

Decentralization
Local Governments, and
Markets
Towards a Post-Welfare Agenda

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Comparing Federal Systems of Government

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Introduction

Sir Kenneth C. Wheare's (1946) seminal study on comparative federalism was published 40 years ago. The time is overdue to revisit this field. What countries are federal and what is federalism? Wheare's answer was legalistic and restrictive. For him, the club of modern federalism, which he said dates from the founding of the US government, was small—four or five countries, maybe eight, but no more than ten. Since Wheare's book was published, however, the dominant view in the literature on federalism has shifted. A recent book by Daniel Elazar claims that as high a proportion as 70 per cent of the people in the world live in countries that are federal or 'apply federal arrangements in some ways'. This expansive view of our subject makes it hard to pin down the species (Elazar, 1987, p. 12). A second complication factor in the academic literature on federalism is the position taken by many scholars that federalism is so broad and inchoate as a governmental arrangement that it defies close specification. Maurice Vile (1977, p. 1), for example, believes that definitions of federalism 'are almost totally vacuous'. In a similar vein, Reagan and Sanzone (1981, p. 19) contend that we face a situation in which federalism is 'bankrupt' as an operational concept.

In his study of American federalism, Leach (1970, p. 9) concluded, precisely what 'federalism' means is not now and never has been clear We can only be sure that the framers of the Constitution regarded it as one of several ways to limit the power of government in the United States. Thus any attempt to argue for a

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particular relation between the national government and the states—in particular for a precise division of powers between them—must fall flat for lack of constitutional corroboration. Nor are clear directions given with regard to other aspects of federalism. Instead of a rigid set of principles, what the framers gave us was a flexible instrument concerned with the function and the practice of government. Federalism is thus something which is able to respond to changing needs and circumstances and is not bound by the tenets of a particular political theory.

This situation, in which a consensus appears to have emerged that modern federalism is a political form that defies close specification, is unfortunate, not just for scholars, but also for political leaders, because of the importance of knowledge about federalism to modern governance.

Focus on Regional Governments

This chapter presents an approach for the comparative study of federalism that focuses on the role of regional governments. Wheare and other experts have written that what is distinctive about federalism is that the citizen is a citizen of two governments, both the general and the regional governments. Elazar emphasizes that these two types of polities are, or should be, non-hierarchical in federal systems in the sense that they are equal and have their own elected officials and derive their powers from their citizens. Most observers of federal systems, however, view regional governments as a middle level of government.

As we see it, the acid test of federalism is not whether the general and local government are co-equal. The test of whether a political system is federal is whether it has regional governments with *consequential* powers. The key to this definition, of course, is the meaning of 'consequential'. The answer to this question determines whether federalism is a distinctive and enduring governmental form, or whether as Carl J. Friedrich and others have argued, it is instead merely a way-station on the road to political integration.

Comparative research on federalism focused on the role of regional governments (states, provinces, *Länder*, cantons, republics) and their relationships with the central and local governments can accomplish three purposes: it can (1) help define federalism as a political form; (2) enable us to classify federal systems, perhaps into different subgroups; and (3) provide a basis to test various hypotheses about the operations of federal systems. Such research can be used as a knowledge-base for political leaders in making adjustment (a continuing process) in the allocation of revenue sources and functional responsibilities and in the structure and powers of central, regional, and local governments.

The next section of this chapter, 'Framework for Analysis', puts forward an illustrative framework for the conduct of comparative field research focused

on the role of regional governments in contemporary federalism. The fourth section, 'Analysis', which is the longest, presents a preliminary analysis of the role of regional governments in six countries using this framework. The purpose of this chapter is to test this framework as the basis for comparative research by indigenous experts (or teams of experts) for a sample of 'federal' countries and to describe the way such research could be conducted. The first step in the research process would be a planning conference on the part of participating scholars to discuss the analytical framework, data requirements, level of generalization, and time-period, for their comparative papers. Ideally, one would want these papers to be multi-disciplinary, taking into account the legal, economic, and political aspects of the countries studied. The papers should encompass formal and structural characteristics plus the behaviour of the political systems selected for analysis. The planning process for the research would also need to give attention to the treatment of the historical context and the development over time of the political system of the countries included in the sample. We believe the most feasible organizational approach would be for each paper to be written by a single author from the country being studied; each author in turn would be advised by a panel of experts from his or her own country representing different academic disciplines and perhaps also different types of governmental experience.

