decentralization in Spain, there currently exists a situation that is highly inefficient from many standpoints. Neither the problems of decentralization nor the problems of differentiation and the recognition of these differences have been resolved by institutional engineering or policy debate.

**Conclusion: Process, politics and plurinationalism**

Public policy in a decentralized state such as Spain, like any other system that must operate with the consensus of the agents being controlled, faces the serious problem of obtaining their consent and adhesion. The dysfunctions in the distribution of competences and their effects on public spending neither justify nor make feasible the central state’s posture as the defender of a supposed general rationality. That makes poor use of the recourse of basic norms, ignores the autonomous
communities’ discretionary powers, and undervalues the need to have their prior consent. The central state’s efforts to impose basic norms both intensifies old conflict about national identities and leads to bad, and often badly implemented, public policy. Both Spain’s own experiences and those of other countries show us that such central interventions based on coercion, often attempting to subordinate regional governments, tend to be condemned to policy and political failure. They simply generate too much resistance.

This means that planning takes on different characteristics in a centralized system than in a decentralized one. In the former, the strength of planning lies in hierarchical principles, and it seems logical that emphasis is placed on the content, that is, on the application of analytical techniques that determine the ideal courses of action for allocating resources based on economic rationality. However, a decentralized system is basically a politicized system, in which the absence of a hierarchical authority makes issues and criteria a permanent subject of discussion. One cannot be in a position to determine the most efficient action without having previously defined the criteria for efficacy, such as equality, the definition of which can only be subject to political agreement among actors of a political nature.

We are in a new context, one of growing Europeanization, and one of irreversible globalization. Within this new context, it should be broadly accepted that the autonomous communities participate in decisions about values and the construction of a common polity; that is, they should have the ability to influence the strategic decisions that affect them as communities. This is difficult, however, if very significant elements of the way the Spanish autonomous system functions do not change. Despite the fact that this system has operated highly efficiently until now, it could cease to do so, and its centrifugal and conflictual tendencies could begin to be accentuated.

We are moving from a world of sovereign nation-states toward a post-sovereign order (Keating 2001), in which the states must share their prerogatives with supra-state, sub-state and trans-state systems and institutions. In this context, the very concepts of “nation” or “nationality” require re-thinking, as does the concept of sovereignty. We are moving toward contexts in which the possibilities for combining and sharing identities are much broader than in the past. The very process of European construction is creating new opportunities to re-think nations’ and states’ boundaries and spaces. To put it more simply, we could say that the state sphere in Europe faces a dilemma. On the one hand, it could once again propose travelling the already well-worn path, attempting to
ensure the maintenance of the essential characteristics of national society and protect their identities from the changes that are in the air, and thus working to reconstruct a closed universe. On the other hand, we have the alternative of accepting the complexity of social life, both subjectively and systemically, on both an intra-state and a supra-state level, and thus re-thinking the very bases of the legitimacy of power. In this way we could once and for all overcome the traditional notions of national identity which have been put into question from the standpoints of supra – and sub-state communities, while accepting that there exist different types of regionalism (see Figure 9.3) in Europe for which different formulas of accommodation must thus be sought.

In the case of Spain, this could not be done with the aim of delimiting or regulating from strictly regulatory bases. The “solution” of the drafters of the constitution at the end of the 1970s was not scientific. After many failed experiments, many earlier hopes and much disillusion, the politicians of the democratic transition sought a framework in which it was possible to move forward. The idea of open constitutional dialogue prevailed over technical, legal or proven political rigorousness. The challenge is to be continue this dialogue, discussing how to open ourselves to mutual influences and learning experiences.

It is highly unrealistic to argue that the future of Europe means the gradual dissolution of the states, just as it is highly unrealistic to imagine that Europe can be constructed without altering the current power and position of the states. The twenty years of the autonomous communities have been a magnificent subject on which to reflect. It has been twenty years of political practice, in which reality has gradually accommodated conceptions and ideas, of both the political elites and the citizenry itself, that differ significantly from each other. The challenge is to maintain this dialogue, to make it possible for this political practice to continue its course, and to continue ourselves within and making ourselves comfortable with polycentric politics.
Notes

1. The expression “to close” the autonomous system is used in Spanish political and academic debate as a synonym for fixing or definitively agreeing upon a system of distribution of responsibility and powers and the limits of power of the autonomous communities. Generally, peripheral nationalist forces are opposed to this and majority national level parties like the PP and PSOE support it.

2. A good example of this ambiguity is the well-known Article 2 of the Spanish Constitution: “The constitution is based on the indissoluble unity of the Spanish Nation, the common and indivisible country of all Spaniards; it recognises and guarantees the right to autonomy of the nationalities and regions of which it is composed, and solidarity amongst them all” (art.2, SC).

3. As certain authors have already observed, this would be a pre-constitutional model (based on the “pre-autonomies” already in existence) as well as being sub-constitutional (given that the Constitution does not create, delimit or define the autonomous communities) (Fossas 2003).

4. This, however, belies the existing economic data, which show that although inequalities in the capacity to produce wealth have increased among communities, this has not caused greater inequality in disposable household income thanks to an active redistributive policy at the territorial level.

5. See, in addition, Moreno (1997a) and Aja’s (2003) discussions of Spain’s process of federalization. There have been other authors that have thought that the Spanish state was approaching the German model of cooperative federalism (Börzel 2000). But others still, like Requejo, think that in no way can we speak of federalism in Spain (Requejo 2001a).

6. In Catalonia, they do not understand the difficulties of accepting Catalan as “official” in Europe when the EU has recognized languages that are far more “minority” than the linguistic area that Catalan covers which includes more than 9 million Catalan speakers in three EU countries.

7. Spain was in 1990 the country with the most jurisdictional conflicts between the decentralized powers (Viver Pi i Sunyer 1990), and in 1990 there were more than 1000 conflicts before the Constitutional Court, two thirds of which were brought by the Autonomous communities (Börzel 2002: 99).

8. At this moment (September 2004) there is talk of creating a Conference of Autonomous Presidents and reforming the Senate in the line of the German Bundesrat, but all of this is met with the skepticism or the opposition of the peripheral nationalists, fearful that the specific status they defend would remain, or become even more, blurred.
Introduction

The terms “cooperative federalism” and “competitive federalism” are widely used in a rather loose manner, and so let me begin by setting out the conceptual framework within which I shall discuss the subject. Developing views earlier expressed by Preston King (1982) and Dan Elazar (1987), I would distinguish for the sake of clarity three terms: “federalism,” “federal political systems,” and “federations.”

“Federalism” is basically not a descriptive term but rather a normative one that refers to the advocacy of multi-tiered government combining elements of shared rule and territorial self-rule. It is based on the presumed value and validity of combining unity and diversity and of accommodating, preserving and promoting distinct territorial identities within a larger political union. The essence of federalism as a normative principle is the perpetuation of both union and non-centralization at the same time.

“Federal political systems” is a descriptive term applying to a broad category of political systems in which by contrast to the single central source of constitutional and political authority in unitary political systems, there are two (or more) levels of government combining elements of shared rule through common institutions and territorial self-rule for the governments of the constituent units. This broad genus encompasses a whole spectrum of species ranging through constitutionally decentralized unions (including the United Kingdom), quasi-federations, federations, confederations, federacies, associated states, leagues, joint functional authorities and hybrids of those various species. These various species differ in the arrangements governing the relationships between the institutions of shared rule and those of territorial self-rule (Watts 1999a: 6–12).
Within the broad genus of federal political systems “federations” represent one particular species in which neither the federal nor the constituent units of government are constitutionally subordinate to the other. Each has sovereign powers derived from the constitution rather than from another level of government, and is empowered to deal directly with its citizens in the exercise of its legislative, executive and taxing powers, and each is directly elected by its citizens. Currently, among the approximately 180 politically sovereign states in the world there are two dozen federations containing about two billion people, or 40 percent of the world’s population, and encompassing some 480 constituent or federated states (regions). The generally common structural characteristics of these federations as a specific form of federal political system are the following: (1) two (or more) orders of government each acting directly on their citizens; (2) a formal constitutional distribution of legislative and executive authority and allocation of revenue resources to the different orders of government ensuring some areas of genuine legal and political autonomy for each order; (3) provision for the representation of distinct territorial views within the federal policy-making institutions, usually provided by the particular form of federal second chamber; (4) a supreme written constitution not unilaterally amendable by either order of government, and requiring for amendment the consent of a significant proportion of the constituent units; (5) an umpire (either in the form of courts or provision for referendums) to rule on disputes between governments; and (6) processes and institutions to facilitate intergovernmental collaboration for those areas where governmental responsibilities are shared or inevitably overlap. As Elazar (1987) has noted constitutional non-centralization rather than top-down decentralization is a characteristic of federations.

There are several additional points to note. First, there is the important distinction between constitutional form and operational reality. In many political systems political practice has transformed the way the constitution operates. Canada and India provide dramatic illustration of this. Hence not only the structural character of a federal political system but also the nature of the political processes are important to understanding its character.

Second, within each of the species of federal political systems there can exist considerable variations. Federations for example have varied in terms of their internal diversities and national or multicultural character; in terms of the number and relative size of their constituent units; in terms of the form and scope of the distribution of legislative and executive authority and allocation of revenues and whether the constituent units
are treated symmetrically or not; in terms of the character of their legislative and executive institutions – presidential, parliamentary or consociational; in terms of the precise provisions required for constitutional amendment; in terms of the use of a constitutional court, supreme court or referendums to resolve disputes; and in terms of the mechanisms and provisions for conducting intergovernmental relations.

Third, within the category of hybrids, of particular interest is the United Kingdom in relation to the notion of “quasi-federations.” This term has been used in two different ways. Kenneth Wheare used it to refer to political systems that possessed most of the features of and were predominantly federations, but which gave to the federal government some unilateral powers more typical of a unitary system (Wheare 1963: 17–24). More recently, others, notably Vernon Bogdanor (1999) and Robert Hazell (1999), have used the term to refer to predominantly constitutionally decentralized unions but which incorporate some elements more typical of federations.

In all federations, and indeed more broadly in federal political systems, two central issues arise which form the bases of the topic for this chapter. The first is that where there is multi-level governance from a combination of institutions for shared rule and institutions for territorial self-rule, overlaps and interdependence in their jurisdictions are unavoidable. Some of the earlier literature on federations (including judgments of the Judicial Committee of the Privy Council in a notable series of cases on Canada) spoke of federations as systems in which each government operates independently in “watertight compartments.” In practice, however, overlaps and interdependence have proved unavoidable and this raises issues of how cooperation and collaboration among them can be facilitated and excessive confrontation between them avoided. This in turn raises further questions of the extent to which such intergovernmental relations can be organized to meet four basic criteria: (1) democratic accountability, (2) effective governance in the development of policies, (3) the preservation of diversity through genuine autonomy for the constituent units, and (4) ensuring continued cohesion and stability of the political system.

A second major issue in federations, and indeed more broadly in federal political systems, is the basic problem of reconciling diversity and equity. Emphasis upon equality leads to the objective of redistribution between classes of people and between territories within the political system. But if this redistribution is to be imposed upon the territorial units by a central government through its financial transfers and insistence upon minimum national standards in the provision of services,
how is the autonomy of the constituent territorial units to maintain their distinctive identity to be preserved? Most federal systems have attempted in varying ways to balance these objectives by transferring to the territorial units the financial capacity to achieve equality, while leaving them with autonomy and discretion in the use they make of those transfers.

To address those two central issues, I first review the origins, development and limits of the two concepts of “cooperative federalism” and “competitive federalism” as intergovernmental responses to the unavoidable interdependence of governments within federal political systems. Then I turn to the second central issue, that of reconciling diversity and equity within federal political systems, particularly in terms of cooperative intergovernmental arrangements relating to finance and social policy. I then briefly look at the implications of this discussion for recent cases of federalization or devolution in Belgium, Spain, Italy and the United Kingdom and at some general conclusions.

The origins and development of comparative federalism

The traditional conceptual mythology has been that the concept of federation was based on the notion of dual sovereignties – general and territorial – existing side by side, each separate and virtually independent of the other in its own sphere. This view was propounded by authors focusing primarily on the legal aspects of federations, such as A.V. Dicey (1959: lxxxi, 138–90), the Judicial Committee of the Privy Council in its judgments on Canadian cases (Cairns 1971: 301–45) and the pioneer in the comparative study of federations, K.C. Wheare (1963: chs. 1 and 2, esp. pp. 10–14).

According to the traditional account, the classical federations of the United States (1789), Switzerland (1848), Canada (1867) and Australia (1901) experienced developments during the depression years of the 1930s, the First World War and the post-war reconstruction period that led to the replacement in these federations of “dual federalism” by “cooperative federalism.” Attention was first drawn to this development by Jane Perry Clark (1938), and by a symposium on cooperative federalism in the Iowa Law Review, also in 1938. This was followed by an expanding literature on the subject both in the United States and elsewhere, of which notable examples were G.C. Benson (1944), A.H. Birch (1955) and J.A. Corry (1958). These developments are outlined by Elazar (1994). The general argument was that in these federations, the extension of federation-wide enterprises, the development within each federation of
an interdependent economy, and the growth of national sentiment, had resulted, particularly under the pressures of the depression and of war, in extensive intergovernmental cooperation, especially in the field of social legislation, and at least partial financial dependence of the federated units upon the federal governments. This trend was described by my predecessor at Queen’s University, J.A. Corry (1958: 121–22) in the following terms:

It has arisen because several separate governments share a divided responsibility for regulating a single economic and social structure. It is most unlikely that any constitution could be devised which would enable each to perform its specific functions adequately without impinging on the others. So their activities are inevitably mingled and cooperative arrangements must be worked out. In the result, formal powers are not co-terminus with operating responsibilities; the two penetrate one another in many places and ways. Under the heat and pressure generated by social and economic change in the twentieth century, the distinct strata of the older federalism have begun to melt and flow into one another.

Thus, the notion of federal dualism, of separate general and territorial governments acting, with only minor exceptions, in distinct watertight compartments each independent of the other, became outmoded. Interdependence and the variety of intergovernmental relations between the two orders of government in federations became the primary focus of scholars studying federations, a trend which reached its culmination in the work of such noted scholars as Deil Wright (1982).

The first writers to recognize the interdependence of governments within federal systems and hence the importance of intergovernmental cooperation usually considered this to be a mid-twentieth century transformation which represented a radical departure from the previous traditional dualistic conception of federations during the nineteenth century. But this was in fact a misconception. It arose from a tendency during the nineteenth century of many scholars to focus upon the original legal structures rather than upon the actual political and administrative interactions between governments. But studies by such authors as Grodzins (1996), Elazar (1962) and Vile (1961) in the 1960s suggested that in fact interdependence, the mutual dependence of federal and state governments on each other, had existed within the United States from its early days as a federation, and that the traditional conception of federation as requiring a sharp demarcation of responsibilities between
two independent sets of sovereignties had never worked in practice. In fact, they noted that in the nineteenth century, as in the twentieth, administrative cooperation and political interdependence between federal and state governments had been a dominant characteristic of the United States, despite formal legal pronouncements to the contrary. Indeed, Grodzins (1966) emphasized that in view of this interaction and interpenetration of governments from the beginning, the United States federation was better typified as a “marble cake” rather than a “layer cake.” The fact that most federations (with the notable exception of Canada) have included in their constitutions extensive areas of concurrent jurisdiction further points to the general recognition of large areas of interdependence in their design. Even in the case of Canada, Garth Stevenson (1993: 301–70) in his comprehensive account of federal–provincial relations in Canada in its first thirty years from 1867 to 1896, found extensive intergovernmental interdependence and interaction from the beginning of the federation. Particularly notable was the extensive federal–provincial cooperation in immigration and agriculture, two areas of great political importance in the early years of the Canadian federation and both constitutionally areas of concurrent jurisdiction. Indeed, between 1868 and 1874 no less than six federal–provincial conferences were held and the first shared cost program was initiated in 1872 in support of immigration. These origins of cooperative intergovernmental relations were subsequently lost sight of by scholars who focused primarily on the legal pronouncements of the Judicial Committee of the Privy Council and its doctrinaire dualistic emphasis, but the fact remains that from the beginning, in practice the Canadian federation was characterized by intergovernmental interdependence.

The intensified “cooperative federalism” of the 1930s and post-World War II, apparent in all the classical federations, therefore, did not represent a radical new modification to the essential nature of federations, but rather a sharpened accentuation of the characteristics already implicit in the interdependent operation of all federal systems as forms of partnership. Three factors contributed, however, to the intensification of interdependence and the need for intergovernmental cooperation in the twentieth century. One was the general trend to increased activity by governments at all levels. This meant that in all federations the increased activities of both orders of government led to greater areas of overlap and interpenetration, and hence the need to manage this interdependence more effectively in order to minimize intergovernmental competition, friction and conflict. A second was the development of new policy areas not envisaged at the time their constitutions were
drafted during the nineteenth century. Examples have been such fields as the environment and energy where complementary action by both orders of government proved necessary. Some newer federations have in fact distributed responsibility for different aspects of those fields to different orders of government, but the very nature of these policy areas has usually required cooperative action. Third, in the area of financial arrangements within federations, interdependence was sharpened by the different considerations affecting the allocation of taxing powers and of expenditure responsibilities to different orders of government. These almost invariably widened the vertical and horizontal financial imbalances requiring intergovernmental financial transfers and the establishment of processes and institutions for the periodic adjustment of financial relations among governments, a subject to which I return later. Now, as these federations move into the twenty-first century, the mutual interdependence inherent in all federal systems is being further extended and complicated by its widening scope embracing both the international and local spheres.

Intergovernmental relations, and hence cooperation involves two important dimensions. There are the vertical relations between governments at the central and constituent unit levels which may be multilateral or bilateral. The second dimension is the horizontal one, between governments at the same level, for example, inter-state or inter-provincial. These too may be multilateral or bilateral. In some federations horizontal cooperation has been seen as a preferable alternative to increased centralization. In other cases, horizontal cooperation among constituent units has been used to prepare a common position among territorial units in their vertical negotiations with the central government.

