

Structuring International Conferences on Federalism to Enhance Learning

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In 2002, the Swiss federal government and 26 cantons organized an international conference on "Federalism in a Changing World--Learning from Each Other." This conference was the follow up to an international conference on federalism held 1999 in Mont Tremblant, Quebec, the theme of which was "Federalism in an Era of Globalization." For 2002, three themes were discussed by participants from all over the world: (1) federalism and foreign relations, (2) federalism, decentralization, and conflict management in multicultural societies, and (3) the assignment of responsibilities and fiscal federalism. The results of the proceedings have been published in two books and a film.¹

This essay is a further outcome; it highlights some of the most important and recurring topics explored during the conference. It extracts some significant insights, which, while not representative of every subject discussed, were shared by many participants. Below, we first describe how the conference was structured. This is important both because the structure influenced the results and because the conference was oriented around a concept known as the "knowledge spiral." In the following section, the data chosen for our analysis will be discussed, and our approach to data analysis, as well as our applied method of qualitative content analysis, will be explained briefly. Thereafter, we present the results and some conclusions.

Conference Concept as Knowledge Spiral

The structure used a process whereby participants expand their individual as well as their institutional knowledge through a "knowledge spiral." This was accomplished in three interconnected stages in which knowledge was first disseminated, then internalized, and finally externalized. Here, and in the other conference proceedings, we offer the results of the conference for the ongoing process of the spiral in a fourth "transformation stage."

The first stage, the "combination stage," occurred before the conference and introduced participants to new thinking in the three aforementioned core themes. Key ideas were further highlighted in four subthemes developed for each theme.ⁱⁱ To achieve this introduction, scholars prepared background papers and presented state-of-the-art information on each theme and subtheme, as well as important questions surrounding them. These papers were published as a conference reader that was sent to all participants.

The second "internalization stage" enabled participants to reflect on their experiences in light of the research provided in the combination stage. This took place during the conference in a series of work sessions where each subtheme was elaborated upon using specific case studies. Scholars, federal and state politicians, administrators, and business people presented these case studies from a variety of angles.

During the "externalization stage," participants shared their reflections and identified patterns and new insights from the prior stage. This was enabled by dialogue tables that, after

the different work sessions, brought together all participants from each of the three themes to debate the issues that had arisen and to formulate new ideas and solutions. The goal of this stage was for participants to share the knowledge gained from their reflections in the work sessions and to discover new patterns.

Finally, to ensure that the knowledge gained at the conference is not limited to those who participated in it, the knowledge spiral must move to a "transformation stage." This stage integrates the reflections from the work sessions and the insights gained at the dialogue tables into an integrated whole. Besides the conference proceedings, this article is one more example of how to create opportunities to use material for this next twist of the knowledge spiral.

Data and Method of Analysis

At the conference, "scientific summary writers" attended all work sessions and dialogue tables to record discussions. Their reports provided the data for the following analysis. The reports are published in full, together with the background papers and plenary speeches of the heads of states, in *Federalism in a Changing World – Learning from Each Other*. These reports reflect the dialogues at the work sessions and dialogue tables. They are especially valuable because the participants were a carefully selected group of some 600 decision-makers and opinion-leaders from more than 60 countries in the fields of politics, administration, science, and economics with high levels of theoretical and/or practical experience in federal contexts. The diversity of both countries and viewpoints offered participants broad understandings of topics. In structuring the conference as a knowledge spiral, the participants shared experiences gained from their reflections and from the "to and fro" at the dialogue tables.

Our approach to the data is taken from the "grounded theory" first developed by Anselm Strauss and Barney Glaser in 1967. Strauss and Glaser begin from the fact that any given data should be viewed without a particular commitment to specific kinds of data, lines of research, or theoretical interests. Different analytical steps have to be developed according to the needs of the data, and the methodological process should follow a pattern of organic growth rather than a predefined structure. The idea behind this strategy is to analyze the scientific summary reports unconditionally and without any given theory or model of federalism in mind.

With this approach, we chose qualitative content analysis, with inductive category formation, in order to extract the most recurring conference statements. In taking a triage approach to the data, we first defined the 300 most recurring statements. In the second step, categories were developed and defined against the background of these statements, and the statements were subsumed under several broad categories. In the process, certain statements or categories were eliminated in order to gain a more comprehensible number of categories. Categories comprising less than five of the numbered statements from the original data were eliminated because they were not sufficiently representative of the conference's overall direction. By using content analysis as our third step, the statements were compressed into a short text retaining their essential propositions. In this way, repetitions were removed from the categories, leaving a clearer, more succinct summary of the conference's seminal points.