Framework for Analysis

Following are illustrative criteria which could be used as the framework for analysis to compare the role and character of regional governments in contemporary federalism:

Legal powers

The first criterion on the legal powers of regional governments is divided into five parts:

1. The extent to which regional governments have the power in a written constitution or on some other basis to establish and revise their own political structure and processes and to select their own leaders and officials.
2. The way in which, and the degree to which, regional governments through their legislative body can make and revise their own laws, and the role of the courts (typically a supreme court of the central government) as the umpire in contested matters between the central and the regional governments.
3. The extent to which the legal process of the regional governments is independent of the central government for purposes of the operation of courts and the enforcement of judicial decisions.

Historical, social, and cultural identification

Criterion number five concerns the extent to which regional governments have their own historical, ethnic, linguistic, and cultural identification for their citizens.

Power over local units

The final criterion focuses on the authority regional governments have over local governments within their borders. We use this criterion to discuss the role of regional governments in determining the boundaries, functions, finances, and land-use plans of local units within their borders.

Analysis

Using this illustrative six-part framework, we have conducted a preliminary study of federal arrangements in selected countries to test the research approach recommended in this chapter. The six countries selected are Australia, Brazil, Canada, India, the USA, and Yugoslavia. We chose these countries in order to include not only countries traditionally considered members of the club of modern federalism (Australia, Canada, and the USA), but also to consider one country with a publicly controlled economic system (Yugoslavia) and two Third World countries (India and Brazil).¹ The USA, the oldest existing federation, was established in 1789 on the basis of thirteen pre-existing British colonies. It is now composed of 50 states, ranging from the large, densely populated state of California to the smallest state, Rhode Island, and the most sparsely populated, Alaska. Economic disparities among the regions have declined over time, mainly because of the high level of geographical mobility of the population.

Canada was founded as a federation in 1867. Since then, the nature and workings of Canadian federalism have been the subject of intense interest and political jockeying in the ten provinces of the Canadian federation. In addition to the cultural cleavage between French-speaking and English-speaking Canada, there are significant economic disparities between the richer western provinces (Alberta and British Columbia) and the poorer Atlantic provinces (Newfoundland, New Brunswick, Nova Scotia, and Prince Edward Island). These economic disparities have increased as a result of the discovery and exploitation of natural resources in the western provinces. Politically, the most important provinces are Quebec and Ontario. The large northern

¹ Among other countries with federal features that could be studied are West Germany, Switzerland, Austria, Nigeria, the Soviet Union, Indonesia, Malaysia, and Mexico. A number of reviewers have also suggested that the EEC be included.

4. The basis on which state boundaries are determined. For this criterion, our interest is in ascertaining whether the central government is able to change the boundaries of regional governments without their involvement in the decision to do so.

5. The role of regional governments in the executive and legislative processes of the central government; in amending the constitution of the central government; and in settling disputes between the central and regional governments.

For this criterion, we would also need to take account of differences in the number and size of regional units, which has an important bearing for the consideration of both the legal powers of regional governments and their political and bargaining relationships with the central government.

Revenue powers

The second criterion, which deals with the revenue powers of regional governments, concerns the degree to which they are able to determine the type of revenue raised at the regional level, the amounts of revenue raised, and the power of regional governments to influence the basis on which revenue sources are shared by the central and regional governments.

Functional-area authority and responsibilities

Criterion number three refers to the authority of regional governments to control activities and programmes in major functional areas of government. Under this heading, we are interested in identifying the functional areas for which regional governments have exclusive or predominant responsibility. Functions are viewed as involving three dimensions—financing, policy-making, and administration. Our interest is in the responsibility of regional governments for one or more of these dimensions of public programmes. Although the actual study would need to consider a broad range of functional areas, for purposes of this preliminary analysis we concentrate on three areas—health, education, and highway transportation. To the extent this criterion is focused on spending programmes, it also could be combined with the second criterion, revenue powers. This decision and others like it would be made by participants at the planning conference for a comparative federalism research project along the lines proposed in this chapter.

Role of the regional governments in the affairs of the central government

This fourth criterion relates to the ways in which regional governments through special institutional mechanisms influence the actions or activities of the central government.

territories (40 per cent of Canada's area) contain a minute portion of the population.