Cooperation between governments within federal systems has been found desirable to meet a number of objectives. These include: (1) improving the information base and quality of information analysis available to all governments, thus facilitating better decision making and the reconciling of policy differences; (2) coordinating federal and constituent unit policies in areas where jurisdiction is shared (i.e. concurrent) or complementary (i.e. where federated unit or local governments are responsible for implementing federal legislation (as in Germany and Austria), or where there are overlaps in the exclusive responsibilities of governments); (3) achieving federal objectives in areas of constituent unit jurisdiction; (4) working toward a coordinated approach to the economic management of the public sector as represented by the aggregate of the public sectors at all levels; and (5) accommodating differences among constituent units in policy capacity and financial resources for the exercise of their constitutional jurisdiction.
A primary consideration in organizing cooperative intergovernmental relations, however, has been the need to balance, on the one hand, the objectives and values of coordination in order to achieve common objectives and to reduce unnecessary overlaps in jurisdiction, and on the other hand, the value of enabling autonomous action by constituent units in order to permit policy innovations and differentiated responses to different economic, social, cultural and historical conditions. A particularly important objective has been to ensure that mechanisms and processes for intergovernmental cooperation do not undermine the democratic accountability of each government to its own electorate. Another important objective has been to avoid complexity and rigidity in order to ensure as far as possible flexibility and adaptability. In considering the objectives of intergovernmental cooperation, experience has shown that idealizing it as a way of eliminating intergovernmental competition or conflict is not realistic anywhere.

Disputes indeed are the very essence of politics. A more realistic objective is to “manage” competition and conflict through processes that encourage cooperation. In this respect, institutions and processes for intergovernmental relations serve two important functions: (1) conflict avoidance and resolution without having to resort to litigation, and (2) a means of adapting to changing circumstances without having to resort to formal constitutional amendments.

All complex, multi-level constitutional systems, including federations, have had to develop a variety of tools and forms of interaction between governments in order to coordinate the exercise of powers distributed among the various decision-making entities. Thus intergovernmental interaction has typically taken a variety of forms: independent policy making, consultation, coordination, joint decision making, conflict resolution and formal agreements. Independent policy making occurs where in matters affecting other governments, a government takes action without consulting other governments or considering their interests, and those other governments are simply forced to adjust independently. Consultation represents a process whereby governments recognize that their actions affect other governments and therefore exchange views and information before acting, but ultimately, the action of each government remains independent. Coordination occurs when governments not only consult but attempt to develop mutually acceptable common policies and objectives, which they then each apply and develop within their own jurisdiction. Joint decision-making requires the individual governments to work together, committing themselves to particular courses of action and standards of conduct. Shared-cost programs, joint
agencies and matching legislation are examples of ways of implementing joint decision-making. Conflict resolution may be achieved by intergovernmental negotiation culminating in an agreement resolving the issue, by applying agreed upon special conflict resolution procedures, or in most federations, as a last resort, by appeal to the courts to adjudicate the dispute. In this respect the South African constitution has an interesting provision designed to discourage litigation. The Constitutional Court is empowered to refuse to adjudicate an intergovernmental dispute unless the Court has been satisfied that all other possible processes for dispute resolution by negotiation have been exhausted (Constitution, 1996, section 41 (3,4)). In most federal regimes, each of these various types of intergovernmental interaction may be found although the extent or prominence of each type has varied from federation to federation.

In terms of making intergovernmental cooperation effective, in most federations there have been two important aspects: one is the establishment of intergovernmental structures and processes facilitating consultation, coordination and joint decision-making among governments; the other is the development within each government of intragovernmental structures and processes enabling each government to coordinate its own relations with other governments so as to participate effectively in those interactions.

With regard to the former, three important types of intergovernmental interaction have in practice proved important. The first is day-to-day informal contacts between ministers, officials, or legislators in different governments. These contacts may be by letter, by telephone or face-to-face, directed at exchanging views and information, sustaining relationships and implementing programs. In most federations informal communications have been found to contribute to the development of the mutual trust and respect necessary for effective collaboration. A second important channel in most federations has been establishment of numerous formal and informal councils, committees and conferences held frequently enough to enable representatives of the different governments – ministers, officials or legislators – to share information, discuss common problems, contemplate coordinated or even joint action, and where appropriate establish joint agencies or programs. In Canada, for instance, there were 98 intergovernmental meetings at the level of ministers or deputy ministers in 1998, and such meetings have been even more extensive in Australia. A third mechanism for intergovernmental cooperation has been the establishment of formal or informal intergovernmental agreements. In their most formal manifestation they may take the form of legally binding treaties or “concordats”
such as are found in Switzerland, Belgium, Spain and the United States (and following devolution, in the United Kingdom). More often, however, they have taken the form of non-binding agreements, especially in Canada, Australia and Germany. These may relate to agreed processes for collaboration, administrative arrangements or programs, or to the delegation from one government to another of executive and administrative, or even in some cases legislative, responsibilities in a particular sector.

Most federations have used extensively all three of these forms of intergovernmental cooperation. Indeed one might conclude, as Alen and Ergec writing about the Belgium federation have, that the *three* fundamental requirements for a federation are the distribution of jurisdiction ensuring the federated units' autonomy, the formal participation of representatives of the federated units in the institutions of the federal government and intergovernmental cooperation (Alen and Ergec 1998: 29–30). But while all federal systems, as interdependent partnerships, have required intergovernmental cooperation for their effective operation, particularly in the areas of finance and social policy, there have been significant variations even among federations in the extent and character of this intergovernmental cooperation. Some, such as Germany and Austria, where most legislation is enacted by the federal legislature but administered by the Länder, have developed intergovernmental cooperation and joint action to such an extreme that they can be called “interlocking relations” (Wachendorfer-Schmidt 2000: 6–9, 247–88). Others, typified by the United States and even more by Canada, have involved a considerable amount of cooperation, but have emphasized the autonomous legislation and policy making of their states and provinces, to the extent that this has been characterized as “arm’s length” collaboration. In between these extremes have been federations involving a more voluntary form of cooperation than in the former and a more intense form of intergovernmental relations than the latter. Switzerland, Australia and India provide differing examples, with Australia a pioneer in the systematic development of a range of formal intergovernmental institutions and mechanisms.

The origins and development of “competitive federalism”

While some interdependence and hence cooperation between governments has been unavoidable in all federal systems, there has developed within the last two decades a body of criticism of the tendency in contemporary federations to carry this intergovernmental cooperation
to extremes. There have been four broad sets of critical comment lending
to the advocacy of “competitive federalism.”

Albert Breton (1985) is representative of the first group. They criticize
intense intergovernmental cooperation on the grounds that it undermines
democratic accountability. He argues that just as economic competition
produces superior benefits compared to monopolies and oligopolies,
so competition between governments each serving the same citizens is
likely to provide citizens with better service. He describes “cooperative
federalism,” as it has operated in Canada, as a form of “collusion” among
governments directed at serving the interests of the governments
involved rather than of the citizens. Intergovernmental cooperation
should, therefore, in this view be kept to the absolute minimum necessary,
and competitive policy making by the governments, each accountable
to its own electorate, should be the primary emphasis.

Fritz Scharpf (1988) is representative of a second line of criticism of
cooperative federalism taken to excess. He has criticized excessive inter-
governmental joint decision making from the viewpoint of its impact
upon the effectiveness of policy making and discouragement of govern-
mental initiative. While “cooperative federalism” may contribute to the
reduction of conflict and enable coordination, when it becomes “inter-
locking federalism” to the extent experienced for example in Germany,
it tends to lead to what Scharpf has called the “joint decision trap”
which undermines autonomous initiative and freedom of action of
governments at both levels. This produces inflexibility. During the past
decade this argument has had considerable impact within Germany
leading to calls for loosening up the interlocking character of intergov-
ernmental relations there, and for the introduction of significant
elements of “competitive federalism” (Bertelsmann Commission 2000).
The result in the end was the establishment of a formal governmental
Commission to examine the possibility of major constitutional reform,
but at the time of writing that Commission had yet to report. Similar
pressures have also been felt within Australia (Wilkins 2002).

A third line of criticism has been that in parliamentary federations
where the executives tend to dominate and therefore “executive federal-
ism” has predominated in their intergovernmental relations, cooper-
tive federalism has constrained the role of their legislatures. Legislatures
are simply expected to ratify intergovernmental agreements reached by
their governments to which other governments have already agreed
(Watts 1989 and 1999a: 58, 61). This has led to considerable criticism of
cooperative “executive federalism” in such federations as Canada and to
calls for placing some legislative controls on these processes.
A fourth set of criticisms of cooperative federalism has been its potential impact upon the autonomy of the constituent unit governments, particularly where the federal government, because of its superior financial resources, is able to dominate these processes. This has in some cases resulted in what John Kincaid has labeled “coercive federalism” (Kincaid 1990). This tendency is reinforced where federal governments are able to use their spending power to employ matching and conditional grants in order to influence state priorities in areas of exclusive state jurisdiction. This has been a notable pattern not only in the United States but in Australia (Wilkins 2002: 46). In the United States there is the further phenomenon of Congress imposing “unfunded mandates” on the states. Critics of these tendencies in cooperative federalism, see these developments as undermining the non-subordination that is the essence of federalism, and therefore have called for a reduction in cooperative processes that lead to such “coercive” outcomes.

These criticisms of “cooperative federalism” have produced a rise in the advocacy of “competitive federalism.” Rarely have these advocates argued that intergovernmental cooperation can be avoided altogether, but they have argued for the benefits that can flow from a much greater emphasis upon the autonomy and competitive initiatives of individual governments within federal systems. It is significant that this advocacy has been strongest in those federations where intergovernmental cooperation has contributed to a centralizing trend, most notably Germany, Australia and the United States, although it has also been felt in the more decentralized federations like Canada and Switzerland.

Ultimately, the issue is not one of either “cooperative federalism” or “competitive federalism.” Each carried to an excess has in practice proved undesirable. The critics of “cooperative federalism” have pointed out that when carried to extremes it has resulted in undermining democratic accountability, in stultifying governmental initiative and limiting the autonomy of both orders of government. On the other hand, “competitive federalism” carried to excess can lead to intergovernmental conflict and acrimony and have a divisive impact within a federation. The mutual interdependence of governments makes cooperation unavoidable, and therefore the objective should be to achieve this while avoiding the disadvantages of its excesses. But intergovernmental competition among governments within a federal system is also unavoidable. It is a natural outcome of having different governments within a single polity each attempting to serve and gain the support of the same citizens. Interdependence within federal political systems entails both intergovernmental cooperation and competition. As with all partnerships, and
that is in essence what federal systems are, it would appear that in the long run it is a balanced blend of intergovernmental cooperation and competition, or of what Peterson (1995) has called the theories of “functional federalism” and “legislative federalism,” that is desirable. Where that balance is to be found may vary with the particular circumstances and policy needs of each federal system, but as with most issues relating to federal systems, “balance” is a key objective here.

Balancing diversity and equity

The second major issue in federal political systems that I identified in my introduction is that of balancing diversity and equity. It is closely related to the first issue of cooperative and competitive intergovernmental relations because balancing diversity and equity has in virtually every case involved intergovernmental interaction. Here the focus is particularly upon the arrangements relating to finances and social policy, which have been at the core of efforts at “cooperative federalism.”

Virtually every multi-level political system, including federations, quasi-federations, and constitutionally decentralized unions, has found that, in attempting to reconcile the objectives of both diversity and equality, the heart of the problem lies in the arrangements relating to the distribution of finances and of responsibilities for social policy. This has required the correction of two kinds of financial imbalances. One is the vertical imbalances which occur when constitutionally assigned central and constituent unit government revenues do not match their constitutionally assigned expenditure responsibilities. These vertical imbalances usually occur for two reasons. First, on grounds of efficiency, it has usually been found desirable to allocate the major taxing powers to the central government, because these taxing powers are closely related to the development of the customs union and more broadly to an effective economic union. But it has usually been considered more efficient to decentralize some of the most expensive expenditure responsibilities such as health, education and social services, so that specific regional, and in some cases cultural, circumstances can be taken into account. Thus, revenue allocations are usually less decentralized than expenditures responsibilities. A second reason for vertical imbalances is that no matter how carefully the original designers of the federal or devolved system of government have attempted to match the revenue allocations and expenditure responsibilities of each tier of government, over time the proceeds from different taxes and the costs of expenditures have varied in unforeseen ways. Consequently, every multi-level
regime has had to find cooperative ways of reconciling these imbalances and to develop processes for regular adjustments from time to time.

Here several points should be noted. Some federations, such as the United States, Switzerland and Canada, have accepted the costs associated with giving considerable independent taxing power to their constituent units as an important element supporting their political autonomy and encouraging financial responsibility. But many other federations have tended to concentrate most of the major taxing powers in the hands of the federal government and to rely on other means, such as constitutionally guaranteed shares of federal tax proceeds or the use of federal transfers (preferably unconditional), as the major ways of decentralizing revenues to meet the requirements of the territorial units. Nonetheless, it is significant that virtually all federations and many constitutionally decentralized unions have provided their constituent units with substantially more own-source revenues than has the United Kingdom, for instance. The proportion of own-source revenues as a percent of the total constituent unit revenues has ranged from 82 to 60 percent in Malaysia, Germany, Switzerland, Canada, the United States and Australia, with Austria and Spain as outliers at 56 and 22 percent (Watts 1999a: 48, table 9). A factor facilitating cooperative adjustments has been the existence in most federal constitutions of authority granted to the federal government to exercise a spending power in any area including making transfers to constituent unit governments for purposes within their exclusive jurisdiction (Watts 1999b). Where a major form of adjustment for vertical imbalance has taken the form of financial transfers from the federal government to supplement the own-source revenues of the constituent units, an issue which has usually arisen has been how to ensure an element of autonomy for the recipient governments and avoid coercion by the central government through requirements or conditions attached to these transfers. The proportion of transfers that are conditional has varied widely from 100 percent in the United States to 4.3 percent in Canada. Perhaps more significant, federal conditional grants as a percentage of total constituent unit government revenues are below 30 percent in all the major federations with the United States at 29.6 percent, Australia 21.6 percent, most other federations between 10 and 15 percent, and Canada at 1 percent (Watts 1999a: 49–50, tables 10 and 11). What is clear is that vertical financial imbalances have required substantial cooperative arrangements for federal financial transfers to the constituent units in order to assist them to exercise their responsibilities in the expensive areas of social policy.
Horizontal financial imbalances have represented a second dimension requiring cooperative correction. Horizontal imbalances occur when the revenue capacities of different constituent units vary so that they are not able to provide their citizens with services at the same level on the basis of comparable tax levels. In addition to horizontal revenue imbalances, there are can also be differences among the constituent units in their expenditure costs for providing equivalent services. These arise from variations in the socio-demographic characteristics of their populations such as population dispersion, urbanization, social composition and age structure, and the cost of providing services affected by such factors as the scale of public administration and the physical and economic environment.

Virtually all federations, except the United States, and also most constitutionally decentralized unions have adopted systematic “equalization” transfers to correct horizontal imbalances. These arise from the commonly held view in federal political systems that all citizens wherever they live should be entitled to comparable services without being subject to excessively different tax roles. Furthermore, such equalization transfers have usually been regarded as particularly important because disparities among units within a territorially diverse society have a potentially corrosive effect upon political cohesion. Not surprisingly for this reason, in most European federations equalization transfers have been labeled “solidarity transfers.”

At the same time, where equalization schemes have been developed, there is a need to balance the objectives of providing services of equal standard with the desire of distinctive groups to preserve their autonomous diversity and distinctiveness within the federal political system. Efforts by central governments to impose minimum national standards as the condition for equalization transfers have, therefore, often proved contentious. The usual solution in such situations has been for equalization schemes to involve differential financial transfers to the constituent units to equalize their revenue capacity and to correct for varying expenditure costs, but to employ unconditional transfers which leave the constituent unit governments with the autonomy and discretion to develop their own social policies as they see fit.

The extent and form of equalization has, as with other aspects of financial arrangements, in federal systems, varied considerably. Several points are worthy of note. First, the extent of pre-equalization disparities has varied greatly. Indeed, on the basis of a variety of indices, Péloquin and Chong (2002: 6–9) found that in a comparison of five federations, Switzerland and Canada had substantially the largest pre-equalization
internal disparities and Australia the least, with Germany and the United States falling between these extremes. For instance, in terms of revenue-raising capacity the range between the highest and lowest provinces or states in 2000–01 was 166/61 in Canada (a ratio of 2.7) and 122/93 (a ratio of 1.3) in Australia.

Second, the extent of equalization transfers has varied enormously. With the exception of the United States (where there is a great variety of uncoordinated *ad hoc* grants-in-aid to the states, many of these canceling each other in their net equalizing effects, and where mobility rather than financial transfers is seen as the main solution for resolving differences of wealth), most federations have adopted a systematic formal financial equalization scheme. But the scope of such transfers and the degree to which they have closed horizontal financial gaps has differed. Australia and Germany with relatively narrow pre-equalization disparities have in fact made the greatest effort and have been both willing and able to achieve full or nearly full fiscal equalization (Péloquin and Chong 2002: 15). By contrast Switzerland and Canada which have had the largest pre-equalization fiscal disparities and are also the more fiscally decentralized, have appeared willing to accept equalization transfers which only partially offset the disparities.

Third, in all but the German case, where a large component of the equalization transfers takes the form of constitutionally specified inter-state transfers, equalization has been achieved solely by differential federal financial transfers to the governments of the constituent units designed to compensate the poorer units.

Fourth, in some cases, as in Canada, the effort to correct horizontal imbalances has focused primarily on adjusting for the differential revenue capacities of the provinces. This is done in Canada on the basis of assessing provincial revenue capacity in terms of 33 representative provincial tax and non-tax revenues against a middle range five-province standard. More federations have attempted to assess *both* differential revenue capacities and administrative costs, with Australia providing the most refined calculations for deriving “relativities” among the states from comparisons in 18 revenue categories and 41 expenditure categories.

