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Comparative Politics of Federalism

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INTRODUCTION

Federalism is a system of government that sits uneasily between a unitary government with administrative decentralization and a confederacy comprised of independent states that choose to coordinate their activity in some realms, such as defense or trade. The comparative study of federations is broad, ranging from internal fiscal arrangements to economic performance to political representation and identity. Uniting these diverse fields is a common interest in federalism as a system of government, adopted for a purpose, and failing or meeting aspirations. Federal systems vary widely in construction, in purpose, and in practice. The system effects are complex and often unexpected. Hence adopting the federal form is an important constitutional decision with significant---and sometimes surprising---consequences. In this overview, we concentrate on two aspects of the comparative federalism literature: the postulated benefits of federalism and theories to explain its inconsistent performance.

GENERAL OVERVIEWS

As a field, political science has been working on (and arguing about) an understanding of what federalism might achieve and under what conditions it might be successful since Alexander Hamilton, John Jay, and especially James Madison wrote as *Publius* (1787). Political scientists and those in closely related disciplines, particularly economics and law, continue to search for an understanding of optimal constitutional design and the dynamics of federal systems in practice. The study of federalism is both normative and positive, often within the same work. Positive analyses characterize the federal system, make predictions about what the system might achieve, formulate hypotheses about what causes a federal system to perform well or poorly, and measure empirical outcomes (eg, Wheare 1946, Riker 1964, Filippov et al 2006, Ostrom 2008, Bednar 2009). Positive political theory also captures the effect of federalism on other political or economic activities, such as the production of policy, the extent of citizens' political participation, or the shape of the party system. The study of federalism is also normative: as seen in Ostrom 2008, Elazar 1987, and Burgess 2006 the theories characterize the relationship between the people and their government, and the way that federalism builds and accommodates diverse values and identities. Hueglin and Fenna 2006 and Elazar 1987 capture well the philosophy of thought that underpins the concept of federalism.

This bibliography focuses primarily on the positive literature.

Bednar, Jenna. 2009. *The Robust Federation: Principles of Design*. New York: Cambridge University Press.

A general theory of federalism based upon the incentives that the federal structure creates for the component parts. Defiance of constitutional boundaries is to be expected, and no single institutional safeguard is sufficient to ensure compliance. A system of redundant and complementary safeguards is necessary for a federation that is robust and adaptive.

Burgess, Michael. 2006. *Comparative Federalism: Theory and Practice*. New York: Routledge.

Burgess' text treats federalism and federations broadly, from intellectual and empirical origins, to close studies of several federations in operation, to analysis of federal system failure and success. Rather than accept a single, general theory of federalism's origins, Burgess proposes a theory of circumstantial causation of federations that embraces a wide variety of internal and external factors. Federations are diverse in form, purpose, and practice.

Elazar, Daniel J. 1987. *Exploring Federalism*. Tuscaloosa: University of Alabama Press.

Elazar provides a comprehensive account of the origins of federalism and describes different structural forms of federalism; this comparative work describes how federalism satisfies diverse populations. Elazar emphasizes that the essence of federalism is not the formal structure but the relationships between the units.

Filippov, Mikhail, Peter Ordeshook, and Olga Shvetsova. 2004. *Designing Federalism: A Theory of Self-Sustainable Federal Institutions*. Cambridge, UK: Cambridge University Press.

This book links the rise of federally integrated political parties to increased opportunities for good policymaking. When parties are not integrated across subnational and national levels of government, policymaking can be myopic and beholden to constituency desires. When parties are integrated across subnational and national levels, however, politicians are motivated partly by party constraints and push for less myopic policymaking.

Hueglin, Thomas O., and Alan Fenna. *Comparative Federalism: A Systematic Inquiry*. Peterborough, ON: Broadview, 2006.

Hueglin and Fenna draw upon differences in constitutional traditions and institutional design to identify four main models of federalism, as practiced in the United States, Canada, Germany, and the European Union. They highlight the importance of judicial review in stabilizing and changing the federal system.

Ostrom, Vincent. 2008. *The Political Theory of a Compound Republic: Designing the American Experiment*. Lanham, MD: Lexington Books, 3rd edition.

Ostrom applies his influential theory of polycentric governance---where decision-making authority is dispersed among actors and agencies and democracy emerges from the bottom up---to the American federal system. Ostrom presents the federal principle of overlapping, polycentric decision points as prior and necessary for democracy to thrive.

Publius. 1787-88. *The Federalist Papers*. Accessible via the United States Library of Congress website at [<http://thomas.loc.gov/home/histdox/fedpapers.html>].

James Madison, Alexander Hamilton, and John Jay make the case for replacing the early United States' Articles of Confederation government with a federal model. The authors construct the basic intellectual framework of federalism.

Riker, William H. 1964. *Federalism: Origin, Operation, and Significance*. Boston: Little, Brown, and Company.

Riker hypothesizes that federalism emerges due to military necessity or expansionist drive. He categorizes countries by type of federal government. The party system and citizen loyalty maintain the distribution of authority between levels of government. Riker concludes with a condemnation of federalism because it enables racist political enclaves to persist.

Wheare, K.C. 1946. *Federal Government*. London: H.Milford, Oxford University Press.

A classic study of federalism, updated regularly throughout the 1900s, Wheare describes the "federal principle" of divided government, where authority is distributed between two levels of government.

DATASETS

Although federalism is a subject of significant academic scrutiny, large and easily accessible datasets devoted to federal topics have historically been few in number. However, this pattern is changing as several datasets now exist that cater to different dimensions of study on federalism-related issues. This section contains references to quantitative data and the next section will describe qualitative comparative data.

The ****OECD Fiscal Decentralisation Database**** houses fiscal federalism data pertaining to OECD countries while ****World Bank Fiscal Decentralization Indicators Database**** includes developing countries as well. Hooghe et al's ****Regional Authority Index**** captures the relative strength of regional governments. The ****Ethnic Power Relations Database**** is a valuable tool for research on peace-preserving federalism. For electoral studies, the ****Harvard Election Data Archive**** contains fine-grained data on electoral results across different levels of government in the United States and the ****Constituency-Level Elections Archive**** contains cross-national lower house election data.

Data related to federalism and decentralization present a variety of analytical challenges and must be used with care. Rodden 2004 is a useful guide to avoiding misinterpretations of the data. Marks, Hooghe, and Schakel 2008 suggest methods for measuring regional authority.

Ansolabehere, Stephen and Jonathan Rodden. Harvard Election Data Archive
[<http://projects.iq.harvard.edu/eda/data>]

Contains shapefiles as well as electoral returns for U.S. state and federal elections, in most cases with boundaries drawn at the precinct level. It is a particularly useful data resource for those conducting spatial analysis.

Cederman, Lars-Erik, Brian Min, and Andreas Wimmer. 2009. *Ethnic Power Relations Dataset* (EPR)
[<http://www.epr.ucla.edu/>]

Contains data on politically relevant ethnic groups and access to power in 156 countries from 1946 to 2005. EPR is dynamic, showing how changes in ethnic politics over time affect access to power. It is a valuable tool for research on the peace-preserving merits of federalism. The EPR dataset is also available in a geocoded format for investigations of spatial questions.

Hooghe, Liesbet, Gary Marks, Arjan H. Schakel. 2010. *The Rise of Regional Authority: a comparative study of 42 democracies (1950-2006)*. London: Routledge. [http://www.unc.edu/~gwmmarks/data_ra.php]

The database, known as the *Regional Authority Index*, measures ten dimensions of regional authority (eg institutional depth, policy scope, fiscal autonomy, borrowing autonomy), generating annual scores for regional governments in 80 countries for the period 1950-2010.

Kollman, K., Hicken, A., Caramani, D., & Backer, D. 2012. *Constituency-level elections archive*. Ann Arbor, MI: Center for Political Studies, University of Michigan.