Australia, formed from self-governing colonies in 1901, is composed of six states. Two small states in geographical size, Victoria and New South Wales, have more than 60 per cent of the total population and enjoy political and economic primacy. Although the other four states are financially weaker, there is remarkable social and economic homogeneity across the country. The strength of their regional identification comes not so much from social and cultural differences as from their historical isolation.

Yugoslavia has been a federation since the adoption of its first constitution in 1946. However, it was not until Marshal Tito's break with the Soviet Union in 1949 that serious efforts were made to develop a Yugoslavian solution to the problem of its highly diverse ethnic and linguistic composition. Yugoslavia's current governmental system was developed in the early 1970s. The country is divided into six republics and two self-governing autonomous provinces. The republics are roughly similar in geographical size, but are very different in population size and in their culture, economy, and history. The main cleavages are east-west (Slovenia and Croatia versus Serbia) and between the rich and politically more influential north and the underdeveloped south.

India adopted a federal form upon independence in 1947, which involved the incorporation of 552 princely states into a federal union of largely linguistic states, now 25 in number. There are substantial cultural, historical, and economic differences between the states, as well as differences in their size and population.

Brazil officially has been a federation since 1889, but its actual political arrangements have changed significantly since then depending on the government in power. There are now 23 states. Although the country is relatively homogeneous in cultural and ethnic terms, the social and economic differences among the states are large. The richest and most important states (São Paulo and Rio de Janeiro) are in the south-east, with a cluster of small and poor states in the north-east and the large 'frontier' states in the west. Brazil adopted a new constitution on 5 October 1988 that restored many federalist features of its governmental system. Laws spelling out the 'competencies' of different governments are being written currently.

Applying the Six-part Framework

Legal powers

In all of the countries studied, the regional governments have a considerable amount of legal authority to determine their governmental form as well as legislative power to make and revise their own laws. This is especially the case

for Australia, Canada, USA, and Yugoslavia. For this criterion, the outliers are the two Third World countries, Brazil and India, whose constitutions assign extensive powers to the central government. In both countries the central government has the right to veto state legislation and take over the administration of states under emergency conditions; this power has been used more frequently in India than in Brazil (see Palmer, 1971, p. 123).

These centralizing features in the Third World countries in the sample can be attributed to the need to consolidate the tasks of nation-building (India) and to achieve economic development (Brazil). In only one case (Brazil) does the federal constitution (art. 13) explicitly specify how the internal political institutions of the states are to be organized. In India, state powers are circumscribed by virtue of the fact that the governors of the states are appointed by the country's president on the recommendation of the prime minister. This sensitive federalism issue is currently being debated in the wake of a recent report by a national commission on centre-state relations headed by a former Supreme Court Justice, R. S. Sarkaria. It is the governors in India (at the directive of the prime minister) who invoke the emergency powers to take over state administration. They have used this authority 77 times since independence. In addition, most senior civil servants of state governments in India are members of the Indian Administrative Service (IAS).

At the other end of the spectrum for state legal powers, regional governments have stronger legal powers in Yugoslavia than in any of the other political systems studied. Major laws require approval by both houses of the national Parliament *plus* the legislatures of the six republics and two autonomous provinces (see Stanovcic, 1987). The national executive is composed of nine persons, one from each republic and province and the president of the Communist Party presidium. The veto powers of the regional governments in both the legislative and executive processes are mirrored in the organization of the League of Communist Yugoslavia, which is also structured on a decentralized basis representing the republics and provinces as well as other groups.

The consideration of this legal criterion in the field-network research would include an examination of the role of regional governments in all of the countries studied in the executive, legislative, and judicial processes. The role of regional governments in the legislative process is reflected in the powers and operation of the 'upper' bodies of the national legislature, which in all of the countries in the sample involves special arrangements that purport to give representation to regional governments. The qualification here—'purport to'—is meant to call attention to the need to dig beneath formal legal arrangements to consider behavioural aspects of the political process. This, for example, involves the role of political parties, a factor highlighted in the writings of Riker (1964) on federal systems, who called it 'the main variable' that sustains the federal bargain. Parties are most

strongly orientated to regional interests in Canada and Australia among the countries studied.