Fifth, the processes for determining and adjusting equalization transfers have also varied (Watts, 1999a: 50–55). Some are based on formulae that have been agreed upon by intergovernmental negotiation, as in Switzerland, Canada, Germany, Austria, Belgium and Spain, although in a few of these cases the process of reaching agreement on a formula has in fact been dominated by the federation government. In others, such as Australia, India and South Africa, the allocations have been largely
based on the recommendations to the federal government of standing or periodic independent commissions which may themselves use a variety of formulae to arrive at the their recommendations. As the contrasting experience of Australia and India on the one hand, and of South Africa, Pakistan and Malaysia on the other, indicates, the effectiveness of such bodies has depended on the extent to which these bodies have established their independence and impartiality and the federal governments have regularly accepted and implemented their recommendations. In contrast to the processes of intergovernmental negotiation or the use of independent commissions or intergovernmental councils, the \textit{ad hoc} grants-in-aid in the United States are approved by Congress, and the equalization transfers in Nigeria since 1999 are the responsibility solely of the National Assembly (although the Nigerian constitution of 1999 does specify the criteria to be employed).

Sixth, a common characteristic of nearly all the equalization schemes is that, while other transfers may include a substantial proportion of conditional grants, the equalization transfers have usually been unconditional in form, leaving scope for regional autonomy in their actual use. The exception is Switzerland, which has used a mixture of unconditional and conditional transfers in their equalization scheme. While there is no systematic formal equalization scheme in the United States, the variety of \textit{ad hoc} grant-in-aid programs there, however, all take the form of conditional or matching grants.

The question is sometimes raised whether there is a relationship between the degree of decentralization within a federation and the need for equalization arrangements. For instance, it could be argued that the more decentralization there is, the more likely it is that there will be inequalities and financial disparities among the constituent units, and hence a greater need for equalizing mechanisms and effort. But in practice that does not appear to have been the general case. Indeed the extent of equalization has not in practice been directly related to the degree of decentralization (Bird, 1994: 301–03). Two general factors would appear to have affected patterns of equalization in practice. One is the importance of the prevailing political culture and the degree to which it emphasizes the equality of citizens and the uniformity of services available to them. The second is the degree to which the greater decentralization within a federation is itself the result of significant social fragmentation producing stronger pressures for regional distinctiveness, autonomy and resistance to dependency upon federal funding aimed at inducing uniformity. Thus, it would appear from the empirical evidence that equalization in federations has varied not so much in
proportion to decentralization as in relation to the degree of tolerance of their citizens to lack of uniformity and to the existence of horizontal imbalances. For example, egalitarian Australians, blessed with relatively modest inter-state disparities by comparison with other federations, have over the years gone to greater lengths than most other federations to equalize. In this respect the German federation has been similar, although the absorption during the past decade of the new eastern Länder added some new stresses. On the other hand, the United States, with relatively larger inter-state disparities, but no formal systematic equalization scheme at all, appears to display a much greater tolerance for horizontal imbalances. Switzerland and Canada, two of the most decentralized contemporary federations, and influenced by their linguistic, religious and cultural diversity, lie somewhere between these extremes in terms of their efforts at equalization. Clearly then, a major factor affecting variations in the tolerance of disparities and horizontal financial imbalances has been the relatively different values placed in their prevailing political cultures upon the relative importance of equity, on one hand, and non-centralization and regional autonomy on the other.

It is noteworthy that virtually all federations, with the exception of the United States, have established and maintained formal financial equalization schemes. That is not to say that these have not been controversial. But almost always there has been widespread support for the principle of cooperative equalization. It has been the particular arrangements and perceptions of their fairness or unfairness that have often produced contention. The notion of promoting equity, albeit balanced in relation to such other important values as non-centralization and regional autonomy, has usually been accepted as necessary for inter-regional federal cohesion and as values related to common citizenship within the federation. But the particular form of the equalization arrangements, and the particular criteria or formula used for their allocation have often been controversial. The operation of a particular formula may over time lead to vested interests resisting modification, as has occurred for instance in the resistance of Newfoundland and Nova Scotia to reductions in their equalization entitlements after the recent development of their off-shore oil resources. Wealthy Ontario, so long as its wealth was derived mainly from trade with Western and Atlantic Canada, saw the justice in substantial equalization transfers to these poorer regions. Now that NAFTA has shifted the gravity of its trade to the neighboring US states, Ontario has come to worry overly more about the dependency syndrome that the current form of equalization
transfers appears to have been encouraging in the Atlantic and prairie provinces. Where the equalization formula has been blatantly unfair and been left unreformed, where the burden borne by the wealthier regions has appeared to be undue, or where the form and scope of the equalization transfers have been imposed unilaterally without intergovernmental negotiation or the advice of an independent commission, almost always there has eventually been heated contention and pressures for a more genuinely intergovernmental cooperative approach.

Conclusions and comparative implications

I conclude by attempting to draw out some implications of this analysis for currently federalizing or devolving states such as Belgium, Spain, Italy and the United Kingdom.

First, in relation to my introductory typology, let me place this particular group of states within that framework. Belgium evolved from a unitary state by four stages of devolution in 1970, 1980, 1988 and 1993 into a formal federation with three basic sets of institutions: the federal government and the constituent regions and communities. Since becoming a federation in 1993, a fifth stage of devolution has substantially modified the financial arrangements in 2001 (Vecdonck, M. and Deschouwer, K. 2004: esp. 99–101). Spain too has been going through a process of federalization. In 1978 after some forty years of totalitarian centralization under the dictatorship of General Franco, Spain adopted a new constitution establishing a parliamentary democracy. Under this constitution, as a means of accommodating powerful regional interests fostered by revived Basque and Catalan nationalisms, Spain has pursued a process of devolution providing for 17 Autonomous Communities. This process has produced a situation where Spain has become a federation in virtually all but name with the 17 Autonomous Communities possessing considerable constitutional authority (Moreno 2001). Italy too has been experiencing a federalization process in which the constitutional reforms of 1998–2001 resulted in a degree of devolution approaching that in Spain.

In the United Kingdom the devolution to Scotland, Wales and Northern Ireland in 1998 also marked a major transformation, although it has not gone as far as in the other three cases. The United Kingdom is an interesting case because it is relatively new and we can observe its evolution. While the devolved United Kingdom possesses some of the six features characterizing federations (the first, second and sixth of those I enumerated earlier in the chapter) it clearly it lacks the others. Put simply the sovereignty of the devolved territories is derived from the UK Parliament
rather than from a constitution that cannot be unilaterally amended. As to whether the United Kingdom has become or is evolving towards a “quasi-federation,” clearly it does not yet meet the term as originally defined by Wheare (1963), that is, a polity with virtually all the features of a federation but with some unilateral overriding central powers (usually emergency powers). The United Kingdom, given the ultimate legislative authority of the UK Parliament and government and especially the financial relationships, is a long way from that. In terms of the second usage of the term, as used by Vernon Bogdanor (1999) and Robert Hazell (1999), in which “quasi-federation” refers to a devolved union that possesses some, but not predominantly, the features of a federation, this appears to fit more aptly the current stage in the evolution of the United Kingdom.

It would appear that in all four of these cases of devolution, the needs to balance intergovernmental cooperation and competition and to balance equity and diversity are clearly relevant. Indeed, since in the whole broad range of “federal political systems,” internal intergovernmental interdependence (rather than mutual independence) is in practice unavoidable, formal and informal arrangements for managing that mutual interdependence within these four devolved systems will be crucial to their future effective operation and evolution. This will require recognition of the need to find a balance between intergovernmental cooperation and competition, and to organize intergovernmental relations to meet the four basic criteria outlined in my introduction: (1) democratic accountability and transparency, (2) effective governance in the development of policies, (3) the preservation of diversity through genuine autonomy for the territorial units, (4) ensuring continued cohesion and stability of the political system.

In terms of the likely prospects for the evolution of the processes of federalization and devolution in these four cases, experience elsewhere in longer-standing federations suggests four points. First, the constitutional recognition of territorial units is likely to enhance the legitimacy of further claims for reinforcement of territorial autonomy. The progressive devolution by stages in each of Belgium, Spain and Italy illustrates this point. This suggests a likely similar future tendency within the United Kingdom. This does not mean, however, that increased territorial autonomy inevitably leads to separation or disintegration. Indeed there is considerable evidence to the contrary (Ghai 2000).

Second, it has been normal in multi-level regimes for different political parties to be in power in different governments, and for differences to develop between the central and territorial branches of the same party,
as amply illustrated by the experience of Belgium, Spain and Italy. In all of them this has reinforced the need for effective formal and informal mechanisms to facilitate intergovernmental cooperation. To date, within the United Kingdom after devolution the initial predominance of the Labour Party both at Westminster and in the Scottish and Welsh assemblies has facilitated cooperation by providing governments at both levels with mutually sympathetic outlooks. Nevertheless, it has to be expected that such a situation will not last forever, and that as in the other examples of devolution, the same requirement to rely heavily on formal and informal mechanisms of collaboration and dispute resolution will need to be developed.

Third, most federations are marked by distinct public services in the different levels of government, although India does provide an example of single higher public services shared by both federal and state governments. The operation in the United Kingdom of a single higher public service has in the early years of devolution facilitated intergovernmental cooperation, but this may be expected, as elsewhere, to erode over time too.

Fourth, in federations with parliamentary cabinets (as opposed to presidential–congressional systems such as the United States), the normal tendency for their cabinets to dominate their legislatures, has led to a pattern of executive predominance in intergovernmental relations. This pattern has often been referred to as “executive federalism” (Watts, 1989). Belgian, Spain, Italy and the United Kingdom all have parliamentary executives and not surprisingly all four share this tendency with the earlier parliamentary federations to the predominance of executive intergovernmental relations. Gerard Horgan (2004) has drawn particular attention to this marked tendency in intergovernmental relations in the United Kingdom. This developing pattern in all four cases of devolution raises questions about the need in each to develop appropriate arrangements for ensuring legislative and democratic transparency and accountability in the conduct of intergovernmental relations.

Turning to the balancing of equity and diversity, experience in the older federations and also in these recent cases of federalization and devolution, makes it clear that the financial arrangements are crucial. Like the older federations, these regimes have had to cope with correcting both vertical and horizontal financial balances but in ways such that neither equity, on the one hand, nor diversity and autonomy on the other hand, are sacrificed completely for the other. Here there have been two issues. One is developing processes that take the balance between these objectives into account. The second is establishing
intergovernmental institutions and processes for the regular assessment of equalizing transfers to meet the requirements of changing circumstances. In Belgium, Spain and Italy these financial processes are in the process of being developed. The United Kingdom, however, continues to rely on the pre-devolution Barnett Formula which provides only differential increases in unconditional transfers without assessment of the base. Furthermore, the dominance of Whitehall in determining the size of these transfers indicates that this is the least well-developed aspect of the devolution arrangements in the United Kingdom.

In this presentation, little has been said about the significance of asymmetry in the powers of the devolved territories and in their relationships with the central government. While many of the older federations, such as the United States, Australia and Germany, consist of constitutionally symmetrical states, some such as Canada, India and Malaysia, with deeper ethnic cleavages, have found it necessary and helpful to accommodate these by asymmetrical arrangements for different constituent units. These arrangements have significant implications for the degree to which equity among citizens in different constituent units can be implemented. Interestingly, all four of the recently federalizing or devolving countries have applied a considerable measure of asymmetry in the powers assigned to their territorial units and the relationships between these units and the central government. In Belgium the special arrangements relating to the Brussels region, in Spain the different financial arrangements relating to the Basque Country and Navarre and the concessions to Catalan nationalism, and in Italy the distinction between the 17 ordinary and 5 special regions exemplify this. In all three cases, while there is asymmetry among the different devolved territories, devolution has, however, been applied throughout the polity.

The United Kingdom stands in contrast because of its double asymmetry. Not only are Scotland, Wales and Northern Ireland asymmetrical in terms of their powers and relationships to the United Kingdom government, but there is a second kind of radical asymmetry not found in Belgium, Spain or Italy. That is the arrangement in the United Kingdom whereby devolution applies to territories containing only about 15 percent of the total population, with the other 85 percent of the population living in England having no elected devolved government or governments. This radical asymmetry has an important effect on the character of intergovernmental cooperation and competition, especially in leading to an emphasis upon bilateral relations between Whitehall and each of the devolved territories and in discouraging the development of
multilateral relations and horizontal intergovernmental cooperation among the devolved territories. It also means that arrangements reached by the central government for England indirectly shape the parameters within which the devolved territories can develop their own social policies.

Let me conclude with a number of simple lessons for countries involved in federalization and devolution processes that can be learned from earlier federal political systems and federation. These are adapted from Roger Wilkins’ advice to the Bertelsmann Commission in Germany (Wilkins 2002: 52–53):

1. All federal political systems are characterized by mutual interdependence, and hence a balance between cooperative and competitive intergovernmental relations is crucial to their effectiveness in combining unity and diversity.

2. Money is power. Unless money relations are sorted out, power relations will not be sorted out.

3. Intergovernmental relations cannot be reformed in isolation. They are part of the social and economic structure of a country and therefore must accommodate the objectives of both equity and territorial diversity.

4. Intergovernmental relations must be pragmatic. Governmental structures are always resistant to change. Those involved must, therefore, have a clear view of the ideal but be prepared to compromise. Intergovernmental cooperation, like politics, is, as Roger Wilkins concludes, more like improvising jazz than playing a Chopin polonaise. There is no final set of notes, only a key signature and a rough tune.
Intergovernmental Relations: In Search of a Theory

Alan Trench

The purpose of this chapter is to consider the importance of intergovernmental relations for federal systems, to examine how intergovernmental relations work in such systems and what common themes or characteristics can be found, and to examine some of the implications of such relations for democracy. The objective – not an easy one to achieve – is to develop some generalizable, theoretical propositions about how intergovernmental relations works in such systems (and perhaps in others). This is challenging, given the profoundly empirical nature of much work on intergovernmental relations (IGR), and the difficulties of any sort of generalization about federal systems (see Ronald Watts’s chapter in this volume). This is clearly an area lacking theoretical debate but in need of it. This chapter therefore seeks to spark such a debate, by formulating a number of propositions about how IGR works. It needs emphasizing at the outset that these are offered not as definitive conclusions, but as hypotheses needing further examination and research.

The difficulties of thinking about intergovernmental relations

This task is complicated by the fact that it involves a number of contentious concepts. As Richard Simeon and Ronald Watts remark elsewhere in this volume, federalism is a difficult and contested concept. The same can be said of intergovernmental relations, which some authors (such as Wright 1988) regard not as an aspect of the working of federal systems but as a successor or even an alternative to federalism. Given both this approach and the relatively technical and technocratic nature of IGR, it is unsurprising that the practice of intergovernmental
relations is seen as the antithesis of federalism, at least by those with a strong normative orientation to favor federalism.

A further complication derives from the fact that intergovernmental relations are commonly characterized along a number of dimensions that are not in fact particularly useful to advance theoretical discussion. Many of these are borrowed from approaches to comparative federalism. One is to seek to address the degree of centralization or decentralization in federal systems. Such an approach is highly normative and so more likely to cast light on the working of one particular system than to illuminate broader themes or topics. It may also disregard variations between particular policy areas or aspects of the system; systems may be highly decentralized in terms of formal powers of regions but not in terms of finance or fiscal resources, or vice versa. The factors giving rise to such centralization or decentralization may be far from apparent, particularly if the observer is concerned with formal powers rather than actual practice (Watts 1999a). A statement such as “X is a decentralized federation,” or that “Y and Z are more centralized than X” is of only limited use for analytical purposes. At best it is a useful starting point – but it is only a starting point, and does not help to understand the processes that are underway, or what such systems have in common or what distinguishes them from each other.

Another source of complication arises from attempts to characterize IGR, for example as characterized by “dual federalism,” center-dominated, competitive, cooperative, and so forth (e.g. Nice and Fredericksen 1995; Wright 1988, especially ch. 3). Such terms belong more to the study of federal systems as a whole (whether on their own or comparatively), rather than to the study of IGR which is only one aspect of the working of federal systems. These terms certainly have their uses, especially in understanding developments over time within a particular system, and most systems have been through various such phases over time. Cooperative federalism is commonly associated with the emergence of various forms of the welfare state during the post-1945 period (although as Ronald Watts notes in Chapter 10, use of the term dates to the 1930s), for example, but in the United States that becomes much clearer in the 1960s particularly with the “Great Society” program, while it starts rather earlier in many other countries in the developed world. Finding underlying themes linking systems (such as IGR) is likely to be a more rewarding activity than noting that things have been different in different countries at different times. Exploring intergovernmental relations means clarifying that distinction on the level of how states actually work and not just the formal design of their constitutions. That in turn
helps to understand the dynamic processes involved in many systems, such as regionalization trends in Europe or the move toward federal systems in some parts of the third world.

A virtue of studying IGR is that it is to be found in all federal systems, but also in many others. Thus, even what was (wrongly) considered to be a centralized or unitary political system such as the United Kingdom can develop a literature on IGR, to make sense of relations between central and local government (see for example Griffiths 1966, Loughlin 1996 and Rhodes 1981 for an explicit use of IGR concepts in that context). It is therefore both wider and narrower than the study of federal systems. However, many studies of federal systems largely if not entirely ignore the question of how governments and other institutions within federal systems relate to each other (see for example Burgess and Gagnon 1993; Stepan 2001, ch. 15; Watts 2001; Wheare 1963), being concerned with other aspects of how such systems work. A notable exception is Opeskin (2001). Examining federal systems through the framework of IGR helps in a number of ways. It makes it easier to identify what federal systems have in common with each other and how they work. It also helps to clarify what in fact distinguishes federal systems from non-federal or partly-federal systems. However, it also means that one is approaching federal systems from a different perspective, meaning that a number of propositions regarded as well-established in relation to federal systems generally appear much less well-founded from this point of view.