[<http://www.electiondataarchive.org/index.html>]

A repository of election results at the constituency level for lower house legislative elections. Over 1,100 election results are available from a broad variety of countries.

Marks, Gary, Liesbet Hooghe, and Arjan H. Schakel. 2008. "Measuring Regional Authority." *Regional and Federal Studies* 18(2-3):111-121.

Written as a methodological guide to accompany the release of the Regional Authority Index database, the article contains substantial advice concerning measurement of regional authority more generally.

**OECD Fiscal Decentralisation Database*

[<http://www.oecd.org/ctp/fiscalfederalismnetwork/oecdiscaldecentralisationdatabase.htm>]*

Contains data on the tax autonomy, revenue and spending totals, balances, and revenue structures of state and local governments across OECD countries.

Rodden, Jonathan. 2004. "Comparative Federalism and Decentralization: On Meaning and Measurement." *Comparative Politics* 36 (4): 481-500.

A useful and important warning about pitfalls in using federalism and decentralization data. Rodden clarifies a variety of concepts and suggests methods to avoid misuse of the data.

World Bank Fiscal Decentralization Indicators Database

<http://www1.worldbank.org/publicsector/decentralization/fiscalindicators.htm>

Collects data from the IMF Government Statistics database and includes expenditures by economic sector, revenue by type, and vertical imbalance. The World Bank notes limitations in country coverage as well as the completeness and accuracy of data provided.

COUNTRY REPORTS AND OTHER QUALITATIVE DATA

Quite often, federalism scholars ask questions that require qualitative data to analyze. A variety of resources exist for expert-generated country reports and rich case studies. Watts 1999 and Elazar 1994 are useful handbooks. The **Forum of Federations** is a large repository of background information on federal countries. **Eldis** aggregates country reports about the developing world with a section dedicated to local governance and decentralization. The Council of Europe's **Country Reports on the Structure and Operation of Local and Regional Authorities** and the European Union Committee of the Region's **Division of Powers** gives country-specific data on assignment of competences for European countries. Finally, the **Comparative Constitutions Project** documents constitutional change and allows for comparative institutional analysis across a number of countries.

Council of Europe, *Country Reports on the Structure and Operation of Local and Regional Authorities* [http://www.coe.int/t/dgap/localdemocracy/WCD/Structure_Operation_Complete_Series_en.asp]

Separate reports for each of the 47 members of the Council of Europe, surveying the structure and operation of local and regional democracy, including information about the institutional arrangements, status of elected representatives, elections, finance, and distribution of competences.

**Comparative Constitutions Project* [<http://www.comparativeconstitutionsproject.org/>]*

This project compiles chronologies of constitutional change across a broad set of countries and provides English translations of constitutional events, allowing researchers to trace pathways of constitutional development across comparative contexts.

Eldis, *Country Profiles and Decentralization and Local Government Reports* and [www.eldis.org]

An online repository for policy reports and data concerning the developing world. Their section on decentralization and local government may be of particular interest to scholars of federalism, as well as their country and region profiles.

Elazar, Daniel J. 1994. *Federal Systems of the World: A Handbook*. London: Longman.

Elazar's catalog of federal and quasi-federal systems is an encyclopedic reference. Individual country reports include brief characterizations of constitutional principles and design, general features of the government, and an assessment of the federation's political culture.

European Union Committee of the Regions, *Division of Powers*.

[<http://extranet.cor.europa.eu/divisionpowers/Pages/default.aspx>]

A menu-driven tool to look up the assignment of competences for all European Union member states, candidate states, and potential candidates.

Forum of Federations, *Federalism by Country*, [<http://www.forumfed.org/en/index.php>]*

An international governance organization founded by Canada and with nine other participating federal systems. In addition to providing consultation to federal systems worldwide, the Forum of Federations is a central repository of background information on federalism and federations. Profiles of federal countries are available, as are reports on topics related to federal governance.

The "Federalism Library" contains reports in a number of languages. It is an excellent source for country-specific analysis.

International Association of Centers for Federalism Studies, *Country Reports*
[<http://www.iacfs.org/index.php?page=80&lang=0>]

A global association of 25 university-hosted centers for federalism studies. Member centers periodically post updated country reports. The site also provides links to the publications of all member centers.

Watts, Ronald L. 1999. *Comparing Federal Systems*. Montreal: McGill-Queens University Press. Second edition.

This monograph provides an overview of the variety of federal systems that exist in the world today.

JOURNALS

Scholarship on federalism spans a wide range of fields, from economics to political science to public policy to law, and therefore publications often appear in more general interest field journals. However there are several English-language journals either dedicated primarily to federalism or that frequently publish articles on federalism.

Journal of Common Market Studies, John Wiley & Sons.

Focusing particularly on European integration and European Union policy and politics, the *Journal of Common Market Studies* is published six times annually and peer reviewed. It has a strong presence in both political science and economics, and often publishes analyses of particular countries or policies.

Perspectives on Federalism. Centre for Studies on Federalism, Collegio Carlo Alberto, Turin.

A free online journal launched in 2009, including peer-reviewed submissions as well as topical reports from specialists. It is published three times annually at <http://www.on-federalism.eu/index.php> .

Publius: The Journal of Federalism. Oxford University Press Journals.

Publius publishes articles on federalism in theory and practice. As an international journal it is an outlet for both United States domestic applications and comparative federalism. Each year it publishes a review of the state of American federalism. It is sponsored by the section on Federalism and Intergovernmental Relations of the American Political Science Association. It is peer-reviewed and published quarterly.

Regional and Federal Studies. Taylor & Francis Group.

A quarterly peer-reviewed journal publishing articles on divided authority and multi-level government. The journal is a particularly strong source for issues related to European regional governance.

DEFINITIONS OF FEDERALISM

Definitions of federalism generally fall into one of two categories: they either treat federalism as an indefinite segment on a continuum of sub-types or as a type of governance distinguishable from other

forms of decentralization. In the first category, federalism falls along an axis of decentralization, so that one might move from a unitary system, to decentralized administration, to federalism, to a confederation by turning a dial on how much authority is meted out to the national and subnational governments (Wheare 1964, cited in ****General Overviews****). Riker's 1964 (cited in ****General Overviews****) definition ties each level's autonomy to a constitutional guarantee, but otherwise shares Wheare's definition. Given that in nearly all domains and nearly all federal systems, authority is shared between levels (as Grodzins 1966 made clear with his memorable marble cake analogy), with these representations, distinguishing federalism from its nearest neighbors---administrative decentralization and confederation---is a judgment of the analyst. Halberstam 2012 improves upon the Rikerian definition by specifically incorporating shared authorities: federalism is "the coexistence within a compound polity of multiple levels of government each with constitutionally grounded claims to some degree of organizational autonomy and jurisdictional authority."

The second category of federalism definitions posits federalism as qualitatively distinct from both decentralized administration and the confederacy. The distinction arises not based on the degree of decentralization but instead on the relationship between the triumvirate of national government, state governments, and the people they govern. In these definitions, a system of government is federal if both levels of government have a direct relationship with the people and neither one may dissolve the other (Madison, *Federalist* 39, Bednar 2009, both cited under ***General Overviews***). In a direct relationship, the government has authority to design and implement policy that directly affects the public, and the public holds that level of government accountable for those decisions, generally through an electoral connection. Although accountability is possible in authoritarian systems, this definition is most amenable to the study of democratic federations.

An advantage of a precise definition of federalism is that it opens a research space for analyses of why federations fail to meet expectations of multilevel governance, as well as why some systems are federal in practice, despite lacking formal provisions to structure them as federations.

In addition to the distinctions above, increasingly, scholarship probes asymmetries in the distribution of authority between subnational governments, where some subunits are endowed with greater authority than others (eg Benz 1999, Burgess 2006 ****Cited under General Overviews****, Congleton 2006, Elazar 1987, Stepan 1999, Swenden 2002).