Also important for the legal criterion is the role of regional governments in amending the constitution. In Australia and the United States, amendments must be ratified by a fixed proportion of the states. Canada has a complex amending formula which protects the interests of the largest provinces, Quebec and Ontario. The intricate amendment procedure in India requires state ratification for some, though not all, types of constitutional amendments. The constitution of Yugoslavia, which has been amended in several major waves since 1946, gives the republican and provincial governments a strong role in the amendatory process. The new Brazilian constitution is the easiest to amend of those studied, requiring a three-fifths vote of both bodies of the legislature.

Revenue powers

Regional governments in the USA and Canada have the strongest tax powers among the six countries studied. In the former² except for the limitation of the US Constitution on state levying of customs duties, the states are free to tax as they choose (ACIR, 1981a, p. 42). In Brazil, although the states officially have taxing powers, in practice the national government exerts substantial control over state and local government revenues (Ghandi, 1983, p. 338). The new constitution increases the taxing powers of the states, but does not change this basic situation. Australia has a highly centralized tax system.

Much of the recent literature on federalism highlights fiscal equalization. However, we believe such schemes are not necessarily a distinctive feature of federal polities. They are often just as important in the distribution of resources in non-federal systems of government. In fact, a strong fiscal-equalization scheme as in the case of Australia, among the sample countries, can work against the autonomy of the regional governments. This is not to say that fiscal equalization should be omitted from consideration. Our point is that it is only part of the story, and that it has tended to be overemphasized in federalism studies.

Among modern federal countries, the German Federal Republic stands out for having the highest power-equalization scheme whereby there are donor and recipient provinces. The net result is a much more strongly redistributive allocation of fiscal subventions than is the case, for example, in the United States, which is the low country on the scale in terms of fiscal equalization. This characteristic, plus others, of the German Federal Republic, make it a strong candidate for inclusion in a comparative study of federalism. (A decision to do this would have the added advantage of making it possible to take into account 'federal' features of the European community as its role expands.)

Some taxes are shared in federal systems. The Indian constitution (Schedule 7) divides sources of taxation between the central government and

the states and specifies taxes that are to be shared. States have considerable power over the revenue sources assigned to them and can determine their tax-bases and rates (Ghandi, 1983, pp. 343-4). However, the most productive sources of revenue in India are reserved for the central government (Pal, 1981, p. 119).

In Yugoslavia, most taxes are shared but are collected by the republican and provincial governments. The largest tax is the basic sales tax. The central government sets the rate of this tax and defines the products subject to taxation. Republics can levy add-on sales taxes on taxable products. 'Contributions' for social programmes (i.e. compulsory deductions from wages) are also an important source of public revenue in Yugoslavia. The structure and rates of these levies are determined by 'self-management committees' for particular industries and enterprises. These contributions on average account for one-third of gross wages (see Miller, 1981, p. 23).

As Yugoslavia, tax-sharing arrangements for specific taxes are also important features of the fiscal system in Australia, Brazil, Canada, and India. In India, the Finance Commission (designated anew by the Parliament every five years) receives information from the states and then establishes the tax-sharing guide-lines for the next five years.

The authority to borrow money is another important dimension of the fiscal role of regional governments. In Canada, the USA, and Yugoslavia, regional governments have wide latitude to borrow money. In Australia, there is a joint centre-state loan council, which, in effect, gives the central government substantial powers. In Brazil and India, state government borrowing is limited and centrally controlled.

We turn next to grants-in-aid as a way to share revenue in federal systems. Two main factors need to be considered, the types of grant arrangements and the way decisions about them are made. The USA, India, Australia, and Brazil have both specific and targeted fiscal subventions as well as broad-gauged grants that assign discretion to regional governments. Brazil earmarks some grants-in-aid 'for specific developmental activities' (Ghandi, 1983, p. 336). Canada relies heavily on broad-based transfer payments from the federal government to the provinces, called 'Established Program Financing' arrangements.

Field studies that include a consideration of programme operations and intergovernmental relationships under grants-in-aid from central governments to regional governments would shed important light on the nature of federal systems.² In the USA, for example, many grants are said to be 'categorical', i.e. specific-purpose grants. Although they have 'strings', the

² For field research on the effects of US grant-in-aid programmes, see Nathan (1986). Other articles in this symposium issue of *Environment and Planning C: Government and Policy*, 4, (3), deal with individual studies of US grant-in-aid programmes, the revenue-sharing, community-development block grant, and public-service employment programme.

question is how hard these strings are pulled by the central authorities. In many instances, researchers have found that the officials of the recipient governments (mostly states, but also localities) have and use wide latitude in determining the policies to be pursued under grants-in-aid from Washington. Grants-in-aid, as an aspect of the fiscal role of the central government in a federal system, are closely related to the functional-area criteria discussed in the next section.

