

## **ADMINISTRATION IN FEDERAL SYSTEMS**

Seminars given at the Institute of Administration, University of Ife, Ibadan

by **Ronald L. Watts**

Dean of the Faculty of Arts and Science, Queen's University, Kingston,  
Ontario.

A thorough analysis of administrative arrangements and problems in a wide  
range of federations old and new.

*In the same series*

**Nigerian Federal Finance** : its Development, Problems, and Prospects

**Adebayo Adedeji**,

Director of Institute of Administration, University of Ife, Ibadan.

## **BOOKS ON POLITICS FROM THE HUTCHINSON UNIVERSITY LIBRARY**

### **STUDIES IN AFRICAN POLITICS**

P. B. HARRIS

### **THE GOVERNMENT AND POLITICS OF GREAT BRITAIN**

JOHN P. MACKINTOSH

### **THE GOVERNMENT AND POLITICS OF THE SOVIET UNION**

LEONARD SCHAPIRO

### **THE GOVERNMENT AND POLITICS OF INDIA**

W. H. MORRIS-JONES

### **THE GOVERNMENT AND POLITICS OF COMMUNIST CHINA**

D. J. WALLER

20s net  
£1.00  
IN UK ONLY

8N 0 09 104401 4

# **Administration in Federal Systems**

**Ronald L. Watts**

## Acknowledgements

---

Acknowledgement is gladly made to the following for permission to use copyright material:

David Higham Associates: *Central Power in the Australian Commonwealth*, Sir Robert Menzies; The Clarendon Press: *New Federations*, Ronald L. Watts; The Institute of Public Administration of Canada: 'Coordination in Administration', Kenneth W. Taylor from *Proceedings to the Ninth Annual Conference 1957*; Prentice Hall Inc.: 'The Federal System' an essay by Morton Grodzins in *Goals for Americans*, The American Assembly, Columbia University.

## Contents

---

	<i>page</i>
Preface	ix
Part I The Federal Context	1
<i>Chapter 1 Federal Systems</i>	3
1 Introduction	3
2 Federal systems and the alternatives	4
3 Variations among federations	9
4 The requirements for federal stability	13
<i>Chapter 2 Forms of Executives</i>	15
1 Presidential, collegial and parliamentary executives	15
2 The impact upon intergovernmental relations	17
3 The influence upon federal cohesion	21
Part II The Organisation of the Administrative Services	23
<i>Chapter 3 Central Public Services</i>	25
1 Dual or joint public services	25
2 The role of the central public services	32
3 Efficiency and representativeness in central public services	33
<i>Chapter 4 The Units of State Administration</i>	44
1 Administrative and political issues	44
2 The size of states	47
3 Heterogeneity within states	49

Part III Intergovernmental Administrative Relations	55
<i>Chapter 5 Problems of Divided Administrative Jurisdiction</i>	57
1 Issues affecting the allocation of jurisdiction	57
2 Patterns of allocation of administrative functions	66
3 Degrees of administrative decentralisation	70
<i>Chapter 6 Intergovernmental Administrative Co-operation</i>	73
1 Factors affecting co-operation	73
2 Types of co-operative activity	77
3 The role of administrators	82
Part IV Economic Policy and Finance	91
<i>Chapter 7 Control of Economic Policy</i>	93
1 Federal economic issues	93
2 Allocations of responsibility for economic affairs	98
3 Intergovernmental co-ordination	102
<i>Chapter 8 The Administration of Federal Finance</i>	115
1 The critical issues	115
2 Trends in the older federations	117
3 Trends in the newer federations	125
Part V Conclusions	133
<i>Chapter 9 Concluding Summary</i>	135
1 The variety of administrative arrangements in federations	135
2 The interdependence of governments within federations	135
3 Implications for the design or reform of federations	136
Tables	138
Index	145

## Preface

---

This book embodies a series of lectures and seminars given in Nigeria in May, 1969, under the auspices of the Institute of Administration of the University of Ife, to senior government officials of the federal government and of the western and northern states. At a time when thought in Nigeria was turning to ways in which the Nigerian federal system might be restructured after the civil war, the seminars were designed to raise for consideration the administrative arrangements and problems in a wide range of other federations old and new. Thus, although the topics selected for discussion are ones of special relevance to the contemporary concerns within federal Nigeria, I would hope that the subjects considered will be of interest also to a wider audience of those interested in administrative arrangements in federations generally.

I wish to express my gratitude to Dr. Abebayo Adedeji, the Director of the Institute of Administration of the University of Ife, Ibadan, whose initiative resulted in my stay at the Institute as a Visiting Professor for the month of May, 1969, and the arrangements for me to give in Ibadan, Lagos and Kaduna the seminars on which this book is based. I am also indebted to the Vice-Chancellor of the University of Ife and all the members of the Institute of Administration for their warm hospitality during my visit. I am especially grateful to my old friends David and Ruth Murray, who not only made me so at home but gave me some penetrating insights into Nigerian society and politics. I wish to thank also the many federal and state government officials participating in the seminars whose most interesting questions and

comments after each lecture invariably carried the discussion on well past the appointed deadlines and who contributed to improving in so many ways my understanding of the problems of Nigerian federalism.

I am particularly grateful to Miss Connie Martens who so effectively undertook the typing of the text under rushed and trying circumstances.

I must also thank my colleagues at Queen's University for enabling me to absent myself again so soon after returning from my sabbatical leave. Finally, I am grateful to my wife who, in spite of her unquenchable enthusiasm for travel, accepted with forbearance a situation which prevented her from participating in the visit to Nigeria.

RONALD L. WATTS

*Queen's University  
Kingston, Ontario  
Canada  
June, 1969*

## PART I: THE FEDERAL CONTEXT

## Chapter 1 FEDERAL SYSTEMS

---

### *I. Introduction*

Traditionally the study of federal systems has tended to focus upon the constitutional and legislative framework within which the two sets of government, one central and the other of the component states, operate together. But in recent years an increasing number of those studying political federations have come to recognise the importance of other aspects of federal systems, such as the effect of political parties, interest groups, political culture and administrative practice upon inter-governmental relations. These lectures are concerned primarily with the administrative arrangements which have been developed in federations old and new.

In focusing upon administrative arrangements, I have made no attempt to restrict the discussion arbitrarily within certain limits of public administration narrowly defined, but have instead considered broadly the way in which the organisation of administration in federal systems is closely related to fundamental political and constitutional issues. These lectures make no claim to be the definitive treatment of this aspect of federalism. Rather, it is hoped that they will draw attention to the different ways in which federations have handled administrative problems and thus stimulate both administrators and scholars to more extensive comparative analyses of administration within federal political systems.

Among the federal examples which will be examined are both old and new federations. Four of the oldest constitutional systems surviving anywhere today are the federations of the United States (1787), Switzerland (1848), Canada (1867) and Australia (1901). Their relative longevity makes them important subjects of study.



But also of interest are the numerous federal experiments which have occurred since 1945 because their designers have often thought of themselves as improving upon the arrangements in the older forerunners. Among these more recent federations I shall focus especially upon those in the Commonwealth—India, Pakistan, Malaysia, the West Indies and Rhodesia and Nyasaland—because their problems and their difficulties have been similar in many ways to those experienced in Nigeria. On the other hand, I shall not attempt to include in the comparisons references to the ostensibly federal systems of Latin America or Eastern Europe. It may be that the political instability of many of the Latin-American states could provide us with significant pointers for the future trends of government in Africa. But since in most Latin-American countries with federal constitutions the practice of government has usually involved a neglect of the federal aspects, it appears to me that their experience is less useful. In Eastern Europe, the U.S.S.R., Yugoslavia, Czechoslovakia and Eastern Germany also claim federal constitutions, but the character of administration within these federations is transformed by a situation in which a single political party holds the monopoly of power. The present discussions of Nigeria's future political arrangements do not appear to envisage seriously such a situation as a permanent one and, therefore, I shall exclude these Eastern European federations in order to keep the range of examples within reasonable limits.

## 2. Federal systems and the alternatives

The traditional definition of a federal political system is exemplified by such writers as A. V. Dicey and E. A. Freeman. In Canada it has been advanced by W. P. Kennedy and in Australia by Sir Robert Garran. More recently it is found in Sir Kenneth Wheare's oft-quoted classic *Federal Government*.<sup>1</sup> From an analysis of the constitutions and of the legal and institutional structure of federations Sir Kenneth Wheare concluded that the essential feature of

<sup>1</sup>See K. C. Wheare, *Federal Government*, 4th ed., 1963, Chapter 1, esp. p. 14.

any federal system is the duality of legal sovereignty: a federal system is one in which sovereignty is not confined exclusively to either the central or state governments, but rather is divided between them. Thus, he defined a federation as a form of political organisation within which the general and regional governments are co-ordinate in the sense that neither level of government is subordinate to the other in legal authority. From this starting point he went on to conclude that within a federal system each government should be limited to its own sphere and, within that sphere, should be independent of the other. Under this definition a federal form of political union is contrasted with other forms of union by the distinction that in a unitary system the state governments are legally subordinate to the central government and in a confederacy the central government is legally subordinate to the state governments. Wheare pointed out that the definition of a federal system as one composed of central and regional governments co-ordinate in legal authority leads to the following corollaries for the institutional structure of federations: there must be a constitutional division of legal authority within the federation, each component government must be independent within its own sphere of competence; the division of authority must be clearly laid out in a supreme constitution; the constitution should not be amendable by one level of government alone; there must be an umpire, usually a Supreme Court, to resolve intergovernmental disputes over the boundaries of their legal authority; and each constituent government must operate directly on the people rather than indirectly through the other tier. On the basis of this definition, Sir Kenneth Wheare proceeded to classify the constitutions or governmental practice in different countries, labelling them as federal, quasi-federal, or non-federal according to the degree to which they met these stipulated characteristics.

But there are difficulties with this traditional definition of the federal form of political organisation. As Sir Kenneth Wheare himself was forced to concede, no single federation has fully embodied the federal principle as he enunciated it.<sup>1</sup> In Canada the central

<sup>1</sup>Op. cit., ch. 2.

government's constitutional powers of disallowance and of veto over provincial legislation constitute a significant central check upon the independence of the provincial governments thus making the Canadian Constitution only 'quasi-federal' in law even if in practice it is predominantly federal. In Australia the financial arrangements have provided sharp limitations on the independence of state governments within their own spheres of responsibility, and the Loan Council established by a constitutional amendment in 1928 superimposed an intergovernmental council limiting the independent borrowing powers of both levels of government. In Switzerland the indirect election of some cantonal representatives to the central Council of States and the considerable overlapping of membership in central and cantonal legislatures represents a departure from the strict application of Wheare's formulation of the federal principle, as does the limitation of judicial review over central legislation. Even the Constitution of the United States in 1787, which Wheare took as his definitive model, departed from a complete embodiment of the principle, since the Federal Senate was originally elected indirectly by the legislatures of the states, making a part of the central government to some extent dependent on a branch of the state governments. Apart from these points, the major theme emphasised by Sir Kenneth Wheare's *Federal Government* when it was first published in 1945 was the trend to increasing centralisation in all the older federations under the impact of world wars and mid-twentieth-century economic pressures, so much so that in his preface to the first edition he wondered whether the radical adaptations which were occurring would make much of what he had written soon out of date.

It is not surprising, therefore, that analysts have in recent years attempted to redefine the essential character of federal political systems. Significantly, these attempts at redefinition have arisen especially from the study of the administrative rather than legal aspects of federal systems. They have resulted from an examination of the important roles of administrators, and also of political parties and interest groups in the operation of federal

systems, and from a recognition of the extent of interaction and interdependence, rather than independence, among governments within federations, administratively, financially, and politically.

Writers studying the administrative and financial arrangements within the United States were immediately struck by the extent of administrative co-operation among governments, and in the 1930s coined the term 'co-operative federalism' to describe it. Jane Perry Clark's *The Rise of a New Federalism* (1938) drew attention to this, and subsequently A. H. Birch's *Federalism, Finance and Social Legislation in Canada, Australia and the United States* (1955) noted similar trends in other federations.

More recently, during the past decade, writers examining not only the administrative and financial but also the closely related political aspects of intergovernmental relations within federations have concluded that the notion of 'co-operative federalism' gives an oversimplified one-sided account. Studies by Morton Gordzins, Daniel Elazar and Maurice Vile examining the American federal system, and my own work on the new federations in Asia, Africa and the Caribbean have emphasised the extent to which intergovernmental relations in federations have always involved not only co-operation but, at the same time, bargaining, rivalry and even conflict. Thus, the term 'interdependent federalism' seems more apt than 'co-operative federalism' to describe the simultaneous co-operation and rivalry among governments which, in practice, has been typical within all federal systems. The notion of 'interdependent federalism' contrasts with the traditionally stipulated definition by stressing that governments within federal systems have not been independent of each other but have in practice been interdependent and have interacted with each other in a relationship of both co-operation and rivalry. To the argument that unless each government within a federation is independent of the others it would be subordinate, the reply is that there are two ways of avoiding subordination: one is independence, the other is mutual dependence or interdependence. When each level is dependent on the other neither need be subordinate. In most federations in practice it is by the latter rather than the former alternative that

the co-ordinate, non-subordinate, status of the constituent governments has been maintained.

I would, therefore, contend that the fundamental character of a federal system is that it is a political system characterised by two sub-systems, one of central government and the other of state governments, in which the component governments are co-ordinate, in the sense that neither is politically subordinate to the other, but which interact with each other at many points both co-operatively and competitively.

Federations as such are complex systems of government. Since they involve a multiple array of interacting governments, multiple administrative services, division of legislation and administrative responsibilities, intricate co-operative machinery for co-ordination and complex financial arrangements, they often appear to be inefficient, slow, and costly, especially in such critical areas as economic planning.

What then are the alternatives to federal systems so characterised? One form of alternative is a unitary political system in which the states are subordinate and the central government supreme. Because there is a single supreme government, this form of union appears simple and efficient, at least in theory. But in multi-ethnic or large countries, unitary political systems have usually experienced difficulties. For example, in Belgium and Ceylon these difficulties have often reached crisis proportions and even in Britain and France there have been recent pressures for decentralisation and stronger regional government. Furthermore, it is worth noting that a unitary system was tried first and rejected before a federal system was adopted in Canada, Germany, India, and Malaya. Perhaps the same comment could be ascribed to the Nigerian political structure as it existed between 1945 and 1951.

A second alternative is a confederal form of union in which the states are supreme and the central government subordinate. Such a solution often appeals to supporters of regionalism since it gives a veto to each regional government over all central action. But, in practice, such systems have proved politically unstable and have rarely lasted for long in the contemporary world. The European

Economic Community represents an economic confederacy but it is regarded by many of its supporters as merely a stage on the road to a fuller federalism. Other contemporary examples are the East African Common Services Organisation and the Central American Common Market. Again it is worth noting that confederacies were tried and ultimately replaced by a federal system in both the United States and Switzerland.

Yet another solution is simply balkanisation. It is true that this enables more compact, political units to be established, but it involves a loss of the benefits, especially the economic ones, which a federal system obtains despite its complexity. One need only look at the difficulties faced by the independent units within the West Indies after the dissolution of the federation.

I would conclude, therefore, that federal governments do involve complex and difficult administrative arrangements. But, ultimately, experience would seem to indicate that in multi-ethnic or large countries, the alternatives have rarely been very successful. It is worth drawing attention here again to the longevity of the constitutional systems of the United States (1787), Switzerland (1848), Canada (1867) and Australia (1901) which, in fact, represent four of the oldest constitutional systems still surviving in the world today; nor can this be explained by the fact that these are easy countries to administer in terms of size or diversity.

### *3. Variations among federations*

The definition of federal systems that I have presented does not prescribe one single model for the administrative arrangements for all federations. Within a federal system as I have defined it—that is, a political system in which interacting governments are co-ordinate and not subordinate to each other—a variety of administrative arrangements is possible. For example, there may be completely dual or shared public services, there may be varying degrees of centralisation or decentralisation in the allocation of legislative and administrative jurisdiction to governments, the forms of machinery for intergovernmental co-operation may vary, there



may be differences in the degree of centralised control in economic planning, and the allocation of the taxing and expenditure powers and the forms for adjustment of these may take different forms. It is these variations in administrative arrangements that I shall discuss in the subsequent chapters.

The particular form of administrative relations in each federation must be related to the particular conditions and situation of that federation. There are three important sets of factors which lead to variations in the administrative relations within different federations, or even in the administrative relations of a single federation over time: the character of the society, the institutional structure of the federation, and the political processes in the federation.

Let us turn first to the character of the society. It is obvious that the balance of political, economic, cultural, social and external pressures for common unified action and for regional autonomy has varied from federation to federation. Thus the precise balance of political and administrative centralisation which is appropriate has differed. There are also differences between multi-cultural and homogeneous federations. The existence of a multi-cultural society affects the strength and character of regional distinctiveness. This is clear when one compares the situation in Canada and Switzerland and, for that matter, most of the new federations, with that in the United States or Australia. Yet another characteristic of a society which will affect the federal system is the extent to which political conflicts are cross-cutting or polarised. For example, in Switzerland cleavages of language and religion cut across each other with the Protestant majority drawing substantial strength from among both the German and French-speaking Swiss, while the Roman Catholic support is strongly based also among both linguistic groups. Thus, while on some issues the Swiss may divide on linguistic grounds, on others they may divide on religious grounds. By contrast, in Canada the English-speaking Canadian majority also coincides broadly with a Protestant majority and the French-Canadian minority is predominantly Roman Catholic. Thus, on both linguistic and religious issues the differences

between the two groups are polarised instead of cutting across each other as in Switzerland. Variations in the emphasis on social or economic planning may also affect the administrative relations within a federal system. In India, for example, the role of the Planning Commission and the pressure for centralised planning which was a primary urge of Nehru and the Congress Party, contributed to a relative centralisation of the planning arrangements. The extent to which social or economic planning has been emphasised is closely related also to the stage of economic development of the society concerned, and it is significant that in most of the new federations created in Asia and Africa since 1945, there has been much more emphasis on social or economic planning than in the older federations.