We also found that all categories could be combined to form four groups. Hence, in the fourth step, we ordered the categories and defined four groups. The results represent four groups with sub-categories, summarizing the most recurring statements made during the dialogues. Among the results, the reader will find some subjective statements because, due to the methodological approach explained above, opinions of different participants were transferred into the final results. These opinions do not always match authors' views.

Results of the Content Analysis

The four groups identified are as follows. One is identity, defined as self-identification with a specific order of government in regard to its different and sometimes contradicting loyalties to the other levels and entities. This group was formed by the sub-categories of multiculturalism and solidarity. The second is responsibility, defined as awareness that a specific order of government should be accountable for finding a solution to a given problem. This group was formed by the four sub-categories of autonomy, efficiency, cooperation and competition, and corruption. The third, mutuality, is defined as acceptance by different governmental orders and entities of each other's rights. This group was formed by the three sub-categories of inclusiveness, trust, and rules. The fourth is pragmatism, defined as the freedom of different orders of government to consider and, if useful, to pursue every problem-solving process that conforms to the applied law. This was formed by the sub-categories of complexity, informality, and uniqueness.

Identity

Multiculturalism: Every individual or group in a federal system enjoys more than one identity, and these identities almost always overlap. A successful federal approach ties the identities together so that they reinforce rather than contradict each other, to create multiple identities and loyalties. This can extend as far as a sense of different nationalities: one nation with several nationalities.

Although a federal structure can never be a complete safeguard against armed conflicts sparked by struggles for regional independence, federalism expects a culture to endorse what the French call *respect de la difference*. With this approach, it becomes clear that multiculturalism is not a problem per se. The federalist approach demands that multiple cultures not merely tolerate each other but also understand and even appreciate each other. This means that one group not only speaks another group's language, but also understands its culture.

It has often been said that regional autonomy is threatened by the development of supra-national institutions (e.g., the European Union) that make decisions previously regarded as belonging in the domestic sphere. Two interesting observations can be made in this regard. First, federal states that are members of supra-national organizations do not perceive their federal structure to be threatened by their membership in a larger entity. Second, the relationship between the national government and the constituent units becomes more intense and substantial when a country joins a supra-national institution; this is mostly because constituent units are often forced to cooperate to maintain political vigor within larger institutions. At the same time,

this leads to a major role for constituent units in the bargaining process. Additionally, involvement in a supra-national organization seems to make it more necessary for constituent units to establish cross-border agreements.

Solidarity: Most participants felt that to achieve mutual understanding and accommodation of multiple identities, every citizen must enjoy the same conditions in every part of the federation. This is often achieved through fiscal equalization, which can take a variety of forms, depending on the level of commitment to “solidarity” as a working principle. One way to strive toward greater solidarity is to implement equalization transfers that preserve regional and linguistic identities and ensure that all groups get high-quality public services everywhere in the country, thus contributing to political stability. This interregional transfer can ameliorate self-perpetuating regional disparities, especially if low income-levels are due to a lack of infrastructure or education.

Responsibility

Autonomy: Autonomy is a key feature of federal systems. Federal entities are only able to maintain their political significance according to their constitutionally guaranteed rights if they participate effectively in the federation’s governance. For example, it was generally agreed that regional and local autonomy are prerequisites for effective cross-border relationships. Without the domestic autonomy of regional units, the advantage of such agreements would be impossible to deliver. It is noticeable that these agreements rarely exist outside federal polities. When subnational units are allowed to develop their own policies in areas of specific concern, the flexibility of the policy area of the state as a whole can be increased. However, not all subnational units are created equally, and those that have the power to forge ahead with a given policy do so. Those that cannot are left behind. This “creative destruction” will have a serious impact on the development of federal governance, especially when one considers the nation-state in the global era.

Corruption and Efficiency: Between the development of federalism and democracy, there exists a clear relationship. For example, in less developed countries, corruption and weak infrastructure as well as unhealthy competition can have a negative impact on poorer regions. Strong democracy in the local arena is therefore a vital condition for a federalist system to function as a check on the national government. However, problems in interpreting complicated legal documents by local governments can lead to “elite capture” of the process by those who can understand them, and corruption then appears to prevail in each order of government and not only in the federal government.