Functional-area authority

The first question to be addressed under this heading is: how are functions assigned in the constitution between the central and regional government? Of the six countries studied, only Canada and the Indian constitution (Schedule 7) assign residual (i.e. non-specified) functions to the central government. The Canadian Constitution Act of 1982 (originally the British North American Act of 1867) assigns to the Parliament all matters not enumerated as powers of the legislatures of the provinces. Despite this formal arrangement, however, the role of the provinces in many areas (particularly economic policy) has been protected by judicial actions. In the USA, Australia, and Brazil residual powers are assigned to the regions. Court rulings in both the US and Brazil have diluted this delegation.

In Yugoslavia, the regional governments have extensive autonomy in major functional areas. However, they often share this power with local governments called 'communes' and self-management committees for individual services (such as education, health, and social care).

In India, highly detailed enumerated powers are divided constitutionally on a threefold basis between national, concurrent, and state 'lists' of powers and functional assignments. The recent trend in India has been a shift away from the state list to assign greater powers to the national government.

In this section, our preliminary analysis concentrates on three functional areas—health, education, and highway transportation. Regional governments in Australia and Canada have the greatest power in these areas for the sample countries.

Health is a particularly good indicator of the relative roles of the central and regional governments in the domestic affairs of federal systems. In the USA the responsibility for this function is divided, with the national government having responsibility for health-care financing for the aged and sharing with the states responsibility for health-care financing for the poor. The provision of the responsibility for health-care financing for the aged and local function. In public health services in the USA is mainly a state and local function. In Canada, on the other hand, health functions are largely provincial. Transfers from the central government to the provinces for this purpose are largely unconditional, although on close examination one is struck by the way in which the objectives and principles of these subventions have influenced the

development and structure of the Canadian health-care system. In Brazil under the new regime, the constitution assigns health policies and programmes on a shared basis to the central government and municipalities.

We need to add a conceptual point at this juncture. It was stipulated earlier that in examining the role of regional governments in major functional areas we are interested not only in the administration of programmes, but also in policy-making and financing as aspects of the governmental process. In these tripartite terms, the strongest federal system in our sample—strong in the sense of the authority of regional governments—is Canada. In all three functional areas considered (health, education, and highway transportation), the Canadian provinces have a larger role than is the case of regional governments in the other countries in our sample. In part, this is because the Canadian provinces have access to substantial own-source revenue from natural resources and because of the broad and relatively unconditional character of central-government fiscal subventions.

Even under the new constitution, Brazil is probably the weakest case in terms of the responsibility of states for health, education, and highway transportation. In Australia and the USA the regional governments have considerable policy-making powers in the three functional areas but less extensive than in Canada.

Field studies of the functional-area role of regional governments would require that we subdivide functions. Whether by subject (health, education, transportation, environment, social service, economic development) or type of programme (capital, operating, income transfer), our preference would be for a broad classification in order to allow comparisons to be made of *patterns* of regional governmental responsibilities.

A strength of the general approach to the study of federalism proposed in this chapter is that it would enable researchers to examine both individual components and systemic features of federal systems. An illustration of such a systemic feature is useful here; the example involves both the revenue and functional-area criteria.

The US Advisory Commission on Intergovernmental Relations held a conference in Washington in March 1988 on 'Co-operative' versus 'competitive' federalism. The conference focused on tax and spending competition among regional governments and its effects on the economic system of federal countries. A major issue discussed was the extent to which economic and fiscal competition among regional governments exacerbates the problems of economically weak communities. In a summary of this conference, Douglas H. Clark, an expert on Canadian federalism, noted that there is 'less destructive competition among regional governments in Canada compared to the United States. He noted that Canada thereby has avoided the kinds of problems encountered in the USA that affect inner cities and poor states and also that urban infrastructure problems in Canada seem to be less serious than in the

United States. General themes such as these—the level of competition among the regions and the treatment of distressed areas—could be dealt with in combining analysis of the criteria used in a field-network study on comparative federalism.