A second set of factors leading to variations in administrative relations within federations is the structure of the political institutions themselves. For example, the size, number and relative homogeneity of the component governmental units affects the character of administration and intergovernmental relations. Compare, for instance, the state of Uttar Pradesh in India, with a population of over 60 million, with some of the smallest Swiss cantons containing only about 50,000. Obviously, the scope of administration which the state governments can perform will be affected by such differences in size. Furthermore, if within the federation there are disparities amongst the state units in size, this not only makes it difficult to arrive at an allocation of administrative responsibility which is equally efficient in all the state units, but has usually in practice accentuated inter-regional rivalries. The examples of Jamaica in the West Indies and Northern Nigeria before 1967 illustrate this. Federations also vary in the number of states of which they are composed. The United States has 50 states and Switzerland 22 cantons, whereas Pakistan has been composed of only 2 provinces, and until 1967 Nigeria consisted of 3 or 4 regions. The number of state governments has an important bearing on the individual bargaining power of the states relative to each other and to the central government. The degree of linguistic or cultural homogeneity within the state units also

affects the character of administration for homogeneity may enable a simpler state administration and is more likely to provide state units which are internally cohesive.

Federations also vary in the constitutional allocation of responsibility to governments. There may be variations in the areas of exclusive responsibility assigned to each government, in the extensiveness of those fields in which responsibility is shared by governments, and whether such areas are put under concurrent jurisdiction, as is generally the case in Australia and the United States, or divided in considerable detail as is more generally the case in Canada and Switzerland. There are also differences among federations in the scope and assignment of the residual legislative powers which may have an important bearing upon the administrative responsibilities which eventually fall to the component governments. The allocation of financial resources is especially significant since it may limit or extend the expenditure power of the governments involved. The institutional structures of federations also differ in terms of the specific constitutional provisions which exist for interaction between governments, for example, the provisions for delegation of authority, for requirements that one government must obtain the consent of another before acting in a specified area, and for intergovernmental councils or committees. Federations also vary in the specific constitutional provisions designed to achieve flexibility: in the form of their constitutional amendment processes and other devices such as emergency powers. Another important aspect of the institutional structure which affects the organisation of administration within federations is the form of the executive which is established within the component governments. I shall say more about this in Chapter 2, but simply point out here that the existence of a parliamentary, presidential or collegial form of executive has a critical impact not only upon the organisation of administration within each government, but also upon intergovernmental relations.

A third set of factors affecting the organisation of administration within federations is the political processes by which the demands of the citizenry are channelled to the administrative system. The

way in which political parties, interest groups, and informal élites process, channel and shape the demands of the electorates within the federation is especially significant. For example, in India between 1947 and 1967 the dominance of the Congress Party within both levels of government fostered cohesion and provided a context for intergovernmental co-operation. The weakening hold of the Congress Party since 1967 has forced the public services to reappraise their role in a radically new situation.

All of these, the character of the society, the structure of the federal institutions, and the political processes, provide the context within which administration in a federation takes place. Where conditions are similar, we can learn much from the experience of other federations, but ultimately within each federation the administrative arrangements must fit the particular array of conditions which exist in that country.

#### *4. The requirements for federal stability*

From the foregoing comments it is clear that both administrative and political processes play an important part in making federal systems stable and effective. It is important, therefore, in designing or reforming a federal constitution that it be thought of not as a static structure but rather in terms of the way in which it will influence and channel political and administrative activities in appropriate directions. The federal structure should be designed to encourage and facilitate the two major functions required in any multi-ethnic federal system if it is to be stable and effective. First, the federal structure must enable the political desires for regional diversity to express themselves adequately. If this opportunity is inadequate, secession and fragmentation is likely to result as exemplified by the insistence of Malawi and Jamaica upon going their own way. This would seem to require a demarcation of state units which reflects the fundamental diversities within the society and the provision of adequate autonomy for these states over those matters on which peoples in the federation are not agreed, thus removing these matters from the realm of controversy in central

politics. Second, and equally important, the federal structure should be designed to encourage cohesion among the diverse groups on those interests which they do possess in common, because unless a positive federation-wide consensus is generated to counter-balance regionalism, a federation will eventually fall apart. This points to the importance of institutional structures designed to encourage cohesion. For example, the central government must have adequate power so that it can be genuinely effective and not simply a nuisance, and the form of the central institutions should channel political parties and governments to seek compromise rather than conflict. Perhaps Switzerland has been the most successful in achieving the latter object, although it would be wrong to think that the same results could be achieved in a different setting merely by copying exactly Swiss institutions. What is important is that the institutions should be designed to encourage cohesion rather than conflict.

Ultimately, then, the effectiveness of a federation depends not just on the constitution but on the operation of the political parties and the public services. The way in which the political parties operate will determine whether interstate cohesion or conflict is accentuated. The operation of the public services at both levels of government is especially important. The effectiveness and stability of the federation will depend on whether the public services provide effective administration and upon their leadership in contributing to cohesion and collaboration between levels of government within the federation.

## Chapter 2 FORMS OF EXECUTIVES

---

### *1. Presidential, collegial and parliamentary executives*

One particularly crucial variable which affects administration in federations is the institutional structure of the executive. This is important because the form of executive, parliamentary, presidential or collegial, shapes not only the organisation of administration within each level of government but also affects the character of administrative relations between governments. Furthermore, it influences indirectly the degree of political cohesion within the federation by affecting the character of political interaction between governments and the way in which political parties operate.

The classic example of a presidential system in a federation is that of the United States. There, in both the central and state governments the Head of the Executive, the President or the Governor, is directly elected for a fixed term and then selects his own ministers without restriction.<sup>1</sup> Within each level of government the 'separation of powers' makes the legislature, legislative committees, executives and judiciaries into multiple individual centres of political power. These interact not only with each other but also vertically and diagonally with the multiple centres of political power at the other level of government. This means that the picture of American federalism as a three-layer cake of central, state and local government is actually misleading. Morton Grodzins has argued that a far more accurate image is the rainbow or marble cake. He has written of the American form of federalism as 'characterised by an inseparable mingling of different coloured

<sup>1</sup>Strictly speaking, the President is indirectly elected by an electoral college, but, to all intents and purposes, the system is in practice one of direct election.



ingredients, the colours appearing in vertical and diagonal strands and unexpected whirls. As colours are mixed in the marble cake, so functions are mixed in the American federal system.<sup>1</sup>

Switzerland has incorporated in its federal system a collegial form of executive. In both the central and cantonal governments the executive is a council of five to nine members (seven in the Federal Council) usually elected by the legislature for a fixed term of office, in most cases four years. This arrangement contrasts to that in the United States, since the executive is a collective one composed of a group of members rather than a single individual, with the chairmanship normally rotating. This arrangement was adopted by a deliberate decision in 1848 to avoid the American model which concentrated authority in a single man. It also has the advantage that it enables a representation of minority groups in an executive council. For example, the Federal Council is limited to no more than one representative from each canton and the Roman Catholic and French minorities have always been represented in it. The Swiss arrangement, however, is contrasted with the parliamentary form found in most Commonwealth countries and is similar to the American one in that the executive holds office for a fixed term. It is not responsible to the legislature for its continuance in office and, as in the United States, the principle of the separation of powers between the various branches of government appears to be generally operative. This form of executive has a significant impact on the character of Swiss federation. As in the United States, there is a diffusion of power not only between levels of government but within each of the governments. Thus, here too, there are multiple interdependent and interacting authorities with overlapping functions, making the 'marble cake' image a more accurate picture of Swiss federalism than the 'layer cake'.

Most of the Commonwealth federations have combined the British parliamentary cabinet system with a federal form of government. Canada was the first to do so, but Australia and most of the new federations have followed suit. India, Pakistan until

<sup>1</sup>Morton Grodzins, 'The Federal System' in A. Wildarsky, ed., *American Federalism in Perspective*, 1967, p. 257.

1958, Malaya and subsequently Malaysia, and Nigeria until 1966, have all followed this pattern. In these federations both the central and state governments have had Prime Ministers and ministers chosen from among the members of the legislature and continuously and collectively responsible to it. By contrast with the arrangements in the United States and Switzerland the executive under the parliamentary system stays in office only as long as it has the support of its legislature. This means that unless there is a stable majority in the legislature, an unstable executive is likely to result, a problem which does not arise in the United States or Switzerland. On the other hand, the parliamentary system does have the advantage, provided that there is a stable legislative majority, that the executive is more powerful and able to take decisive action in a way in which American and Swiss executives cannot because of the various checks and balances which operate. Like the Swiss collegial executive, the parliamentary cabinet has an advantage over the American presidential system in that the authoritative executive may be composed of a representative range of groups or minorities. Where it has been adopted the parliamentary form of executive, has shaped significantly the character of a federation. Combined with a federal system, the parliamentary executive has tended to produce within each level of government a concentration of power in the parliamentary sovereign rather than the diffusion of power within each level characteristic in the United States and Switzerland. Thus, the character of federalism in the parliamentary federations has, in practice, approximated closer to the 'layer cake' rather than to the 'marble cake'.

## 2. *The impact upon intergovernmental relations*

The form of executive incorporated within a federal system has had a fundamentally different impact upon intergovernmental administrative relations in the United States and Switzerland on the one hand and the parliamentary federations on the other. Here I would like to consider two aspects: one is the direct effect



upon the relations between administrators at different levels of government, and the second is the indirect influence upon inter-governmental administrative relations arising from the resultant difference in the character of political parties.

Let us turn first to the direct impact upon relations between administrators at different levels of government. The American and Swiss forms of executive, incorporating the principle of the separation of powers, have meant that the administrative agencies at one level of government are freer to negotiate with the agencies at another level of government in working out specifically functional schemes. The resulting interlacing of administrative activities is well illustrated by an example which Morton Grodzins cites of health officer styled 'sanitarian' of a rural county in an American border state. This single officer illustrates the whole idea of the resulting 'marble cake' character of American federalism:

'The sanitarian is appointed by the state under merit standards established by the federal government. His base salary comes jointly from state and federal funds, the county provides him with an office and office amenities and pays a portion of his expenses, and the largest city in the county also contributes to his salary and office by virtue of his appointment as a city plumbing inspector. It is impossible from moment to moment to tell under which governmental hat the sanitarian operates. His work of inspecting the purity of food is carried out under federal standards; but he is enforcing state laws when inspecting commodities that have not been in interstate commerce; and somewhat perversely he also acts under state authority when inspecting milk coming into the county from producing areas across the state border. He is a federal officer when impounding impure drugs shipped from a neighbouring state; a federal-state officer when distributing typhoid immunisation serum; a state officer when enforcing standards of industrial hygiene; a state-local officer when inspecting the city's water supply; and (to complete the circle) a local officer when insisting that the

city butchers adopt more hygienic methods of handling their garbage. But he cannot and does not think of himself as acting in these separate capacities. All business in the county that concerns public health and sanitation he considers his business. Paid largely from federal funds, he does not find it strange to attend meetings of the city council to give expert advice on matters ranging from rotten apples to rabies control. He is even deputised as a member of both the city and county police forces. The sanitarian is an extreme case, but he accurately represents an important aspect of the whole range of governmental activities in the United States. Functions are not neatly parcelled out among the many governments. They are shared functions.'<sup>1</sup>

The major part of intergovernmental adjustment in the United States and Switzerland, then, has been through a continual process of administrative interaction between central and state or cantonal administrators negotiating directly in areas in which their responsibilities overlap. Both in the United States and Switzerland there has resulted a wide range of joint programmes often supported by central grants-in-aid and administered by state officials.

In the parliamentary federations, although there has been considerable intergovernmental administrative co-operation, the context has been different. Because responsibility for all executive action at either level of government is focused in a responsible cabinet, ministers and civil servants have generally been inclined to be more cautious about negotiating independently with their opposite numbers, always looking over their shoulders with concern for cabinet clearance or for awkward questions in the legislature. This has affected intergovernmental administrative relations in four ways. First, the negotiations of such relations has been left less to technicians. Ministers and politicians have played a more prominent role. Second, there had been a tendency for individual projects for functional co-operation to be subsumed under more general arrangements for co-ordination. Third, there has been a tendency within each government for co-operative arrange-

<sup>1</sup>Loc. cit.

ments to be placed under the control of staff agencies exclusively concerned with intergovernmental affairs. Fourth, summit conferences of governmental leaders at both levels, such as the Premiers' Conference in Australia, the Federal Provincial Conference in Canada, and similar conferences of governmental leaders in the new federations, have become the major instrument for the resolution of intergovernmental relations. Thus, in the parliamentary federations, intergovernmental administrative relations have taken on a quasi-diplomatic character resembling those between sovereign powers, reinforcing the 'layer cake' pattern of federalism in these countries.

The form of executive has also had an indirect influence upon intergovernmental relations through the way in which the character and pattern of political parties has been affected. In the United States and Switzerland the fixed executive has produced relatively undisciplined political parties since executive stability has not depended upon a continued support of the political parties. This has had a dual effect upon administration in these federations. The political parties have in both federations been in a weaker position to exert monolithic control over the operation of administrative officers and agents. The administrators have had to lobby, that is, play a political role themselves, in seeking support for their programmes. In the parliamentary federations, by contrast, tight party discipline has been encouraged by the fact that cabinet stability is dependent upon it. This has reinforced the cohesiveness and consolidation of cabinet control over administrative and political relations with other governments, and this in turn has provided less room for administrators to lobby or to seek political support for their projects except through their cabinet. Thus, the interaction between the operations of political parties and the administrative structure has contributed to the contrasting marble cake and layer cake patterns of administrative relations in different federations.

### *3. The influence upon federal cohesion*

Finally, I would like to turn to the effect which different forms of executives have upon the processes for generating a federation-wide consensus. This is an important function because, although federations may reduce conflict and tensions by giving state autonomy on those matters where diverse groups wish to retain distinctiveness, experience seems to suggest that unless a counter-vailing federation-wide consensus is generated, a federation will disintegrate.

On the whole, the presidential system of the United States has in the past been relatively successful in encouraging an American consensus, with the exception of the period leading up to the Civil War in the nineteenth century. The need to capture a single presidential post has induced political parties to seek compromises in order to win maximum electoral support aggregating a wide range of political demands. The separation of powers and the multiple checks and balances have usually been an inducement to compromise. But this beneficial influence has been achieved at a price. The various checks and balances have often meant that a solution has taken a long time to emerge or that sometimes there have even been deadlocks, for example, when the President and the Congress have been controlled by different political parties. The result is that some fundamental problems have remained unsolved and this has contributed in certain periods, such as the present, to considerable stress.

The parliamentary federations, unlike the United States, have given cabinets with majority legislative support an opportunity for more rapid and effective action, but this arrangement also exacts its own price. At the level of central government it places complete sovereignty over those functions assigned to the central government in a majority unrestrained by institutional checks. This is exemplified by the typical weakness of second chambers in most parliamentary federal systems in contrast to the relative strength of the Senate in the United States and the Council of States in Switzerland. The lack of institutional checks upon the

majorities in a parliamentary federation puts the responsibility for taking minority views into account and for reconciling political conflict and cleavage directly upon the internal organisation and processes of the political parties themselves. If the political parties fail in this task, and particularly if a fragmented multi-party system or primarily regional parties develop, the parliamentary federation becomes prone to political instability. The experience of Canada with minority governments in the period 1962-8, Pakistan before 1958, and Nigeria before 1966, illustrates this danger.

The Swiss collegial form of executive combines the stability of the fixed term executive and the checks and balances within the central institutions found in the American system with the representation of different regional groups in the collective central executive as in the cabinet system. Furthermore, the arrangement whereby any legislation challenged must be put to a referendum provides an inducement for Swiss politicians to form broad multi-party coalitions encompassing not just a bare majority but having the support of virtually all major parties and interest groups in order to avoid potential challenges of legislation through the referendum. This system would appear to have maximised the inducements for reconciling political conflicts and cleavages, but it also has its price. As in the United States, there are difficulties in achieving rapid action, or even action at all, in areas where the diverse groups are disagreed. But the other side of this coin is that the Swiss system does ensure the avoidance of action which would sharpen political cleavages. I do not wish to suggest that the precise form of institutions operating in Switzerland is exportable to any other federation. The lesson to be learned is not that the Swiss institutions should be copied in detail, but rather that in any federation its institutions should be designed to provide inducements for reconciling conflict and cleavages.

## PART II: THE ORGANISATION OF THE ADMINISTRATIVE SERVICES

## Chapter 3 CENTRAL PUBLIC SERVICES

---

### *1. Dual or joint public services*

The dual polity inherent in a federal political system composed of central and state governments would appear to imply the need for dual sets of administrative services to serve the two levels of government. It is true that the British tradition of public services, independent from politics, with their own public service commissions, makes it possible to contemplate a single public service serving both sets of government, and it is true that, as exemplified by the 'sanitarian' in the United States referred to in the previous chapter, the same administrators may do tasks for various governments. Nevertheless, the work of administration is so closely linked with the exercise of executive authority that, generally, it has seemed reasonable to expect each government within a federation to have its own services.

In practice, therefore, most federations have had dual administrative services. Separate and independent public services for the central and state governments were established in all four of the older federations, the United States, Switzerland, Canada and Australia, although the duality of administration has been cut across by a multitude of arrangements for delegated administration, contracted functions, or joint programmes and projects. In the newer federations in the Commonwealth, dual services were also established for the two tiers of government in India, Pakistan, Malaya and Malaysia, Nigeria, Rhodesia and Nyasaland, and the West Indies.