Benz, Arthur. 1999. "From Unitary to Asymmetric Federalism in Germany: Taking Stock after 50 Years." *Publius: The Journal of Federalism* 29(4):55-78.

Distributive conflicts, including asymmetries between East and West Germany, affected the development of the German federal system as well as the formation of a regionalized party system.

Congleton, Roger D. 2006. "Asymmetric Federalism and the Political Economy of Decentralization." E. Ahmad, ed. *Handbook of Fiscal Federalism*.

An overview to the theory and practice of asymmetric federalism, where bargaining power imbalances derived from fiscal asymmetries results in authority asymmetries.

Elazar, Daniel J. 1987. *Exploring Federalism*. Tuscaloosa: University of Alabama Press.

Federations may be asymmetric or symmetric in character. In asymmetric federations, the central government typically has different structural relationships with individual subnational governments or groupings of subnational governments. In symmetric federations, the central government has the same underlying structural relationship with all subnational governments.

Grodzins, Morton. 1966. *The American System: A New View of Government in the United States*. Chicago: Rand McNally & Company.

A classic rejection of the dual federalism model, which posited that competences were neatly divided between levels of government. Instead, federalism in the United States resembles a “marble cake”, with federal and state governments sharing authority in important policy domains.

Halberstam, Daniel. 2012. “Federalism: History, Policy, Law,” in M. Rosenfeld and A. Sajo, *The Oxford Handbook of Comparative Constitutional Law*. Oxford, UK: Oxford University Press.

More than an overview of federalism theory, the article repairs several inconsistencies, delves deeply into the theory of subsidiarity, and proposes parallels between federalism and difference scales of governance, from local to global.

Stepan, Alfred. 1999. “Federalism and Democracy: Beyond the U.S. Model.” *Journal of Democracy* 10(4):19-34.

An article distinguishing federalism along several dimensions: as *demos-enabling* or *demos-constraining* (encouraging democratic participation or limiting the effects of majoritarianism); *holding together* or *putting together* (depending on the initial motivation for the federal union) and symmetric or asymmetric.

Swenden, Wilfried. 2002 "Asymmetric federalism and coalition-making in Belgium." *Publius: The Journal of Federalism* 32(3):67-88.

Swenden uses the case of Belgium’s asymmetric federalism to argue that the concept of asymmetry must include an understanding of the party system.

FEDERALISM’S PURPOSE AND PERFORMANCE

Federalism is commonly theorized as a means of organizing a polity to achieve goals, particularly military security, improved economic performance, and governance of a diverse population. It is frequently seen as an independent variable whose presence might remedy a host of economic and political challenges (Inman and Rubinfeld 1997, Bednar 2009, cited above). Even ranking the various priorities of government—security, economic growth, and political representation—may challenge a diverse society, and federalism provides an opportunity for localized expression of values (Kincaid 1995).

Inman, Robert P. and Daniel L. Rubinfeld. 1997. “Rethinking Federalism.” *Journal of Economic Perspectives* 11(4):43-64.

Inman and Rubinfeld weigh three models of federalism: economic, cooperative, and democratic, according to the differing principles of economic efficiency, political participation, and liberty. Setting up the institutions to establish each involves hard choices to manage competing priorities. The article concludes with an analysis of the 1996 welfare reform in the United States, arguing that the model of cooperative federalism best accounts for the decentralization of welfare policy.

Kincaid, John. 1995. Values and Value Tradeoffs in Federalism. *Publius: The Journal of Federalism* 25 (2): 29-44.

A defense of the practical merits of federalism. Many economic and political choices have tradeoffs without a “one-size-fits-all” solution. The decentralization inherent in federalism allows for customized solutions.

Economic Growth

Under some conditions federalism may encourage economic growth. Weingast 1995, Montinola et al. 1995, and Qian and Weingast 1997 identify “market-preserving” conditions under which federalism stimulates economic growth by constraining overspending. Wibbels 2000 analyzes economic performance data and finds that in developing countries, federalism dampens economic performance because subnational governments are insufficiently restrained. Braun and Trein 2014 examine the resilience of federal systems to economic shocks.

Braun, Dietmar and Philipp Trein. 2014. “Consolidation Policies in Federal Countries,” in Armingeon, Klaus (eds.), *Staatstätigkeiten, Parteien und Demokratie*. Festschrift for Manfred G. Schmidt. Wiesbaden: Springer - Verlag für Sozialwissenschaften.

In response to fiscal crisis, federal systems have a particular disadvantage, as policy must be coordinated across all government units with fiscal responsibility. In examining recovery strategies across eleven systems to the 2008-09 fiscal crisis, Braun and Trein find that those systems with strong institutional safeguards to constrain subnational spending were most successful and were least likely to lead to alterations in the federal-state balance of authorities.

Montinola, Gabriella, Yingyi Qian, and Barry R. Weingast. 1995. Federalism, Chinese Style: The Political Basis for Economic Success. *World Politics* 48 (1): 50-81.

The logic of market-preserving federalism is used to understand economic growth in China.

Qian, Yingyi and Barry R. Weingast. 1997. “Federalism as a Commitment to Preserving Market Incentives.” *Journal of Economic Perspectives* 11 (4): 83-92.

Market-preserving conditions can be sustained by utilizing federalism to prevent central governments from compromising on future successes and bailing out future failures.

Weingast, Barry R. 1995. The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Development. *Journal of Law, Economics, and Organization* 11: 1-31.

Economic growth depends upon governmental enforcement of contracts and prudent extraction (but not overextraction) of rents from society. However, governments that are powerful enough to enforce contracts can also extract excessive rents, reducing economic growth. This paper posits that federalism can “preserve markets” and facilitate growth by allocating monetary policy authority and contract enforcement to the central governments and setting fiscal policy authority at the subnational level, where governments face hard budget constraints.

Wibbels, Erik. 2000. “Federalism and the Politics of Macroeconomic Policy and Performance.” *American Journal of Political Science* 44(4):687-702.

With economic data from 46 developing countries from 1979 to 1995, Wibbels demonstrates empirically the importance of institutions that incentivize subnational governments to practice fiscal discipline.

Economic Efficiency

Related to economic growth, economic efficiency is concerned with the appropriate allocation of expenditures and revenues, as well as, more generally, with the size of government and the allocation of authority. In Tiebout 1956, decentralization coupled with citizen mobility leads to subnational government efficiency; Hayek 1939 describes the same advantage in constraining subnational taxation, and argues also that organized subnational interests limit federal legislation. Oates 1972 builds on Tiebout’s analysis

and formalizes the principle of subsidiarity, arguing that policymaking should be conditionally decentralized as long as policies produce no externalities. Hooghe and Marks 2009 reverse the question, investigating to what extent efficiency concerns drive the allocation of authority across levels of government, and Kollman et al. 2000 derive conditions for optimal assignment of authority based upon centralized versus decentralized search for policy solutions.

Brennan and Buchanan 1980 argue that federalism reduces the size of government, but Oates 1985 finds no empirical support for the claim. Intergovernmental transfers can introduce perverse incentives and spending inefficiencies, including a phenomenon known as the “flypaper effect”: money sticks where it hits, rather than substituting for local expenditures. Gramlich 1969 and Courant et al. 1979 discuss the “flypaper effect” and how it has the potential to reduce the efficiency gains of decentralization.

Brennan, Geoffrey & James Buchanan. 1980. *The Power to Tax: Analytical Foundations of a Fiscal Constitution*, New York: Cambridge University Press.

Positing the leviathan thesis of centralized governance, optimally fiscal authority is decentralized to control the size of government.

Courant, Paul, Edward Gramlich, and Daniel Rubinfeld. 1979. The Stimulative Effects of Intergovernmental Grants: Or Why Money Sticks Where It Hits, in P. Mieszkowski and W. Oakland, eds. *Fiscal Federalism and Grants-in-Aid*, Washington DC: Urban Institute Press.