Regional influence on the central government

The fourth criterion is the role of regional governments in the decision-making processes of the central government. For this criterion, it is useful to distinguish between: (1) the role of the regional governments in special institutional mechanisms for central-regional relations, and (2) their informal influence. In Australia and Canada, regional governments play an important role in the affairs of the central government through special mechanisms created for this purpose. In Canada, there are multiple and frequent consultations of ministers in a range of special bodies as well as an 'Annual Conference of First Ministers' (which includes the prime minister and the ten provincial premiers). In Australia, the Loan Council, Grants Commission, and yearly Premiers' Conferences, plus a wide array of other special bodies, serve in a similar way as institutionalized mechanisms for regional influence in the affairs of the central government. (Holmes and Sharman, 1977). In the USA state influence on the federal government tends to be informal and fragmented. One study notes that in the USA the role of the states in Washington, DC, is focused on 'specific topics, with little attention paid to an overview of intergovernmental relations' (ACIR, 1981a, p. 95; Haider, 1974). In Brazil and India, the regional governments have relatively little influence through special mechanisms like those in Canada and Australia. The Indian constitution makes provision for a permanent Intergovernmental Council of the states, but such a council has never been set up. The establishment of the 'New Republic' in Brazil is so recent that one cannot predict how its intergovernmental machinery will develop.

Related to the role of regional governments in the affairs of the central government is an international representational dimension of the role of regional governments, which perhaps should be a separate criterion. In recent years, Yugoslavian republics have become increasingly active in trade and other international relationships. Likewise, US state governments and Canadian provinces have developed contacts in other countries and pursued their economic development objectives through the work of state offices overseas (see also Duchacek, 1986).

Historical, social, and cultural identification

The existence of ethnic and language differences in the regions in federal countries is the fifth criterion considered in this analysis. Such differences are

often the reason federal governments are founded in the first instance. Although we did not put this criterion first on the list of the characteristics of regional governments, there is a good argument for doing so.

Among the countries studied, India and Yugoslavia have regional governments with the strongest ethnic and cultural identity. In India, strong centralizing tendencies coexist with often violent ethnic rivalries. The fact that ethnic and language groups have such a strong identity is seen as a 'real federal force', neutralizing the power of the centre (Santhanam, 1960, p. 68). In Yugoslavia, strong centrifugal forces are a function of long-standing ethnic and language differences, whose manifestations are pronounced. Each republic has its own railroad. When trains arrive at a state boundary, they stop to change engines and sometimes crews.³

Canada among the countries that were described earlier as traditional members of the club of federalism is also characterized by rivalry among regions due to ethnic and linguistic differences between French-speaking Quebec and the English-speaking provinces.

Recent efforts to create federal solutions to ethnic rivalries in Cyprus and Sri Lanka are examples of attempts to craft federal arrangements to mitigate the effects of ethnic rivalries. On the other hand, Australia, Brazil, and the USA, among traditional federal countries, came into existence for reasons having to do with the vastness of their colonial territory in periods when the distances involved were a more formidable barrier to political integration than is the case today. Cultural and language differences among the states on a regional basis do not exist in these countries.

Power over local units

The strongest regional control over local units for the sample countries is found in Australia, Canada, and India. In India, state governments have resisted assigning power to local units, despite the fact that many observers (including the Sarkaria Commission) have called for greater regional/local decentralization. In Brazil, at the other end of the spectrum, the new constitution specifically recognizes 'municipal' governments. These local governments (of which there are 4,100) have a strong identity. One expert has recently written that, 'The strongest loyalties in Brazil are national and municipal, not state or regional' (Selcher, 1988). In the USA the role of the states in relation to localities is somewhat diluted by the fact that the central government makes direct grants to local units. This practice, however, has diminished in recent years under the Reagan administration. In Yugoslavia, local governments (communes) have standing, both formal and informal,

³ There is a joke in Yugoslavia that eventually Europe will have ten governments: the European Community, the Eastern bloc, and the six republics and two autonomous provinces of Yugoslavia.

which rivals that of the republics and creates a situation in which it can be said that the role of the republics and provinces is more constrained by local powers and activities than by the central government. The roles played by the regional government in fiscal equalization and land-use planning are additional important subjects that could be encompassed in the treatment of this criterion on state-local relations.