This remainder of this chapter will surveys the relationship between constitutional structures and policy as they affect IGR (and as IGR affects them), considers the mechanics and processes of IGR and bureaucratic organization relating to that and how those affect the working of IGR. It also examines the roles of the courts in IGR, which it suggests is more limited and contingent than often thought, and of political parties. Finally, it considers the implications of IGR for democracy. It will establish what the common elements of IGR in federal and similar systems are, and what accounts for the main variations between such systems in these areas. It argues that IGR is a distinctive area of politics, marked by a complex and reciprocal relationship between political forces and institutional (particularly formal institutional) structures. It works in recognizable and broadly similar ways in most systems, and its variations are best accounted for by the differences between those systems. While it raises concerns for the workings of democracy in many systems, these are more issues of how governments deal with IGR in practice than of difficulty with it in principle.
Intergovernmental relations, constitutional arrangements and public policy

Parliamentary and presidential federations

The structure of institutional arrangements between the various orders, levels or spheres of government can have a significant effect on how IGR works. As Roland Sturm shows elsewhere in this volume, it is common for similar institutional arrangements to replicate themselves at each order or level of government, so a country with a parliamentary arrangement for the federal government will not have a system based on separation of powers in regions. Most federal systems – at least, most in the developed world – are in parliamentary systems, meaning ones where a government is formed on the basis of a majority in the (elected) legislative assembly, and particularly its lower house, and is accountable to that assembly. To form a government, an elected majority in the legislature is therefore necessary. This has led to a general tendency for organized political parties to impose discipline on all their elected members of the legislature, leading to the majority party forming the executive also dominating the legislature rather than the other way around (as Lockean political theory would suggest). Power tends to become increasingly centralized within government, in the hands particularly of the prime minister or head of government. In a federal system, the pressures of modern government mean that extensive interaction between governmental institutions in the different spheres, orders or levels of government is inevitable. In such parliamentary systems this interaction is taken over by governments (rather than other governmental institutions such as legislatures or courts, or less formal institutions like political parties). This has led to the general emergence of the concept of “executive federalism” to describe how IGR works. (For further discussion, on Canada see Smiley 1987, especially ch. 3; on Australia, Sharman 1991; for a comparison of the two, Warhurst 1987, though he prefers the term “cooperative executive federalism”; and on Germany, Leonardy 1999 and Klatt 1999.) That such relations are not a particularly new phenomenon is illustrated by studies of the early days after establishing federal constitutions (e.g. Stevenson 1993 for Canada; Wright 1970 for Australia). Executive federalism raises various problems, as it means that IGR therefore is to be conducted largely in private, at a considerable remove from ordinary issues of politics, and some have regarded the distance between elected politicians and electors to be so great that they regard it as a “third level” of politics, between those of regions and the federal order. The issues of democracy and particularly democratic
accountability are discussed in more detail later, but executive federalism simplifies IGR as it means that for each jurisdiction or unit there is one authoritative voice and actor in IGR. (Beyond this, there are of course the courts, but their role is likely to be somewhat narrowed in parliamentary systems; this is also discussed later.)

Systems based on the principle of the separation of powers (often called presidential systems) are rather different. The United States is the best-known and best-documented example of such systems, but Switzerland and the Latin American federations (not covered in this chapter) also fall into this category. In such systems there are many more actors in IGR: not just executives (which may have significant internal differences, if for example members are elected directly rather than appointed, as is the case in many US states), but also legislatures (which again may have divergent views and interests), as well as the courts. Add to this the proliferation of governmental units that is common in the United States (school boards, special agencies and so forth), and the sheer number of governments involved can make policy making or implementation almost impossible (Wood with Almendinger 1961), chiefly because of the proliferation of veto actors within each government, as well as the need for them to reach consensus to proceed (cf. Tsebelis 1995). This also significantly complicates IGR, meaning that – unlike many other systems – the subject needs to embrace dimensions of judicial or inter-court relations as well as those between governments (executives) and legislatures, and also between many different levels of government, not just State and federal government but also local governments of various stripes. These differences affect most aspects of the working of the federal system including its IGR (as Watts 1987 shows).

Curiously, however, the existence of a presidential system also has a reductive effect. Because the IGR affects such a broad range of interests, it is hard for any single approach to cover it and so different parts of it become of interest to different disciplines. The complexity of the subject as a whole means that it is impossible to study without such a narrow focus. Thus US studies of IGR tend overwhelmingly to focus on two issues: federal grants and the implications of the conditions attached to them (for political scientists, mostly concerned with public administration), and issues of federal and State legal jurisdictions (for lawyers). Other areas of study exist, notably fiscal issues such as implications of tax competition for economists, but few political scientists (and not many lawyers) engage in debates about the impact of the US Congress on State functions, for example. It is remarkable how a system of such extreme diversity can generate such a limited range of areas of study.
Another way of looking at this may relate to the proliferation of veto points in the US system compared with others, since each actor constitutes a veto point while legislatures and courts seldom constitute veto players in parliamentary systems. This may suggest a much larger point: that the proliferation of veto players and points both makes a subject harder to study and leads to such specialization that it becomes extremely hard to see the wood for the many trees in the way.

**The dominance of federal governments**

One general trend is for intergovernmental relations to be dominated by the federal order rather than regions, even if that degree of dominance will vary between systems and within a system over time. The federal government takes the lead; it sets the political agenda, and is treated by mass media and other (foreign) governments as “the government.” That applies even where the federal order or level’s powers are severely limited (as in Canada, where the federal order’s powers to act internally as a result of its international obligations are in fact limited). It may also be supported by ideologies of nationalism, emphasizing the importance of a national identity relating to the federal order rather than a regional or regional identity, an issue discussed in more detail in the chapters by Charlie Jeffery and Keith Banting. On a more practical level, the federal government will command far greater resources to support IGR as well as other matters. It will usually have more staff, and perhaps more able staff, and therefore greater ability to develop policies, consider and develop its position, and negotiate to achieve it. It may well have more money to spend on its functions, because of broader sources of tax revenues, and more flexibility in allocating finance. In some systems it is also likely to benefit from substantial vertical fiscal imbalances. It may also possess more flexible legal powers, such as a power to spend money on regional functions, enabling it to extend its involvement in functions formally beyond its powers. It can usually control, or at least shape, the agenda of intergovernmental conferences, avoiding discussion of awkward issues that regions wish to raise. Such advantages put the federal order in a powerful position to take the lead in IGR, meaning that regional governments are often having to react to it.

Federal governments also benefit from the fact that they face a number of regional governments, and the concerns and interests of those regions will vary widely – some will be poor, seeking financial assistance, others rich and paying that assistance, and so forth. The federal government’s opposition is fragmented. While regional governments commonly
attempt to coordinate their positions so as to take a consistent stance in relation to the federal government, they often fail to do even with strong institutional arrangements (Germany) to help. *Divide et impera* is therefore a powerful tool for federal governments – to the extent that they do not need to use it actively or consciously for it to be effective.6

One consequence of this is that regional autonomy exists within a fairly limited range. Another is that regional governments start from a relatively weak position in the conduct of IGR. To appreciate the degree to which they have used such autonomy effectively or not, and what resources and assets are available to them, it is necessary to understand that this is the starting point.

**The limited relevance of constitutions for intergovernmental relations**

What does *not* drive IGR is constitutional divisions of power. Governments’ needs to deal with each other are a constant, regardless of exactly which functions they have; the neatness of divisions of power (or otherwise) does not eliminate or create IGR, and the form legal powers takes is also of limited importance. Finance is one common cause of intergovernmental relations, especially given the ubiquity of vertical fiscal imbalances meaning that federal governments often have revenue surpluses while regional governments are under tighter fiscal constraints. However, finance creates a relatively limited form of IGR. What is important in shaping IGR of the range and extent that it generally takes are (as Ronald Watts shows in Chapter 10) the practical exigencies of formulating and delivering policy programs. Designing and implementing policy in the real world means finding suitable and effective instruments to deal with that issue. Any division of powers is likely to put at least some of those instruments (whether they be formal legal powers, finances or staff and other administrative resources) in the hands of different governments. Tackling the problem therefore requires the two orders of government to deal with each and to work together. Even in cases where the powers are all in the hands of one government, its actions may affect the other order, or (especially in the case of regional governments) it may need financial help (Watts 1987). What form that sort of collaboration and cooperation takes will, however, depend on the characteristics of a particular system, and in that context, such issues as whether the legal competences of the respective orders of government are exclusive or concurrent can become relevant (and may themselves lead to calls to alter the constitution, formally or informally). Whether powers are concurrent or not between the two orders of government makes little
difference to how cooperative relations are; it is hard to draw a meaningful distinction between Australia (where almost all federal powers are concurrent with state ones) and Canada (where most competences are exclusive to one or other order of government) in this respect. In Belgium, close collaboration between the various orders of government (not merely federal and regional, but also the language-based communities) is impelled not by overlaps in jurisdiction or by financial pressures but by the fact that the legal competences of the various governments involved are all exclusive. The spillover of policy from one area into another means governments have to cooperate with those having related powers as otherwise no meaningful policy can be made or implemented (Poirier 2002). Where a federal government can get in, it will usually seek to do so. Often the most powerful instruments in its hands are financial, helped by the broader taxing base available to it and often by some form of vertical fiscal imbalance. Where that is coupled with a federal power to spend money on matters beyond its formal competences, the federal government is likely to expand its role (Watts 1999b). In Australia that has proved crucial; even while some key policy matters remain outside the federal government’s reach, it is Australia’s vertical fiscal imbalance that means the States are constantly in need of federal funds, including conditional grants, to discharge their own functions.

Politics, policy and the salience of intergovernmental relations

It is implicit in what is said above that IGR is where constitutional politics and public policy meet. It is the point of intersection between high constitutional matters and more day-to-day concerns. The making of policy in any field raises issues of which sphere of government will fund, enact or implement it, raising questions of their legal competences to do so – and that raises questions of whether that order should do so, and of whether the policy design needs amending to reflect those competences. The interaction between these two aspects is one of the distinctive features of IGR, creating a domain in which constitutional issues govern the making and implementation of policy, so that a policy issue may not merely operate within a constitutional framework but also call aspects of that framework into question. The relationship between constitutional matters and public policy in IGR is important in two respects. One is the way each affects the other – the way that constitutional matters can shape policy-making, and that policy issues can shape constitutional matters. The second is that it bears heavily on the salience of IGR.
For these purposes, salience can be taken as meaning the importance IGR assumes in various systems. This which varies considerably from system to system, as well as within a system over time, and generally reflects as well as shapes the contentiousness of IGR in that system: contentiousness increases as salience does, and the more IGR becomes a matter for public debate, the more IGR itself is contentious and the more important politics (rather than more technical aspects of IGR) becomes within it. However, measuring salience is not easy. While there may be more sophisticated measures of doing this, a reading of newspapers in different systems can rapidly convey the point. While Canadian newspapers are obsessed with intergovernmental issues, this is a background topic of secondary interest in German or US ones and scarcely treated at all, save as an adjunct to policy issues, in Australian ones. Explaining what makes IGR more important to politicians and public in some systems rather than others is not straightforward, but some factors are key.

**Constitutional revision and policy making**

One is the importance of constitutional issues, and the interplay between constitutional matters and policy issues. This is not universal. In some systems (Australia comes to mind) the constitution acts, at least in the post-war period, as a framework for IGR, but seldom as an issue within it.7 In many other systems, however, constitutional issues become a major issue in IGR. In some cases, this is because debate about constitutional arrangements becomes the principal subject of IGR (this is the implicit assumption made in Wright 1998, for example; for much of the period between 1980 and 1995, the same applies to Canada). This reflects first a concern (usually in one or more regions rather than at the center) that the powers available to the region are insufficient, and second the fact that initial constitutional change serves to fuel further demands for regional powers. This is notably the case in Spain.

However, constitutional matters can assume quite distinct roles, and in some more developed systems there is a complex relationship between constitutional issues and day-to-day policy matters. Thus in Canada the attempt to create public pension schemes triggered a complex negotiation between the federal government and the Provinces, especially Quebec, that resulted in constitutional amendment to enable parallel but separate schemes to be established by the federal government (for English-speaking Canada) and Quebec (Simeon 1972, especially ch. 3). In Germany, concern among the Länder about EU matters affecting their competences and the exclusion of the Länder from EU policy making led
to constitutional amendment (a new Article 23 for the Basic Law or Grundgesetz) to give their position greater protection. That in turn led the federal government to take more action to incorporate the Länder in EU policy making. Constitutional change therefore became a necessary response to problems in making or implementing policy. Likewise, constitutional issues such as the way in which regional jurisdictions are framed (and interpreted by courts) will affect policy making. This may affect only the procedures by which policy is made (e.g. in Germany requiring the assent of the Bundesrat), although by involving more political actors it in turn is likely to alter the substance of the policy as well. More often it will directly affect the substance of the policy, as that policy will be shaped by the existing jurisdictions and administrative capabilities of the two orders of government. Thus most health care in Canada is provided by Provinces, being an exclusively Provincial matter under s. 92 (7) of the Constitution, with direct federal involvement limited to funding (under the federal spending power), relatively remote regulatory matters and a small number of direct areas of activity.

The complexity of the relationship between constitutional and policy matters increases according to the extent to which constitutional matters are politically contested, and the two categories can become very hard to distinguish. When constitutional matters – such as the defense of regional jurisdictions – become matters of political controversy, they intrude increasingly into matters of day-to-day IGR. Debates about the relatively technocratic question of the appropriate part of government to undertake a particular area of policy become entangled with issues of abstract principle about the proper authority of the respective governments. In such circumstances, the relationship between policy issues and constitutional ones becomes complex. Since the 1960s the government of Quebec has sought to defend provincial rights and prerogatives against federal intrusion, but this has led to other provinces anticipating Quebecois intransigence and using that to obtain greater concessions from the federal government. When they subsequently abandon the position taken by Quebec, that fuels a sense of Quebec’s betrayal by English-speaking Canada and so its determination to protect its powers (the best-documented example relates to the Social Union Framework Agreement, but the pattern has recurred a number of times in relation to other, less high-profile matters; see Trench 2003). While Quebec provides the most vivid case of policy issues affecting constitutional positions, similar developments can be noted in Germany as well, leading not only to the revised Article 23 of the Basic Law but also to other
changes in the wake of German unification, for example to increase the votes of the more populous west German Länder in the Bundesrat.

**Governments obstructing one another**

Salience is not governed solely by the intrusion of constitutional politics into more routine policy. A second set of factors governing salience is the extent to which each order of government can affect the other’s activities adversely. Canadian Provincial governments are likely to be able to “trip up” the federal government on a wide range of policy issues that concern the federal order if they do not cooperate with its initiatives (a possibility made all the more likely by Quebec’s determination to protect its status). Australian states are very much less likely to be able to do so, having much less in terms of legal powers or financial resources compared with the federal government. Thanks to the need for the Bundesrat to consent to much German federal legislation, Länder governments are closely involved in many federal initiatives, involved in shaping them as well as being consulted about them when policies have reached an advanced stage of discussion. Many countries therefore produce studies of IGR in relation to various policy areas (e.g. for Australia many of the contributions to Galligan *et al.*, 1991; Simeon 1972 or Skogstad 1987 for Canada; Erk 2003 for Germany), but these are generally distinct from studies of constitutional federalism (such as Galligan 1995, Jeffery 1999, or Stevenson 1989) and to a substantial degree the two literatures do not talk to each other. This means that the constitutionally oriented studies may overlook substantive and practical issues, can miss complexity and variation in what they observe, and are therefore distanced from the realities of the system under investigation. The policy-driven studies, on the other hand, can have a narrow focus that limits their value. Some policy studies (such as Galligan *et al.*, 1991) seek to overcome this by looking at a wide range of areas. An exception to this is Painter 1998, who focuses on a topic of great significance for the federal system as a whole and draws broader conclusions from that.

A further issue affecting salience is whether constitutional issues are clearly at stake in day-to-day interactions. This has manifestly been the case in Canada in relation to Quebec, where any federal–provincial negotiation has taken place against the background of Quebecois nationalism and demands of successive Parti Quebecois governments for independence or a new relationship with the rest of Canada. Such an existential threat to the federal system as a whole is unusual and dramatic, but it made every interaction between the two orders a potential flashpoint, and likely to add at least some fuel to the Quebec government’s
anger at the federal government and English-speaking Provinces. Parallels are hard to find (at least in the developed world), but one can be seen in Australia, where the hostility of the Labor party to the federal system (it was formally committed to the abolition of a federal political system throughout the most of the twentieth century, till 1971; see Galligan 1995, ch. 3) created inescapable tensions among state governments when Labor formed federal governments. Yet Labor never implemented its policy, discovered the virtues of federalism when it held office in certain states and was able to exercise real power as a result, abandoned its commitment and by 1979 was willing to express its desire to cooperate with the states.

In short, salience of IGR varies according to the record of how IGR is conducted, or at least how it is regarded by a broad audience. Its importance is chiefly in how it affects the actors in IGR. It governs not merely their behavior (politicians will be more concerned about matters in the public eye than those that attract little attention), but also the choice of actors, as salient IGR will attract the involvement of politicians while non-salient IGR is likely to be left to officials and other technocratic experts. Thus the most important consequence for a system where IGR is salient is that politicians will become concerned with it and prominent in its conduct.

How IGR works in practice: actors and processes

This section will try to establish the general principles that appear to apply to the functions of those involved in IGR, and the extent that these factors can be varied to alter the outcomes of IGR.

The dominance of bureaucrats

The first generalization is that IGR remains an area dominated by permanent officials or bureaucrats rather than politicians. The main reason for this is obvious – the complicated technical nature of many of the issues involved, calling for specialist knowledge and expertise. As the involvement of politicians increases, the higher the salience of IGR is to the general public. Thus politicians are more actively and prominently involved in Canada (high salience) than Australia (much lower salience).

Politicians are also more actively involved as IGR issues become more constitutional, rather than policy-related, in nature. While politicians are often willing to leave policy issues to be sorted out by officials, when constitutional matters are at stake it is hard for them to avoid becoming
involved. Even when politicians are heavily involved, officials remain essential too; the question is whether officials are left largely on their own, under general political direction, to deal with IGR matters, or whether they are subject to more immediate and regular political supervision and guidance. Dominance by officials therefore does not indicate that IGR is inherently depoliticized, but rather that politicians, having limited time and many commitments, do not regard it as a major area for their concern except in certain limited circumstances.

Who those officials are, or more accurately in which part of government they are situated and to which politicians they are answerable, is a matter of considerable importance. Stefan Dupré (1987) identifies three models of IGR applying in Canada, characterizing different patterns of interaction and with different roles for officials: “functional,” “financial” and “constitutional” IGR. These models can be adapted to explain IGR in many other systems as well. In functional IGR, those involved are those dealing with specific functions and are based on considerable autonomy for individual departments and ministers, who deal with such matters in relative isolation from other departments. The “financial arrangements” model is dominated by financial issues and so by finance officials, sharing a common vocabulary and approach and common responsibilities in their respective governments arising from the treasury functions they discharge. Such relationships require high levels of trust and also build such trust, as the participants have much in common and are engaged in a repeating sequence of transactions (as Canadian financial arrangements are agreed for five-year periods, meaning renegotiation recurs frequently). By contrast, constitutional IGR is dominated by first ministers and ministers of justice or attorneys-general, and involve lawyers to a considerable degree. Trust becomes a much scarcer commodity, both because of the professional outlook of lawyers and their concern to protect existing jurisdictions and powers, and because constitutional negotiations are seen as a “once-for-all” matter, not something that will recur periodically.