The authors give a rationale for why the flypaper effect occurs. Local government officials can spend federal grant money without voter oversight while they cannot do the same for monies that come through local sources. The result suggests that the flypaper effect can blunt economic gains from federalism.

Gramlich, Edward. 1969. State and Local Governments and Their Budget Constraint. *International Economic Review* 10 (June): 163-82.

A discussion of the essence of what would later be called the “flypaper effect”: that state governments tend to spend unconditional grant money rather than use it in a more efficient manner.

Hayek, Friedrich. 1939. “The Economic Conditions of Interstate Federalism,” *New Commonwealth Quarterly* 5(2):131-49.

The advantages of a common market include reducing a state’s ability to tax, as capital and labor would be motivated to move elsewhere, and the division of interests between states makes federal legislation more difficult to pass. Overall, the effect of federalism is to reduce the size and interventions of the government.

Hooghe, Liesbet and Gary Marks. 2009. “Does Efficiency Shape the Territorial Structure of Government?” *Annual Review of Political Science* 12:225-41.

Using three conceptions of efficiency: technical, allocative, and jurisdictional, Hooghe and Marks explain regularities in the territorial division of authorities.

Kollman, Ken, John Miller, and Scott Page. 2000. “Decentralization and the Search for Policy Solutions.” *Journal of Law, Economics, and Organization* 16 (1): 102-28.

The authors derive conditions for optimal allocation of policy-making assignments between states and federal government. States can solve moderately difficult problems better than the central government because of the diversity of their policy experimentation. However, centralization is necessary to efficiently solve problems of high difficulty due to greater government capacity.

Oates, Wallace E. 1972. *Fiscal Federalism*. New York: Harcourt, Brace, and Jovanovich.

A book that takes Tiebout's argument of beneficial intergovernmental competition and contends that policy should be decentralized unless cost savings accrue from centralization or decentralization generates undesirable externalities. This finding is called Oates's Decentralization Theorem and undergirds the concept of subsidiarity, or a conditional preference for decentralized government.

Oates, Wallace E. 1985. "Searching for Leviathan: An Empirical Study." *American Economic Review* 75(4):748-57.

Testing the hypothesis that local financial control should reduce the public sector, Oates finds little support for the thesis in a cross-national study as well as a study of the American states.

Tiebout, Charles M. 1956. A Pure Theory of Local Expenditures. *Journal of Political Economy* 64 (5): 416-24.

This paper utilizes the theory of the firm to argue that citizens express their political preferences through relocation ("voting with their feet") in the same way consumers choose products. The insight explains two phenomena: local government efficiency and community differentiation.

Deficit Reduction

The economic growth literature relies heavily on federalism's potential to instill fiscal discipline among subnational governments. Interstate competition encourages fiscal discipline, but it is also necessary that states face a hard budget constraint. Therefore the federal government must be able to credibly commit not to bail out states that run a budget deficit. Weingast 1995 (cited above) establishes the theory, supported empirically by Rodden 2002, while Rodden 2006 says that the federal government's ability to resist bailing out the states is a function of party politics. Jones et al 2000 demonstrate in Argentina that a strong party system can create incentives for subnational fiscal discipline. Qian and Roland 1998 describe how the central government can influence subnational governments to observe prudent spending practices.

Jones, Mark P., Pablo Sanguinetti, and Mariano Tommasi. 2000. "Politics, Institutions, and Fiscal Performance in a Federal System: An Analysis of the Argentine Provinces." *Journal of Development Economics* 61:305-333.

In Argentina, fiscal transfers from the central government to the provinces leads to overspending, but the tendency to overspend is curbed by party discipline. The authors find that when the provincial governor and the Argentine president are of the same party, the province is fiscally more disciplined.

Rodden, Jonathan. 2002. "The Dilemma of Fiscal Federalism: Grants and Fiscal Performance around the World." *American Journal of Political Science* 46(3):670-687.

A cross-national study supporting the thesis that subnational governments are more likely to balance their budgets when they either face centrally-imposed borrowing restrictions or have significant revenue and expenditure autonomy. Intergovernmental transfers reduce subnational and overall fiscal performance.

Rodden, Jonathan. 2006. *Hamilton's Paradox: The Promise and Peril of Fiscal Federalism*. New York: Cambridge University Press.

A federal government's ability to commit to not bailing out states---necessary to induce fiscal prudence---is dependent on party politics and voter expectations. Rodden includes an extended study of Germany and Brazil.

Qian, Yingyi and Gerard Roland. 1998. Federalism and the Soft Budget Constraint. *American Economic Review* 88 (5): 1143-62.

High factor mobility and central control over monetary policy must be present to reduce incentives to bail out subnational governments, thereby improving fiscal discipline.

Corruption

Governmental efficiency brought about by Tiebout-style voter mobility also undergirds claims that federalism reduces corruption because intergovernmental competition sets limits on how much governments can tax, reducing opportunities for corruption and waste (Brennan and Buchanan 1980, cited in ****Economic Efficiency****). Gatti and Fisman 2000 empirically show that corruption tends to be lower in decentralized versus centralized countries, and Bohara et al. 2004 identify citizen involvement as a key mediator that influences the relationship between federalism and corruption. Myerson 2006 argues that federalism minimizes corruption during democratic transitions because politicians in at lower levels have an incentive to lead honestly in order to progress to higher offices. On the other hand, Cai and Treisman 2004 suggest that internal competition among subnational governments can increase corruption when subnational governments help firms to avoid taxation.

Bohara, Alok, Neil Mitchell, and Carl Mittendorf. 2004. Compound Democracy and the Control of Corruption: A Cross-Country Investigation. *Policy Studies Journal* 32 (4): 481-499.

The authors determine that citizen involvement can make federalism less amenable to corruption by making reelection-seeking politicians more accountable to the public.

Cai, Hongbin and Daniel Treisman. 2004. State Corroding Federalism. *Journal of Public Economics* 88 (3-4): 819-43.

Federalism potentially increases corruption if subnational governments can shield firms from complying with central tax and regulatory policies. Here, intergovernmental competition leads to a race to provide favorable treatment to firms.

Gatti, Roberta and Raymond Fisman. 2000. "Decentralization and Corruption: Evidence across Countries." *Journal of Public Economics* 83 (3): 325-45.

The authors find empirical backing for the notion that decentralization is associated with lower levels of corruption and argue that the origin of a country's legal system serves as an instrument of that country's level of decentralization.

Myerson, Roger. 2006. Federalism and Incentives for Success in a Democracy. *Quarterly Journal of Political Science* 1: 3-23.

Federalism, when compared to unitary government, can reduce corruption among politicians by increasing incentives for politicians to be honest. The argument depends upon progressive ambition of officeholders: In a federal system, politicians at subnational levels can develop reputations for honesty and use these to challenge politicians at central levels of government. The effect of this possibility can decrease the corruption of federal systems.

Redistribution and Unified Policy-making in Federal Systems

Federal systems appear to be less redistributive, on the whole, than unitary systems. Hicks and Swank 1984 demonstrate that federal systems provide fewer public goods relative to non-federal systems. Castles 1989 determines that educational spending is lower in federal compared to non-federal systems. Crepaz 2001 articulates how federalism can fundamentally weaken the redistributive capacity of the state. Finally, there is the familiar problem of subnational governments free-riding and burden-shifting their problems onto others. Particularly, as Peterson 1995 shows, policies with positive externalities are underprovided, meaning that redistributive policies like health care or welfare are not provided at levels that the electorate might support out of fear that their states may become “welfare magnets.” Turning to legal systems analysis, federal systems vary considerably in the extent that laws within their systems converge to a uniform standard, Halberstam and Reimann 2014 find.