In the three Asian federations, however, a provision was made also for joint services and commissions established by both the central and state governments. These have been additional to



separate services for the central and state governments. Several advantages have been claimed for shared or common services. One is that by enlarging the field of recruitment, a joint service is able to attract the best men for service in either the state or central governments, thus enabling high standards in the 'strategic posts' of both levels of government. In this way a common service would make possible the attainment of at least a minimum uniform standard in administration even in states handicapped by the low quality of the local candidates available, and ensure that such staff as were available within the federation were deployed to best advantage. A further argument is that in states where it is hoped to have eventually more local residents in the public service, non-residents of the state are likely to be more willing to accept appointments knowing that alternative postings will be available when they are replaced by residents. Thus, this would give non-resident state administrators security and future opportunities for promotion elsewhere. The argument that joint services would help to strengthen the quality of senior public servants was used in most of the Asian federations, particularly in relation to the states. In the Nigerian context it might be thought of not only as a way of helping to strengthen the newly created states, but also the central public service. It has also been claimed in such countries as India that the interregional composition of a common service would encourage the development of a national point of view among public servants. Indeed, in India it has been emphasised that the presence of non-residents in the state services would produce a less parochial outlook, while lack of local knowledge would be more than compensated for by their impartiality, independence and freedom from pressures of local influences. Indian experience also suggests that joint administrative services may also foster and facilitate intergovernmental co-operation, especially where this is such an important element in development planning. In federations where the state units have been too small to support an extensive administrative organisation, as in Malaya and the Caribbean, the sharing of services has also been seen as a way of avoiding uneconomic duplication in administrative agencies.

On the other side, there has been inevitable uneasiness that a common administrative services recruited on a national basis and ultimately under central control might weaken or even destroy regional autonomy. A further major factor discouraging the establishment of joint or shared services—most evident in Nigeria but also potent elsewhere—has been the desire of majority groups within each region for a regional public service within which their opportunities for appointment and promotion would be favoured. It is not surprising, therefore, that most new federations have established as a basic pattern a dual administrative system, with central and state governments given their own public service, constitutionally independent of each other, although arrangements for secondments and transfers have usually been made available.

But although separate and independent civil services for the central and state governments were established in each of the three Asian federations, in each of them constitutional provision was made in addition for joint services and commissions shared by both levels of government.

Integrated 'All-India' services, serving both central and provincial governments, had been a feature of British rule, even under the federal structure of the Government of India Act, 1935. After independence the Indian Civil Service (I.C.S.) and the Indian Police (I.P.) were continued in a similar form as All-India or All-Pakistan services. In both federations, when the new constitutions were being considered, there was some concern among the supporters of state autonomy that the existence of such services might prove a tool for centralisation. But when the state ministers in India were consulted they expressed general unanimity in favour of maintaining the existing joint services, and in Pakistan the dominant influence of civil servants in federal politics during the period when the first Independence Constitution was under consideration provided a barrier to any reduction in the role of the common services. The Constitution of India, therefore, continued the I.C.S. and I.P. with the new titles, the Indian Administrative Service (I.A.S.) and the Indian Police Service (I.P.S.). Similarly, the 1956 Constitution of Pakistan, the first

adopted after independence, continued the Civil Service of Pakistan (C.S.P.) and the Police Service of Pakistan (P.S.P.). In both federations, provision was made also for the creation by the central governments of new joint services in the future. In India this requires a special two-thirds majority in the Council of States, the central second chamber, while under the 1962 Constitution of Pakistan, further joint services could be added simply by ordinary central legislation. In both India and Pakistan, the recruitment and general pattern of these joint services are under the control of the central government but the posting and promotion of an officer while serving in a state or province come under the control of the state or provincial government. In both these federations, therefore, without depriving states or provinces of their right to form their own separate public services, there have existed joint services recruited on a national basis with common qualifications and a uniform scale of pay, the members of which have filled the strategic posts in both central and state governments.

The Constitution of the Federation of Malaya, 1957, followed the Indian and Pakistani example by giving the central Parliament power to establish joint services common to the central government and one or more of the states, or for two or more states if those states requested. Special provision was made also for the secondment of officers from one government to another and for the continuing of earlier arrangements through which, by an agreement between the central and state governments, certain posts in the state public services were, in fact, filled by central officers. Quite extensive advantage has been taken of these opportunities for seconding officers and this system has been carried over within the expanded Federation of Malaysia. Besides these arrangements for joint services, an attempt to reduce the duplication of agencies was made in all three Asian federations by the establishment of a single Election Commission to handle both central and state elections, and by making the Auditor-General an officer of the constitution responsible for auditing both central and state accounts. Furthermore, although the regional governments were entitled to create separate Public Service Commissions, they were

constitutionally permitted, if they wished, to rely instead upon the central Public Service Commission. Because constitutional provisions protected the independence of these various commissions and the auditors-general, their joint use by both levels of government does not appear to have represented, in practice, a serious threat to state autonomy.

The political significance of the joint administrative services has, however, been more controversial. In India members of the I.A.S. and the I.P.S. have occupied the highest positions in both the central and state administrations. More than half of all the secretaries of state governments, and the majority of district collectors and divisional commissioners, have been selected from the I.A.S. cadre. There are two interesting features of Indian policy concerning the operation of the I.A.S. in the states. First, each state has its own cadre of I.A.S. officers, this arrangement being intended to make it clear that they are responsible to the state governments. Second, as a rule non-residents are appointed to state services in order to encourage a less parochial outlook, the view being that the lack of local knowledge is more than compensated for by the resultant independence from local pressures. The operation of the I.A.S. and its strength in both levels of government has facilitated intergovernmental co-operation and thus indirectly encouraged national unity, as well as helping to maintain a high standard of administration in the states. Consequently, the States Reorganisation Commission recommended in 1955 the creation of more All-India services. Nevertheless, for some time the state governments resisted attempts to establish new All-India services because of the irksome joint controls and regulations necessary for these services, fears of potential encroachment upon state autonomy, and the greater expense of administration due to the higher salaries required for the members of these joint services. The growing influence of the regional élites in the linguistic states and the fear that state services might be filled with outsiders if the local candidates failed to compete successfully in the competitions for posts in the All-India services were particularly significant. Nevertheless, the Council of States in 1961

exercised for the first time its power to authorise the creation of new All-India services when approval was given for the creation of an Indian Service of Engineers, an Indian Forest Service, and an Indian Medical and Health Service. On this occasion the central government promised that it would consult the states on the setting up of these services and thus there were some delays in the implementation of this decision. Generally speaking then, although there has been some resistance to joint services in India, it would appear that they have played an important part in providing the cement which holds the federation together.

In Malaya, by comparison with India, resistance to the establishment of joint services has been much stronger. Indeed, despite the enabling provision in the 1957 Constitution, continued in the 1963 Constitution for Malaysia, no joint services have actually been established. Instead, for the strengthening of administration in the states, reliance has been placed mainly upon a regular practice of seconding officers from one government to another when their services are needed.

By contrast with Malaysia, the trend in Pakistan, however, has been in the opposite direction. In the words of Keith Callard, the C.S.P. became 'the pivotal service around which all other administrative groups, central, provincial and local, are organised'.<sup>1</sup> Its members occupied most of the senior posts in the central and provincial secretariats and this was resented particularly in East Bengal where at one time there was not a single Bengali in the whole of the provincial secretariat. The C.S.P. was considerably more centralised than its predecessor, the I.C.S., or the Indian Administrative Service. Where the members of the I.C.S. had been assigned to a provincial cadre, leaving it only to serve in the central government, a practice continued in India after independence, in Pakistan, there was simply one central cadre in the C.S.P. In the interests of promoting national unity, members of the C.S.P. were regularly transferred from one province to another, with the unfortunate result that these public servants gave the impression

<sup>1</sup>Keith Callard, *Pakistan, a Political Study*, 1957, page 292.

that they were not interested in the welfare of the province in which they were working. Moreover, much of the time, because of the instability of the political parties, the public servants effectively controlled the entire administration in the provinces, and the provincial politicians were, in effect, kept in power subject to their willingness to obey directives from the central government. Thus, although the C.S.P. played a major stabilising and unifying role in a country plagued by intense provincialism and political instability, these beneficial effects were undermined by the degree to which provincial autonomy was to all intents negated, in the end provoking, instead of diminishing the force of provincialism in East Pakistan.

In considering whether joint federal-state services might be appropriate in Nigeria, one point worth noting is that in both India and Pakistan, after independence, the newly created joint services merely carried on a system which had already existed before independence. I would suspect that it would be much more difficult to create a new joint service once all the senior posts in both levels of government had already been filled by officers drawn from separate central and state services unless the conditions of service in a new joint service were made extremely attractive. In practice, the dualism of the services has perhaps been sharper in Nigeria than in any of the other new federations. In the process of 'Nigerianisation' each regional service recruited almost exclusively from the majority group within its boundaries. The effect has been to encourage a regional spirit and loyalty within the separate services, and to discourage interchanges between them and the smaller central service to a degree which perhaps has helped to undermine the forces making for Nigerian unity. An exception, of course, was the arrangement devised for the police just before independence, whereby a single Nigerian police force was administered normally by a Police Council, consisting of the Premiers or Law Ministers of the central and regional governments and the Chairman of the Police Service Commission. There was also a Police Service Commission, advising on matters of appointment, promotion and discipline, to ensure the independence of the



members of the force. Thus, Nigeria too has had some experience with a joint service and, undoubtedly, this will influence discussions in the future on the creation of shared services.

An alternative way of reducing the duplication of administrative organisation without surrendering any degree of autonomy to the central government is that of shared joint services between two or more states. The Indian Constitution provides joint Public Service Commissions to be shared by states if they wish, but it has been in the federations with small state units, the West Indies, Malaya and Malaysia, that such arrangements have seemed most appropriate. In the West Indian Windward and Leeward Islands it was found convenient to share an advisory Police Service Commission, a Judicial and Legal Service Commission, a common audit system, and a number of specialist services; in Malaya, Kelantan and Trengganu have shared a Public Service Commission, and Perlis, the tiniest Malayan state, has relied upon some of Kedah's specialist services. Such arrangements for sharing services among states might be used by some of the smaller Nigerian states. In effect, of course, the interim common services in the six northern states represent such an arrangement, if only for a temporary period. Generally, however, the very forces which have led to the desire for state identity within federations have usually placed some limits on the degree to which this sort of solution has been politically acceptable, even if administratively efficient.

## *2. The role of the central public services*

One essential feature of any federal system is the autonomy of state governments making possible regional distinctiveness, but an equally important feature is the development of a sense of community among the different regional groups. A federation involves not only diversity on some viewpoints but also common agreement on at least *some* matters. No matter how much a federal system allows for differences in state viewpoints, the federal solution is ultimately bound to fail unless at some time it is able to develop a

positive consensus among the different groups within the federation. The ability to generate such a consensus depends largely on the central institutions. The form of these institutions, the processes by which federal decisions are reached and the participation of the different state and cultural groups in arriving at these decisions, all affect the extent to which a sense of community can be developed. In this context the central public service plays an especially important role. This is because the expanding role of governments in contemporary twentieth-century society places the public services in a major position among the governmental activities. Consequently, a key factor in the stability and effectiveness of a federal system is the ability of the central public service to contribute to the process of generating a federation-wide consensus.

## *3. Efficiency and representativeness in central public services*

Having stressed the important role of the central public services in contributing to the process of generating a federation-wide consensus, it must be emphasised that they can only do this effectively if they combine in their recruitment and organisation the principles of efficiency and representativeness. The principle of efficiency is of two-fold significance. First, the effectiveness of the central government is dependent upon the efficiency of its administration. For example, the effectiveness of the central government in its negotiations with the states will be seriously affected if the members of the state public services are more able. For instance, in Canada in 1963 it came as something of a shock to the central government to find that Quebec had attracted extremely able senior administrators who outshone their federal counterparts and thus strengthened the hand of the provincial government in the inter-governmental negotiations. The relative efficiency of the central administration will also facilitate or handicap the special role of co-ordination which falls on the shoulders of central officers in intergovernmental relations and co-operative activities. The capacity of the central officers to provide leadership in this



co-ordination depends upon the respect which they can command from their opposite numbers.

The efficiency of the central administration is also politically important because of the impact it has upon the prestige of the central government. In the eyes of the electorate, the strength of different governments within the federation is often judged by the effectiveness of their administration. Therefore, if the central administration is strong and effective, the populace will tend to look to the central government as the most prestigious, thus strengthening the forces for cohesion. But if the central administration is weak and inefficient, the eyes of the electorate may be turned to the state governments as their main focus for loyalty, thus strengthening regional or separatist pressures.

For these reasons, in most federations considerable stress has been put upon promoting the quality of the central public services both through paying relatively higher salaries than in the states, and by the application, as far as possible, of the principle that appointments and promotions should be based upon merit.

But, at the same time, in most federations there has been pressure for regional representativeness in the central public services, especially in multi-ethnic federations such as those of Canada, Switzerland, India, Pakistan, Malaysia and, of course, Nigeria. There have been a number of reasons for this. In the first place, it has frequently been argued that if the government and its administrative services are to be sympathetic and responsive to the needs and interests of the minorities as well as the majority, then they are more likely to do this effectively if the central public service includes within its membership a healthy proportion from the varied regional, linguistic and cultural groups within the federation. Secondly, in many cases tensions between linguistic and cultural groups have often had at their root frustration at the lack of opportunity to participate in the public services. Given the opportunity to serve as full partners in the administration of the country, linguistic or cultural minorities are far more likely to develop a sense of commitment to the federal union.

But while the representation of the different regional groups in

the central public service is in principle clearly desirable, in practice the solution has rarely proved simple. There are two reasons for this. First of all, the principle of representation of regional groups in the civil service may conflict with the principle that appointments and advancement should be based on merit. Within the last century the notion has become widely accepted that efficient administration depends upon appointing the ablest and best-qualified men. But this criterion will not necessarily produce a service which is regionally or culturally balanced. Indeed, the problem is complicated by the fact that distinct regional, linguistic or cultural groups are usually characterised also by differences in degree of modernisation. Consequently, in most multi-cultural federations certain linguistic or cultural groups have been handicapped by some features of their educational and social system and have therefore suffered in the competition for public service positions. In such a setting the central services have often been reluctant to appoint men with qualifications inferior to those of other candidates, while those candidates from the less advanced regional groups who have been rejected have then interpreted this as discrimination against their group. Thus, there is a difficult balance to be drawn between, on the one hand, emphasising efficiency and, on the other, providing all the major regional and cultural groups with a sense of participation.

A second difficulty is the complexity in internal communications which arises when a single public service is composed of different linguistic groups. This is perhaps less of a problem in Nigeria, where English is accepted as the administrative language in all the state governments, than in Canada, Switzerland, India, Pakistan, or Malaysia. In those federations it has been argued that if, in the interests of administrative simplicity, most administration were to be carried on in the language of the majority, public servants from the other linguistic groups would be likely to find the atmosphere not congenial and would be discouraged from seeking a career in that service. On the other hand, if administration were carried on in more than two languages, the process of communica-

tion would become greatly complicated. It would also tend to put the premium upon linguistic skills rather than administrative skills. This is a dilemma which has faced all multi-lingual federations.

The representativeness of the central public services has been an issue in all four of the older federations but it has been particularly acute in the two which have a bilingual or multi-lingual character, Canada and Switzerland. In Canada the constitutional provisions of the British North America Act, 1867, include no stipulation for the regional composition of the central public services. In practice until recently no attempt was made to establish regional or linguistic quotas, although lip service was widely paid to the desirability of representativeness for various groups, and especially the French-Canadian minority. Within the last decade, growing attention has been focused upon the failure of the central public service to recruit a proportionate number of French-Canadians. This failure has not been due to a deliberate policy against the recruitment of French-Canadians but rather to a variety of factors. For one, French-Canadians in the past, because of the classical pattern of education in Quebec, often found themselves in a weak position in the competition for technical positions. Secondly, since most of the administrative work in the central public services was carried on in English, this contributed to a reluctance on the part of some French-Canadians to devote their careers to the central government, and a preference for serving in the Quebec administration where they could work in French. Thirdly, since the federal capital, Ottawa, was predominantly English-speaking, as characterised by its general atmosphere and local educational institutions, educated French-Canadians have often found this a less congenial setting than Quebec City. The resultant pattern was that French-Canadians tended to be under-represented in the central public services, except in the Department of External Affairs where bilingualism was emphasised in recruitment for some time. Although French-Canadians have tended to fill a reasonable proportion of high and low posts in the salary scale they have generally been strongly under-represented in the

middle ranges, a phenomenon which a colleague of mine has labelled 'the Law of the Exclusive Middle'.<sup>1</sup>

Under the impact of the Royal Commission on Bilingualism and Biculturalism, which was appointed in 1963 and the various volumes of its reports which have been appearing since 1967, there have already been some reforms and more are now in prospect. There has been considerable debate in Canada as to whether the merit principle should be overridden to achieve a better representativeness in the central public service. The current trend appears to involve three features. First, there is now a definite policy recognising proficiency in both official languages, English and French, as an element of merit in selection for appointment and promotion. Thus, where before French-Canadians had to be facile in English for advancement but the reverse was not the case, in future English candidates will have to be more facile in French if they are to hope for advancement in the central public service. Second, provisions are being adopted to ensure that communications within the administration may be in either English or French at the option of the person making them, in the knowledge that they should be understood. This is intended to ensure French-Canadian public servants an opportunity to work in their own language and hence to find the setting more congenial. Third, the programme of reforms is designed to give present public servants time to adapt to the new requirements through a gradual introduction to these reforms over a period of years. There have been some indications already that in the last year or two the central public service in Canada has already been doing much better in the recruitment of French-Canadians and that it is, therefore, becoming more representative.

In Switzerland, as in Canada, the existing Constitution contains no specific provision about the representation of linguistic groups in the public services, but, in practice, the Swiss public has been interested in both the linguistic and confessional balance of its central public service. From time to time questions have been raised in the Swiss Parliament concerning the relative strengths of

<sup>1</sup>I am indebted to C. E. S. Franks for this classification.

different linguistic or confessional groups. In 1950, as a result of a statistical enquiry, the Federal Council laid down a policy that French-Swiss and Italian-Swiss, the minority linguistic groups, should be represented in all departments, and even in the larger divisions, in proportion to their size in the federal population, and that when French or Italian representation was sharply inadequate in the upper levels of a division preference should be given, other things being equal, to French- or Italian-Swiss in appointments or promotion to senior posts. A more recent examination of statistics suggests that the ratio of Protestants to Roman Catholics in the Swiss central public service as a whole is close to that of the citizenry, and the overall totals for linguistic groups in the public service are reasonably close also to the proportions of citizenry. There still do remain, however, some marked discrepancies in certain departments, with the French-Swiss being under-represented in the Chancery, Military and Interior Departments, but substantially over-represented in the Diplomatic Service. One of the practical problems in Switzerland has been that of attracting sufficient French-speaking personnel to the predominantly German-speaking capital state of Berne in order to carry on careers in the central public service. Here there has been a parallel to the problems experienced in Canada in attracting French-Canadians to the predominantly English-speaking city of Ottawa. This points to the importance of establishing a federal capital city which can provide a setting which will attract public servants from all parts of the federation.