Dupré’s model needs some modifications to apply more widely. While his functional and financial models can be applied to other systems largely as they stand, his model of “constitutional” IGR is more problematic. It is grounded in Canadian experience, essentially is concerned with highly-salient IGR (to use the terminology developed in the previous section) and conflates two aspects which are not necessarily linked. The first aspect is constitutional IGR depicted as being led by summit meetings and first ministers, the second is that it is highly legalized. These need not necessarily be associated. Forms of summit negotiation
involving first ministers are common in IGR, especially when it assumes a high degree of salience. Instead of being inherently rigid and governed by legal rules it can display greater flexibility than “functional” or “financial” IGR, because first ministers (unlike their colleagues) are capable of striking political bargains involving a wider range of issues, and can use such negotiation techniques as log-rolling or trading off one issue against another to do so. This approach enables issues to be considered in a broader context and an acceptable overall outcome reached from negotiations, not simply a satisfying outcome relating to each individual issue. They are therefore also not inimical to trust, and indeed depend on substantial trust between the participants given the complex and sensitive nature of the issues involved. A better term for this form of IGR might therefore be summit-oriented IGR.

The other aspect of Dupré’s “constitutional” model of IGR is that it draws heavily on lawyers and legal issues. This can perhaps better be dubbed the “legalization” of IGR, and can occur in a variety of circumstances – not just when issues are constitutional in nature or when issues have come to be dealt with at the political summit. The legalization of IGR does not necessarily mean that there is constant reference to the courts or that IGR is necessarily more confrontational (though that may be the case), but that issues are viewed first and foremost through a legal prism. Consequently, most attention is given to legal concerns, lawyers are prominent or dominant among officials in handling IGR matters (and ministers may also have a legal training), and issues are approached in isolation from each other rather than viewed (as in the more politicized model of constitutional IGR as being related to other issues and subject to trade-off with other issues). German IGR demonstrates such a high degree of legalization even when first ministers are relatively uninvolved and constitutional matters are not in issue. This appears to be largely because of the prevalence of legal education or training for most civil servants, who consequently approach matters from a legal point of view (a common feature of countries with legal systems based on civil law rather than common law). By contrast in Australia, civil servants with training either as generalists or in specific non-legal technical areas predominate. Lawyers are consulted only when obvious legal issues arise, even when IGR revolves around summit politics, and IGR has only limited legal influence as a result.8 Canada has an intermediate place on this continuum, partly reflecting the importance of constitutional issues but also due to the mixed (common and civil law) nature of its legal system. Legalization of IGR appears largely to reflect broader characteristics of the society involved and its legal system.
(or systems); civil law systems are much more legalized than common law ones, although among common law systems the United States reflects a high level of legalization, in its intergovernmental relations and in society generally.

Dupré’s approach is more useful for setting out of ideal types of IGR rather than as a way of categorizing it chronologically or comparatively. It works far better for systems where executive federalism predominates than for presidential or separation-of-powers systems, for which it has serious difficulties. In most systems at most times, each ideal type is carried on simultaneously and the question is which one predominates at any particular time, rather than which applies. Using such approaches, one can categorize Australian IGR at present as being largely the functional model with elements of the financial, for example, or Canadian as being a combination of the functional and summit-oriented models. Australia is legalized to a very limited degree, while Canada is moderately legalized. German IGR is highly legalized and summit-oriented, but with strong functional elements.9

Such a model also illuminates the importance of the actors within government who are involved in IGR, however. It is almost, but not quite, tautological to say that the more active politicians are, the more political in nature IGR becomes. It is less so if it is put in terms of the scope of conflict: the principal actors involved will use it to treat the conflict as one taking place in their own arena, using the approaches and tools most familiar to them (cf. Schattschneider 1960/1975). Thus, in a system relatively dominated by officials (functional or to an extent financial models), the techniques used are those of the bureaucrat. Issues are worked through, alternatives considered in detail, a consensus across the government sought and that position coordinated with other sympathetic governments. Matters are dealt with in technical ways and on the assumption that they ought to be kept private as far as possible. When politicians become involved (the constitutional or to some extent financial models), the public is more involved too, as politicians resort to appeals to the public for support rather than on bureaucratic maneuvers. Similarly, politicians are more inclined to trade one issue off against another to produce a satisfactory overall outcome, even if that means sacrificing some other point. Thus the active involvement of politicians will tend to produce a more “strategic” form of IGR than where officials are left to their own devices.

Which ministers?

A second issue is – which politicians become involved. There are a number of options – it may be the chief or first minister, a dedicated minister for
intergovernmental affairs, or the first minister assisted by a more junior politician. Whichever it is, this sends a signal across government, to other governments and to a wider public about the importance attached to IGR. If the lead minister for IGR is the first minister, who is pressed by other matters and can devote only little attention to IGR, then the meaning of the signal may not be altogether clear. The choice may reflect the salience of IGR, but it may also affect its salience by indicting that IGR is a high or low priority for that government. A secondary effect of this choice can have very significant implications, however. That is the relative importance of officials concerned expressly and directly with IGR, rather than those in departments responsible for making or implementing policy who also deal with intergovernmental matters. On the bureaucratic level, it is common for there to be a specialist section of IGR specialists at the center of government (Warhurst 1987). They may form part of the first minister’s office or some central agency, but are not usually part of a line department. Officials in line departments will also deal with intergovernmental matters, and it is common for such departments to have an IGR desk or section too. (Officials dealing with policy issues will also have to deal with IGR issues and their counterparts in other governments as well.) The extent of bureaucratic involvement in IGR is therefore extensive, but the actors vary a good deal.

The size and strength of a central department or section for IGR depends on several factors. The most important is the level of engagement of the minister responsible, which itself is a function of the salience of IGR. Another is, of course, the authority of that minister within the government – whether she or he is a first minister or not, a strong minister or not, to what extent she or he commands the support of his or her colleagues. The extent to which the central department can establish and maintain a single consistent stance on IGR matters across government (and the extent to which it needs to do so) similarly varies. Consistency becomes much more important where systems correspond to the summit-oriented model than where functional or financial aspects predominate, when a lead department for IGR within a government will be more notable for its absence.

The different attitudes of officials and ministers

Who is involved, and doing what, matters because of the different roles played by policy officials in line departments and specialist IGR officials. IGR specialists are much more concerned with maintaining the autonomy
of their government from interference by other governments, while (usually) also ensuring that relations with other governments are good. Thus they will seek to ensure that policy specialists follow a single line across government, though with limited success (Warhurst 1987). There also tends to be a difference between federal government IGR specialists and their colleagues in regional governments. Federal IGR officials often place a premium on good relations with regions, so on occasion they are likely to seek to restrain policy departments from interfering with regional jurisdictions where that will harm relations, and look to finding overall solutions to problems. (Politicians may take a different view, of course; but even if that is so the federal policy is likely to be a hard political line in a softer official glove.) Policy specialists tend to form a distinct community across governments, concerned with improving health care, housing or whatever their policy area is. They will be much less concerned with defending jurisdictional boundaries than with developing their area of policy, in collaboration with the other order of government. This leads to internal tensions within regional governments as IGR officials find themselves trying to rein in their colleagues in policy-making department, who want to cooperate with the federal government to improve housing (or whatever). IGR officials are instead concerned with preserving the powers and intergovernmental policy of the regional government, leading to the criticism that IGR officials create or increase conflict between governments (e.g. for Canada Smiley 1979, although Inwood et al. 2004 suggest that this is not how they see presently their role).

An example may clarify this. This pattern can be seen operating in most federal systems, although the details depend on the constitutional structure of a system (it applies to some aspects of housing in Australia or higher education in Germany, for example). Typically, a federal initiative would be proposed, relating to regional functions, to improve standards to a consistent level or perhaps to ensure common provision across the whole system (so making personal mobility easier). This may touch on existing regional functions (but draw chiefly on federal ones), or be an attempt to regulate a regional function using indirect federal powers (such as a spending power). The initiative is likely to be supported with generous federal funding, perhaps requiring a degree of matched funding from the region. Such an initiative is likely to start in the federal policy department, but developed across that government. Thus, specialist IGR officials at the center of government can be expected to have advised on its relation to other federal policies, and considered its overall impact on relations with regional governments. Policy officials in regional
governments may well have been involved in unofficial preliminary discussions about the program in any event, and are likely to support it as it improves policy in the area that concerns them and they feel included in the development of the policy by the federal government. Regional IGR specialists will suspect the proposal as serving as a way for the federal government to increase its powers. Such specialists will regard the proposal as tying down the region by committing its spending through match funding or a coordinated policy of its own to something that in fact suits a federal goal, and are likely oppose it. Thus regional ministers receive conflicting advice from their officials, and need to resolve the issue, taking into account broader concerns affecting the government as a whole and the political background. The outcome of such ministerial discussions is less prone to generalization, although the events that lead to them are similar.

**Explaining variations in the process of IGR: Parties and courts**

**The limited role of parties**

The role of political parties in IGR is another important area, but one under-researched empirically (Chandler 1987; Dyck 1991 and Rydon 1988 being rare exceptions). While much importance is attached by Riker and other rational choice students of federalism to political parties, and particularly their role in keeping federal systems together (see e.g. Riker 1964; Filippov et al. 2004), these theoretical arguments have little support in the empirical literature on intergovernmental relations (at least that in English). Rather, they are based on high-level assumptions about the effect parties ought to have, or on studies of the behavior and organization of parties, but not of governments. They disregard the literature (surveyed in Jeffery and Hough 2003; see also Smith 2003) suggesting the lack of connection between voting in federal elections and voting in regional ones. More seriously, though, there is a missing link in looking at the effect parties actually have on the conduct of intergovernmental relations.

If one looks at the role of party from the point of view of IGR, the picture appears to be rather different from these assumptions. Party affiliation has little importance in how governments deal with each other – ones of the same party frequently disagree with each other, while different party governments can find common ground. The reason underlying this is simple: politicians’ main concern is with their own electorates, not their parties. They therefore are disinclined to do anything that may
weaken their own electoral position, even if that helps out their party. They are already involved in a complex two-level negotiating game, caught between the other order of government and their domestic electorate (cf. Putnam 1988). The game is further complicated by the accompanying need to build negotiating alliances within their own order. To add to this a further level of seeking to maintain or promote party interests, when this has little to offer by way of benefit, is to expect altogether too much of party affiliation.

This is not so surprising where the parties operating in different orders of government are not integrated with each other. In systems where party systems are sufficiently fragmented (the United States and Canada, notably), few if any organizational ties link politicians in different orders of government or different regions even if they bear similar labels (Dyck 1991; Cart and Stewart 1996). Historically Democrats in Massachusetts and Alabama, or Liberals in Ottawa and Alberta, have had few if any organizational ties and perhaps little else in common – at most a general ideological orientation and commitment, with some exchange of personnel particularly at election time. Candidate selection, funding and determination of party programs remain in the hands of the party organization relating to each order. (That has recently changed in the United States, with the growth of an increasing central party role in finance and fund-raising, but remains true in Canada except for the NDP.) When it comes to governments dealing with each other in these countries, it is therefore perhaps unsurprising that politicians have little sense of obligation to those from their party in a different order of government and on occasion will fight viciously with their counterparts on behalf of their region.10 There is no meaningful benefit to be had by a Provincial politician in Canada helping a federal government of the same party if that does not provide a clear benefit to his or her Province. And if the governments can reach agreement that benefits both governments, they will, regardless of party ties. Regional politicians are therefore able to behave in a way that is uninhibited by party ties. This may not be so straightforward for a governing party federally, however. Such a party will have broader concerns (both territorially and in terms of policy matters), and may feel the need to help its provincial counterparts, if only to try to maintain its regional support and the commitment of party activists.11

It is more surprising that a similar disjunction applies where a single party system operates throughout the federation. Germany is perhaps a poor example of this, with party liaison and coordination being highly important. This reflects both the importance of party in the system as a
whole (see Schmidt 2003) and the high level of political integration that underlies the German federal system, particularly as control of Land governments confers a role in federal government (through the Bundesrat) as well. In Australia, which lacks such strong intra-regional institutions, it is striking that party ties play a limited role in intergovernmental relations, even in the relatively centralized Australian Labor Party (see Jeans 1994, ch. 5; the same applies to the more decentralized Liberal and National Country parties; Jeans 1994, Starr et al. 1978). Politicians of whatever label are concerned to advance or protect the interests of their order of government, not their party as a whole, even if party interests conflict with territorial ones (Trench 2005). Their political and electoral bases remain limited to one order of government. If a politician is seen as having let down his or her electorate she or he suffers direct and tangible harm, while helping the party is something that incurs benefits that are at best limited and remote (and may not incur them at all). If regional politicians “help out” their party, it is for something that is either to the benefit of their order of government too, or relates to something that is so easy to provide that failing to do so would be pointless. Such pressures work somewhat differently for federal politicians, who have both to nurse a local electoral base while showing “statesmanship” relating to the country as a whole. While advancing regional interests forcefully may be somewhat easier if those do not conflict with party ones (in other words, if the federal and regional governments are of different parties), politicians are clear that they must advance the interests of their immediate electors, not their party, if they are to prosper.

The extent to which loyalty to an order of government rather than to party underlies intergovernmental relations can be seen in those rare cases where a regional party is in federal government. An example of those arose in Spain, with the support of the Catalan nationalist Convèrgencia i Unió for the central government coalition in Madrid between 1993 and 2000. It is notable that this involvement was able to produce only limited benefits in securing the transfer of additional powers from Madrid to the regional government (it secured only the transfer of police powers and a helpful if limited financial settlement). Even though the CiU was in an extremely strong negotiating position, as the central government depended on CiU votes in the central parliament, it lacked support for new autonomy demands within Catalonia and therefore did not press the point (Greer forthcoming, Ch. 6). A non-integrationist (if not actively separatist) party looked to its own electorate and their interests, not to its long-established principles, in formulating its views.
This is not to say that parties do not matter for the working of a federal system as a whole. As explained above, the study of intergovernmental relations is different from that of comparative federal systems. But it does suggest that the role of party has been overstated. Certainly it needs more investigation, to establish the means by which influence relating to IGR might be exercised and whether it has in fact happened. This could be measured by looking at “upstream” factors such party organization or the existence of shared incentives, or “downstream” ones such as divergent outcomes and news reports of intra-party disputes. Assumptions about the role played by party cannot be left as they stand, however; there is every reason to doubt that even integrated parties serve as a glue holding fissiparous federations together.

Courts, lawyers and the limited importance of litigation

While parties play only a limited role in IGR, the same cannot generally be said of lawyers. The role of the courts in shaping federalism issues, and so the background to IGR, is well-known and widely discussed (see e.g. Zones 1997 on Australia; Saywell 2002 on Canada; Cullen and Blair 1999 and Comers 1997; ch. 3, on Germany and Halberstam 2001 on the United States). However, perhaps the neatest way of describing it is that used by Alfred Stepan:

Constitutions in democratic federations are necessarily more complex than constitutions in unitary democracies. Potential policy issues in areas such as the environment, welfare, legislation, health, and research are constantly being socially and economically reconstructed. The boundaries of what is consensually a subunit government concern, or a central government concern are in continual flux. Boundary adjudication is therefore more essential, and more difficult, in a federal than in a unitary system. Thus, another major political actor that does not owe its lawmaking authority to periodic checks by the demos, or even the demoi, the judiciary is normally empowered to pay a bigger role in a federal system [than] it does in a unitary system. (Stepan 2001: 336)

The function of the courts is therefore determination of constitutional boundaries, or dealing with the context of IGR. Except in presidential systems where the principle of the separation of powers holds sway, courts do not directly intervene in it because the extent of their autonomy as actors is limited. They seldom become directly involved in adjudicating matters of IGR, partly because of the general reluctance of governments
to litigate against each other (a general rule subject to a number of significant exceptions, which space does not permit to be explored here). Importantly, intergovernmental agreements are generally framed in terms that make them legally unenforceable (Poirier 2001), and financial matters are usually defined in such a way that they are outside the scope of the courts (although Germany is an important exception here). Unless parties wish to litigate an issue – that is, they have a dispute of a legal nature, and they choose not to resolve or abandon it before reaching court, and the courts determine it on constitutional not other (e.g. evidential) grounds, and the parties determine to pursue it until appeals are exhausted – it will not be the subject of a court judgment. Courts are not autonomous actors; they can only act when other actors involve them, and that means at least two deliberate decisions – first, that a matter must be referred to the courts (by the applicant), and second that the issue cannot otherwise be resolved or compromised (for which the initiative lies with the defendant or respondent). Courts’ impartiality or otherwise only becomes an issue when both those steps have been satisfied, and even then courts can only consider cases brought before them, not issues of general legality on which they might wish to adjudicate (even in cases of “abstract review,” to adopt the terminology used by Stone Sweet 2000). Although it can be hard for governments to control what issues go to court (as private parties may raise a federalism issue in their own litigation), governments still have substantial control over whether to respond and how to treat the issues raised. The role of federal courts in the United States in promoting civil rights and desegregation between the 1950s and 1970s is notable and appears to contradict this, but in fact it illustrates more the proliferation of actors (or potential actors) in IGR in non-parliamentary systems (both courts themselves and potential litigants) rather than a different approach to boundary adjudication. This is also an area where the perspective of intergovernmental relations produces a different view to that of studies of federalism more generally. While it is true that many intergovernmental issues will not be susceptible to resolution out of court, and once litigated cannot easily be abandoned, there are still many obstacles to using the courts to resolve such matters. In this respect, federalism issues are different from the rights issues discussed in Stone Sweet (2000).

While the role of courts can become contentious – and Stepan’s discussion is prompted by the way they can play an important role while remaining beyond democratic control, making them “demos-constraining” – it is nonetheless a more limited one than many consider. Recourse to the courts is more a structural feature of a particular society than a feature of
IGR. Rather, IGR remains an area governed largely by elected politicians and officials. The extent to which it is subject to legal control reflects more the involvement of lawyers at other stages of the process, rather than the direct intervention of the courts.