One possible explanation for the policy divergence in federal systems is that the systems are not equivalently structured. Dixit and Londregan note the interactive effects between federal and state policy-making even when fiscal policy appears to be separated; the interaction can distort incentives. Beramendi 2012 develops a thorough argument tying redistributive policies to representation schemes, regional inequities, and voter and capital mobility. Obinger et al 2005 combine public choice and institutionalist perspectives to guide the framing and interpretation of six welfare states.

Beramendi, Pablo. 2012. *The Political Geography of Inequality: Regions and Redistribution*. New York: Cambridge University Press.

Patterns of redistribution in federal countries can be explained by “economic geography”: inequality between regions coupled with the mobility of wealthy residents and capital. The theory is used to explain fiscal structures in the European Union, the United States, Germany, and Spain.

Castles, Francis. 1989. Explaining Public Education Expenditure in OECD Nations. *European Journal of Political Research* 17 (4): 431-448.

This article offers an explanation into variation in educational expenditures across OECD countries and suggests that federal countries spend less on public education compared to non-federal countries.

Crepaz, Markus. 2001. Veto Players, Globalization, and the Redistributive Capacity of the State: A Panel Study of 15 OECD Countries. *Journal of Public Policy* 21 (1): 1-22.

As the number of veto players in a government increases, the ability of that government to redistribute resources is diminished. An extrapolation of this message is that federal states—which tend to have higher numbers of veto players compared to non-federal states—have lower redistributive capacity than non-federal states.

Dixit, Avinash and John Londregan. 1998. “Fiscal Federalism and Redistributive Politics.” *Journal of Public Economics* 68:153-180.

A formal analysis of redistributive policy in federal systems, benchmarked against unitary systems. Federal transfers to the states can be reallocated according to state priorities. This interactive effect can dampen national support for federal transfers, leading to inefficiencies or underprovision of policy.

Halberstam, Daniel and Mathias Reimann, eds. 2014. *Federalism and Legal Unification: A Comparative Empirical Investigation of Twenty Systems*. New York: Springer. (Analytical overview available at <http://ssrn.com/abstract=1557690>)

Uniformity of laws within a federal state is important to reduce transaction costs and improve the general functionality of a legal system. Halberstam and Reimann survey country experts to determine the extent of legal uniformity across 20 federal and quasi-federal systems. Concentration of legislative authority is the strongest factor contributing to legal uniformity, but parliamentary systems, centralized party systems, and the civil law tradition are all also unifying factors. The book includes country studies for each of the 20 federations, written by country-specific legal experts.

Hicks, Alexander and Duane Swank. 1984. On the Political Economy of Welfare Expansion: A Comparative Analysis of 18 Advanced Capitalist Democracies, 1960-1971. *Comparative Political Studies* 17 (1): 81-119.

The authors search for the causes of welfare state contraction and expansion and identify that federal countries have noticeably diminished welfare states compared to non-federal countries.

Obinger, Herbert, Stephen Leibfried, and Francis G. Castles, eds. 2005. *Federalism and the Welfare State: New World and European Experiences*. Cambridge: Cambridge University Press.

This edited volume presents case studies of the welfare states in six federations: Australia, Austria, Canada, Germany, Switzerland, and the United States, to understand under what circumstances federal systems retrench or limit redistribution.

Peterson, Paul. 1995. *The Price of Federalism*. Washington DC: Brookings Institution Press.

Due to interstate competition, subnational governments are likely to underprovide services that are regarded as not providing tangible benefits to taxpayers. An example of such a service is welfare, and Peterson believes subnational governments “race to the bottom” in supplying welfare to prevent increases in welfare caseload size. Peterson recommends that the national government take over responsibility of providing redistributive services like welfare.

Policy Innovation and Diffusion

Perhaps one of the biggest advantages of federalism is that it can engender innovative policymaking at the subnational level. Brandeis 1932 describes how the decentralization fostered by federalism turns subnational governments into “laboratories” of policy experimentation. Two early empirical works provide the foundation for modern policy innovation and diffusion studies: Walker 1969 uncovers when subnational governments are likely to be experimental in policymaking while Gray 1973 evaluates how policies “diffuse” or spread from state to state. Berry and Berry 1990 suggest that policies diffuse in accordance with geographic proximity, and Case et al show how policies spread non-geographically, between states that are economically similar. Shipan and Volden 2006 find that policies also diffuse vertically, from municipalities to states, based on various political mechanisms. Shipan and Volden 2008 identify four mechanisms of policy diffusion. Cai and Treisman 2009 argue that subnational governments in federal countries may copy one another rather than innovate.

Berry, Frances Stokes and William D. Berry. 1990. State Lottery Adoptions as Policy Innovations: An Event History Analysis. *American Political Science Review* 84 (2): 395-415.

Event history analysis is exploited to determine that policies often diffuse among geographically adjacent states.

Brandeis, Louis. 1932. Dissent. *New State Ice Company versus Liebmann*, 285 U.S. 262.

Brandeis identifies what he sees as one of the key virtues of federalism: that subnational governments can innovate in policymaking without jeopardizing the welfare of the country at large.

Cai, Hongbin and Daniel Treisman. 2009. Political Decentralization and Policy Experimentation. *Quarterly Journal of Political Science* 4 (1): 35-58.

Decentralization may induce copycatting rather than innovation since officials in subnational governments find copying to be less risky than crafting novel policy.

Case, Anne, James Hines, and Harvey Rosen. 1994. Copycatting: Fiscal Policies of States and Their Neighbors. *NBER Working Paper* 3032.

In this paper, the authors demonstrate that fiscal policies can diffuse to both adjacent and nonadjacent states that share similar traits. Policy diffusion is not limited to geographically contiguous neighbors.

Gray, Virginia. 1973. Innovation in the States: A Diffusion Study. *American Political Science Review* 67: 1174-85.

Gray highlights a distinct S-shaped pattern to the form with which policies diffuse across the states. Policies diffuse among innovators, then rapidly among the bulk of states, and finally among laggards.

Shipan, Charles R. and Craig Volden. 2006. "Bottom-Up Federalism: The Diffusion of Antismoking Policies from U.S. Cities to States." *American Journal of Political Science* 50(4): 825-43.

With evidence from adoption of antismoking policies in the United States, the authors show that policies may diffuse vertically, with states learning from municipalities.

Shipan, Charles R. and Craig Volden. 2008 "The Mechanisms of Policy Diffusion." *American Journal of Political Science* 52(4): 840-57.

Shipan and Volden distinguish four mechanisms of policy diffusion: learning, economic competition, imitation, and coercion. With evidence of municipal adoption of antismoking policies, they demonstrate that these mechanisms are conditional, with larger cities more likely to learn but also less likely to rely on imitation.

Walker, Jack L. 1969. The Diffusion of Innovations among the American States. *American Political Science Review* 63: 880-99.

This paper explains why some states are more innovative than others. States with large industrial sectors and urbanized populations are found to be more innovative than states lacking these features.

Peace-Preserving Federalism

When federalism decentralizes authorities it has the potential to defuse tensions between geographically-clustered groups, giving it "peace-preserving" qualities. Kymlicka 1998 and Stepan 1999 (cited in ****Definitions of Federalism****) cite asymmetric federalism as a method for appeasing minority concerns. Yet the evidence on whether federalism fosters peace in multiethnic countries is mixed (Amoretti and Bermeo 2004, Horowitz 1985, Erk and Anderson 2009, Zuber 2011). Brancati 2006 provides evidence that ethnically aligned political parties can hijack the peace-preserving benefits of federalism and Christin and Hug 2012 find that conflict is more likely in federations with arrangements to accommodate ethnic

diversity. Hale 2004 argues that a dominant ethnicity exacerbates the likelihood of conflict in a multiethnic federation.

Amoretti, Ugo M. and Nancy Bermeo, eds. 2004. *Federalism and Territorial Cleavages*. Baltimore: Johns Hopkins Press.

An edited volume of case studies of the success (or failure) of accommodation policies in twelve federal and quasi-federal systems as well as several analytical comparative essays.