In the newer multi-cultural federations created since 1945, similar pressures for representativeness in central public services have been apparent. In India the candidates from some states have consistently failed for years to compete successfully in the competitions for All-India services. This pattern has been the result of differences in educational, social and economic standards among the linguistic groups. Indeed, this situation was itself a factor in the demand soon after independence for the reorganisation of states on linguistic lines in order that each linguistic group might at least have a favoured position for employment

within its own state public service. The Indian Constitution itself contains a number of provisions intended to ensure equality of opportunity in the public services and to guarantee special consideration to certain groups who might otherwise be neglected. First of all an article is included among the justiciable fundamental rights to the effect that 'there shall be equal opportunity for all citizens in matters relating to employment or appointment to any office'.<sup>1</sup> This article goes on to prohibit specifically discrimination in employment in the public services on 'grounds only of religion, race, caste, sex, descent, place of birth, residence' and at the same time permits the reservation of appointments or posts in favour of any backward class of citizens which in the opinion of the government concerned is not adequately represented in the services of the central or state governments. In addition to this general provision, special guarantees are provided to the members of certain groups which might otherwise have difficulty obtaining positions. The members of the scheduled castes and tribes are guaranteed special consideration in appointments to the public services and the members of the Anglo-Indian community have had reserved a specified proportion of posts in certain services. Furthermore, the Special Officer for the Scheduled Castes and Tribes is required to report to the central government on the working of these guarantees. Thus a conscious effort has been made to temper the policy of selection by examination and promotion on merit by introducing some considerations favouring handicapped minorities.

In Pakistan during the first decade, one of the strongest factors behind the movement for greater autonomy for East Bengal was the feeling of Bengalis that the civil service and the armed forces were primarily in the hands of West Pakistanis. For instance, it was complained in 1956 that of 776 positions in the superior civil service 734 were held by West Pakistanis and only forty-two by Bengalis in spite of the fact that the latter represented over half the federal population. The impact of Bengali dissatisfaction with this situation appears in the 1962 Constitution. Among the twenty-one

<sup>1</sup>Article 16.



'Principles of Policy' set forth, no less than five are related in some way to the question of opportunity in the public services. In addition to statements concerning equality of opportunity to enter the public services, a goal is specifically pronounced that 'parity between the Provinces in all spheres of the Central Government should, as nearly as is practicable, be achieved'.<sup>1</sup> and there is also a provision for the maintenance of regional quotas for recruitment to the public services. Thus, in Pakistan, even more than in India, attention to the provincial and linguistic composition of the central service has proved necessary in order to reduce internal tensions. In practice, it has taken some time before the Bengalis have been able to make up for the small number appointed from that Province in the early years after independence, although there has at least been a commitment to provide them with parity. It is significant that one of the first actions of President Ayub Khan's successor was to announce a major re-shuffle in the central bureaucracy by which seven key positions were assigned to men from East Pakistan, including the top civil service post of Chief Secretary.

In Malaya, and now Malaysia, racial representation in the civil services has always been a critical issue. Under British rule the indigenous Malays were generally favoured in the civil services and came to dominate them while the more industrious Chinese concentrated on commerce and industry. With the coming of independence, the Malays, as a group less advanced educationally than the Chinese, feared that they would lose their own favoured position as the indigenous race to the more aggressive and advanced immigrant Chinese. On the other hand the Chinese and Indians resented the special treatment accorded to the Malays which seemed to rank non-Malays as second-class citizens. The issue was an explosive one and a delicate but fragile balance was worked out. The Constitution includes among the fundamental liberties a specific article on equality of all citizens before the law and prohibits discrimination on religious, racial, or regional grounds in employment for any public service. This is reinforced by a further

<sup>1</sup>The Constitution of the Republic of Pakistan, 1962, Art. 8, principle 16.

article requiring impartial treatment in the terms and conditions of employment for any federal civil servant. But in addition to these general statements specific provision has been made to safeguard the special position of the Malays by the reservation for the Malays of a 'reasonable' proportion of places in the civil service, and provision has also been made for similar quotas for the natives of the Borneo states. In practice, the Chinese and Indians have been entering the civil service in ever-increasing numbers, but the bureaucratic élite is still primarily Malay in composition, and the constitutionally sanctioned recruitment quota of four Malays to each non-Malay ensures that the federal civil service will retain its predominantly Malay character indefinitely. Thus, the position of the Malays and the natives of Borneo is protected, while they try to close the gap in modernisation which exists between them and the other groups. But because the quotas are so restrictive upon the Chinese and Indians, these groups continue to feel some frustration and this has been a source of some of the recent unrest.

My impression is that in Nigeria, too, uneven educational development has been a complicating factor. At the time when the federal system was first established in 1954, most educated Nigerians came from the south and, therefore, the lower ranks in the civil service throughout the country up to that time had been manned primarily by southerners. Indeed, one of the strongest motives behind the northern insistence in 1954 upon the conversion of the unitary system into a federal one with full regional autonomy seems to have been the fear that when independence was achieved and the expatriate senior civil servants left, southerners would step into their shoes. Although the adoption of a federal system ensured the 'northernisation' of the Northern Regional civil service, there still remained the problem of regional balance within the central civil service. As in the other multi-cultural federations, a provision was specifically included among the fundamental rights prohibiting discrimination against any 'particular community, tribe, place of origin, religion or political opinion', but some qualifications to the application of this article in cases of appointment to the public



services weakened its force.<sup>1</sup> Although the constitutional provisions on this issue were less complete than in the Asian federations, in practice because of the strength of political feeling on this issue and also because the country had insufficient graduates to fill its needs, a considerable number of northerners, among whom it was difficult to find graduates, were simply promoted from the lower ranks to the upper echelons of the federal administration. Also by custom, a tendency seemed to develop after 1954 whereby the federal field administration was left in the hands of citizens of the region concerned. This arrangement had the advantage that the field officers, familiar with the local people and their language, avoided alienating the local people towards the central government. Generally, it appears that considerations of regional balance within the central civil service have been extremely, perhaps excessively, influential in Nigeria.

Experience in these multi-cultural federations would seem to suggest that in the interests of federal cohesion, a compromise in the staffing of the central public services has been necessary between the principles of merit and of balanced regional and cultural representation. The latter criterion is important if minority groups are to feel a sense of genuine partnership in the administration of the country. The means to achieving this would seem to be two-fold. In the long run it may be achieved by assisting the educational systems which lag behind. The reduction of disparities in educational development would then eliminate regional differences in the ability to succeed in the competition for public service posts. Such a programme must be carefully designed, of course, to ensure that the modernisation of a regional educational system does not itself undermine the distinctiveness which that region wishes to preserve. In the meantime, since educational systems cannot be revised quickly, and since inevitably in the interim some regional groups will be at a disadvantage with others in competing for posts, most federations have found some specific guarantees politically unavoidable, both in the form of a general constitutional

<sup>1</sup>*Constitution of the Federation of Nigeria, 1960, s.27:*  
*Constitution of the Federal Republic of Nigeria, 1963, s.28*

right to freedom from discrimination and also in the form of safeguards and, sometimes, even quotas for special groups. The dilemma for short-term policy has been whether to aim at an immediate balance for regional groups in senior posts or simply to aim for a regionally balanced intake into the service followed by a subsequent insistence upon merit for promotions. The precise policies adopted have varied with the particular circumstances in each federation. What has been common has been the recognition that if federal cohesion is to be maintained, neither the principle of administrative efficiency nor the principle of representativeness can be neglected and that a balance must be struck between the two.

## Chapter 4 THE UNITS OF STATE ADMINISTRATION

### *1. Administrative and political issues*

A fundamental question in any federal system is that of the appropriate units for state administration. In Nigeria this has recently been a major issue with the conversion of the federation first from three regions to four in 1962-3, and then into twelve states in 1967. The delineation of the units of state administration is a question which involves not only administrative considerations but also economic and political ones.

Administrative efficiency at the state level may be facilitated or hindered by the size of the population to be administered, the linguistic homogeneity or heterogeneity of the administrative unit, the geographical topography or remoteness of the area to be administered, the nature of the communication links within the unit, the economic wealth affecting the standard of services which can be provided, the possibilities of economies of scale or specialisation of services, and the availability of state personnel with the required levels of education. The scope for local government, the third tier of administration in any federal system, is likely to be affected also by the size of the state units, for if the states are small they may tend to absorb the functions of local government, while if the states are large, they may still require a flourishing system of local government. Administrative relations with other states may also be affected by the size and shape of the state units. An example is the degree to which interests may overlap state boundaries. For instance, the existence of shared river systems, power systems, communication systems, or pollution problems affecting more than one state, will vary. Furthermore, relations with other states and the central government are affected by the number of partners with

whom co-operative administrative relations will be necessary.

But in addition to administrative issues, there are also fundamental political and economic issues related to the demarcation of state units. The shape of the political sub-units affects the way in which these states may provide a way for the federal system to accommodate regional interests. Thus, the way in which the federal system operates will be influenced by whether the states represent linguistically and culturally homogeneous sub-units and whether they coincide with major economic regions. If the point of a federal system is to accommodate pressures for political diversity, this can only be possible if the political sub-units with state autonomy enable each major diverse group to express its distinctiveness. A second set of fundamental political issues is the relative political balance among the regional sub-units. This involves questions not only of the number of states, affecting the strength of the states in relation to the central government, but also the size of states relative to each other, leading to differences in their influence in the central political institutions and also their ability to support their own services.

The delineation of states has been a controversial issue in federations old and new. In most of the older federations the existing state units are now firmly rooted in a history of autonomous existence. Nevertheless, there have been some exceptions. The United States has added Alaska and Hawaii only fairly recently, and in an earlier period Kentucky, Maine, and West Virginia were carved out of existing states to meet local demands. Canada has grown from four to ten provinces during its century of existence. Furthermore, the Northern Territories which are still centrally administered are talked of as potential additional provinces. There has been some talk of a union of the Atlantic provinces and, to a lesser degree, of a union of the Prairie provinces, which might thus convert the federation into one of five more balanced provincial units. From time to time there has also been some talk of splitting the largest province, Ontario, by separating Northern Ontario. Australia, too, has a centrally administered Northern Territory which may some day become a fully fledged

state. There have also been some local movements in Queensland and New South Wales for the creation of new states although none of these has as yet achieved success. Of the older federations, Switzerland has perhaps the most stable regional structure but there have been recent proposals to re-unify Basle, and there has been an active separatist movement in the Juras region for the division of the canton of Berne.

In the newer federations created since 1945, the question of the size, number and appropriate composition of the state units has often aroused debate either at their inception or during their early years. Since many of the existing territorial units were simply the arbitrary or accidental products of British colonial administration and bore little relation to linguistic, cultural or economic groupings within these societies, the possibility of redrawing provincial boundaries to coincide with cultural or other interests has been considered in most of the newer federations. In the process, such questions as the effects of the number, relative size, and internal cultural homogeneity of states have been much discussed.

The significance of these issues in the newer multi-cultural federations can be seen from the way in which nearly all of them have found it appropriate during their brief history to improve the operation of their federal systems and especially to meet the demands of local cultural and economic groups by reshaping their internal boundaries. In India the states were completely reorganised mostly on a linguistic basis in 1956 with further adjustments being made when bilingual Bombay state was divided into two unilingual states in 1960, the creation of a separate Naga State was undertaken in 1962, and the decision to split Punjab was made in 1966. In West Pakistan, the three Governors' provinces, one Chief Commissioner's province, ten princely states, some frontier tribal areas, and federal capital area, which in 1947 had existed separately as regional units, were consolidated in 1955 into a single multi-ethnic province counterbalancing the single Bengali province of East Pakistan.<sup>1</sup> In Malaya and Malaysia there has been

<sup>1</sup>But in November 1969 President Yahya Khan announced the decision to dissolve the single province of West Pakistan and to restore the separate provinces.

little in the way of shifting state boundaries, but the exclusion of Singapore as a state in 1948 and again in 1965, and the invitation to the Borneo states to join the Malaysian federation in 1963, were related to the desire to preserve the racial balance among the component states. Southern Nigerians have often in the past blamed many of Nigeria's tensions upon the overwhelming size of the north and argued that it should be split, while minorities in each of the regions have sought their own separate autonomous states. In 1963 the Western Region was split so that a new Mid-Western region might be created, and more recently the decision in 1967 to re-structure Nigeria into twelve states represents a fundamental reorganisation.

## 2. *The size of states*

Among federations there have been striking contrasts in the area and population of their component states.<sup>1</sup> Three of the federations have consisted of states or provinces of massive size. Eight of the fourteen Indian states after the reorganisation of 1956, the two provinces of Pakistan after the consolidation of West Pakistan in 1955, and Northern Nigeria before 1967 have each contained populations greater than the total federal population of Canada, Australia or Switzerland. At the other end of the scale, more than half of the Malaysian states, eight out of ten of the West Indian territories, and all but two of the twenty-two Swiss cantons have had individually a population of less than half a million. Experience in these multi-cultural federations suggests that the larger states have been better able to sustain effectively full governmental machinery, to minimise costly duplication of administration, to function themselves as economic units for purpose of economic planning, and to discourage the provincial governments from usurping the functions of local government. But critics of the larger state units have also pointed to their shortcomings and to the administrative and political advantages of smaller provincial

<sup>1</sup>For a fuller discussion of the impact of the size and number of state units upon the allocation of administrative responsibilities see Chapter 5, section 1.

units. To begin with, the larger regional units are likely to be less homogeneous internally and many of the advocates of smaller provinces have aimed at regional units which might reduce the existence of linguistic or cultural minorities within a province. Secondly, the examples of the larger regional units of Nigeria, Pakistan, India and also of Jamaica in the West Indies, asserting themselves at the expense of the central government, and the contrasting willingness of the Malayan states, the smaller Caribbean Islands, and the Swiss cantons to accept increasing central power, suggest that larger regional units are more likely to obstruct the effective exercise of central power or to contemplate a separate self-sufficient existence.

The size of regions *relative* to each other within a federation has often been a factor accentuating inter-regional tension. The relative population of provinces has been important because it generally governs central voting strength. This issue, for instance, has been an explosive one not only in Nigeria but also in Pakistan and even in the culturally homogeneous West Indies. The relative wealth of a state is also significant because of its effect upon the ability to finance services comparable to those of other states without having to resort to a greater dependence on central aid. Thus, where linguistic and cultural differences among states are accentuated by disparity in wealth and consequently social services, invariably some sort of financial adjustment and equalisation has been necessary to minimise interregional tension. In both India and Pakistan and also in the proposals sometimes advanced in Canada for five provinces in place of the present ten, the reorganisation of states has been aimed primarily at reducing disparities in the relative size of the states.

The number of states within a federation is a factor which also affects the character of politics within the system. The notable feature of the new federations by contrast especially with the fifty states of the United States or the twenty-two cantons of Switzerland has been the tendency for fewer state units. India, for example, with a population more than double that of the United States, has less than a third of the number of autonomous states.

Nigeria up to 1967, and Pakistan, despite their immense populations, each larger than Canada, Australia and Switzerland put together, had four and two regional units respectively. This has had two effects in these federations. First, the position of the state governments has in practice been much strengthened at the expense of central authority, and the pressures for regional separatism have been accelerated. Secondly, a struggle of states for federal supremacy has been encouraged. The inter-regional fears of domination in Nigeria and the determination of each of the two provinces in Pakistan not to be subordinate to the other have seriously undermined federal stability. This suggests that a stable solution to the political problems of a federation is assisted if the number of states is not reduced to less than half a dozen and that preferably they should number ten or more.

In some of the newer federations, the solution advocated has been a zonal structure in which a middle tier of government, grouping provinces into roughly equal zones, would be introduced between the central and provincial tiers of government. Somewhat similar schemes have been advocated on occasion in Canada for the grouping together of the Atlantic provinces, or of the western provinces. Such arrangements were suggested for pre-partition India by the Cabinet Mission of 1946, in the original proposals for West Indian federation in 1945-6, and in some of the proposals for Uganda's inclusion within an East African federation. In each of these cases the notion of another tier of zonal government was rejected, however, because of the complexity involved. Only in India has a zonal system been adopted. In 1956, at the time of the reorganisation of state boundaries, the states were grouped into five large zones, but the zonal councils are merely consultative and advisory intergovernmental bodies rather than a middle tier of government.

### 3. *Heterogeneity within states*

The degree to which a federal political system may effectively meet the needs and interests of different linguistic and cultural groups is



related to the extent to which the state units themselves internally represent homogeneous or heterogeneous populations or interests.

Although all federations have contained sectional groups, linguistic, economic or other, which were geographically localised, it has been rare for the concentration of these groups to coincide exactly with the state boundaries. To begin with, diversities are usually not regionally segregated so exactly that political boundaries could mark off completely homogeneous units. People do not arrange themselves like that. In Canada, for example, not all French-Canadians live in Quebec nor is Quebec totally French-Canadian. Similarly, in other federations the states are never completely homogeneous and a single unit rarely marks off all the members of a linguistic or cultural group. Even in India, Canada or Switzerland, where the regional units appear to be so distinctive linguistically, there have been inevitable overlaps at the edges of the regional boundaries and there are cultural minorities in every regional unit. As in Nigeria so in India commissions examining possible revisions to internal political boundaries which might create homogeneous units have concluded that it would be impossible to draw boundaries which did not leave at least some minorities within each regional unit.<sup>1</sup>

A second reason for the internal social heterogeneity of state units in federations is that the geographical scope of linguistic, racial, religious, cultural, historical, economic and other interests may not coincide exactly with each other. For instance, the regional grouping of economic interests may not coincide with the distribution of cultural or ethnic groups, or religious groupings may cut across linguistic ones as they do in Switzerland. Thus, regional differences usually operate over several different geographical spans. The situation where some diversities correspond fairly closely with the actual state units, while others spill over state boundaries or correspond to groups of states, and still others

<sup>1</sup>Cf. *Report of the States Reorganization Commission, 1955* (New Delhi, 1955), paras. 154, 156, 233; Cmnd. 505/1958, *Nigeria, Report of the Commission appointed to enquire into the fears of Minorities and the means of allaying them* (London, 1958), p. 87.

represent divisions within an individual state, is quite typical of all federations. To take just one example, India may be looked at from several regional viewpoints. There is the fundamental division between the Indo-Aryan Ganges heartland in the north and the Dravidian peoples of the Deccan and coastal plains to the south; there are the five main economic regions represented by the zones into which the states have been grouped; there are the states themselves representing since 1956 the major linguistic regions; there are within the states important regional differences of caste, religion, economic interests, and, in a few cases still, language.