**Democracy and intergovernmental relations**

There is a widespread view that intergovernmental relations are incompatible with democracy. Among the most notable exponents of this view are Richard Simeon and David Cameron (see Simeon and Cameron 2002; Cameron and Simeon 2000), who – building on criticisms first uttered by Donald Smiley – have found intergovernmental relations in Canada severely lacking by many criteria of democracy. They are not alone, with similar criticisms voiced from many other systems, including Australia (Warhurst 1987) and Germany (Scharpf 1988), for example. While these criticisms derive from the particular circumstances of Canada (perhaps because Canada has both complicated and highly salient IGR), they also apply to most federal systems. They therefore deserve both to be given wider application and to be re-evaluated.

The origin of this critique lies with Smiley’s (1979) criticisms of executive federalism:

> My charges against executive federalism are these:
> First, it contributes to undue secrecy in the conduct of the public’s business.
> Second, it contributes to an unduly low level of citizen participation in public affairs.
> Third, it weakens and dilutes the accountability of governments to their respective legislatures and the wider public.
> Fourth, it frustrates a number of matters of crucial public concern from coming on the public agenda and being dealt with by the public authorities.
> Fifth, it has been a contributing factor to the indiscriminate growth of government activities.
> Sixth, it leads to continuous and often unresolved conflicts among governments, conflicts which serve no purpose broader than the political and bureaucratic interests of those involved in them. (Smiley 1979: 105–06).13

Simeon and Cameron (who only quote the first three of Smiley’s concerns in their more extensive 2002 treatment) analyze IGR by reference
to six areas, in most of which they suggest it is deficient. These concern its effect on:

1. effective governance
2. responsive government
3. representative government, and the effect of IGR on transparency and accountability
4. public deliberation of political issues, particularly citizen engagement and consultation
5. the scope for citizens to act as decision-makers, and the role of direct democracy; and
6. democracy as the recognition of distinct communities.

In almost all of these respects they find Canadian IGR lacking. It prevents governance being effective, because of the way it constrains policy making when governments disagree. As unanimity or near-unanimity of the governments involved is required, solutions may be of the “lowest common denominator kind,” be subject to delay and incur other transaction costs. This echoes the problems identified by Scharpf (1988) with the “joint decision trap” in German and EU policy making. IGR prevents responsive government because of the need for governments to agree with each rather than to act in pursuit of their own goals. It reduces transparency and accountability, because so much is done in secret, relatively little information is conveyed to the public, and legislatures have little role and little chance to hold executives to account for what they do, even when intergovernmental agreements require legislation to be passed. For similar reasons, secrecy and speed limit the involvement of the public at large, whether by being consulted or informed or by being more directly involved in decision-taking. Only in rare cases, when matters are put to referendum (themselves usually being cases of formal constitutional change) are the public directly involved in issues which are the subject of IGR. Even if the interests of distinctive communities (such as Quebec or aboriginal communities), are involved, these may be undermined by the establishment of “national” arrangements, or the attempt to avoid intrusion into that distinctiveness may result in wholesale exclusion from such arrangements.

The question is whether these criticisms are justified and whether IGR is indeed incompatible with democracy and the proper working of democratic institutions. This section will argue that they are not as firmly founded as they may seem: IGR offers significant benefits, and in fact offers several routes to ensure democratic accountability.
The first question about these criticisms is whether (as Simeon and Cameron imply, although they do not say so directly) they are inherent to IGR, or whether they are matters of degree and execution. The latter appears to be Smiley’s (1979) position; he refers to executive federalism “contributing” to problems, not causing them alone, if it causes them at all. If the problem is that the public cannot get involved, because IGR is necessarily a closed and secretive process, that is a fundamental criticism. It means accepting substantial limits on the nature of democracy in, for practical purposes, all federal systems, presumably in return for other benefits. Those benefits may take the form of factors such as a degree of responsiveness in policy to more local demands, the possibility of policy innovation (the “laboratories of democracy” argument), or the representation of distinctive communities. (It may do all of those, of course, or none of them.) The consequences of IGR would have to be accepted as the price of having such a system, a necessary sacrifice to secure other benefits. It would render superfluous the sorts of steps Simeon and Cameron 2002 or Cameron 2004 suggest to open up IGR, increase the involvement of public and legislators and the accountability of governments involved. The steps Simeon and Cameron propose would include more scrutiny of IGR by legislative committees, the provision of more information and ensuring that accountability is clarified by making only one order of government responsible for any social policy area. Cameron (2004: 74–77) recommends such further measures as meetings of legislators from federal and provincial parliaments, both from a particular province and for Canada as a whole, and the involvement of legislators from both orders of government in processes belonging to one, such as committees of inquiry. If the issue is one of degree, such steps are likely to be useful in modest reforms (although Cameron 2004 would substitute the cooperation of elected representatives for better accountability to a single parliament). If the problem is inherent to IGR, taking such steps will have no significant effect; the problems will exist no matter what procedural changes are made.

There may be problems with seeking to open up IGR, but these are not inherent to IGR. As regards scrutiny and parliamentary accountability (the fourth, fifth and sixth of Simeon and Cameron’s criticisms), back-bench legislators in many developed countries are relatively ineffective at scrutinizing governments over a range of matters. The causes appear to relate mainly to party discipline and the desire of a government to avoid criticism from its own supporters, preferring imposed unanimity to real intra-party debate in public. At this point, then, party ties are important – but they operate within an order of government, not between
orders of government. A secondary issue may be whether backbenchers have the necessary knowledge or skills for the job, particularly on a relatively technical and obscure subject, and whether there is enough personal political benefit to be derived from mastering the subject to persuade opposition legislators to take it up. These are serious obstacles affecting the democratic accountability of IGR, to be sure, but do not arise principally from the structure of IGR itself. And when legislators, whether elected or not, choose to engage with IGR matters, they can have a powerful influence (see e.g. the Kirby report on health care reform in Canada; Parliament of Canada 2003).

Second, so far as information is concerned (the third and fourth criticisms), it is striking (at least to a student from a union state looking at federal ones) how much information about IGR is in the public domain, rather than how little. This may be a relatively recent phenomenon aided by the growth of the internet, but many federal systems make copious amounts of information available. It is relatively straightforward to find out what ministerial meetings have taken place, much if not all of the subjects discussed, the outcomes of the meeting and the agreements entered into between governments. The very fact of there being two orders of government, each with its own electorate, may fuel the disclosure of such information, as each needs to be able to claim achievements before its electorate, and as the two sets of claims may not coincide there will be competition between them to make the most convincing case about its achievements. While important material may be protected from disclosure under freedom of information legislation, a great deal comes into the public domain. It is much more information than is generally made available about what happens within a single government in any event (New Zealand possibly excepted). While this it may be far from perfect, enough is publicly available for the general public to form a judgment on the main points involved. That also enables those especially interested (whether in the media or elsewhere) to investigate further and if need be seek out more material.

Third, regarding public engagement and consultation and direct democracy (the fourth and fifth criticisms), if anything IGR would appear to increase the opportunities for involvement. It means that there are at least two orders or levels of government seeking votes, and which may be lobbied or otherwise subject to public pressure. Similarly, there are two sets of rules governing the holding of referenda, and two governments concerned to avoid public discontent by involving the public when necessary. This may not work perfectly, but it constitutes a marked change from the situation in unitary systems where relations
may be less complex but there is only one government to seek to influence.

A realist view of democracy in federations

Fourth, those criticisms are for the most part predicated on an understanding of democracy as something requiring openness and accountability, which is manifested through direct or indirect but continuing public involvement. That is not the only way democracy can be understood in what are all complex political systems, and often fairly large ones. Underlying the criticism is the view that governments cannot be permitted to deal with such matters alone, but what they do needs to be scrutinized in public. However, it is important to remember that, in democratic federations (and can there be a federation justifying the term that is not democratic?), governments hold office as a result of winning elections. After a few years, they will be brought back before the public who will vote on what they have done. Governments that fail to deliver what the electorate expects will therefore risk having to account for this, through the sorts of challenges that election campaigns throw up and then at the ballot box. If they fail to deliver the sort of results the electorate expects they can be removed from office, or have their mandates trimmed. If electors are concerned with results (as Schattschneider, 1960 [1975], suggests, pp. 132–35), they can express their discontent with those results by removing from office either or both of the governments they consider responsible.

Accountability through elections is of course imperfect. Many other issues will intrude in election campaigns and explaining how and why voters make the choices they do has been a preoccupation of political science for many decades with no clear outcome. Nonetheless the election is a very powerful instrument, and its power may compensate for its bluntness in its effectiveness. Moreover, it works in two ways, the nature of the mandate and so the legitimacy of a government to be an actor in IGR in the first instance, and the accountability delivered through the ballot box subsequently. Paradoxically, however, it is harder to deliver such accountability in a non-parliamentary system like the United States than a parliamentary one. As the number of actors in IGR increases, it becomes all the harder to identify which is or are responsible for problems in a particular area (see Scott Greer’s conclusion, this volume; this is of course all the more true where the actors are unelected, notably federal judges). That makes it impossible to hold any of them to account through the ballot. By contrast, where the number of actors is reduced, it is easier to identify who is responsible for a decision and act
accordingly, even if that means voting against two governments rather than one.

Moreover, and again following Schattschneider, if part of the problem with IGR derives from governments of different political complexions disagreeing with each other, it is important to remember that this situation is often a deliberate choice on the part of the electorate. Voters in many systems seem positively to relish creating such differences in government, for various reasons. Some may be to show opposition to the federal government in a second-order election, as appears to be the case in Germany (where the fact that this affects the composition of the Bundesrat means the issue is automatically a federal one). In other cases, there seems to be a sense that electing different parties somehow results in a creative tension, or secures some sort of balance that they consider desirable, or expresses policy preferences relating to the functions of each order (Jeffery and Hough 2003). As Galligan (1995: 51) puts it, “federalism creates multiple majorities for different purposes.” Electoral choice is often used to create competition between orders of government, especially where regional differentiation has led to the uncoupling of the electoral process in the region from that in the federal order. Thus, for example, the electors of the Canadian Provinces of Saskatchewan and Manitoba each went to the polls twice in 2003–04, in Provincial elections putting in New Democrat (social-democratic) governments and in the federal election voting for the Conservative Party.

**Blocked government and ineffective government**

The criticism that is perhaps most problematic is the first one, relating to the effectiveness of government; that IGR means governments must agree with each other before being able to act (whether individually or jointly). This also relates to Smiley’s sixth criticism, that executive federalism itself creates conflict (a point that Simeon and Cameron do not take up). This need for broad consensus if not unanimity restricts policy choice, often creating “lowest common denominator” policies on the limited matters on which the governments can agree, delaying decisions and increasing the complexity of those that are agreed. This position was stated most clearly by Scharpf (1988) as the “joint decision trap,” and identified as a particular problem with the constitutionally identified “joint tasks” in the German Basic Law, and also developing in relation to the EU. There is no doubt that IGR can result in such policy blockages, and that if they occur they are serious. In the case of Germany, the problem appears to have worsened since it was first identified, largely because of the very substantial volume of German legislation requiring
the positive support of the Bundesrat and so of a majority of the Länder.\textsuperscript{15}

However, there are three caveats to record in relation to this problem. First, it applies in cases where unanimity or near-unanimity is required. In such cases the slowest mover can put a brake on the direction and pace of movement of the whole convoy. In other cases, where it is possible for some parties to move without the involvement of others, the problem does not arise. (Such “à la carte” arrangements, including for example the Schengen agreement on free movement, have been important in the case of the European Union.) A key question is therefore whether and to what degree such broad support is needed, and whether alternative mechanisms can provide a solution. These usually require a degree of asymmetry, certainly on the practical level and possibly in the formal constitution, and that in turn may require imaginative constitutional thinking. One such solution was found in Canada when the problem arose over pensions, by a novel constitutional mechanism of allowing both federal and Provincial orders to legislate, but for Provincial legislation to pre-empt federal legislation rather than vice versa (see Constitution Act 1867 (Canada), s. 94A, and Simeon 1972, ch. 3).

Second, when solutions to problems can be found, securing such broad agreement will take time. That means governments must be willing to spend that time deliberating over a problem rather than resolving it quickly. In other words, the “trap” can only arise in cases when governments pay no price for delay. If serious consequences arise because of the time taken, governments are likely to find a compromise solution of a different sort. Thus the Australian response to the new security situation following the September 11, 2001 attacks in the United States required both federal and State legislation, but was passed quickly through a relatively uncommon constitutional mechanism (referral of state legislative powers to the federal parliament, under s. 51 xxxvii of the Constitution) because the external threats meant that delay would incur significant risks. A more general solution to the trap is to increase the costs for delay, whether through the expression of public discontent, or by some other means.

Third, and most importantly, the trap only arises when agreements about the way forward are not possible. Scharpf notes the importance of a “problem-solving” rather than “bargaining” approach to avoid the trap (1988: 258–65). The absence of such a problem-solving approach is in many respects a reflection of the German situation, where intergovernmental relations fit the “constitutional” model identified above, or are otherwise highly legalized. This means that issues are raised and
resolved one by one, using legal techniques and intellectual approaches, and in a manner that is designed to satisfy an imagined external arbiter. By contrast, a more political approach to IGR is likely to overcome this difficulty, by looking for package deals covering a group of issues. That in turn permits log-rolling and trade-offs between issues, and so makes an overall solution to the problem possible. Achieving this in the German context appears to be very hard, but it is less so in other systems that acknowledge the inherently political nature of IGR. This may therefore suggest a way by which immobility can be reduced. (At the time of writing agreement had recently been reached by the Canadian First Ministers’ Meeting on reform of the publicly funded health care system, on the basis of such an arrangement, for example.)16 This may also be the answer to Smiley: that IGR does little to create disputes, because these already exist, but to the extent it does or even to a greater degree it also gives governments the tools with which to resolve those disputes, and to do so in an effective and durable way.

To suggest that IGR is inherently incompatible with democratic processes, norms or values would therefore seem inappropriate. There is no question that IGR can cause problems for such norms or values; the two operate in different ways. But the fundamental fact of IGR remains that the governments involved in it are elected, and accountable democratically on that level and through the mechanism of election. Procedural reforms may help address other “democratic deficits,” but the key democratic aspect of IGR remains elections rather than procedural issues in the interim. If IGR produces perverse outcomes, those may in any event be what the electors want; and immobility in the system both can be addressed procedurally, and is more limited in scope than it may at first appear to be.

Conclusion

Intergovernmental relations have become an increasingly important part of federal systems during the second half of the twentieth century. For all the criticism made of IGR, it is an integral part of the operation of such systems. Theorizing IGR is however, difficult, as the subject is usually treated as being system-specific.

Nonetheless, one can try to draw some broader conclusions about it. Variations in how IGR works are usually best expressed by looking at such dependent variables as financial power within the federation, the impact of constitutional arrangements and the precise nature of powers of the two orders of government on policy making and implementation,
the system’s administrative traditions and bureaucratic practices, and bureaucratic organization. The fact that political parties play a part in explaining this is often surprisingly limited, if one looks at what parties actually do as actors and what officials understand as the impact of party ties. While democratic accountability also varies from system to system, and is generally limited, IGR is not inherently undemocratic. Problems of democratic accountability are partly due to the lack of inclination of legislatures and backbench legislators to scrutinize issues of IGR, and partly due to insufficient weight being given to the fact that the governments involved are elected and accountable at the ballot box to their electorates.

More broadly, while it is hard to make sense of IGR theoretically, it works in substantially similar ways in many if not most federal systems. Identifying what differs between such systems and why, and what similarities exist between federal and non-federal systems may enable us to develop a clearer understanding of what genuine differences in government emerge from differences in formal institutional arrangements.

Notes

1. This chapter draws on research for the project “Intergovernmental Relations in the Devolved United Kingdom,” part of the research program “Nations and Regions: the dynamics of devolution,” funded by the Leverhulme Trust and based at the Constitution Unit. It draws on extensive interviewing carried out in three federal systems (Australia, Canada and Germany) as well as the secondary literature on IGR. I am grateful to Scott Greer, Robert Hazell, Ronald Watts and Roland Sturm for comments on earlier drafts of this chapter, and am of course solely responsible for the views expressed in it and any errors that remain.

2. A note on terminology: in this chapter, “federalism” means the principle of the federal organization of a political system. States organized in accordance with that principle will be called “federal systems” or “federal states” (see further Watts 2001). Following Canadian practice, the term “orders” (rather than levels, or spheres) of government will be used, to denote their existence within separate realms. Central or national institutions will be called “federal,” hence “federal government,” and in keeping with practice elsewhere in the book states, Provinces, Länder and the like will be called “regions.” This terminology should not be taken to imply any normative position about such units, particularly where such a region represents a stateless nation. In accordance with British practice, “government” means the executive, not legislative or judicial branches; thus the term “intergovernmental relations” itself contains a strong normative bias toward examining the working of what is often called executive federalism, at the expense of the relationship of executives in one order of government with legislatures or the judiciary in another (or of legislatures or judiciaries inter se). However, these relations are examined in the latter part of the chapter.
3. Wright does not appear to be using “federalism” in the sense defined in note 1, understanding it to mean the practice of having separate and coordinated governments in the classical sense (cf. Wheare 1963).

4. A separate literature is developing on intergovernmental relations in the United Kingdom after devolution, and the relations between the UK Government and devolved administrations in Scotland, Wales and Northern Ireland. For a survey, see Trench 2005.

5. Australia is a notable exception to this, with only three people working on IGR issues at the centre of the federal government, in the Department of Prime Minister and Cabinet (author’s interviews). But the Australian federal government commands such resources in other respects, and has had so little interest in conciliating the States under the Howard government since 1996, that it needs few officials at the center.

6. The Council of the Federation, established in 2003 by the Canadian Provinces, is an attempt to establish a more systematic and institutionalized way of reconciling varying Provincial interests than was possible with only annual inter-Provincial summits. To judge from the relatively advantageous agreement reached between the Provinces and the federal government concerning health care in September 2004, it appears to have been at least a qualified initial success.