The principle that “whoever pays, decides” is well known. There was general consensus that public services should be allocated to the different orders of government so that citizens obtaining benefits from, paying the costs of, and deciding on public services belong to the same group. Therefore, the level of government responsible for a particular service should have the capacity to levy taxes to pay for that service. However, there seems to be a gradual erosion of effective spending responsibilities across federal countries, with the national government or supra-national organizations more frequently dictating norms and standards. The revenue-

raising powers of subnational governments are still rather limited in many nations, and do not match their spending responsibilities. A more effective application of the above principle would promote autonomy and accountability and, thereby, likely promote greater public sector efficiency.

The capacity of many regional and local governments to implement projects or financial planning and budgeting is often inadequate. If one wants to empower local government, money should not come from the top but should be sourced from local residents as much as possible. Where it is not possible for the state/provincial and local governments to raise their own money, central revenue-sharing needs to be both clearer and less unilateral. All governments must face the financial consequences of their decisions in order to ensure fiscal discipline.

Cooperation and Competition: One function of federalism is to create a specific amount of competition among subnational entities. Therefore, even though a certain degree of equalization is necessary to foster solidarity, many participants agreed that full compensation of poor regions through equalization grants should be avoided.

Equalization should be designed with great care because poorly thought-out regional balancing can reduce local revenue-raising efforts, as well as motivation among local authorities to seek innovative ways to spend revenue efficiently. While matching grants offer incentives for efforts in tax collection, there is a contradiction in the regional balancing principle because those with high revenue-raising capacities receive more grant funds. Matching grants tend to reward relatively rich provinces for additional tax effort. Fiscal equalization based on actual, rather than potential, fiscal capacities can result in “unhealthy” tax competition. It could be said that cooperative federalism is a kind of collusion, aiding governments instead of citizens.

An excess of competitive federalism can lead to intergovernmental conflict, and to fear and anger destructive of a federation. Excessively competitive fiscal policies, whether or not they are stimulated by equalization, often produce undesirable results. But while most tax competition is aimed at attracting investment, this is only a secondary factor in investment decisions, although firms can sometimes respond unpredictably, undergoing corporate restructuring in order to take advantage of fiscal concessions.

Mutuality

Inclusiveness: As discussed above, respect for diversity is a cornerstone of a democratic polity, and even more so in a federal system. Minority rights and cultures should not only be sheltered but also secured by the state. Therefore, group rights must be protected through a country’s constitution.

In making such a constitution, it is vital to respect another cornerstone of democracy: that the people, not the elite, should make decisions. For example, to ensure the representativeness of the constitution-making body, it is necessary to involve the people, notably through public debates. The inclusiveness of constitution-making is decisive for developing a common identity underlying nation-building. In addition, the more people who are involved in consultations or

negotiations leading to new laws, and the better informed they are, the more motivated they will be to implement those laws.

This is also true of the involvement of subnational units in the federal decision-making process. In federal polities where those responsible for implementing agreements at the subnational level are involved in the negotiation process, implementation records are better. The participation of subnational units in shaping the foreign policy of a federal country whenever their powers or essential interests are concerned strengthens that country's foreign policy. In addition, subnational units bring know-how and experience relevant to the negotiations, which are often lacking among national actors. As a rule, the participation of the subnational units is crucial for the federal government. The federation needs the cooperation of the federated entities in order to implement its foreign policy and international law.

Trust: Federalism does not provide a panacea for all the ills of a multicultural society, but it does offer greater capacity for solving problems. However, a federalist model that works in one country cannot be transferred wholesale to another. The success of any federal solution depends on how a given polity copes with the group rights and cultural rights of its diverse people, and how it creates a feeling of security among them. Any power-sharing arrangement must empower the minorities and reduce their fear in the face of the power of the majority. This is especially true when a country has suffered from a violent conflict. In such cases, tremendous efforts are needed by all parties to work for reconciliation and reconstruction of the country while building trust. In this trust-building phase, particular emphasis must be placed on the political process. Also, the role of human rights is crucial, and they often cannot simply be defined in the abstract, but require mutual respect and negotiated agreement among the various members of diverse societies.

Balance: While looking at federalism as a way to solve multicultural conflicts, one has to be aware that federalism is not only a device for self-rule, but also a structure for shared rule. This shared rule is equally important. If federalism is understood as a license for self-rule without at the same time fostering a cooperative spirit of living together, it can lead to local tyranny. A concept and vision of federalism have to exist, according to which a commitment to power sharing is at least as important, if not more important, than the legitimate quest for autonomy. Federalism can only bring about good governance if it finds a middle path between self-determination and living together, fiscal autonomy and solidarity, and respect for cultural identity and a commitment to a mutually agreed-upon common good.