Brancati, Dawn. 2006. Decentralization: Fueling the Fire or Dampening the Flames of Ethnic Conflict and Secessionism? *International Organization* 60: 651-85.

Brancati confronts the view that federalism preserves peace by showing that regionally based political parties can accentuate ethnic differences for political gain, weakening the federation and threatening peace.

Christin, Thomas and Simon Hugs. 2012. "Federalism, the Geographic Location of Groups, and Ethnic Conflict." *Conflict Management and Peace Science* 29(1):93-122.

Christin and Hug exploit spatial data to assess the effect of ethnic group dispersion on conflict in federations. Federal systems with more accommodations for ethnic groups are more likely to experience conflict.

Erk, Jan and Lawrence Anderson. 2009. "The Paradox of Federalism: Does Self-Rule Accommodate or Exacerbate Ethnic Divisions?" *Regional and Federal Studies* 19(2):191-202.

In this introduction to a special issue dedicated to peace-preserving federalism and secession, Erk and Anderson assess the competing claims about the effect of federalism on minority integration.

Hale, Henry. 2004. *Divided We Stand: Institutional Sources of Ethnofederal State Survival and Collapse*.

Hale points out here that federalism may decrease the likelihood of ethnic conflict but this ameliorative effect occurs only if core ethnic groups cannot dominate the federation and antagonize smaller groups.

Horowitz, Donald. 1985. *Ethnic Groups in Conflict*. Berkeley, CA: University of California Press.

In this book, Horowitz affirms the idea that federalism can exacerbate ethnic conflict and recommends that federal structures in multiethnic contexts emphasize crosscutting rather than overlapping cleavages.

Kymlicka, William. 1998. Is Federalism a Viable Alternative to Secession? In P. Lehning, ed. *Theories of Secession*, London: Routledge.

Asymmetric federalism can defuse tensions in a multiethnic federation by giving educational and linguistic autonomy to subnational governments.

Zuber, Christina I. 2011. Understanding the Multinational Game: Toward a Theory of Asymmetrical Federalism. *Comparative Political Studies* 44 (5): 546-71.

Asymmetric federalism is often utilized in multiethnic states; Zuber identifies how asymmetric federalism is potentially unstable.

Secession

While secessionist movements are intuitively ascribed to identity conflict (eg. Kymlicka), several formal models (Alesina and Spolaore 1997, Bolton and Roland 1997) and recent empirical work on secession questions that premise, suggesting that separatist movements are related to calculations of economic gain (Collier and Hoeffler 2005). Deiwiks et al 2012 confirm that separatist movements are more likely to form in regions that are either much poorer or richer than other regions in the federation. Bednar 2007's formal analysis establishes that as secession costs decline, federal systems perform less well and may not even form. Sunstein 1991 argues that secession clauses destabilize emerging democracies, while Hechter 1992 argues that due to the significant collective action problem that regional governments need to overcome to wage a separatist movement, secession will remain rare.

Alesina, Alberto and Enrico Spolaore. 1997. "On the Number and Size of Nations." *Quarterly Journal of Economics* 112(4):1027-1056.

Alesina and Spolaore weigh the advantages of country size (market, increasing returns to scale of public goods) against the disadvantages (eg., political discord from heterogeneity). As economic integration increase, the advantages of size decrease and so the number of countries will increase, an effect that is exacerbated by democratization. The number of nations is inefficient; democratization leads to inefficient secession.

Bednar, Jenna. 2007. "Valuing Exit Options." *Publius: The Journal of Federalism* 37(2):190-208.

In every federal system, subnational governments have the ability to secede, whether or not they have a legal right. In many cases the exit option---secession---is costly. Bednar argues that the performance of a federal system is directly related to the cost of subnational exit. High costs of secession improve compliance and productivity, while low- to medium-cost secession options reduce performance. In cases of low cost exit options, potentially beneficial unions may fail to form.

Bolton, Patrick and Gerard Roland. 1997. "The Breakup of Nations: A Political Economy Analysis." *Quarterly Journal of Economics* 112(4):1057-1090.

A formal analysis establishing that regional income inequity leads to secession, but the incentives to separate decrease with internal factor mobility.

Collier, Paul and Anke Hoeffler. 2005. "The Political Economy of Secession." In *Negotiating Self Determination*, ed. H Hannum, EF Babbitt. Lanham, MD: Lexington Books.

Secession movements are often couched in terms of distinct political identity, but the authors suggest that this identity is a creation of economic advantages. Secession will be promoted when the seceding unit stands to gain economically.

Deiwiks, Christa, Lars-Erik Cederman, and Kristian Skrede Gleditsch. 2012. "Inequality and Conflict in Federations." *Journal of Peace Research* 49(2):289-304.

In an empirical study of 31 modern federations, the authors find that secessionist conflict is more likely in federations with greater interregional wealth inequality, and the regions that are both relatively more developed and relatively less developed than the federation's average are more likely to be engaged in secessionist conflict than those nearer to the federation's regional average.

Hechter, Michael. 1992. "The Dynamics of Secession." *Acta Sociologica* 35(4):267-83.

Secession is a collective decision. Given the numerous competing interests party to the decision, collective agreement to secede is difficult. The difficulty of collective choice helps to explain the rarity of secession.

Kymlicka, Will. 1998. "Is Federalism a Viable Alternative to Secession?" in Percy B. Lehning, ed, *Theories of Secession*. New York: Routledge.

Kymlicka distinguishes between two types of multicultural societies: multinational (essentially intact communities) and polyethnic (resulting from immigration). While federalism may be a viable means for accommodating multinational societies, it may only delay rupture in conflict-ridden polyethnic societies.

Sunstein, Cass. 1991. "Constitutionalism and Secession." *The University of Chicago Law Review* 58(2):633-70.

Emerging democracies in eastern Europe ought not include a secession right in their constitutions. To do so reduces the cost of secession threats, which will become a part of daily political practice, destabilizing the states. The downside of secession rights are not outweighed by the perceived advantage: to reduce majority tyranny.

Participation and Democratic Performance

The logic of the argument linking federalism to increased economic growth, increased policy innovation, and decreased corruption---relying on competition, progressive ambition, and exit options---has been extended to the issue of participation. Inman 2007 ties decentralization to increased protection of citizen rights and liberties. However, the rights-preserving and participation-increasing effects of federalism are contingent upon residents of subnational provinces having exit options in the form of mobility. Decentralization without citizen mobility can lead to the formation of "subnational autocracies," either comparatively, as described by Gibson 2005 and 2013, or within American political development, as described by Mickey 2014.

Gibson, Edward. 2005. Boundary Control: Subnational Authoritarianism in Democratic Countries. *World Politics* 58 (1): 101-32.

In this article, Gibson argues that authoritarian enclaves can develop within democratic countries. Subnational leaders more easily establish authoritarian rule if they are able to construct boundaries and restrict the mobility of citizens.

Gibson, Edward L. 2013. *Boundary Control: Subnational Authoritarianism in Federal Democracies*. New York: Cambridge University Press.

Expanding upon the conceptual themes of his 2005 article, Gibson exposes the fragility of democracy in federal states, where authoritarianism can persist at the subnational level. The theoretical work is supplemented by case studies of the United States, Mexico, and Argentina.

Inman, Robert. 2007. Valuing Federalism and Federalism's Values. *CESifo Economic Studies* 53 (4): 522-60.

This paper links increased decentralization to the preservation of citizen rights and liberties. Subnational governments have a strong incentive to protect citizen rights since aggrieved citizens can relocate to more tolerant provinces.

Mickey, Robert. 2014. *Paths out of Dixie: The Democratization of Authoritarian Enclaves in America's Deep South*. Princeton, NJ: Princeton University Press.

This book explores historical and institutional dynamics behind three examples of subnational autocracy in the United States: Georgia, Mississippi, and South Carolina.