7. The most significant constitutional issues involving federalism in Australia since 1945 has concerned the appropriation by the Commonwealth Parliament of the power to levy income tax, unsuccessfully challenged twice in the High Court by the States, and the use by the Commonwealth Government of its power to conduct external affairs as a way of limiting States’ powers (upheld by the High Court in the 1983 Tasmanian Dam case, but of limited practical importance since 1993 and a different approach to foreign affairs on the part of the Howard government). For a discussion of the former see Saunders 2003; for the latter, Zines 2003 and Trench 2005 forthcoming.

8. I am undertaking further comparative work into the issue of legalization of intergovernmental relations and its implications.

9. The UK after devolution would fit into this framework as having a highly functional model of IGR which it has a very low degree of legalization and which is not summit-oriented. It is characterized by limited use of summit meetings (the UK prime minister and devolved First Ministers meet formally in the Joint Ministerial Committee, which had not met between October 2002 and May 2005) and limited interest in financial matters, thanks to the use of a block grant calculated using the Barnett formula to fund the devolved administrations. Rather, intergovernmental relations since 1999 have been principally concerned by routine policy issues, mainly driven by the UK Government’s legislative programme. Trench 2005 is a detailed discussion.

10. Examples abound, but few go so far as Quebec in 1963–64 when the provincial Liberal party in Quebec broke its existing organizational links with the federal Liberals because “Fighting over shares of revenue and the degree of autonomy that the province wanted in a variety of shared fields of jurisdiction, the two governments simply found it too difficult to rely on a single party organization in the province” (Dyck 1991: 138).

11. For example, the resolution in March 2005 of a long-running dispute between the Canadian federal government and the provinces of Nova Scotia
and Newfoundland over financial support from the federal government now that the provinces have off-shore oil and gas revenues appeared to reflect a desire on the part of the federal government to conciliate at least one Provincial Liberal government (Newfoundland; Nova Scotia is governed by the Conservatives). Party ties had not inhibited the Newfoundland government's conduct of the dispute, which had included a short-lived ban on flying the Maple Leaf from Provincial government buildings.

12. In 1999 the Bundesverfassungsgericht gave a judgment holding that the redistribution formula from rich Länder to poorer ones was too generous to the poor and therefore needed to be revised. It can thus be regarded as having directly intervened in a matter of high political controversy. Even here, however, the effect of the judgment was not that the courts took over the setting of such redistribution formulae but to impel a negotiation between the federal and Land governments to revise the formula. BVerfG, 2BvF 2/98., 3/98, 1/99 and 2/99 of 11 November 1999, Absatz-Nr (1–347). For a discussion see Aziz (2000).

13. It is worth noting that Smiley expressed particularly trenchant criticisms in his 1979 paper, and in other places was much less hostile. Contrast Smiley 1979 with Smiley 1987 for an example.

14. In 2001 the Canadian federal government established a Royal Commission chaired by a former Premier of Saskatchewan, Roy Romanow, to consider the future funding and organization of health care. Following the Romanow Commission’s report, Senator Michael Kirby chaired a Committee inquiry into a broader range of issues (public health as well as financing), which was widely regarded as having approached the issues with more incisiveness than Mr Romanow’s and which significantly influenced the debate generally and the positions of several Provinces.

15. Art 74a (2) of the Basic Law requires any law to be administered by the Länder to have the consent of the Bundesrat. As most legislation on domestic matters is administered by the Länder, this has served to expand considerably the matters on which consent of the Bundesrat is required. This problem became sufficiently serious as to cause the establishment, in November 2003, of a joint commission of the Bundestag and Bundesrat (chaired by the CSU Minister-President of Bavaria, Edmund Stoiber and the chairman of the SPD group in the Bundestag, Franz Muentenerfering, to review the structure and arrangements of German federalism, with many hoping that it will lead to a restructuring toward a more competitive rather than interdependent set of arrangements. That process collapsed in December 2004 when the two chairmen came to consider the draft report of the commission, chiefly because (according to newspaper reports) Herr Muentenerfering was concerned at the implications of the proposed redistribution of education functions for the powers of the federal government.

This concluding chapter does two things. First, it brings together the discussions from the other chapters of the three key themes of the book. These themes are democracy, policy innovation and the welfare state, and each chapter has discussed how one or more of them interacts with decentralization and federalism. What can we learn from the different discussions about the impact of territorial politics on these values, and how should we think about the issues?

The second section extracts other themes from the chapters – issues that have repeatedly come up as important in answering these questions and as influential but understudied – and that therefore merit more research. They are the importance of systems of intergovernmental relations, the role of parties and the complexity of debates about learning and transjurisdictional policy transfer.

Policy, democracy and justice

To a considerable extent, the consequences of decentralization, if desired, are something we can start to take for granted and, if bad, are something we can only mitigate. This is not the place to discuss the global spread of federalism and decentralization, but we must note how close regionalism has come to being a norm (particularly in Europe, long the heartland of the unitary state). Most big states have elected regional governments. But academic studies are only now arriving at some degree of consensus about the impact of regionalization on the things it was supposed to most directly affect: policy, democracy and the welfare state.
The report from the chapters on policy innovation and divergence is that it is a glass half full or half empty – whether one wants policy divergence or not. Claire Dupuy and Patrick Le Galès highlight the extent to which regions might not represent anything at all or provide services on a meaningful territorial level even if they do perform the useful service of bringing existing inequalities of policy provision to public attention. In the latter case, the result of regionalization might be output convergence. Regional elected governments act to satisfy publics unhappy with divergent outcomes. The public opinion data marshaled by Keith Banting and Charlie Jeffery points to this conclusion as well – that there is a strong electoral logic to convergence, even in states such as Canada that are better known for being fissiparous. In contrast, Scott Greer’s chapter argues that there will be a necessary degree of policy divergence because political systems lack the coherent responses to external stimuli that would produce meaningful convergence on the level of policies. What varies is not only the extent of divergence in real-life policy; it is also the extent to which policy decisions make up a distinctive regional trajectory. Roland Sturm’s chapter provides a powerful, broad explanatory model that focuses on the conditions for policy divergence, thereby explaining both its incidence and the disappointment that advocates of regional divergence often feel.

This gives us a sort of consensus, which is that any set of regional governments will naturally differ in their policy styles and perhaps outputs, but they will be constrained in a variety of ways. If we loosen any of the constraints, by creating a more permissive institutional environment or by introducing the presence of a distinct regional society (notably a stateless nation), then the likelihood of divergence, and a coherent trajectory, increases, even if the results are not as distinctive as observers might expect.

It is common for advocates of regionalism and of (particularly) the regional governments of stateless nations to see divergence as a value in its own right. It is also common, and equally understandable, that the first question about recently decentralized systems should be essentially quantitative: how much divergence do we find? This tendency is still particularly pronounced in the United Kingdom, with some observers appearing to take the extent of policy divergence as the indicator of autonomy and sign of the “success” of devolution. It might have been visible earlier in the decentralization processes of other states as well. But most policy debates are not about constitutions or territorial politics and as Alan Trench points out policymakers concerned with substance
often view territorial politics and intergovernmental relations as a nuisance. It seems much more intuitive and interesting to view policy as an outcome of the whole range of processes that existing theories identify, and not unduly privilege explanations that come out of territorial politics. Territorial politics will go far astray if we forget that most people are more interested in substantive outcomes.

The chapters in this book that discuss policy might converge on a further set of propositions. *Aggregate outcomes* – spending levels, basic goals such as environmental protection, particular social rights such as pensions or health care – are likely to be subject to pressures for similarity between regions in a given state but the *policies and organization* that provide them are likely to differ between regions. Regions in a given state will, resources permitting, take divergent paths to something recognized as (if not something experts would recognize as) similar, as Claire Dupuy and Patrick Le Galès argue and Keith Banting partially corroborates. When regions diverge as to ends rather than means, it will be under the circumstances Roland Sturm analyzes – that is, when they have distinctive institutional identities, financial autonomy, regionalized party competition, separate responsibilities, distinct regional political cultures, or a mixture of several of those attributes. The only question for regions faced with popular support for convergence is the amount of latitude they have to differ – how different they can get before the population notices and disapproves. In other words, the data provided by Joan Subirats in his chapter should not surprise us: the distinctive Spanish autonomous communities such as the Basque Country and Catalonia use their autonomy to design much more distinctive policies than do the others, which instead tend to do similar things in slightly different ways. The question is just how powerful are the constraints set by, for example, public expectations of citizenship rights in the face of tendencies to diverge – and the strength of those constraints.

**The welfare state and social justice**

As noted throughout, decentralization has something of a bad name among those who study the comparative politics of the welfare state. Taken as a species of “institutional fragmentation,” a multiplication of veto points, it looks like an obstacle to the advance of welfare provision and social regulations. Hicks refers to the “divide et impera” of federalism in his encompassing statistical analysis of the correlates of welfare (Hicks 1999: 182). Prominent federal countries such as Canada, Switzerland and above all the United States operate less generous welfare states than countries that were more centralized at the time of
welfare state development (Hicks 1999: 162, 170; Swank 2001: 211). Case studies focusing on the advantages of decisive government in creating parts of the welfare state drive the point home (Maioni 1998; Tuohy 1999). The conclusion is that in comparative welfare state studies federalism has a black mark.

The chapters in this book provide support, but only very weak support, for this broadly pro-centralist vision of welfare state development. There is evidence against decentralization in the welfare state, particularly if taken on the level of overall spending across a given state, but it is not that strong. Richard Simeon’s chapter makes this point in reviewing debates about federalism and social justice: there is some downward effect, but not that much. The federal brake on welfare state development does not seem to really be that important. And this same institutionally induced conservatism shows some signs of working in reverse as well – he writes that “Veto points can work equally well on the way up or down.”

There are also hints that breaking up central welfare states could actually improve welfare provision for some – Charlie Jeffery’s analysis of contract-breaking is particularly important in this respect. A reformist central government, including a radically retrenching one such as that of Thatcher in the United Kingdom, can be seen as breaking a contract between the state and its citizens. Under such conditions, mobilization by a region (Scotland) in defense of its welfare state provides poor support indeed for arguments that welfare states suffer from decentralization. This analysis of territorial contracts suggests that we need to move beyond simplistic correlations of “welfare state effort” and “fragmentation.” It points directly to the need for a more sophisticated understanding of the relationship between central and regional welfare states and welfare state politics. At a minimum, it calls our attention to the existence and social bases of local welfare states. There are smatterings of attention to these scattered throughout the literature, often with reference to local ideas that did or did not spread, but there is little attention paid to the politics of permanent divergence. The United States runs fifty quite significantly different welfare states, but analysis of what is going on in American welfare politics overwhelmingly concentrates on Washington, D.C.

Unthinking reliance on the idea of central welfare promotion and local recalcitrance can lead us to misunderstand the politics of both the welfare state and federalism. This is the upshot of Paul Peterson’s chapter. For a long time the associations in the United States have been between Washington and the welfare state, and between states and
miserliness (or, as in civil rights, worse). But if the American welfare state has grown to is political limits, then there is likely to be more of the high profile policy overhauls politicians have regularly announced. And, Paul Peterson argues, those overhauls are more likely to be driven from Washington than from many state capitals. It could be taken as a possible general hypothesis: the forces of conservatism in the United States or elsewhere tend to lodge in the regions – whether these are opponents of the welfare state fifty years ago or public sector employees defending their positions today.

Paul Peterson’s argument, joined to Charlie Jeffery’s, suggests that there will be a rash of central contract-breaking in at least the United States and perhaps elsewhere, with the potential to reverse finally the century-old affiliation between the left and central states. This is because territorial decentralization is not just a veto point like judicial review or bicameralism; it is also a license for divergence. If central states are breaking contracts with regions then we need to invert our understandings of both territorial politics and the politics of the welfare state. And we need to prepare for some novel battles, on the lines of the ones Paul Peterson analyzes, in more places than the United States.

Democracy: Prizefight and bar brawl

If the historic tendency of welfare state advocates has been toward a skeptical view of decentralization, the reverse has been the case for those who prize democracy. There is scope for a territorial history of political theory that traces the different competing justifications for small size as a condition of good democracy, ranging from Machiavelli to Montesquieu and Proudhon. There is also scope for playing out again, worldwide, the debate Americans had between their Federalists and anti-Federalists, in which the Federalists argued (for the first time in canonical political theory) that smaller communities could be less democratic than bigger ones while the anti-Federalists made the more traditional argument that small size allows the virtue necessary to sustain republics. Federalists notwithstanding, the bulk of the writing and much political sentiment is still rather “anti-Federalist,” taking the side of regions as good vessels of democracy.

Of course, there can be problems that decentralization permits, such as that of bad units. If a region is a swamp of corruption, bigotry and incompetence, a little more centralization might be exactly what seems to be required. William Riker is justly known for his observation, cited by Richard Simeon, that racists should be supporters of “states’ rights” – and
vice versa. At a minimum, bad units – or lack of central faith in those units’ competence, probity and decency – is the justification for much legislation and intergovernmental interference that constrains regional autonomy.

Even if a region is a good unit – even if a regional government is clean, procedurally democratic and well run – it might be dominated by a stable political coalition that frustrates those who want different policies. And in multi-level politics advocates always have the option of trying to get a different level of government to do their bidding. There is a reason that social reformers often support the activities of a centralized government as a way to crack the hard shell of dominant regional coalitions – regardless of whether those centralizing reformers’ goal is to expand the welfare state, or, as Paul Peterson argues, to retrench it. It is not hard to conclude from Paul Peterson’s and Richard Simeon’s chapters that we should see if regions might simply be a drag on policy change, period.

Putting aside the question of good and bad units, there still remains the basic question of whether decentralization is good or bad for procedural democracy. Much of the impact of territorial politics on procedural democracy, as seen in the contributions to this volume, can be best understood if we think about the understandings of democracy more. The impact of territorial change on democracy varies, and looks better or worse, depending on what concept of democracy we hold. We can discuss the issues in terms of three stylized understandings of democracy: “American” democratic theory tends to put a premium on participation; “British” democratic theory puts the premium on the accountability of effective government; the nationalists of stateless nations, meanwhile, put the premium on the self-government, the effective policy and symbolic autonomy of “their” political unit.

**Democracy as participation: An “American” understanding**

On one understanding of democratic theory, the fragmentation and multiplication of political arenas, policies and forms of public administration is probably a good thing. That is, unsurprisingly, the outlook associated with the government-ridden United States, a country that has taken opportunities for participation in (often ineffective) governments to remarkable heights. If we posit that equal rights to participation in politics are what is important – including the right to participate in debate and policy discussions – then there is a strong case for decentralization as a way to do just that (Dahl 1989: 206–08). In addition to the argument that more governments offer more opportunities for representation,
there is the argument that more governments (or autonomous components of governments) are conducive to liberty. This is the most famous argument of the Federalist Papers, by far federalism’s greatest contribution to political thought, and is set forth in words that are hard to better. The Federalists’ problem was that they were arguing for a new and more centralized constitution for the United States, in the face of opponents who preferred a high degree of state autonomy verging on independence. They had to make a case for a stronger federation, and do it in the face of various older theories that argued virtue was easier in smaller polities. The burden of inherited political thought was in good part that sovereignty had to be unified, and if it must be unified in a government, then cities, villages and smaller polities in general had the best chances of achieving virtue (Bailyn 2003; Beer 1993: 100–25). The Federalists,\(^1\) in the famous Federalist 10, turned the argument on its head by questioning the virtue of small communities:

> The smaller the society, the fewer probably will be the distinct parties and interests composing it; the fewer the distinct parties and interest, the more frequently will a majority be found of the same party; and the smaller the number of individuals composing a majority, and the smaller the compass within which they are placed, the more easily will they concert and execute their plans of oppression. Extend the sphere and you take in a greater variety of parties and interests; you make it less probable that a majority of the whole will have a common motive to invade the rights of other citizens; or if such a common motive exists, it will be more difficult for all who feel it to discover their own strength and so act in unison with each other (127)

In Federalist 51, then, they add that federalism will better preserve democracy *because* of size:

> Different interests necessarily exist in different classes of citizens. If a majority be united by a common interest, the rights of the minority will be insecure ... This view of the subject must particularly recommend a proper federal system to all the sincere and considerate friends of republican government, since it shows that in exact proportion as the territory of the Union may be formed into more circumscribed Confederacies, or States, oppressive combinations of a majority will be facilitated (321)
They go on to suggest an example: if the small state of Rhode Island were to be separated from the rest of the federation, it would suffer “reiterated oppressions of factious majorities” (322).

It is not an accident that these two writings are probably the most taught pair of texts in American political thought after the Constitution itself. They make a virtue of federalism as a way to defeat all sorts of majorities by creating checks on them – checks including other states and a federal government immune to the “factitious majorities” that might take over one or two small polities. The problem with this view is simply that if multiplying opportunities to participate in governments necessarily reduces the effectiveness of each government, then the importance of those collective decisions may be sensibly reduced, while if there are many opportunities to participate in decisions, then it is hard to reward or punish for them. Checks and balances might check more than bad “factious majorities.” This is the foundation of the objection to decentralization from another, equally cogent and well-entrenched, perspective.

Democracy as accountability: A “British” understanding

The English Constitution … is framed on the principle of choosing a single sovereign authority, and making it good; the American, upon the principle of having many sovereign authorities, and hoping that their multitude may atone for their inferiority (Bagehot 1867 [1973]: 220)

In a parliamentary democracy, the line of accountability is much clearer. The government – the party with the parliamentary majority and, thus, in charge of the executive branch – is responsible for all of the policies. Citizens may like some of these policies but not others; still, they know who is responsible … In a parliamentary democracy, citizens must still choose between bundles of policies and few citizens will be completely satisfied with every policy … Nevertheless, the citizens’ role in achieving accountability through periodic elections is more straightforward. The United States does not have a parliamentary democracy. Thus American citizens cannot easily make the accountability process work electorally. When they vote, they cannot easily send effective signals about the policies (or the implementation) with which they disagree. (Behn 2001: 79)

If decentralization is, from a participation-oriented, “American,” perspective a good thing, it is close to a disaster from the point of view of an equally well-defended view of democracy, that often associated
with constitutional practice in the United Kingdom and argued by thinkers such as Burke, Bagehot and Britain’s Austrian admirer Joseph Schumpeter (Schumpeter 1942: 269–85). This is a theory of democracy that focuses on developing clear lines of accountability for governments that allow voters to identify somebody who is responsible for what happens. Where Dahl focuses on the opportunity to participate in government and advocate for a particular view, this perspective demands a polity that might not put a premium on access to decision making but instead furnishes an accountable, powerful, government that can be rewarded with more time in office or sacked (Flinders 2001: 1–39).