Regionalism in Nigeria is equally complex. There is a basic division between north and south derived from differences of religion, social institutions, degree of modernisation and relative size of population. Within the south there is a further division represented by the Yoruba-Ibo rivalry expressed before 1966 in the tensions between the Western and Eastern Regions. Furthermore, within each of the regional units existing up to 1967, there were minority groups who were strong enough to agitate for their own separate states. Even in the present twelve-state structure there are clearly ethnic differences within many of the states.

This analysis suggests several points of significance. First, in all federations the regional distribution of interests has been complex, and to assume, therefore, that the state units can be representative of all forms of regional interests over-simplifies the situation. It follows that in any federation there will be a need for co-operation between states where regional interests cross state lines, and a need for decentralisation within states to accommodate more local variations. At the same time, it must be emphasised that since the state units are the most effective political means of expressing regionalism, a federal system is likely to be more successful if its states reflect fairly accurately the most fundamental regional interests within that society. Where this is not the case, experience suggests that demands for reorganisation of state boundaries will arise as in India, Pakistan, and Nigeria. The Indian lesson would seem to

suggest that the creation of essentially unilingual states has tended to reinforce regional loyalties by giving them linguistic solidarity, but that at the same time this has to some extent been outweighed by the reduction in inter-state and intra-state tensions over language issues. In India, resistance to the reorganisation of states on linguistic lines, as long as it lasted, provoked expressions of minority grievances, the competition of political parties to exploit these minority grievances, vigorous and sometimes unconstitutional agitation and bitterness, and national instability over the conflicting claims and counter-claims. I am not suggesting here that the principle of unilingual states should override other considerations, for other factors such as the relative balance in size of states, and their economic viability, must also be taken into account. But the federal solution can only be effective if the sub-units provide an adequate channel by means of which regional groups can find expression.

Finally since in all federations some minorities within the state units have been unavoidable, constitutional provisions specifically designed to protect and meet the needs of these intra-state minorities have usually been found desirable. Sometimes these have been embodied in a list of justiciable human rights, as has been the case in India and Malaysia. Sometimes, India and Malaysia are again examples, there have been special guarantees to specified linguistic or other minority groups within the states, regarding their educational rights, language, religious practices, representation in the state legislature and quotas in the state public services. In India the central government has been assigned by the Constitution a special responsibility as the guardian of minorities against oppression by state governments. The central government has been given direct responsibility and power to give directions to state governments regarding these minorities, and special standing commissions have been established to report on the position of such minorities. Canada, too, as a result of the recommendations of the Royal Commission on Bilingualism and Biculturalism, is considering at the present time more extensive ways in which minority groups within provinces might be pro-

tected. It is clear then that in many federations it has proved desirable to establish special arrangements for protecting intra-state minorities and that the safeguards for them have often required an inter-penetration of the functions of state and central governments.

## Chapter 5 PROBLEMS OF DIVIDED ADMINISTRATIVE JURISDICTION

---

### *I. Issues affecting the allocation of jurisdiction*

If a federal system is one in which there are co-ordinate sub-systems of government—a general government and a set of state governments—neither subordinate to the other but operating within a single political system, then a fundamental problem affecting administration in such a system is the allocation of administrative jurisdiction between the central and constituent governments. The structure, staffing and financing of administrative services, important as they are, can only be determined after the allocation of functions among the tiers of government has been determined. To put it another way, the appropriate design of administrative structure must follow the functions to be performed.

In examining this question, the main theme of what I shall have to state on this subject is that despite the long tradition of acceptance, at least in theory, of the concept of dual federation, the notion that each government in a federation must within its own sphere of competence be independent of the others, in practice no such clear-cut division of jurisdiction has been possible. In fact in every federation, shared political power has necessarily resulted in shared administrative activities. The inevitable overlaps and inter-relations between the administrative responsibilities of different levels of government have meant that in most federations an intricate set of administrative inter-relationships has been necessary. In this chapter I shall consider the problems of divided administrative jurisdiction in such a situation, and in the following chapter I shall turn to a discussion of arrangements for administrative co-operation between governments.

Five basic issues affect the allocation of administrative jurisdiction among governments within federations. These are the size and number of the component sub-units, the degree of centralisation or decentralisation which is desired, the need to minimise friction in areas where the administration of governments overlaps, the relation of administrative responsibilities to the distribution of legislative authority and financial resources, and the degree of uniformity in the application to states of the distribution of powers between the central and state governments.

The size and number of component state units within a federation affect the scope of administration which the states are able to perform and the extent to which the central government must take responsibility for co-ordinating their efforts. Here one must consider the absolute size of the state units, the relative size of the states to each other, and the number of states within the federation. As I have noted in the previous chapter, in terms of absolute size there have been enormous variations from federation to federation. One needs only to contrast large states such as Uttar Pradesh in India with a population of 60 million, the old Northern Nigeria with some 30 million, Ontario with 7 million, or the largest of the new states at present in Nigeria, the Western State with 9½ million, with smaller states such as Lagos or the Rivers State with about 1½ million, or the tinier states in Malaysia and the Swiss cantons, some of which have a population of merely 50,000. Here the relevant indices are population, revenue and area. Each of these affects the scope of administrative organisation which a state may be able to support and, hence, the responsibilities it can effectively perform. Population affects the scale of services that will be required and, if large enough, may enable economies of scale and an ability to support specialised services. Revenue determines the financial viability of the states, and area is an indicator of problems of communication and dispersal of population which may affect administration. Thus, the scale of functions which a state the size of Uttar Pradesh might effectively support, clearly the Swiss cantons could not. To take another comparison, Ontario in Canada with a population of seven million can support

fourteen universities, but of the twenty-two cantons in Switzerland only five can support a single university. Administrative responsibilities that were appropriate for regional governments when Nigeria was divided into three or four regions may no longer be appropriate to the scale of operation for state governments in a re-structured federation of twelve states. Another influence of the absolute size is the effect upon the extent to which the federation may incorporate a two-tier or fully fledged three-tier system of government. Where the states are large a flourishing local government is necessary, but where the states are smaller the state may itself absorb many of the functions of local government. An example of this is the experience of Australia where in most of the states something like half the state population is concentrated in the state capitals and, therefore, administration within the states themselves is highly centralised and local government is relatively weak. It should be noted, however, that Switzerland, despite its small cantons, continues to maintain a flourishing system of local government. Nevertheless, generally speaking, the size of the states will affect the extent to which they develop or absorb the functions of local government.

The relative size of states to each other also has a bearing on the allocation of administrative jurisdiction. In federations where there are great disparities in the size of the states, problems arise. In such a situation the scope of administrative responsibility appropriate for the larger states is not appropriate for the smaller states. For example the contrast between Ontario and Prince Edward Island in Canada, makes it difficult to strike a common level appropriate to the extremes. Disparity in wealth may be particularly significant since it can lead to differences among states in their ability to support services within their responsibility. In such a situation, there are often inter-state resentments at differences in the standards of services which they are able to provide. As a result, demands are sometimes provoked for uniform standards of service to be provided or at least subsidised by the central government, thus involving a greater role for the latter. Sometimes, however, depending on the structure of central institutions, disparities



in the size of states may work in the opposite direction towards decentralisation: if, due to contrasts of size or educational opportunity in different states, one state group has an advantage in the competition for positions in the central public service, there may be a resultant pressure from other groups for strengthening the scope of state administration where native sons of the state can be assured jobs.

Not only the size but the number of states may affect the balance of functions assigned to the different levels of government. The situation in different federations varies from the United States with 50 states, Switzerland with 22, to federations with much smaller numbers of states such as Nigeria now with 12, Canada with 10, Australia with 6, and Pakistan with 2. This affects the scope of central authority required for co-ordination of the states, and also the relative bargaining power of each state in relation to other states and in relation to the federation. It is sometimes said that what has kept federalism alive in Australia, despite its relatively homogeneous population, is that each state represents a significantly large political share of the national electorate. It seems to me that Nigerian experience before 1967 shows how a federation composed of only a few regions gives each of those regions enormous political bargaining power. A feature noticeable in federations composed of a fairly large number of states is that this may require inter-state groupings for certain common regional purposes. For example, in Canada the Atlantic provinces as a group, or the Prairie provinces, have on occasion acted together, and in India this has been put on a more formal basis by grouping all the states in the five zones corresponding roughly to economic areas.

In a federal system, a second major issue affecting the allocation of functions is the degree of centralisation or decentralisation which is considered desirable. A variety of criteria have usually had to be taken into account in particular instances in judging the appropriate degree of centralisation or decentralisation. Administrative efficiency is one of the first to come to mind. Among the considerations in favour of centralisation are the economy which results from a single service which eliminates duplication, the ability to support

specialist services because of economies of scale, and the reduced complexity which can be achieved through uniformity of procedures, for example in the social services, throughout the federation. But the criteria of administrative efficiency may also favour decentralisation. Decentralised administration may be more efficient and quicker in responding to problems in large areas where communications are difficult, especially in continental federations like the United States, Canada, Australia and India and in similarly large federations like Pakistan and Nigeria. Regional administration, by making use of local knowledge, may achieve greater effectiveness and genuine economies. Local units of administration may draw forth suitable personnel who, without this opportunity, might have remained undiscovered. A number of small administrative units provides an opportunity for experiment in one or a few of them without extending the risks to the whole federation. Compact units, with some measure of homogeneity in their population, such as in unilingual states, simplify the tasks of administrators. In addition, in very small state units, where all the administration relevant to a territory could be handled by a small unified local staff, decentralisation avoids the multiplication of officials at the local level which would result from the departmentalisation of central unified services.

But administrative criteria are not the only ones that must be taken into account. In arriving at the degree of decentralisation which is appropriate, political and economic considerations are also important, and this may on occasion override administrative efficiency. For example, there is little value in establishing an administrative structure which meets all the criteria of administrative efficiency if it fails to meet the political demands of the people to such an extent that the populace simply rejects it. A recent example is the efforts in Pakistan under President Ayub Khan to achieve administrative efficiencies which in the end were rejected in East Pakistan. Similarly in Canada many French-Canadians would freely admit the efficiency of centralisation in certain fields but would still reject it because of their desire to maintain their cultural distinctiveness. Thus, among the considerations that

must be borne in mind in designing, developing or reforming the degree of administrative centralisation or decentralisation within a federal system, and often overriding considerations simply of administrative efficiency, are political and economic factors. These may work in the direction of centralisation where the concentration of central authority is desirable for the conduct of external relations and defence, to promote economic developments, or to foster inter-state links. Or they may work in the direction of decentralisation where regional groups desire the preservation of their cultural or economic distinctiveness even at the cost of less administrative efficiency, and where the refusal to decentralise is likely to result in such political instability as to weaken the federation, as in Pakistan and, to some extent, Nigeria. In general, then, most federations have had to strike a balance in the administrative, political and economic benefits and costs to arrive at the appropriate level of centralisation and decentralisation.

A third issue in the allocation of administrative responsibilities among governments is the minimisation of friction in the areas where the administrative activities of these governments overlap or are interrelated. A supposedly ideal solution is that assumed by the traditional concept of dual federalism. This envisages the minimisation of intergovernmental friction by clearly dividing the jurisdiction between governments with no overlaps so that each government could operate independently within its own sphere of competence. But, as I have indicated in the first chapter, in practice it has always proved impossible to achieve such a neat division. The issue, therefore, is not one of avoiding interaction between administration at different levels, but one of minimising the friction which arises from the inevitable interaction. This involves two aspects: First, there must be a careful allocation of jurisdiction designed in such a way that areas which are closely related to each other are assigned to the same government in order to minimise the extent of overlaps. Secondly, there is a need to create institutions and processes to ensure adequate intergovernmental consultation and co-operation in those areas which are shared by both levels of government. The next chapter is fully devoted to this second aspect.

Another question to be considered is the relation of the allocation of administrative responsibilities to the distribution of legislative authority and financial resources. In the distribution of functions between tiers of government, we must distinguish three aspects which are interrelated to each other: the assignment of legislative authority, the assignment of administrative responsibility, and the assignment of financial resources. Generally it might be assumed, especially by those accustomed to the British parliamentary system, that there should be a correspondence in the scope of these three allocations on the grounds that governments should possess the administrative responsibility and financial resources to implement their legislative decisions. But it is quite possible for the scope of these three aspects not to coincide. Indeed in several federations this has significantly been the case. For example, in Switzerland there is a substantial range of functions over which the central government has legislative authority but the cantons have administrative responsibility. Among the newer federations established since 1945, the situation is similar in Western Germany, and there are some elements of this arrangement in the Asian federations, India, Pakistan and Malaysia. Perhaps the most extensive example of this situation was that which existed in the form which the Federation of Malaysia took between 1948 and 1957. Nor is it at all unusual for the major revenue resources to be assigned to one level of government, usually the central government, while the major expenditure responsibility are placed in another, usually the states, leaving them short of the financial resources needed to perform their administrative duties. Consequently, in most federations large-scale intergovernmental financial transfers have been necessary, and I shall deal with this question in a later chapter. Here I shall concentrate my remarks on the relation of the assignment of administrative responsibility to the distribution of legislative authority.

On this question, a major factor is the form of executive adopted in the federation. Where there is a non-parliamentary executive, that is, an executive not directly responsible to its legislature, as in the presidential system of the United States or the Swiss collegial

system, there is less difficulty in having different degrees of centralisation for legislative and administrative responsibility. Indeed, there are some advantages to this arrangement. It enhances flexibility by allowing variations in different states in the administrative application of central legislation. It enhances efficiency in such fields as the social services by enabling the central government to legislate in order to secure a basic national uniformity while permitting greater adaptiveness through the local application of central policy. It may also facilitate efficiency by reducing the necessity for a duplication of administrative services. Finally, it encourages intergovernmental co-operation rather than independent action in fields of interest to both levels of government. On the other hand, the allocation of executive and legislative responsibility to different governments raises some difficulties in parliamentary federations. Consequently, in these federations, there has been a tendency on the whole to make administrative responsibility co-extensive with the distribution of legislative responsibility. The main reason for this is that where the principle has been adopted that the parliamentary executive should be responsible to its legislature, it is only if administrative responsibility coincides with legislative responsibility that a legislature can exercise control over the body administering its laws. Even then, there have been some departures from this principle in the parliamentary federations. All the new Commonwealth federations, for instance, have included in the interests of flexibility extensive provisions for the voluntary delegation of executive authority from one government to another. The federations of India and Pakistan, in addition, have made the administration of all central legislation of subjects on the concurrent legislative list a state responsibility. The result has been that, in practice, the Indian central government, for instance, has had to administer its legislation on social action programmes largely as a 'staff' organisation, co-ordinating the states through conferences, rather than directly administering itself. West Germany, a parliamentary federation, adopted a unique arrangement for dealing with this problem. The Bundesrat, the federal second chamber, is composed of the heads of the state

governments, and on the large list of functions over which the Constitution combines central legislative authority with state administrative responsibility it requires the concurrence of the Bundesrat, representing the states which will have to administer these laws, before the legislation is valid. In practice, legislation of this type has represented close to half of the total federal legislation in Western Germany during the last decade.

A fifth issue affecting the allocation of responsibilities is whether the distribution of powers between the central and state governments should be applied uniformly to all states within the federation. In some federations there has been a variation either because certain territories were sparsely populated or underdeveloped and needed more centralised direction as in the case of the centrally administered Northern Territories in Canada and Australia, and the centrally administered territories in India and Pakistan, or because certain ethnic groups within the federation demanded more autonomy while other regional groups preferred a greater centralisation. There are three major examples of the latter type. In Canada, Quebec has pressed for a special status. In the British North America Act there were some special provisions concerning language and civil law which applied only to Quebec. More recently the 'opting out' formula for certain shared cost programmes has been exercised mainly by Quebec. Nevertheless, it would appear from current public discussion that the Canadian electorate sees some limits to the extent to which a special status for one province might be taken because of the fear that this will simply prove to be a form of creeping separatism. In India under the 1950 Constitution there were four different classes of states with differing degrees of autonomy. Under the reorganisation of states in 1956, the categories were reduced to two but, in addition, the state of Jammu and Kashmir and the state of Nagaland have had special arrangements of their own. In Malaysia when it was formed in 1963, Singapore and the Borneo States were given a greater degree of autonomy than the other states in the federation. But the failure of this arrangement which led to Singapore's departure from the federation in 1965, suggests that too great



a degree of variation in the status of states may lead to a situation in which a more autonomous state will feel that it has little stake in the federation, and its citizens feel that in federal terms they are second-class citizens. In conclusion, I would suggest that a federation can tolerate some variations among its states in the allocation of responsibilities. It may even be that such an arrangement might contribute to a solution eventually of the role of the East Central State within Nigeria. But experience also indicates that if there is too much variation in the degree of autonomy which states possess this may itself be a divisive, indeed destructive factor, as in Malaysia.