Effect on the Party System

Federalism also affects the dynamics and structure of party systems. Riker 1964 (cited in **General Overviews**) and Kramer 2000 discuss how federal political parties preserve subnational interests at the national level. Filippov et al. 2004 lay out how integrated political parties, with interdependence between state and national party organizations, contribute to the strength of federalism. Jones et al. 2000 demonstrate using the example of Argentina that federally integrated parties can protect subnational governments from pandering to the whims of their subnational constituencies. Chhibber and Kollman 2004 link the degree of fiscal centralization in a federation and the number of effective political parties that operate in that federation. Samuels 2003 shows that in Brazil, the traditional party system hierarchy is inverted: state and local offices have higher prestige than federal offices.

Chhibber, Pradeep and Ken Kollman. 2004. *The Formation of National Party Systems: Federalism and Party Competition in Canada, Great Britain, India, and the United States*. Princeton, NJ: Princeton University Press.

Chhibber and Kollman link fiscal centralization to a decrease in the number of effective parties that operate in a federation. Absent fiscal centralization, parties are regionalized and high in number across federations. As fiscal centralization increases, parties become national in character and decrease in number.

Jones, Mark, Pablo Sanguinetti, and Marianno Tommasi. 2000. Politics, Institutions, and Fiscal Performance in a Federal System: An Analysis of the Argentine Provinces. *Journal of Development Economics* 61 (2): 305-33.

The authors use the example of Argentina to confirm that party discipline protects subnational politicians from engaging in pure pandering to subnational constituencies.

Kramer, Larry. 2000. Putting the Politics Back in the Political Safeguards of Federalism. *Columbia Law Review* 100: 215-93.

Kramer describes how state governments are protected and given voice in national policymaking through connections between state and national political parties.

Samuels, David. 2003. *Ambition, Federalism, and Legislative Politics in Brazil*. New York: Cambridge University Press.

Samuels' research inverts conventional wisdom about progressive ambition, where local and state politicians seek higher office by contesting federal offices. Samuels demonstrates that in Brazil, the more appealing offices are at the state and local levels, and federal officials use their offices as stepping stones to more regionalized roles.

UNDERSTANDING VARIATION IN FEDERAL PERFORMANCE

While federalism is often described as an independent variable whose presence facilitates socially desirable outcomes, it is also a dependent variable; the performance of the federal system is a function of whether jurisdictional disagreements can be adequately resolved. Resolving jurisdictional disagreements

is difficult under federalism because the boundaries between national and subnational authority are sometimes vague and contested, leading to conflicts over governmental responsibility. Safeguards define federal jurisdictional boundaries and police those boundaries, facilitating the resolution of jurisdictional conflicts and the strengthening of federal institutions. Yet even when a federal design is replete with safeguards, the ensuing federation is not static: national and subnational power levels change over time with consequences for the nature of policymaking. Overall, federalism has proven to have only a mixed ability to meet the theoretical expectations developed above (Treisman 2007.)

Treisman, Daniel. 2007. *The Architecture of Government: Rethinking Political Decentralization*. New York: Cambridge University Press.

Why Safeguards are Necessary

The jurisdictional conflicts associated with federalism are not easily solvable. In essence, federalism is a collective action problem, as Madison described long before the development of the phrase (see de Figueiredo and Weingast 2005 and Bednar 2006 for formal analysis). The practice of federalism is usually adversarial and often leads to inefficient policies (Scharpf 1988, Feeley and Rubin 2008). Sometimes both state and federal governments alike find it costly to adhere to the limits of their power as defined by the distribution of authority. Bednar 2009 (cited in ****General Overview****) characterizes federal jurisdictional conflict as inevitable, taking the form of shirking, burden shifting, and encroachment. The blurriness of federal boundaries can detract from the intended benefits of federalism, either by inducing inefficiency in policymaking as suggested by Volden 2005 or selfish credit claiming as suggested by Bednar 2007. Siegal and Cooter 2010 explain the U.S. federal constitution's enumeration of congressional powers in collective action terms.

Bednar, Jenna. 2006. Is Full Compliance Possible? Conditions for Shirking with Imperfect Monitoring and Continuous Action Spaces. *Journal of Theoretical Politics* 18(3):345-73.

Shirking in a federal context refers to when subnational governments intentionally do not fulfill their obligations to the federation. Bednar shows that monitoring can reduce shirking but that reaching full compliance (or eliminating shirking altogether) is impossible. The implication is that opportunism is inevitable in federal systems.

Bednar, Jenna. 2007. Credit Assignment and Federal Assignment. *Supreme Court Economic Review* 15: 285-308.

To explain the electoral conditions that lead to federal encroachment on state powers, this paper models the tradeoff between expected policy outcome and the distribution of possible outcomes; under different conditions, both a highly competent federal government and a struggling one will have an incentive to encroach on state policies, even when suboptimal, trading mean outcome for variance.

de Figueiredo, Rui, Jr. and Barry Weingast. 2005. "Self-enforcing Federalism." *Journal of Law, Economics, and Organization*. 21 (1): 103-35.

This paper discusses two "fundamental dilemmas" present in federalism: first, states (and equivalent subnational governments) desire to free ride off of one another and the national government; and second, the national government must be prevented from gaining too much power. The authors suggest that constitutions can establish ground rules that make navigating through the dilemmas feasible.

Feeley, Malcolm and Edward Rubin. 2008. *Federalism: Political Identity and Tragic Compromise*. Ann Arbor, MI: University of Michigan Press.

Federalism is a “tragic compromise,” conceived when different groups see that union creates benefits but refuse to give up autonomy as in the unitary case. Inevitably, it is less efficient than either a unitary system or a looser association.

Madison, James. 1999. “Vices of the Political System of the United States,” in Jack N. Rakove, ed. James Madison: Writings. New York: Library of America.

Madison details the weaknesses of the United States government under the Articles of Confederation, including a theoretical depiction of the noncompliance he witnessed captured in terms of a collective action problem. His list of weaknesses and diagnostic annotations preview his treatment of federalism in *The Federalist*.

Scharpf, Fritz. 1988. The Joint-Decision Trap: Lessons from German Federalism and European Integration. *Public Administration* 66 (3): 239-278.

Scharpf discusses how federalism can lead to sub-optimal policy creation as adversarial bargaining in the policy formulation process produces diluted and inefficient policy.

Siegel, Neil S. and Robert D. Cooter. 2010. “Collective Action Federalism: A General Theory of Article I, Section 8.” *Stanford Law Review* 68:115-185.

Rather than focus on an economic rationale for the division of powers established in Article 1, Section 8 of the U.S. Constitution, Siegel and Cooter argue that one can understand the optimality of the division in terms of using the federal dimension to overcome interstate collective action dilemmas.

Volden, Craig. 2005. Intergovernmental Political Competition in American Federalism. *American Journal of Political Science* 49 (2): 327-42.

Federalism’s blurred division of authority induces inefficient policymaking as subnational and national leaders oversupply public goods and services in pursuit of credit claiming.

Institutional Safeguards of Federalism

Safeguards contribute to the success of federalism by setting and enforcing jurisdictional boundaries of authority among different federal actors. Because internal competition over boundaries, which can reduce a federation’s performance, can come from both state and federal sources, safeguards assume a variety of forms and are often tailored to address specific types of challenges. Federalist 78 (Publius, cited above in ****General Overview****) introduces the concept of judicial safeguards: a constitutional court can review the appropriateness of government policymaking. Bednar and Eskridge 1995 affirm the recommendation of Federalist 78 and show how the Supreme Court enforces federal boundaries. Friedman and Delaney 2011 reconstruct the development of judicial review in the United States through Supreme Court oversight of state activity.