A focus on accountability means fundamentally that somebody can be identified, and sacked for a disaster or rewarded for a triumph. It shifts the risk of politics onto clearly marked politicians, whose reward is the glory and power of office. But for accountability to be anything other than a process of scapegoating, they must have centralized power such that it is plausible to hold them accountable for policy. The problem with decentralization for this model of democracy is that it blurs the crucial lines of accountability, a point that Richard Simeon, Alan Trench and Scott Greer all discuss. Politicians will often muddy issues for their own benefit, taking credit for others’ decisions or blame-shifting (Weaver 1986). Introducing serious intergovernmental relations into any system distances the accountable politician from the voter. Even if intergovernmental relations is often quite transparent, as Alan Trench argues, there are still problems of blame allocation for voters (Simeon and Cameron 2002).

So, simply put, if “Westminster” democracy is not so much about representation, but about hiring politicians to run the country and giving them autonomy to do so, then its main check against disaster is voters’ ability to know that the politicians are responsible for the outcomes, and the ability to sack them if a plurality doesn’t like the outcomes. Reducing the voters’ ability to identify the people hired to run the country, reducing the voters’ ability to concentrate their happiness or unhappiness on one set of targets, and reducing the importance of those targets will all undermine the Westminster model of democracy.

**Democracy as a group activity**

Finally, there are voters who are willing to pay prices in terms of democracy, seen from the individual level, in return for greater representation and autonomy for their national group. This is the argument to which Richard Simeon gives great weight in his chapter. The logic of this is simple, but it cuts across those of participation and accountability.
Saying only and simply that we value participation above accountability, or vice versa, implies the background assumption that there is an identifiable political community that coincides with the polity – that our state is a nation-state. Most states, though are nothing of the sort. This means that a problem arises when there is a stateless nation in a multinational democracy. Individual, liberal, assumptions about rights and responsibilities can in such contests often carry hidden biases. On the most obvious level, they can make it difficult for a small nation to sustain its own cultural reproduction. Culture is a collective good rather than a voluntary association and sustaining a small culture can require interference with some of the individual rights important to those who identify with the central state (Jusdanis 2001). On a second level, there is the broader point that concepts of citizenship have logical conclusions. If a Quebecois does not feel a sense of common citizenship with the rest of Canada, then it is not at all clear why he or she should put up with politics dominated by Ontario. The tensions and pressure on contracts that Charlie Jeffery discusses can take the form of just such debates about the boundaries of belonging and mutual obligations.

From this perspective, the democratic value of decentralization lies in the extent to which it increases the importance and capacity for self-government of the stateless nation in question. The presumptive representatives of that nation – its parties (usually a hotly contested title), its press, its leaders in civil society, its government bureaucracy, its interest groups – will be better able to sustain themselves and their nation’s autonomous society, runs the logic, if they have more powers. A nationalist perspective might be seen as the effort to refocus both accountability and participation on the preferred level of government; nationalist parties in, for example, Catalonia, Flanders and Quebec have explicitly sought to increase the range of powers and responsibilities of their regional governments, with the attendant effect (or goal) of squeezing out the central states. “State nationalist” parties often reciprocate, belittling stateless nations. This is wholly to be expected if territorial politics achieve saliency, and will result in differing concepts of nationality and citizenship envenoming intergovernmental relations and increasing its prominence (see Alan Trench).

Looking ahead

Federalism, as Richard Simeon wrote in his chapter, is “Janus-faced. Under different circumstances and with different designs, it can promote or undercut equity, promote or undercut democracy, facilitate or erode
harmony in divided societies. The interesting questions are the conditions or circumstances that tilt it in one way or another.” In understanding the formulation and answers to these questions, there are three issues that routinely emerged in the various chapters of this book and which between them give us a blueprint for a distinctive agenda for comparative territorial politics. They appear in most of the chapters as important explanations of different phenomena, but the authors diverge as to their nature and meaning. They are intergovernmental relations (including finance), party systems and policy learning. What they have in common is that they are obviously important, they are in some places well documented, they explain outcomes in territorial politics and broader politics, and they are still poorly researched.

There is a longstanding tendency in the study of comparative federalism and comparative territorial politics to highlight the complexity of systems and the difficulty of understanding or recreating the intricate interactions between institutions and politics. The result is that comparative federalism and to a lesser extent territorial politics are just that – comparisons that put different systems side by side in an edited volume. At best, they identify issues of importance but put less focus on how they matter. While this book cannot pretend to have developed any coherent theories of how different issues matter, the authors have at least identified important cross-cutting issues that can be empirically studied, that are practically important, and that could use broader theoretical currents in political science and policy studies.

**Intergovernmental relations**

The introduction canvassed the institutionalist contribution to territorial politics. It stressed that the largest bodies of comparative, theoretical work have been those of historical institutionalists or students of the welfare state, who usually found that federalism was an impediment to welfare state growth and change, and of rational choice institutionalists, who found in federalism an interesting set of the rule-governed strategic interactions that show their intellectual tools to good effect. Almost every chapter in this book, though, suggests that there is a rich field of institutionalist investigation that has not been sufficiently explored – that of the impact of institutions on territorial politics. Above all, this means the study of intergovernmental relations and finance.

One need not make a fetish of either constitutional law or resource dependency theory in order to recognize that there are both structured incentives facing different governments and external constraints that block some courses of action. Funding mechanisms, for example, have
all sorts of consequences: tax-raising powers expand autonomy for a region vis-à-vis the central state but subject it to all the pressures of tax competition, revenue instability and a potential race to the bottom, and all the blame that comes from raising taxes. A regional government politician with taxing powers will therefore see a different range of policy possibilities, and a different range of risks and rewards, than one spending a block budget or one dependent for most policies on intergovernmental co-financing.

The second reason is also almost embarrassingly simple: it is hard and getting harder to find policy areas in which just one government can work alone. The chapter by Ronald Watts, reviewing decades of debate about federalism and decentralization, makes clear the impossibility of operating a modern welfare state without close intergovernmental cooperation – as his concluding jazz metaphor suggests, there can only be improvisation within themes dictated by policy realities. There is no return to the fundamentalism of federal states as watertight vessels.

The best illustration of this unavoidable interpenetration might be the sensational arrival of the “multi-level governance” perspective in the study of the European Union. International integration and the increasing complex interpenetration of policy networks led students of European integration from an initial focus on states and negotiations to a much greater appreciation of the complexity and interconnection of different governments. The reason is simple: as EU member states (and their neighbors) try to solve practical policy problems they discover that they must collaborate with each other, with their regional and local governments, and with the international organizations they have created if they are to make their policies work at all. The discovery of multi-level governance in the study of international integration is thus not very different from the discovery of students of comparative federalism decades ago that very little actual policy can be made without the cooperation of different governments.

In other words, many of the pressures, incentives and constraints facing regional (or any other) politicians come from the system of intergovernmental relations and finance. The honesty and decency of units? The extent of broadly based citizenship rights? More or less efficient public administration? Policy coordination? Races to the bottom? All, and more, appear to be heavily influenced by the structure of intergovernmental relations and finance. Comparing forms of intergovernmental relations, using the metrics of power and autonomy, and examining their influence on politics and policy, might tell us much more about decentralized systems than we presently know (Trench forthcoming) – and, given
that we see evidence that intergovernmental relations structure welfare states, policy innovation, party systems, political careers and democratic accountability, could shed new light on old debates in and outside territorial politics.

**Parties**

There is a low-level argument between the chapters about the role of parties. Analysts from very different traditions, from legal to empirical to Rikerian, have focused on the role of statewide parties in, as Spaniards put it, “vertebrating” the system. But just what do parties do, and under what conditions do they do it? If we cannot identify ways that parties empirically “vertebrate” systems then the burgeoning literature built on the assumption of close relations between parties and territorial politics might face a significant challenge. The real role of parties is a major research agenda that, this book suggests, requires close, empirical, attention.

If we assume parties do something, then there are three broad ways we can think about them as doing. The first is *parties as labels* structuring shared political incentives. Many voters, for example, use party labels as simplifying devices for understanding menus of values and policy ideas. If this is the case, there is obvious reason for parties to try to maintain a facade of unity – hiding disputes and trumpeting the value of working together across different jurisdictions. And parties do have social bases – we are not surprised to find that Democrats are to the left of Republicans in basically all American governments. It also means that if parties are labels, then their coherence will be more or less what a particular common label requires – nothing more, nothing less, and in some issues such as the intergovernmental relations discussed in Alan Trench’s chapter, perhaps nothing at all.³

The second way to think about parties is *parties as organizations*. In this role they are much more concrete. They are about bonds of common socialization, personal loyalty, or hierarchy that tie politicians together and mean that the party will process potential disputes internally rather than let them emerge in public. This might be the case to date in the United Kingdom; even if there is electoral reason for different UK governments to publicly differ, Labour politicians go to some length to resolve their disputes on the level of officials or within the party networks that they inherited from the days before devolution.

The third way to think of them, the most common in some debates but the least supported here, is as *unitary actors*. This might be a common assumption to those not immersed in territorial politics, or those most given to spatial models that depend on restrictive assumptions, but it is
the least likely. Parties mirror state and society. If there is a weak hierarchy of institutions in the state and divisions in the societies, it should be harder and less rational for politicians to maintain a hierarchy in the party. Political patronage, for example, is fragmented; since devolution in the United Kingdom the First Minister of Scotland sits atop a distinct pyramid of power, as does a strong Spanish regional president.

The odds are that the components vary in different systems, and that in at least some systems the structuring role of parties is overestimated. Standard qualitative research techniques designed to identify politicians’ way of operating combined with quantitative analyses of party unity across governments could do much to answer the questions. The finding in Alan Trench’s chapter, that parties-as-organizations are very hard to find in day to day intergovernmental relations, calls into question the comfortable idea that statewide parties automatically vertebrate politics and demands that we be clearer about what we mean when we talk about the roles of parties in intergovernmental relations. The chapters on policy divergence – Roland Sturm and Scott Greer, particularly – suggest that parties matter at least as labels, and perhaps as organizations. So approaching the role of parties with an eye on policy divergence produces one result and set of hypotheses; approaching the role of parties through studies of intergovernmental politics produces a different result and set of hypotheses.

At an absolute minimum the questions raised in this volume on the role of parties means that we should not accept analyses of countries, parties or states that begin with the assumption that regional or statewide parties have particular determinate effects or are unitary actors. Regional parties’ role need not be as regionalist as many accounts suggest either. It is giving Madrid and Westminster too much credit for stopping secession if the erstwhile secessionists are Convergència i Unió or Plaid Cymru. And if we misrepresent statewide parties then we are at risk of wholly misunderstanding what keeps states together and produces particular policies and decisions. The assumption in such arguments that the interests of statewide parties are akin to those of the state, or central state, as a whole might prove untenable, or at least have to be modified. That will depend on findings from real empirical study of party roles.

Policy learning and transfer

The chapters that focused explicitly on policymaking and policy divergence, Roland Sturm’s and Scott Greer’s, both implicitly adopted the perspective that it is most efficient to analyze regional political
outcomes in the same way as if they were independent states: as isolated cases, running in parallel, and with various constraints and input variables that account for their policy decisions. This might be efficient and incorporate much of what does influence busy policymakers, but does not directly answer the challenge posed by those who might expect policy diffusion, learning and convergence. Treating regions as independent units might be a more effective way to explain their policy, but are they really so independent of each other? And, if they are not, how and how much might their interrelationships matter?

The problem with understanding this issue appears to lie with the presuppositions of simpler theories of learning. Consider a basic, normative, meliorist proposition about transjurisdictional learning:

*Decentralization improves policy through learning because it allows different jurisdictions to approach the same problems in different ways and learn from each others’ experiences which policies work best.*

Put this baldly, it should excite most social scientists’ aversion to explicit value judgments, but it is not that far from judgments made in all sorts of social sciences about optimal equilibria (on which many economic theories argue societies should converge) or evidence-based policy (proposed by policy analysts in an effort to imitate what they see as their success in improving medicine with explicit references to evidence). It is not, in short, a straw man because it is not hard to find works that argue a policy is better by an external standard dear to the author. But what is wrong with it as an analytic statement?

First, follow the clue in the word “better.” While it is hard for an external observer to decide on some other society’s behalf what makes better policy, it is quite normal for a society to have some anthropologically observable collective preferences. If the society in question is homogeneous, then we can expect that different regional politicians will broadly share ideas of good. But if the society is not homogeneous then it should have multiple, different, collective preferences. In fact, the whole point of decentralization might be to permit different groups to pursue distinctive policies because that accords with certain of their values. Removing the presumption of one metric for good policy that is agreed across the state makes it very difficult to present interregional learning as valuable and desirable in itself.

Second, even if the group is agreed on its collective preference, there is no imperative in politics to produce better policy to that end. The availability of an agreed superior model that could do something popular and that could be borrowed from next door might have no impact
if politicians are concerned with something else. This could be because the agendas are different – Chapter 8 argues that agendas, concerned with different issues at different times, are enough to produce divergence. Or it could be because the politicians are not concerned with either the technical criteria of any particular expert group, or with society’s collective preferences. There are many sensible electoral strategies to which such concerns are essentially alien. Other political practices, such as corruption, also divert politicians from simply picking up an idea even if electors and experts think it “better.”

So consider a less normative proposal:

There is a process of learning (or policy transfer) in which the policy outcomes of a neighboring jurisdiction are in themselves an influence on policy that contributes meaningfully to explanation and are separable from other influences.

This seems to have more promise. All it posits is a sort of “state effect” that means the experience of Wisconsin will seep through to Mississippi more than New Brunswick. It fits with the fact that senior Catalan or Basque policymakers know their way around Madrid but not necessarily Paris or Edinburgh. It fits with the undeniable presence of social formations – such as gender roles – that cut across borders and make some forms of policy transfer more obviously practicable than others (those Catalan policymakers face family policy challenges in common with Madrid, but utterly different to those in Sweden). It builds on the fact that networks and interconnections are still tighter between regions within a state than between regions in different states. It can be testable if we develop ways to compare the differentiation of policies.

It also admits of several different mechanisms that might promote policy convergence and diffusion of innovations. Politicians might seek to produce convergent results for the reasons discussed by Claire Dupuy and Patrick Le Galès, Charlie Jeffery and Keith Banting: electorates seem to support common welfare standards. Policy advocates, formed into their increasingly cosmopolitan communities and advocacy coalitions, are another pressure for policy transfer, and one that might well be able to induce convergence between regions within a state. Other mechanisms might tie agendas together; every country has its “national” media and something that excites elites in New York, Rome or Frankfurt is likely to create ripples throughout all the state’s regions. In short, we can start to gauge the real extent of policy transfer, the mechanisms and changes in its incidence. The result might put paid to any notions of laboratories from which we learn, but any findings should be interesting.
The other interesting question of policy innovation comes from comparing the findings from the chapters focused on the welfare state with the findings from the chapters focused on policy. The discussion of the debate between social justice (within a state) and political diversity (between regions) suggested an interesting and challenging conclusion. Keith Banting asked why the welfare state is “winning hands down” and found much of the answer in public preferences. The people of Quebec or other Canadian provinces might or might not see Canada’s federal government as a guarantor of their welfare state, but they do appear to identify certain citizenship rights with Canada. This should depress variation within the country. Charlie Jeffery also found a great deal of public support for consistent standards of welfare provision across states, but stressed the divergence-permitting disconnection between that public opinion data and the real politics of political elites who seek to develop different welfare states. Paul Peterson’s chapter points out a third force at work. His hypothesis that regional governments are again a force for conservatism in the welfare state – but this time for preservation in an era of retrenchment and reform – might suggest that it is not to regional governments that we should normally look for policy innovation at all. So if those focused on tracking policies identify difference and those focused on tracking public expectations and aggregate indicators identify surprisingly resilient commonalities, then we need to examine the extent to which public expectations and actual policy vary independently of each other.

The upshot of both issues in policy debate is that it is no longer admissible to anthropomorphize regions or states. There is no consensus on whether we will see more or less policy convergence or on the resilience of statewide citizenship rights. We do not know if there are secular trends in either, or if so where they are going. But the answers require looking into regionalist politics. One way to meld the different analyses in the book together is simply to argue that political elites are relatively autonomous of their electorates – that their policymaking (Greer, Sturm, Subirats) and autonomist preoccupations (Jeffery) are enough to erode statewide citizenship rights that their populations support (Banting, Jeffery) and that federalism does not otherwise automatically erode (Simeon, Watts). If that is the case, then autonomous politics might erode citizenship rights in ways citizens would not support if they were asked.

Forward

The challenge of comparative territorial politics lies in the case-based nature of existing literature and the difficulty of importing useful theories
ready-made. The reason to take up the challenge is the importance of territory and territorial political institutions for understanding major issues of politics: the quality of democracy, the size and nature of the welfare state and the development of policies.

In this book, the authors have noted the complexity of decentralization, the heterogeneity of the categories “decentralized” or “federal” and the intricate interconnections between different institutions. But the contributors also have shown the extent to which we can already answer important questions, the boundaries beyond which we are ignorant of their answers, and the directions we should take to answer them better and in more depth. The most promising directions, I suggest in this review, are the study of intergovernmental relations, the study of political parties and the study of policy transfer. All three directions promise to help us isolate key, comparable, mechanisms that shape territorial politics and explain the consequences of territorial arrangements for democracy, policy and the welfare state.

Decentralization is a fact of life around the advanced industrial democracies and territory a powerful variable, but for all that decentralization and territorial politics shape important outcomes, most students of comparative politics have not yet come to terms with it. We should.

Acknowledgment

I would like to thank Alan Trench for his comments on this chapter.

Notes

1. All page references are to the Penguin edition: Madison, Hamilton and Jay 1788 [1987].
2. Then the smallest state by size; Rhode Island is now far larger in population and more complex in society than midgets such as Wyoming.
3. In some cases – most prominently Canada – what appear to be common labels scarcely are; the word “Liberal” can signify different political parties on the federal level and in various provinces.
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