## *2. Patterns of allocation of administrative functions*

The general principle on which the allocation of administrative responsibilities in federations has usually been based is that whatever concerns the federation as a whole, principally external relations and inter-state activities, should be placed under the control of the central government, and all matters that are primarily of state rather than common interest should remain in the hands of the state governments. Supplementing this basic criterion have been two subsidiary criteria: first, that responsibilities should be assigned to the government best able to administer them; second, functions which are normally related to one another should be entrusted, as far as possible to the same authority. These principles, of course, have been interpreted in various ways in different federations because of differences in the strength and kinds of common and regional interests, affecting the extent of political pressure for centralisation and decentralisation, and because of differences in the size and number of component states. Thus, in practice there has been no single model pattern, but rather many variations among federations in the allocation among governments of administrative jurisdiction.

Nevertheless, some common patterns are discernible, as can be seen from Table 1.<sup>1</sup> Subjects of clearly federation-wide interest

<sup>1</sup>See pp. 138-42.

over which legislative and administrative responsibility have almost always been assigned to the central government have been external affairs, defence and control of armed forces, currency and foreign exchange, foreign and inter-regional trade, maritime shipping and inter-state communication. Subjects of basically regional interest which have usually been allotted to the state governments for both legislative and administrative responsibility have included agriculture and land, forestry, most aspects of education, many aspects of public health and social services, administration of local public order and justice, local government and public works, and town and country planning.

But there is a third group of subjects in which strong central and state interests have usually coincided or overlapped. These are areas where most of the controversy over the allocation of administrative jurisdiction has arisen, and they have been treated in different ways in various federations. Sometimes they have been assigned exclusively to the central government, as in the highly centralised federations of Malaya and Malaysia. Sometimes they have been placed exclusively under state control as in the extremely decentralised federation of the West Indies. More often these areas have been shared by the central and state governments. This sharing has taken a variety of forms. Sometimes a subject has been subdivided with different aspects being assigned to the central or state governments. Sometimes a matter has been made concurrent allowing both governments to operate in the field, at least until the central government pre-empts it. Sometimes responsibility for these matters has been given to either the central or state government but with the proviso that the government responsible for the function must obtain the consent or undertake prior consultation with the other level of government before exercising its authority. As can be seen from Table 1, a common pattern in the newer federations has been an extensive list of subjects under concurrent jurisdiction. Here the newer federations have tended to follow the Australian example rather than that of Canada or Switzerland where the prevailing pattern has been a complicated detailed subdivision of fields. The advantage of placing a matter under



concurrent jurisdiction is that it provides a measure of flexibility, allowing the central government to enter the field over a period of time as cohesion grows within the federation. Sometimes, however, there has been a reluctance to adopt this pattern simply because the normal practice of allowing central legislation to prevail in areas of concurrent jurisdiction means that in the long run these are areas potentially dominated by the central government.

There are a number of fields in which the allocation of legislative and administrative responsibility has been especially controversial and which, therefore, have usually been shared by both levels of government. Although external affairs has usually been considered appropriately a central subject, the implementation of international treaties and agreements has been a more troublesome issue because a sweeping central power here could potentially be used to undercut or encroach on all the normal state functions particularly in an era in which international agreements on a wide range of subjects have become common. Consequently, in some federations the implementation of treaties or international agreements on subjects affecting state responsibilities has required consultation with the state governments or even their consent. Recently this has been a particularly controversial area in Canada over Quebec's role in foreign affairs, and it has become a Canadian practice now to include provincial representatives in the federal delegation at conferences dealing with matters over which the provinces are normally responsible.

Another area that has usually been troublesome has been that of economic affairs, especially trade, commerce, and industry. The difficulties of distinguishing inter-state and intra-state economic activities and interests, and the close interaction of economic affairs at both levels has made a neat delineation of government responsibilities difficult. In addition, economic development and the location of industry has almost always been of interest both to central and state governments. The particular difficulties connected with the allocation of the control of economic policy will be discussed further in Chapter 7. Another of the areas

usually shared by governments has been that of labour, trade unions and industrial disputes.

In the field of civil, personal and criminal law, the desirability of federation-wide uniformity is counter-balanced by the fact that these matters are usually closely related to different regional customs and traditions. Communications, especially roads, are another area which have often been shared. Local and inter-state roads are closely related and the growing costs of road construction have, in many cases, required central assistance. Another controversial area has been that of universities and technical education. The high cost of providing these has often led to pressure for central responsibility, but because universities have been looked upon as the bearers of the regional culture, distinctive cultural minorities have often insisted upon state responsibility for universities, an example being Quebec's refusal of any direct central assistance to universities. Medicine and health have usually been state responsibilities but certain aspects are expensive and in some, uniformity has been considered essential to efficient control, for example, in the regulation of the medical profession or the control of poisons and drugs. In some federations the social services have been placed under concurrent jurisdiction in the interests of achieving a uniformity of standards across the federation, but in others differences in local conditions and requirements have led to the placing of these under state administration. In practice, because the social services are usually expensive, the central governments have also exerted a considerable influence through grant-in-aid schemes assisting state governments provided they maintain certain minimum conditions.

The control of internal migration is another matter which has sometimes been shared. The desirability of free internal mobility has led to a reluctance to place this matter under state control, but fears in the wealthier states of a population influx from the poorer states, and the need for controls in the interests of public health and security have also affected the way in which responsibility over migration has been assigned. Another particularly controversial area has been that of public order and control of

the police. Generally, these have been placed under state responsibility because this would make for promptitude in action and permit adaptation to local needs, but in most federations there has also been a central police force responsible for security questions and inter-state offences. Thus, public order and the police have usually been a matter in which both levels of government have been concerned although the precise form of their roles has varied.

### 3. Degrees of administrative decentralisation

An examination of Table 1 indicates a wide variation in the relative degree of centralisation of legislative authority in different federations. If we rank the federations in that table in terms of the number of matters over which the central government has exclusive, concurrent or partial responsibility, we find that the new federations as a group, except the short-lived Federation of the West Indies, have concentrated more legislative functions in the central government than was thought necessary at the time the old federations were formed.<sup>1</sup> We also note that among the new federations, Nigeria assigned to the central government the smallest range of exclusive powers. But by comparison with the older federations it is clear that the powers of the Nigerian central government, as assigned by the Constitution, were by no means inadequate. The weakness of the Nigerian central government to which reference has often been made by observers must be attributed, therefore, not to the Constitution but rather to political and administrative factors which weakened its operation.

When we turn to the scope of administrative responsibilities allocated to different levels of government in federations, some further points emerge. In the older federations, commentators have

<sup>1</sup>A summary of the degree of centralisation indicated by Table 1 is:

	F	C	FR, FC, or CR	Total
Australia	2	26	8	= 36
Canada	21	2	15	= 38
Pakistan (1962)	30	—	22	= 52
Nigeria (1963)	23	12	25	= 60
India	34	21	31	= 86
Malaysia	75	12	15	= 102

noted the trends towards centralisation in legislative authority and in the control of financial resources. But paradoxically there is evidence that in the scope of administrative responsibility performed the states have held their own and in some cases perhaps even increased their proportion of administration. The reason for this is that while central activities have increased, much of it in the field of external and military affairs, in most areas of the social services, for example health and education which involve extensive administration, the bulk of administrative responsibility has fallen to the states. Maurice Vile, writing about federalism in the United States, has pointed out, for example, that in those administrative activities which directly affect the citizen, the impact of state administration has increased enormously. For example, if military expenditure is excluded, the proportion of combined federal-state expenditure under state and local responsibility has not declined in the United States since its inception.<sup>1</sup> The patterns in Switzerland, Australia, and especially Canada, have been more or less similar. Moreover, in Canada during the last decade there has been a sharp decentralisation, especially under the pressure from Quebec, such that provincial expenditure as a proportion of combined federal provincial expenditure has increased from 35% in 1958 to 41% in 1962-3, and now is well over 45%.<sup>2</sup>

In the newer federations, despite the greater centralisation of legislative authority than in the older federations already referred to, the central governments have tended to operate in the administrative sphere mainly as 'staff organisations' leaving a large proportion of administration to the states. For example state expenditure, as a proportion of combined federal public expenditure, has been larger in most of the new federations than in the older ones. Table 2 indicates that around 1960 state expenditure as a proportion of combined federal state public expenditure was for the United States 26%, for Australia 37%, for West Germany and Canada 41%, and for Switzerland 62%. With the exception of

<sup>1</sup>M. J. C. Vile, *The Structure of American Federalism*, 1961, pp. 11-13.

<sup>2</sup>For a fuller discussion of this trend see Chapter 8.

Malaya where the comparable figure was 17%, all the newer federations have been more decentralised in terms of proportional public expenditure than the older federations (except Switzerland), the figures being for Pakistan 49%, Nigeria 54%, India (despite its centralisation of legislative authority) 58%, and the West Indies 97%.<sup>1</sup> The reason for the sharp contrast between the degree of legislative centralisation and of administrative decentralisation in India, is the arrangement described earlier whereby central legislation on matters under concurrent jurisdiction is normally administered by the state governments.

A number of implications follow from these patterns. First, given the extensive scope of state administration, it is clear that the effective operation of these federations is dependent upon efficient state administration. Furthermore, where administrative responsibility is more decentralised than legislative jurisdiction, there is a need for effective intergovernmental consultation and co-operation. The notion of each government acting independently in its own sphere is impractical and an invitation to disaster. Finally, as long as there is a trend towards legislative centralisation combined with administrative decentralisation, the states in these federations will remain powerful political entities upon which the central government is dependent for effective operation. This trend is likely, therefore, by emphasising the mutual dependence of central and state governments on each other to contribute towards a federal balance.

<sup>1</sup>See Table 2, p. 143.

## Chapter 6 INTERGOVERNMENTAL ADMINISTRATIVE CO-OPERATION

---

### *1. Factors affecting co-operation*

A number of factors has led to the growth in contemporary federations of intergovernmental administrative relationships and co-operative machinery. Particularly important, as already pointed out in the previous chapter, has been the impossibility of dividing the jurisdiction of central and state governments into watertight compartments, especially in such controversial areas as the implementation of international agreements, economic affairs, roads, universities, health, social services, migration, public order and police. Consequently, there have been extensive areas of concurrent or shared jurisdiction.

Some other factors have also contributed to increasing administrative co-operation between governments within federations. One has been the relative constitutional inflexibility, especially in the older federations, restricting periodic redistributions in the powers and responsibilities of governments by means of constitutional amendments, judicial review or, in Canada, even the delegation of legislative powers by one level of government to another. This has prompted a search for flexibility through collaboration between governments in administrative arrangements, in this way getting around constitutional limitations by intergovernmental negotiation and collaboration. Another factor has been the increasingly powerful pressure in most modern federations for central action to equalise the range and quality of public services available to all citizens across the federation. Thus, the interplay between nationalism and regional inequalities in per capita fiscal capacity has propelled most central governments into an equalising role in which federal assistance to states has produced a large number of



central-state joint arrangements and programmes. Professionalisation of central and state public services has also facilitated inter-governmental collaboration because the attitudes, procedures and values common to these services, especially in the case of programme specialists such as foresters, social workers or civil engineers, provide common standards and objectives which are accepted professionally by specialists in both the central and state public services.

But in most federations there have also been factors hindering co-operative administrative relations. One of these has been an uncritical assumption of the theoretical ideal of dual federalism, that is, the notion that any intergovernmental interdependence violates the principle that each level of government within an 'orthodox' federation should be operating independently in its own watertight sphere. This assumption has sometimes produced a tendency to look upon any intergovernmental activity as fundamentally non-federal or at best quasi-federal and, therefore, likely to undermine state autonomy. But, as I have been attempting to emphasise throughout, the pure model of dual federalism has never been applicable to any federation, even, as Daniel Elazar has pointed out, in the early United States. In spite of this, the dualist notion of the federal principle is widely held and quoted, perhaps more in Nigeria than anywhere else.

The operation of different political parties in central and state governments has also sometimes hindered co-operative administrative relations. Where this situation occurs there is a temptation for governments to distrust other governments dominated by different political parties or to try to score political points in the rivalry against each other. Where the same party is in power in both levels of government, the resolution of central state problems through the machinery of the political parties themselves has generally been facilitated. This explains the relative success of union-state relations in India during the first two decades after independence when the Congress Party was predominant in most governments. Now that this situation has been lost in India, negotiations between governments are becoming more difficult. It should be noted,

however, that even in federations where the same party is in power in different governments, this does not guarantee inter-governmental political harmony. A political party may have its own internal regional divisions. An example is the current situation in Australia where the relations of the central government and the state of Victoria are bitter in spite of each having the same governing party, the tension representing a fight between the centralist and decentralist wings of the Liberal Party.

Within the public services themselves, officials of different public services may find their desire to express themselves through their work and their career prospects inhibited if they enter into constructive intergovernmental relations. The capable and ambitious official will often try to expand the scope of his own administration or to extend his own influence to all aspects of a field shared with another government. This introduces competitive rivalry as an important element in the relations between public servants in different governments. Moreover, if the state official is relatively passive in his dealings with his central collaborators, he may feel that he is demonstrating to his superiors that he has lost his originality. Thus competition and rivalry are inherent in this situation, especially when able and zealous public servants are involved. Indeed, it might be said of Australia with its relatively homogeneous population and historical pressures for centralisation that the one thing that is now keeping the states as vital political entities and hence maintaining federalism, is the rivalry which exists between central and state administrators.

One factor inherent in federal systems which hinders inter-governmental co-operation is that when an administrative conflict between two separate public services occurs, there is no hierarchical superior by which the dispute may be resolved. By contrast, a unitary political system usually provides a hierarchical structure in which a single authority can break a deadlock and whose very existence is a deterrent to prolong bickering. In a federal system, however, where this way of resolving disputes does not exist because neither level of government is subordinate, when conflict occurs there may be long delays until a solution has been



negotiated or there may result even deadlock and no action at all.

Given the presence of these various difficulties, co-operative and consultative arrangements must be designed to overcome these hindrances as far as possible. The importance of facilitating co-operation is clear in the light of the experience of difficulties which federations have actually suffered. If one looks at the record of attempts at co-operation among governments within federations, one is struck by the relatively high failure rate. Even in the example of Australia where the problems of intergovernmental co-operation are not accentuated by regional ethnic differences, one finds that this is the case.<sup>1</sup> The Australian experience suggests that co-operation between central and state governments has usually been easiest on matters concerning a single state or on projects which were inexpensive or uncontentious, such as centrally aided roads, various research programmes, or uniform administrative procedures adopted jointly by central and state departmental officials on technical matters like health, fisheries, mining and navigation. But in Australia, often the best efforts of both levels of government have failed where the issues were contentious, expensive, or agreement of all the states was required. The opposition of one state has frequently been sufficient to shelve or wreck a project, and sometimes co-operative schemes requiring uniform legislation in both central and state legislatures have collapsed, even when approved unanimously by central and state ministers because they failed to be passed, or to be passed in the terms agreed, in one or more state Parliaments due to a change of government or to obstruction in a hostile upper house. If a federation with a relatively homogeneous population such as Australia has had such difficulties, then in multilingual or multi-ethnic federations like Canada, Switzerland, India or Nigeria, these difficulties are likely to be magnified, and the procedures and mechanisms for administrative co-operation will have to be designed to overcome these difficulties as far as possible.

<sup>1</sup>A. F. Davies, *Australian Democracy*, 1958 p. 98.

## 2. Types of co-operative activity

The types of intergovernmental administrative relations can be categorised in terms of the range of governments involved, the extent to which decision-making is shared by governments, the types of intergovernmental friction they are designed to overcome and the institutional structure of the co-operative machinery. These four aspects are interrelated, of course, but, for purposes of analysis, I shall deal with them separately.

The range of governments involved in intergovernmental relations may take three forms. First, there is central-state co-operation. In all federations there have grown extensive administrative relations between central and state governments to cope with the sort of problems, discussed in the previous chapter, which arise out of the problems of divided administrative jurisdiction. Second, there is inter-state co-operation. In most federations there has been a growth of administrative relations among states with each other. R. H. Leach has studied this phenomenon in Australia and Canada, and in the United States the extensive development of inter-state co-operation has been described as 'federalism without Washington'. In Switzerland, too, this form of intergovernmental co-operation has recently been encouraged as a way of resisting centralisation and preserving federalism: on those matters which the cantons cannot handle alone, they have sometimes preferred to act co-operatively rather than to transfer responsibility to the central government. A third form might be described as regional co-operation. This may involve central-state or inter-state relations, or both, but is focused not on federation-wide problems but upon a distinctive regional orientation involving only a group rather than all of states. For example, in Canada there have been schemes for co-ordination among the Atlantic provinces and in India the states are grouped into five zones of three to five states each. Other examples are the numerous *ad hoc* schemes in different federations involving several states to deal with common waterways, power schemes, communications, economic or agricultural concerns.

When we consider intergovernmental relations in terms of the extent to which decision-making is shared by governments, two different kinds of co-operative administrative relations are to be found. First there is what might be called joint action: the establishment of joint programmes or activities in which the decision-making powers and financial responsibilities are shared by the governments involved. This is often the pattern taken by state schemes which involve central assistance through grants-in-aid. The second form is consultation. This is required where extensive financial or administrative responsibility for particular matters rests with one government or the other, but where the interests of both governments will be affected by the decisions taken. It may involve the need for consultation through both formal and informal devices in order to communicate the values and objectives of each government involved to the other before it acts. This form of co-operation and the mechanisms required tends to approach more that which occurs in international diplomacy.

We may also classify intergovernmental administrative co-operation in terms of the type of intergovernmental friction which it is designed to overcome. These frictions resulting from the rigid constitutional division of jurisdiction give rise to demands for different types of co-operative activity.<sup>1</sup> First, there are those matters where the Constitution assigns to the central government exclusive or concurrent legislative powers but where, in the interests of decentralised administration, the central government finds it desirable to use the states as its administrative agents in part of the field. This practice has been extensive in the newer federations as pointed out in Chapter 5, especially in the realm of economic planning. Secondly, there are those matters where neither the central constitutional powers alone nor the state constitutional powers alone are clearly sufficient. Examples in Australia are the organised marketing of primary products, civil aviation and the standardisation of railway gauges. An example in

<sup>1</sup>For an analysis of Australian co-operative activities in these terms see Davies, *op. cit.*, pp. 97-8.