The judiciary is not the only safeguard available in the federal system: other safeguards include structural, political, popular, and intergovernmental (Bednar 2009, cited in ****General Overview****). In contrast to judicial safeguards, structural safeguards fragment authority and integrate subnational voices in national policymaking. The *Federalist*, particularly papers 39, 46, and 51, lays out the logic behind structural safeguards (Publius, cited in ****General Overview****). The states are heavily involved in federal-level policy-making in informal but important ways (Nugent 2009). Ordeshook and Shvetsova 1997 comparatively trace how federal design affects federal operation, emphasizing political safeguards---the

party system; their theory of integrated party systems is fully developed in Filippov et al 2004 (cited in **General Overview**). Finally, popular safeguards bring attention to the role of the public in adjudicating federal conflicts. Kam and Mikos 2007 analyze whether the public can effectively assume this role. Elazar 1966 is the classic resource identifying distinct political cultures in the American states.

While each safeguard is imperfect, under some conditions, as a system the safeguards may improve federal performance (Bednar 2009, cited in **General Overview**). De Figueiredo et al 2007 suggest how federal institutions can be designed to achieve balance between national and subnational levels of government, illustrating their argument with the Russian case. Voigt and Blume 2012 find that the institutional details matter significantly in explaining differences in outcomes between federal states, looking at economic performance, government effectiveness, and even the happiness of the citizens.

Bednar, Jenna and William Eskridge. 1995. Steadying the Court's Unsteady Path: A Theory of Judicial Enforcement of Federalism. *Southern California Law Review* 68: 1447-91.

The authors in this paper utilize positive political theory to articulate a theory of a federal commitment problem, where states and the federal government are motivated to encroach on one another's authority. Multiple safeguards exist to protect the constitutional boundaries of federalism, and how the Supreme Court's apparently erratic federalism doctrine may be understood in terms of failures of constitutional safeguards.

de Figueiredo, Rui, Jr., Michael McFaul, and Barry Weingast. 2007. Constructing Self-Enforcing Federalism in the Early United States and Modern Russia. *Publius: The Journal of Federalism* 37 (2): 160-89.

The authors apply the model developed in de Figueiredo and Weingast 1995 to Russia and the United States under the Articles of Confederation.

Elazar, Daniel J. 1966. *American Federalism: A View From the States*. New York: Thomas Y. Crowell Company.

Elazar describes the triad of political cultures that comprise the relationships and expectations that the public has with their government.

Friedman, Barry and Erin Delaney. 2011. Becoming Supreme: The Federal Foundation of Judicial Supremacy. *Columbia Law Review* 111 (6): 1137-1193.

In the United States, the Supreme Court earned its review powers of congressional legislation through prudent and consistent review of state legislation first; through its record it established the legitimacy and credibility that it needed to review actions by the U.S. Congress.

Kam, Cindy and Robert Mikos. 2007. Do Citizens Care about Federalism? An Experimental Test. *Journal of Empirical Legal Studies* 4 (3): 589-624.

In this paper, Kam and Mikos evaluate whether citizens care about the distribution of federal and state authority in addition to caring about policy outcomes. Evidence from the issue of physician-assisted suicide confirms that citizens are concerned about the distribution of governmental authority between the two levels of federal government.

Nugent, John D. 2009. *Safeguarding Federalism: How States Protect Their Interests in National Policymaking*. Norman, OK: Oklahoma University Press.

State officials routinely influence federal policy-making through lobbying and implementation.

Ordeshook, Peter and Olga Shvetsova. 1997. "Federalism and Constitutional Design." *Journal of Democracy* 8 (1): 27-42.

A well-designed federal constitution must be prepared for renegotiation of the federal boundaries. An integrated party system aligns incentives to make federalism self-enforcing, thereby promoting federal stability.

Voigt, Stefan and Lorenz Blume. 2012. "The Economic Effects of Federalism and Decentralization---A Cross-Country Assessment." *Public Choice* 151(1-2):229-254.

The article is a rejection of the use of federalism as a dummy variable in regression analyses: federations vary significantly dependent upon their institutional features. Voigt uses principle component analysis to identify institutional features correlated with differences in fiscal policy, government effectiveness, economic productivity, and happiness.

Dynamics in Federal-State Power

Much of the literature on federalism utilized equilibrium analysis to specify a "correct" ratio of national versus subnational power that, when coupled with appropriate safeguards, can lead to ideal outcomes. This type of analysis, based on a static equilibrium, cannot capture the dynamics of national and subnational power, where relative authority is in flux. A number of scholars have added federal-state dynamics into the conversation about federal durability, showing how federations (and safeguards) can evolve to meet new challenges. Banting and Simeon 1985 argue that constitutional change can provide federations with the needed flexibility to adapt to new challenges. Simeon 2001 details how federations can evolve without overt constitutional change, as reinterpretations of existing constitutional arrangements demonstrate. Friedman 2010 discusses how interaction between the Court and public opinion can lead to federal change. Erk 2008 uses the example of European integration to argue that the makeup of a society shapes the distribution of authority in that society's institutions. Parikh and Weingast 1997 illustrate that fights over the distribution of authority in federations are entangled with political competition. Pierson 1996 argues that institutional design affects social change. And most recently, Kollman 2013 describes the near-inevitability of centralization in federal systems if national authority becomes more concentrated, as it has a tendency to do. Despite these advances, theorizing about federal dynamics remains an open field. Benz and Broschek 2013 begins to fill that gap, but I expect much important work on federal dynamics to emerge in the coming years.

Banting, Keith and Richard Simeon. 1985. *Redesigning the State: The Politics of Constitutional Change*. Toronto: University of Toronto Press.

Banting and Simeon identify constitutional change as a way to initiate evolution in a federal system.

Benz, Arthur and Jörg Broschek. 2013. *Federal Dynamics: Continuity, Change, and the Varieties of Federalism*. Oxford, UK: Oxford University Press.

An edited volume that aims to fill the gap in the federalism literature by drawing together a wide range of scholars of comparative federalism each contributing a reflection on federal dynamics and its different forms.

Erk. Jan. 2008. *Explaining Federalism: State, Society, and Congruence in Austria, Belgium, Canada, Germany, and Switzerland*. New York: Routledge.

This book raises the argument that dynamics in social makeup drive corresponding changes in federal institutional design. Erk applies his theory to the integration of the European Union, arguing that institutions of the EU will develop to reflect the social structure of the EU.

Friedman, Barry. 2010. *The Will of the People: How Public Opinion Has Influenced the Supreme Court and Shaped the Meaning of the Constitution*. New York: Farrar, Straus, and Giroux.

In this book, Friedman documents how the Supreme Court's constitutional interpretation tracks well with public opinion; changes in federal authority distribution that seem facilitated (or tolerated) by the Court might be attributable to changing public conception of the nature of the federal union.

Kollman, Ken. 2013. *The Perils of Centralization: Lessons from Church, State, and Corporation*. New York: Cambridge University Press.

Representative governments have a tendency to concentrate authority. This horizontal centralization has an effect on the vertical balance of authority. In a federal system, if the national government's authority is concentrated then authority will gravitate from the states to the national level. His case study of the United States chronicles the dominance of the federal government over the states as a product of the concentration of authority in the hands of the President.

Parikh, Sunita and Barry Weingast. 1997. A Comparative Theory of Federalism: India. *Virginia Law Review* 83(7):1593-615.

Parikh and Weingast demonstrate that the distribution of authority in federations is dynamic. Since different interests benefit from any given distribution of authority, changes in the distribution of authority produce conflict.

Pierson, Paul. 1996. "The Path to European Integration: A Historical-Institutional Analysis." *Comparative Political Studies* 29 (2): 123-63.

Pierson takes a different view from Erk and argues that a society's institutional design affects that society's social changes. Based on this account, Pierson projects that European society will develop in accordance with the centralized structure of EU institutions.

Simeon, Richard. 2001. "Adaptability and Change in Federations." *International Social Science Journal* 53 (167): 145-52.

Federal change can occur without direct amendment of a constitution through reinterpretations of existing constitutional rules.