Consequently, it is necessary to understand federalism as a system of mutual checks and balances. Both the nation-state and the constituent units need to have a strong position in the constitution. This notion of balance is crucial. Minimally, it gives expression to two manifestations of popular will: national and regional. However, the checks and balances must also be supported by a strong, respected, and independent court system – albeit a court system that is itself reflective of diversity.

Pragmatism

Complexity: Federalism is a process that aims to create a more complex system in order to simplify things. Like the engine of a Formula 1 car, it is efficient but complicated, encompassing financial, economic, political, legal, and even ethical components. The greatest possible coordination between the different positions of the subnational units and the federation often leads to a complex compromise. For example, during the process of decentralization, the emergence of parallel national, regional, and local administrations and bureaucracies often leads to a more complex system in which there are no clear-cut allocations of responsibility. This can facilitate elite capture by politicians who tend to make short-term decisions, whereas most of the features and incentives of a successful federal system are long-term issues. Although federalism is usually complicated to arrange, difficult to manage, and cumbersome to operate, it is the price some federal countries have to pay in order for their citizens to live together.

Informality: In policymaking, discussions in a federal system are often driven less by an insistence on getting it right than by a spirit of getting along. One possible explanation is the complexity mentioned above. Additionally, each level is empowered to design its own policies, which often result in informal and pragmatic solutions. For example, if a policy needs regulation by the national government, it often becomes stuck, and the subnational units have to adopt a less formal response to the matter. Or, if a national border is a hindrance to the successful delivery of policies, subnational units develop cross-border relationships, with or without the involvement of the federal government. Hence, different examples show that explicit authorization by law is less important than the political power of a state in the federation. However, the conference discussions demonstrated that it is wise to distinguish between formal agreements and informal arrangements (*arte di arrangiarsi*). Some participants felt that as long as solutions continue to exist in a legal limbo, they lack the necessary power to have a significant impact.

Uniqueness: Federalism is not cast in stone; it grows differently in different soils. Its success in one place may not be replicable in another. There is no single model, and it is difficult to transfer elements from one country to another. Historical and cultural traditions mean that the same conclusion pertains to the transferability of entire policy systems. Each polity must develop its own unique and pragmatic approach, if necessary with the help of the international community and transnational institutions.

*Conclusion*ⁱⁱⁱ

A major issue running through most of the conference sessions was the importance for effective federations of the presence of a supportive political culture and public attitudes. Whether in the conduct of foreign relations, the management of decentralization and conflict in multicultural societies, or the fiscal arrangements, effectiveness in practice has depended not just on appropriate institutions and processes, but even more on widespread respect for the values inherent in federalism. This is illustrated by the frequency with which the conference deliberations refer to the importance of respect for regional and cultural differences, for inclusiveness, trust for balance, acceptance of flexibility, pragmatic responses to particular circumstances, and genuinely democratic practices. A major conclusion with significant relevance for future discussions, therefore, is the need for further analysis of how such values, so necessary for effective federalism, can be fostered.

A second major theme emerging from the conference is the importance of the financial arrangements not only for economic efficiency but also for their impact on political policies and decision-making. Particularly important are the features of equalization and the extent to which they contribute to, or undermine, the preservation of regional and linguistic identities and the promotion of “solidarity” within a federation.

ⁱ Raoul Blindenbacher and Arnold Koller, eds., *Federalism in a Changing World – Learning from Each Other* (Montreal & Kingston: McGill-Queen’s University Press, 2003) and U. Abderhalden and Raoul Blindenbacher, eds., *Future Challenges for Federalism in a Changing World – Learning from Each Other: The Youth Perspective* (St Gallen, Switzerland, 2003) and the film *Speaking of Federalism*, directed by J. Neuenschwander and produced by Raoul Blindenbacher, Switzerland, 2004.

ⁱⁱ Subthemes of Theme I: Foreign Relations of Subnational Units, Participation of Subnational Units in the Foreign Policy of the Federation, Implementation of International and Supranational Law by Subnational Units, and Federal Structures and Foreign Policy of International and Supranational Organizations; Theme II: Constitution-Making and Nation-Building, Decentralization and Good Governance, Communities, Civil Society, and Conflict Management, and International and Regional Action Regarding Conflicts in Multicultural Societies; and Theme III: Fiscal Federalism and Political Decision Structures, Problems of Equalization in Federal Systems, Fiscal Competition, and Fiscal Decentralization in Transition Economies and Developing Countries.

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