Summary

This preliminary analysis is not meant to be definitive, but rather suggestive of the type of factors and information that would be important in a field-network study of comparative federalism. It indicates the need for a uniform analytical structure in order to be able to make useful generalizations; this preliminary canvass also shows the importance of having indigenous field-researchers who know the language and history of the countries studied.

Of the six countries considered here, Yugoslavia and Canada are the countries in which federalism is the strongest, based on the approach used in this chapter focusing on the role of regional governments.

Yugoslavia. The Yugoslavian governmental system, in fact, is so decentralized as to be more of a confederal than a federal one. One expert has classified Yugoslavia as having a form of 'radical federalism', a confederation over which a one-party system has been imposed (Ranet, 1984, p. 222). In some periods the predominance of the League of Communist Yugoslavia in economic affairs has limited the power of the republics and provinces. However, in the current period the party organization too is decentralized, although the country's weak economy and fragmented political system are causing major unrest and demands for reform.

Canada. The Canadian provinces have consistently high rankings on the six criteria used in this chapter.⁴ Recent events, notably the Meech Lake Accord of April 1987, push further in this direction.⁵ The strength of the provincial government's role in Canadian federalism is attributable to the country's cultural bifurcation (Quebec's demands for autonomy); the country's

⁴ There is an extensive literature on federalism in Canada, much of it generated by Royal Commissions and special study-groups on federalism and federal-provincial relations. The most recent Royal Commission (the MacDonald Commission established in 1982) produced 280 studies and over 70 volumes of research materials, including several volumes of federalism studies. (The MacDonald Commission's charter was a general one on economic conditions.) See also the Jan. 1979 report of the Task Force on Canadian Unity, *A Future Together: Observations and Recommendations*.

⁵ In the Meech Lake Accord of Apr. 1987, entered into by the prime minister and the 10 provincial first ministers, provinces were given the authority to 'opt out' of national government shared-cost programmes without jeopardizing their funding entitlement if the province carries out a programme compatible with the national objectives. The Accord also recognizes Quebec as a 'distinct society' in a federation with 'linguistic duality'. The agreement has not yet been ratified by all 10 provinces and added to the constitution.

parliamentary form of provincial governments, whereby there is a prominent single governmental leader for each province; and the broad fiscal and programmatic powers of the provinces. One expert has called Canadian federalism, 'quasi-diplomatic and executive federalism' (Watt, 1987, p. 203).

USA. Although the rankings of the other four countries studied are harder to assign, we see the role of regional governments as ranking next in strength in the United States. Sheer numbers—50 states—make it harder for states to have as strong an identity as in other federal countries. Moreover, the separation of powers at the state level (unlike the parliamentary form in Canada and Australia) mutes state interests in national affairs, as does the relatively greater importance of national defence issues and programmes. The strongest features of US federalism in the terms of this analysis are the fiscal powers of the states and their legal autonomy and powers over local units.

Australia. A distinctive feature of federalism in Australia is the existence of institutionalized means for regional influence on the federal government. The annual Premiers' Conference, Loan Council, and Grants Commission provide opportunities for structured 'political and administrative interchange between governments' (Matthews, 1982, p. 117). The Australian system of raising and allocating revenue takes into account not only the 'minimum financial need' of the states, but the provision of comparable public services (ACIR, 1981b, p. 21). 'The Australian fiscal... equalization arrangements, while subject to some exclusions, are more comprehensive than those in other federal countries' (p. 23). The paradox of Australian federalism is that while states control most services, the central government has strong powers pertaining to the major sources and allocation of public funds. Writing in 1983, Scott (1983, p. 3) said, 'In the Australian federal system, there is and nearly always has been a major vertical imbalance in favour of the centre.' In this sense, Australia can be said to be 'functionally federal and financially more unitary' (Holmes and Sharman, 1977, p. 131), ranking fourth for this reason on the strength of its federal form based on this analysis (see also Bird, 1986, p. 3 ff., who discusses 'the emphasis on equalization (or horizontal fiscal balance)' in Australia).

India. India's ethnic, cultural, and linguistic diversity is the outstanding characteristic of its federalism. This factor is seen by many observers as the reason why it is necessary for the centre to have emergency powers. These powers have been used frequently. Besides the emergency powers, the fact that the president of India names the governors (actually, the prime minister in the name of the president) of the states is an important centralizing power. The Sakaria Commission report (p. 8), classified India's political system as 'quasi-federal'. The Commission said it is 'unitary in extraordinary situations, such as, war (or emergency) and federal in normal times'.