Canada was the problem of potato marketing in Prince Edward Island. In such areas it has been necessary for both governments to take joint action. Thirdly, there are those matters where the central government has no clear power, the states have, but because of territorial limitations cannot proceed singly. Examples in the older federations are those arising out of the use of common river systems and associated power and pollution problems. Here intergovernmental co-operation may take a purely inter-state form of organisation or may involve central-state co-operation with the willingness of the states. In either case it is usually undertaken by a regional group of states. Fourthly, there are those matters which, though constitutionally state concerns, are ones in which the central government especially wishes to promote development. The usual mechanism for this has been through central conditional grants-in-aid to the states requiring certain standards for the aided services. This device has been widely used in the older federations to cope with such matters as health, universities, roads, low-cost housing and a variety of other fields which, when the constitutions were drafted, were seen as more local in character than they are now in their twentieth-century context.

Intergovernmental co-operation can also be analysed in terms of the institutional structure through which these relations are carried out. Invariably, federations have felt the need for formal institutions to facilitate intergovernmental co-operation. Co-ordination does not depend entirely, of course, on setting up formal machinery for consultation. Indeed, consultation must be continuous between official committee meetings. Moreover, many of the problems arising from conflicting legislation and overlapping administration can be greatly eased, if not wholly solved, by opportunities for personal contact between administrators. But useful and indispensable as personal contacts are, they are not enough. Officials come and go and problems multiply and become more complex. Therefore, much of the answer to the problem of effective intergovernmental co-ordination necessarily lies in the development of intergovernmental committees or councils.

The machinery for co-operation may take the form either of

standing or of *ad hoc* committees or conferences. All the contemporary federations have a wide array of standing inter-governmental committees. In some of the newer federations such bodies are specified in the Constitution itself. Examples are the Inter-state Council and the Finance Commissions in India, the National Economic Council and the National Finance Commission in Pakistan, the National Finance Council, the National Land Council, and the National Council for Local Government in Malaysia, and in Nigeria under the 1960 and 1963 Constitutions, the Police Council. The only comparable example in the older federations is the Loan Council in Australia, although to some extent it might be said that the Bundesrat in Western Germany performs the function of a standing intergovernmental council. But in addition to those councils specified by the Constitution, most federations have established a wide range of general and specialised committees and councils set up on a standing basis by legislation or practice. For example, there are some 125 such bodies in Canada. Australia possesses a similar range of standing intergovernmental committees with the Premiers' Conference as the most senior of these. The newer federations have also quickly established a large number of such committees especially in the realm of economic affairs and planning.<sup>1</sup> Among the most notable have been—in India the Zonal Councils, the National Integration Council, and the National Defence Council, in Pakistan the Provincial Advisory Boards for Posts and Telegraphs, and the National Council of Social Welfare; in Malaya the Tariff Advisory Board, and in Nigeria such bodies as the National Economic Council and Joint Planning Committee, the National Council on Establishment, the Joint Consultative Committee on Education, and many others. In addition to the standing machinery for intergovernmental co-operation, most federations have also resorted to a multitude of conferences composed of central and state representatives, arranged on an *ad hoc* basis as the need has

<sup>1</sup>For a more extensive enumeration of such committees and councils in the newer federations see my *New Federations*, Clarendon Press, Oxford, 1966, pp. 241-7.

arisen to deal with specific problems. This has been an especially characteristic feature of Indian federalism which has relied heavily on such conferences for the co-ordination of state administration by the central government, but it has also been a favourite device in most other federations. Examples are the meetings of State Governors, Chief Ministers or Finance Ministers, and of various state and central ministers or officials. In Canada there are annually some 100 such meetings in addition to those of standing committees, boards or commissions.

Intergovernmental committees can have broad, general fields of reference or rather specific precise terms of reference. For purposes of categorisation one might distinguish three general types. There are those with very broad terms of references exemplified by the summit meetings of heads of governments, such as the Australian Premiers' Conference, the Federal-Provincial Conference in Canada, or those concerned with economic planning in the new federations like India, Pakistan, Malaysia and Nigeria. Secondly, there are those with broad terms of reference. For instance, about a quarter of the standing intergovernmental committees in Canada are concerned with such broad topics as agriculture, health, finance, civil defence, insurance, justice (uniformity of legislation), mines, water resources, and scientific research. Third, there are intergovernmental committees which have narrow and relatively precise terms of reference. For example, three-quarters of the standing committees in Canada would fall in this category ranging in their scope from the Vocational Training Advisory Council to the Co-ordinating Agency on the Diseases of the Beaver.

The level of membership on intergovernmental committees will also vary with the scope of their concerns. For example, Edgar Gallant in classifying the 125 Canadian committees in 1965 found 2 at the level of prime minister and premiers, 13 at the ministerial level, 14 at the deputy ministerial (permanent secretary) level, 27 at the director level, and 65 at the professional and technical level.<sup>1</sup> This classification was based on the status of the principal members

<sup>1</sup> Edgar Gallant, in J. P. Meekison, ed., *Canadian Federalism: Myth or Reality*, 1968, p. 295.



of the committee; invariably at committees at the ministerial or deputy-ministerial level, professional and technical advisers have been in attendance also.

Generally speaking, intergovernmental committees have concentrated their attention upon areas where the division of jurisdiction was not clear. To take again the example of Canada, only a few are concerned with areas which fall exclusively under central or provincial jurisdiction, while most are related to the fields of agriculture (sixteen in 1965), health and welfare (twenty-one in 1965), and labour or natural resources, scientific research or statistics, and finance, fisheries, insurance, justice and transportation.

### 3. *The role of administrators*

Both central and state administrators play an important role in making intergovernmental administrative relations cordial and constructive. There are a number of reasons why they have come to play a major mediating role in settling intergovernmental conflicts. First, where the officials involved are programme specialists, such as foresters, social workers, civil engineers, and so on, officials in different governments tend to have common attitudes, procedures and values derived from sharing a common body of knowledge and objective criteria. Thus, it can be said that the tendency to reduce intergovernmental conflicts to administrative decisions by experts has meant over time that this bureaucratisation has facilitated co-operation by removing these concerns from the political arena. Secondly, the professionalisation in public services has led to increased formal and informal contacts among those involved in the same kind of work, and common attitudes have been fostered by specialised journals, by advisory committees and by *ad hoc* or regular conferences at which public servants get to know each other personally. Thirdly, powerful factors of self-interest encourage both central and state officials involved in grant-in-aid schemes to regard their respective roles as complementary rather than competitive. For example, central and state

programme officials recognise that more financial resources are likely to be available in their field of responsibility when shared cost arrangements prevail and know that if such arrangements cease, the scope of their responsible power and status may be reduced or that they may even be transferred to other responsibilities. In general, as a result of the professionalisation of public services, these influences have had a growing impact on intergovernmental administrative relations.

But in some federations, more noticeably the Commonwealth federations, another trend has come to the fore recently. Here, the impact of the parliamentary form of executive is a major factor, as pointed out in Chapter 2. There has been a trend towards the co-ordination within each government of its relations with other governments, each government building up special agencies through which its relations with other governments are channelled. For example, in Australia the Premiers' Conference has come to exercise a preeminent role as the senior governmental body and, consequently, in both the central and state governments, the Prime Minister or Premiers' Office has taken on a major role in co-ordinating the relations of each government with the other governments. In the Australian states this arrangement has been facilitated by the fact that most of the Premiers are also their own Finance Ministers and, therefore, their offices deal with the critical financial relations with the central government. In the last decade there has been an even more marked trend in Canada towards the co-ordination within each government of its relations with the other governments. At the central level the Cabinet has a special committee on federal-provincial relations, whose special secretariat, operating as part of the federal Prime Minister's office, maintains liaison with the appropriate officials in the provinces and in the federal ministries. This secretariat prepares the agenda and attends the federal-provincial conferences composed of the heads of all the governments. The Minister of Finance had had a separate Federal-Provincial Relations Division headed by an Assistant Deputy Minister, who, with the Deputy Minister of Finance, has played a key role on the Committee on Fiscal and Economic



Matters of the Federal-Provincial Conference. Thus, in the office of the central Prime Minister and the Ministry of Finance, machinery has been established to co-ordinate central activities in relation to the provinces. Similarly, at the provincial level, secretariats have been created to co-ordinate their administrative relations with other governments. These have usually been associated with the provincial premier's office, or the provincial treasurer's office, and in Quebec this arrangement has sometimes been referred to even as a department of 'external affairs' for co-ordinating the relations of that government with those 'foreign' governments in Ottawa and the other provinces. This trend in the parliamentary federations has enabled the co-ordination within each government of the highly complex set of intergovernmental administrative relations that have developed, thus avoiding a situation in which different departments in the same government might in their dealings with other governments work at cross purposes. But, at the same time, it has to some extent changed the character of intergovernmental bargaining and negotiation. For example, it has imposed some inhibitions on programme specialists working out piecemeal accommodations since clearance from other officials responsible for co-ordinating intergovernmental relations is required. It has also created a tendency for projects for functional co-ordination to be subsumed under more general forms of intergovernmental co-ordination where, inevitably, an agreement is more difficult because political issues and not just technical ones are involved. The result has been a tendency for the positions of governments to become more polarised in their dealings with each other. A similar pattern has been apparent in the newer federations mainly in their attempts at comprehensive economic planning, but I shall turn to that in the next chapter.

Senior central administrators have a special role to play in facilitating intergovernmental administrative co-operation. Where such co-operation has been effective it has owed much to the contribution of central officials in providing the leadership, administrative direction and implementation of decisions. In Canada, for example, the personal testimony of participating

officials in provincial capitals, including Quebec, indicates this. The Glassco Commission, in 1962, found that there were no less than sixteen federal departments and an equal number of agencies which had close and significant concerns with matters in which the provincial governments had common or related interests, and that Commission pointed to the important role of the Central Division of Federal-Provincial Relations in advising these departments on arrangements for consultation, conditional grants, administrative delegation, and contracting of services by one government for another. Central administrators play a particularly important role because in central-state conferences, the responsibility for organising meetings and for providing the secretariat has usually fallen upon them. Thus, unless effective and efficient central administrators are involved in intergovernmental activities, the institutional machinery for co-operation is unlikely to be effective. It would appear, for example, that one of the difficulties in Nigeria has been a situation in which some of the central public servants have been junior to their state counterparts and this has limited their effectiveness.

In closing, for the benefit of those who are likely to be involved exclusively in intergovernmental relations, I should like to quote a passage from an article by Kenneth W. Taylor, a distinguished Deputy Minister of Finance in Ottawa, now retired, who following many years of successful participation in dominion-provincial committees wrote down his impressions of the requirements for success:<sup>1</sup>

'... May I now offer a few personal observations on what seems to make them work well or not so well?

First, the rather obvious point that any committee should have a real and worth-while purpose and function. It is nearly always pleasant for a group of people with similar interests to get together, and such gatherings sometimes have their uses. But committees are time-consuming, and most of us have plenty of

<sup>1</sup>Kenneth W. Taylor, 'Co-ordination in Administration' in V. E. Hodggets and D. C. Corbett (eds.), *Canadian Public Administration*, 1960, pp. 148-51.

important work and enough essential travel without being burdened with unnecessary meetings.

To do good work a committee should have clearly defined terms or fields of reference, with a carefully considered agenda for each meeting, backed up by adequate preparatory work. An occasional session of general discussion that wanders round and about a topic is not without some value, but too much of this will quickly destroy the vitality of any committee.

Every committee needs a good chairman and a good secretary. They are normally responsible for organising the agenda of each meeting. A good agenda logically arranged, that is based upon a proper appreciation of priorities, and that is adequate but not unmanageably long, is always a major contribution toward ensuring a successful meeting.

The task of a good chairman is to keep the discussion in focus and to bring it in due course to a satisfactory conclusion. He should not unduly force the pace of discussion, but he should tactfully but firmly keep it on the rails. A good chairman should know as much as possible about his committee members and have some understanding of their individual problems. Since inter-governmental committees by their very nature have to work toward unanimity rather than majority votes, a good chairman should be skilful and alert to suggest acceptable compromises. This requires a good sense of timing.

Committees should not waste much time discussing topics when it becomes obvious that essential information is not available. When this situation arises, some individual or a sub-committee should be asked to undertake the necessary preparatory work, and the topic should be transferred to the agenda of a subsequent meeting. Similarly, there is not much point in pursuing for too long the discussion of a proposal that is clearly unacceptable to important members of a committee. The proper procedure is to drop it, at least for the time being, and let its strong advocate exercise their persuasive powers outside and between meetings.

Reporting the proceedings is normally one of the tasks of the

secretary. (He has many others, of course, as the right-hand man of the chairman and often as one of the best technically informed members of the committee.) Where a committee has the authority to reach definite decisions, these will, of course, be recorded in agreed minutes. But many—perhaps most—of the committees we are presently considering are advisory, with each member reporting back to his own superiors. In such cases, in my experience, agreed minutes do not have a great deal of value. They may indeed prove embarrassing and time-consuming, especially if each member for his own protection thinks it necessary to have on the record all his varying shades of dissent or qualification. In the committee with which I am most closely concerned, the Continuing Committee on Federal-Provincial Fiscal and Economic Relations, we find that the best method is for the secretary (who is a federal official) to circulate his own notes of the meeting which summarise the course of discussion and the consensus of views that seemed to be reached. Each provincial Deputy Minister thus has for his records a reminder of the discussions to which he can append his own marginal notes and comments. If any member feels that there is a serious discrepancy or error in these notes he can call attention to it either by correspondence or briefly at the next meeting.

It is important, however, that some records be kept, because the personnel of committees change, and new members should be able to examine the record of previous meetings.

For good results it is essential that a committee be struck at the right level. Deputy Ministers, for example, cannot be and should not be omniscient. It is both wasteful and usually ineffective to refer technical and operational questions to a committee of Deputy Ministers. Technical questions should be referred to professional or technical committees, and matters of operating procedures to committees at what I have called the director level. Similarly, matters which reach well into the policy level should not be put before technical or director-level committees, unless and until the main policy issues have been settled.

The selection of committee members, particularly at the director and technical levels, requires a good deal of care if the committee is to work well. Frequently, of course, membership on a committee is almost *ex officio*. This is sometimes unfortunate. We can all think of instances where a man is a first-class operator as head of a branch or division, but lacks some of the essential qualities of a good committee-man. In such cases those of us who have to make choices should try tactfully to arrange to appoint someone other than the director to serve on the committee.

A good committee-man, apart from knowing his subject, should have the right degree of capacity and prestige to influence the decisions of his superiors when he reports back. He should know enough about the policy of his government and his department to be aware of how far he can go in proposing or supporting compromise conclusions. He should be firm in pressing his government's or his department's views, but not so stubborn that he blocks workable compromise.

Problems of inter-governmental co-ordination, where we are dealing with relations between independent authorities, almost always involve compromises. This perhaps explains why some of our best professional men or operating men are not always good committee-men. They "know" the right thing to do or the right way to do it, and will settle for nothing less. Their pursuit of the best makes it sometimes impossible to reach the good. Politics, as we know, is the art of the possible, and the best workable compromise is its normal objective. The uncompromising expert on a co-ordinating committee is apt either to break his heart or wreck the committee.

A final quality which committees and committee members require is a good measure of patience. Committee work is often frustrating. So often one's colleagues or one's superiors (or both) are either stupid or stubborn. We need to realise that progress through discussion and agreement is often painfully slow. But though it may be slow, we have only to look back over a decade or two to see that it is also real.

In conclusion may I sum up by saying that inter-governmental co-ordination in administration is a difficult task, requiring a great deal of skill and patience. A good deal of administrative machinery is necessary. Machinery, however, will not run by itself. It requires constant and steady direction from the top. Federal-provincial committees are useful, indeed indispensable. But they have a disposition to proliferate. It is a good thing, therefore, to take time off periodically to take a good look at the machinery as a whole, and at its individual parts. It might be a good rule to require each committee, council or conference, every five years or so, to submit a written apologia for its continued existence, and perhaps we might find a panel of Devil's Advocates to review these submissions.

My final remark, based on my own experience, is that federal-provincial co-operation in improving efficiency and developing mutual understanding is a highly rewarding task. It takes time and effort; it has its frustrations; but it is also a very happy and enjoyable exercise. . . .'

## Chapter 7 CONTROL OF ECONOMIC POLICY

---

### *I. Federal economic issues*

In my discussion of the administration of economic policy in federations my primary concern with the subject will be from the viewpoint of a political scientist rather than that of an economist, that is, in terms of the way in which the administration of economic policy affects and is affected by federal-state relations. This is not, of course, the only area of administration over which central and state governments share interests, but it is a particularly important area since the economy provides the base for all the other governmental activities, and particularly since in the twentieth century there has been a growing emphasis on the role of governments in developing or planning the economy.

Economic motives have been significant factors for union in nearly all federations. Just as the integrated development of the American West, British North America and the Australian Continent was among the most potent inducements to federal unification in the United States, Canada and Australia, so in the newer Asian federations, nationalism has been stimulated by economic hopes. A number of advantages have frequently been cited in favour of the larger political units made possible by federation. These have included the expanded free market and common monetary system which would enable free movement of goods and capital, lower costs of production, regional specialisation, industrialisation, the attraction of foreign investment, the diversification of exports, enhanced diplomatic bargaining power in international trade negotiations, and increased credit-worthiness for public borrowing. Indeed, as in the United States, Canada and Australia, the new federations have sometimes been considered by their



founders as political compromises whereby the economic benefits of effective union might be achieved without sacrificing regional, cultural or social distinctiveness. The European federations of Switzerland and West Germany have also attempted to embody such a compromise. The multi-cultural collection of cantons in Switzerland were unified to enhance not only their security but also their economic trade, and during the last fifty years the economic powers of the central government have been expanded by constitutional amendments. In the case of West Germany an examination of the constitutional distribution of legislative authority indicates that most of the major controls over the economy were made available to the central government while cultural affairs were left largely in the hands of the *laender*.