Brazil is at the bottom of our list in terms of the strength of the role of regional governments, although its recently minted constitution reinstates

federalist features, which could ultimately change its ranking in this six-country comparison. The central government retains important tax powers under the new charter, and is constitutionally required to distribute 40 per cent of its revenues on a revenue-sharing basis to state governments. Current disputes about the functions of the states and the process now underway to interpret the new constitution in basic laws will have a major impact in shaping federal-state relations in Brazil.

The relative strength of each federal structure studied is summarized in Figure 4.1.

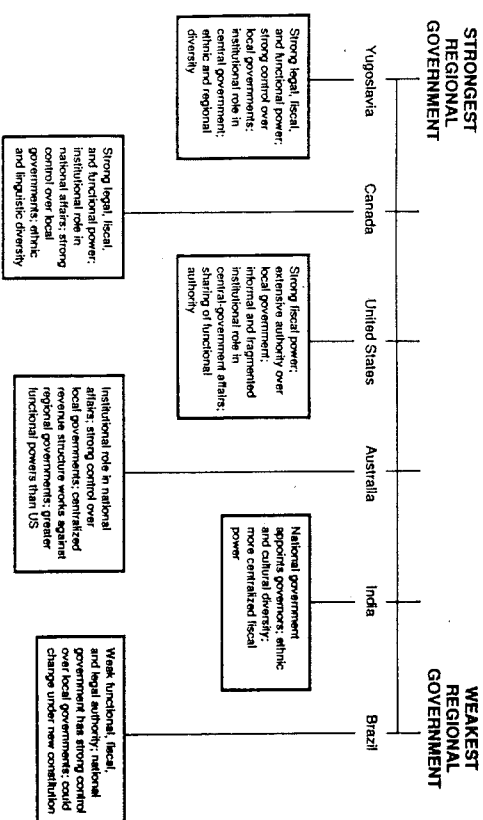


FIG. 4.1 Relative strength of regional governments studied (selected characteristics)

Concluding Comments

Focusing as we do in this chapter on the role of regional governments gets our subject to sit still for observation. This is a major purpose of the research proposed—to update our knowledge of federalism and build a data-base for further analysis. We can then proceed to the important, but harder, questions: why federalism? Why are some countries confederal, more or less federal, quasi-federal, or unitary? Is it history, culture, geography, economic conditions, or some other factor or combination of factors that counts most heavily? What are the advantages and disadvantages of the federal form and of the different forms that a federal system may take?

Although the proposed study would concentrate on a recent time-period,

probably the 1970s and 1980s, it would also be necessary to trace the development of federal systems over time. Many experts have commented on the dynamic character of federalism. The dual-federalism model has now been replaced in the political science literature on federalism by a model that emphasizes sharing and interaction between the central and regional governments. The position taken in this chapter is that federalism has changed but has not vanished as a species.

Evidence for the United States, furthermore, suggests a cyclical pattern of federal-state relations; ideology is an important swing variable in this cyclical pattern (Hirschman, 1982). In periods in which the United States as a whole has been liberal (in terms of pro-public spending), the role of the national government has grown. On the other hand, when the country has been conservative, as in the present period, public policy initiatives have tended to originate at the state level.

Contrary to the public-choice theory in economics, which depicts federalism as a conservative force, this cyclical pattern appears to have caused a ratcheting-up of public spending. This occurs in liberal periods, as under FDR's New Deal, when initiatives made by some states in earlier periods serve as the basis for new national government programmes (for further discussion see Nathan, 1989). Experts on federalism in Australia note a similar cyclical pattern and ratcheting-up phenomenon related to ideological shifts. In Canada and India, fluctuations in the relative importance of the role of the central and regional governments have also been commented upon, often attributed to external events—war, international crises, depressions, and oil-price shocks.

To reiterate, the key to our view of federalism is the role of regional governments. We assess their role on the basis of a six-part framework. We propose a comparative field-study that uses a framework such as this to make inductive and empirical observations on the real-life nature of the federal form. This research would be non-normative in the sense that we would not prescribe a 'best' form for federal government. Rather the purpose would be to classify and compare federal systems of government in order to build a knowledge-base for theory building and for assessing the advantages and disadvantages of different types of federal systems and of federal government *per se* as a form of political organization.

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