But the problem of federal economic policy has never been that simple. Invariably there have been concurrent economic pressures which were themselves regional in character. For instance, even where union was likely to bring economic gain to a federation as a whole, this has not always meant benefits to all the regions involved. The academic analysis of customs unions has pointed to the existence not only of 'trade-creation' effects but also to 'trade-diversion' effects in which certain territories experience an adverse impact, particularly in the case of unions between 'advanced' and 'backward' states. This explains why, in spite of potential economic advantages to the federation as a whole, economically advanced states like Jamaica, Singapore, and Penang, or economically backward territories like the Canadian Maritimes, Western Australia, Nyasaland, Northern Nigeria in 1953-4, and East Pakistan have, for economic reasons, either been reluctant to federate or have even on occasion spawned secession movements. The impact of the general economic arguments for political integration may vary also according to the degree to which the regional economies are complementary in such a way as to encourage inter-state trade or are competitive so that there is little scope for trading with each other. In the West Indies, for example, where most of the islands produced the same goods and were therefore competitive, the proportion of the Island

products devoted to inter-island trade was less than 5%, and in the case of Jamaica about 1%. It is not surprising, therefore, that the economic incentives to federation were in that case relatively weak.

The economic issues that I have considered so far have been largely those which do not presuppose an extensive governmental role in economic affairs. But, of course, in recent years there has been a general recognition that active governmental policy has a crucial role to play in economic development. Paradoxically, this emphasis on active public economic policies has increased the pressures both for economic unity and for economic regionalism within contemporary federations.

It is generally the conventional wisdom, especially in federations formed since 1945, that governmental economic policies could be made more effective if applied on a federation-wide basis. For example the provision of social services would benefit from the standardisation of services and the economies of scale, from the greater opportunity to support administrative specialisation, from the more solid financial basis on which they might be supported, and from subsidies which might be given to poorer regions to assist them to meet minimum standards. Such benefits would also apply to the formulation and administration of economic plans involving public expenditure within the larger political union. Furthermore, the financing of such plans would be assisted by the greater credit-worthiness of the common government, provided, of course, that such a union can maintain political stability. Finally, the employment of active monetary and fiscal policies aimed at economic stabilisation, forced saving, productive credit expansion and direction of economic development has usually been thought to benefit from the wider and more diversified financial base and the increased availability of foreign investments.

On the other hand, the emphasis upon active public economic policies has often aggravated regionalist pressures at the same time. This has been the case especially where relatively wealthy and advanced states have been combined with poorer and less-developed states, for in such cases different monetary, fiscal and

tariff policies are likely to be appropriate for the various states. The resulting pressures for regionalisation of development policies has been particularly apparent in Nigeria, Malaya and the West Indies. Often, too, arguments for the most efficient and economic employment of resources have called for concentration of expenditure in the more advanced regions, but this has clashed with egalitarian pressures for the removal of wealth differentials between regions. Pakistan is an especially noteworthy example.

In addition to the direct influence of economic regionalism, many separatist movements which have been ostensibly social or cultural in motivation have had strong economic undercurrents. The French-Canadian resentment of the economic dominance of English-Canadians is a typical example. Similarly, the overtly linguistic separatism of the French-speaking Bernese Jura in Switzerland has been sharpened by the relative economic backwardness of that particular region. The pre-partition separatism of the Muslim middle class in north-west India was at least in part an attempt to protect themselves from a larger and better-educated Hindu group. In the federations created since 1945, the linguistic regionalism and Dravidian separatism which burst to the fore in India after independence, the growing demands of East Bengal for greater provincial autonomy in Pakistan, the concentration of Malay communalism in the economically-backward eastern states of Malay, the racial fears of the Africans in the northern protectorates of Central Africa, are all examples where overtly cultural and political diversities were strongly coloured by economic discontent. To a large extent, the same might also be said of the Northern Nigerian demands before 1960 for regional autonomy and even occasional threats of succession. Invariably, such tendencies have been strengthened also by the fear that the increased integration of the economy might in the long run undermine regional cultural distinctiveness and state autonomy.

One might expect that the emphasis upon national planning and hence the centralisation of economic power might vary with the degree to which socialist views are prevalent among politically influential groups and statesmen. For example, this has been

noticeable in India where the dominant theme struck by Nehru and accepted by the Congress Party despite a powerful conservative element in that party, was a desire for Fabian socialism and economic planning. The result was an emphasis upon the creation of a powerful central government and for a considerable time some resistance to the pressure for reorganisation of states on linguistic lines. But the strength of socialism does not by itself sufficiently explain variations in the concentration of economic power in the central government. The Constituent Assembly of Pakistan in which the large land-owners of the Punjab were a particularly influential element, the ruling Alliance Party in Malaya which has been a largely conservative and non-socialist coalition, and the Rhodesian agricultural, commercial and mining interests which dominated the federation movement in Central Africa, all recognised the need for and pressed for extensive central economic powers as a means to economic development and modernisation. By contrast, the socialists in the West Indies, particularly the Jamaicans, preferred instead to strive for welfare states at the insular level and were hostile to centralised economic powers of any kind.

It should be noted that in certain significant respects the situation in the Asian and African federations has differed markedly from that in the developed federations. To begin with, in the newer federations the desire for swift economic advance has been accentuated by the need for their economies to outgrow mushrooming populations and by the intense desire to remove the political stigma of economic inferiority as soon as possible. On the other hand, these federations have had the advantage of being established at a time when the importance of active public policy as a stimulant to economic development was already accepted. Thus, while the older federations have had to adapt federal systems originally designed at a time when less governmental economic action was presupposed, the newer federations have from the outset usually incorporated constitutional provisions intended to facilitate the financing, co-ordinating and implementing of economic and social planning. A further difference between the

older and newer federations has been the size and power of the non-public sector of the economy. In the North American, European and Australian federations the private sector of the economy was already considerably developed before active public economic action came into vogue. In the African and Asian federations where the private sector has been less developed, the governmental policies could be more directive and the instrumentalities chosen had less need to adapt to the habits and customs of an already well-developed private sector. Thus, the differing character and strength of the already existing private sector of the economy has inevitably affected the type of planning machinery and the scope and impact of the fiscal or monetary measures adopted by governments in these federations.

## *2. Allocations of responsibility for economic affairs*

The conflicting economic and political pressures both for wider unity and for stronger regionalism have meant that in most territories the distribution between central and state governments of responsibilities with economic significance has proved a difficult one. Consequently, responsibility over economic affairs has invariably been shared between the central and state governments rather than exclusively assigned to one or the other. Generally, as Table 1 indicates in more detail, considerable economic powers have been given to the central governments, but as an expression of economic and social pluralism, not unimportant economic functions have also been allotted to the regional governments.<sup>1</sup>

The precise balance in the distribution of control over economic affairs has, of course, varied from federation to federation. In Canada many matters related to economic policy are subdivided between the central and provincial governments while in Australia most such items come under concurrent jurisdiction. However, what is similar to both is that in an extensive number of fields the central government has some explicit or potential authority over

<sup>1</sup>See especially in Table 1 the sections on finance, trade, commerce and industry, planning, shipping and navigation, communications, utilities, labour and social services, and agriculture.

economic affairs. As Table 1 shows, in the economic sphere the Canadian Central Government has some responsibility over twenty items and the Australian Central Government over nineteen. In Switzerland and West Germany, the central government has control over a larger range of economic matters: thirty-five items in Switzerland and thirty-three items in West Germany which are either a federal responsibility or shared by the central and state governments. In the United States money and credit is a central responsibility but the other major economic areas such as transportation and communications, production and distribution, economic development, resources, and utilities, are shared by the central and state governments.

In the newer federations, too, responsibility over economic affairs has been shared between the central and state governments rather than exclusively assigned to one or the other. The Asian federations have put the most emphasis upon the centralisation of economic planning, and of fiscal and monetary policies. The Central African and Nigerian Constitutions placed less but still substantial economic powers in central hands. The West Indies Federation was an exception to the general trend in the newer federations, emphasising planning and economic development on an island basis. But while the degree of centralisation has varied, in none of these federations has the control of economic policy been concentrated solely in one level of government. The sharing of responsibility for economic affairs between levels of government has necessitated a variety of arrangements. Sometimes economic matters have been placed under concurrent jurisdiction. On the other hand, often there have been complex subdivisions spelled out in much detail in the legislative lists or in other sections of the constitutions allocating certain aspects exclusively to one tier government or the other. In most of these federations the central governments have been assigned relatively broad or at least concurrent powers over trade, commerce, industry, labour, communications, sources of energy, science, industrial research and statistics. Thus, in most cases, the central governments have possessed sufficient scope for comprehensive planning and for



the promotion of economic development. Even in the West Indies the central government was constitutionally given at least concurrent jurisdiction over a number of these subjects, although in the face of Jamaican resistance these powers were left largely unused. In most of these federations, however, considerable concurrent or exclusive responsibility in some significant economic matters has at the same time been given to the state governments also; moreover, these state powers have been in fields like agriculture, local industries, intra-state trade and commerce, labour and social services which are of particular significance in developing economies. The net effect, therefore, has usually been to place in the hands of the central governments the major means for promoting economic development but to require at the same time a high degree of reliance upon the co-operation of the state governments for the full implementation of economic policy and development programmes. Consequently, the role of the central governments has often become primarily one of co-ordinating state action. Nevertheless, in the Asian federations, the central governments have been able, in performing this function, to exert considerable influence through their dominant position in the financing of development expenditure.

The difficulty of dividing economic functions into neatly separate and completely independent compartments has induced most of the new federations to introduce a variety of arrangements whereby one government within the federation might influence or even check the activities of others. Often these intergovernmental controls have been specified in the written constitution itself, but in other cases they have been established pragmatically as political pressures made such conventions necessary. Consequently in certain instances, where the responsibility of one government is closely related to the activities of other governments, the constitution or convention has required the central government to obtain the consent or at least to consult the states affected, or has required the state governments to consult or have the approval of the central government before action is taken. Of the new federal constitutions, that of Malaysia has contained perhaps the most

provisions of these kinds, although it is by no means unique in specifying requirements for intergovernmental consent or consultation.

There are other ways, too, by which one government within a federation has been given influence over the exercise of certain functions by another. The lengthy lists of concurrent powers, many of them touching on economic affairs have provided a means by which the central governments in the United States, Australia, and most of the new federations, can in these matters exert a general and ultimate control while leaving state governments to fill in the details. In a few cases, as in Malaya and more recently Pakistan, the central government was, in addition, given express authority to override the exclusive powers of the state governments without their consent, when the central government was acting in the interests of national welfare such as for development programmes or in the interests of establishing minimum national standards of uniformity.<sup>1</sup> A somewhat similar grant of power was given to the Swiss central government in 1947 when central powers over economic affairs were extended in rather general terms to enable the central government to deal with economic crises arising from unemployment, threat of war, and the like.<sup>2</sup> A feature of this provision was that it envisaged co-operation between the central government and the cantons in the administration of such legislation. One arrangement for the division of responsibility over economic affairs found in Switzerland, West Germany, and to some extent the Asian federations, is that whereby the central government has been assigned extensive legislative authority but a substantial portion of the implementation of these enactments has been left to the state governments. In Switzerland, for example, despite the increasing centralisation of legislation on economic affairs, federalism has been kept alive by the heavy reliance upon the cantonal governments for the administration and execution of federal laws. This device of leaving the primary

<sup>1</sup>*The Constitution of the Federation of Malaya, 1957*, arts. 76, 92; *The Constitution of the Republic of Pakistan, 1962*, art. 131 (2).

<sup>2</sup>*Federal Constitution of the Swiss Confederation, as amended 1947*, art. 31 bis.



administrative responsibility for the execution of federal laws in the hands of the cantons has permitted the increase of central legislative co-ordination without arousing excessively the ire of the advocates of cantonal rights. By allowing for regional variations in the administration of federal legislation, it has also made central legislation more acceptable to the diverse groups within the Swiss Federation. In West Germany, although the central government is empowered to establish central administrative agencies to execute central laws, the Constitution makes provision for the states to administer central laws, and in practice the execution of central laws at the operational levels has fallen largely to the *Laender*. A similar pattern, although not to the same degree, has appeared in the three Asian federations. Under the Indian Constitution, 1950, for example, the execution of central laws on matters placed under concurrent legislative jurisdiction, including economic planning, is normally vested in the state governments. The effect of this, and of similar although more limited arrangements in Pakistan and Malaysia, has been to make the administration of economic affairs more decentralised than the corresponding legislation. This arrangement was not adopted, however, to any large degree in the new African and Caribbean federations in the Commonwealth.

### 3. *Intergovernmental co-ordination*

A characteristic feature of all federations, therefore, has been an interlocking responsibility of both levels of government for economic affairs. In this situation extensive co-operation between governments has been a necessity and has generally taken two forms: joint action on specific projects, and consultation on matters of general economic policy.

The tendency to joint inter-governmental action on a wide variety of specific projects is apparent in all federations, old as well as new. The popularity of this approach is in part due to the fact that by concentrating on specific projects, it has generally been easier to get agreement between governments. Moreover, many of

these projects have been undertaken as shared-cost programmes whereby state governments have been assisted by conditional grants from the central government. This approach has been particularly popular for capital projects, especially those planned in development programmes, which the state government might otherwise be unable to finance.

In addition to joint action on specific projects, most of the new Commonwealth federations have established formal arrangements for consultation between governments on matters of general economic policy. Perhaps the most important of these are those concerned with planning and co-ordinating economic and social development. These have been a particularly important feature in developing federations where the constitutional structure was designed not in the eighteenth or nineteenth century but in the twentieth century when the wider economic role of governments was generally accepted and where, also, economic development has been a particularly urgent social goal which might be hampered by lack of intergovernmental co-ordination.

Among the examples of major intergovernmental institutions concerned with general economic policy in the newer federations have been the National Development Council in India, the National Economic Council in Pakistan, the National Finance Council and National Land Council in Malaysia, the National Economic Council in Nigeria, and the Inter-Territorial Planning Group in Rhodesia and Nyasaland. In both India and Pakistan, the central government has tended to dominate the process of planning both because of the state and provincial dependency on central grants and loans for capital projects and because a Planning Commission or Board of the central government has collected the plans of the various states or provinces, drafted the national plans and advised on their implementation. Nevertheless, the supreme planning body responsible for laying down the outline for the economic plans and supervising their implementation has in both India and Pakistan been an intergovernmental council: the National Development Council in India, and the National Economic Council in Pakistan. Both Councils are composed of central and state or

provincial premiers or cabinet ministers. One commentator has assessed the importance of the National Development Council in India in this way:

"The position of the National Development Council has come to approximate to that of a super-Cabinet of the entire Indian Federation, a Cabinet functioning for the government of India and the Governments of all the States."<sup>1</sup>

It should be noted that in both India and Pakistan these inter-governmental summit meetings of central and state leaders for purposes of co-ordinating economic planning were advisory councils, theoretically not binding on the governments involved. In practice, however, these councils set the major lines of economic policy and planning and were able to do so because of the existence of strong central leadership and in India because of the dominance of the Congress Party at both levels of government until 1967. Indeed, in India Nehru exercised personal leadership in the realm of economic planning as Chairman of the Planning Commission, which was a favourite project of his. Since the Congress Party, with very few exceptions, was in power in nearly all the governments within India during the first two decades after independence, it was possible through the channels of the dominant political party for the states to be persuaded to accept an agreed line. One should not underestimate the pressures which the states were able to bring upon economic policy through the Congress for the channels within that Party worked in both directions. But the significant point is that there were few wrangles within the National Development Council since such difficulties were usually sorted out within the Party machinery. Since 1967, with the rise to influence or power of other parties in many of the states, the situation has changed significantly. Now different political parties are represented in the National Development Council and it has become a real deliberating body for setting economic priorities. In this situation the role of the Planning Commission has also been

<sup>1</sup>K. Santhanam, *Union-State Relations in India*, Bombay, 1960, p. 47.

changed. It no longer formulates a plan which the National Development Council can generally be counted upon to accept, but instead presents alternatives with the implications of each, and leaves to an increasing degree to the National Development Council the choice of economic and social priorities.

In addition to the work of these major intergovernmental councils, development planning in India and Pakistan has also involved virtually continuous consultation between various central and state departments in the implementation of their Plans. This is particularly important for no matter how well a plan is designed, ultimately its effectiveness will depend upon the way in which it is implemented. It is significant that it has been in the area of implementation that the Indian plans, for instance, have suffered the most difficulties and where it has been found necessary to improve the process of consultation between governments.

Economic and social planning in Malaya, and subsequently Malaysia, has inevitably been dominated by the central government because there, more than in any of the other new federations, legislative and executive authority over economic matters has been concentrated in the central government.<sup>1</sup> Nevertheless, the central government is required to consult the National Finance Council, composed of central and state representatives, before putting development plans into operation. There is also a National Land Council, likewise composed of central and state representatives, to formulate a national policy for land utilisation which is binding upon central and state governments, and to advise on national development plans. In addition, a Rural and Industrial Development Authority, also composed of central and state representatives, has been created to stimulate and undertake economic and social development projects, especially in rural areas.

Nigeria too, of course, developed special machinery to cope with economic planning. The National Economic Council, composed of representatives of all governments within the federation, was formed in 1955 as a forum for the discussion of economic matters and for fostering co-operation between governments. It was

<sup>1</sup>See Table 1.

strengthened in 1959 by the addition of a Joint Economic Planning Committee, and in 1962 an agreed single national six-year development programme was published. A number of other intergovernmental bodies concerned with related matters were also established, notably the National Council of Natural Resources and the Niger Development Board. Thus, in terms of formal machinery for intergovernmental economic planning, Nigeria was not at all deficient in comparison with the Asian federations. However, it would appear that the machinery operated in a very different manner. My impression is that by contrast with the three Asian federations, the weakness in the Nigerian central leadership, both at the political and administrative levels, together with political rivalry among the regions, resulted in a situation in the period up to 1966 where problems of priorities tended to be solved by duplicating programmes or projects. This resulted in some cases in wastefully competing projects rather than integrated economic development. An example was the controversy over the location of the proposed iron and steel project. There were also problems arising from lack of control over the implementation of the regional plans with the result that the regional governments often departed from the schedule which had been agreed upon in the overall plan.

In addition to these councils designed to facilitate general economic co-operation in the new federations, there have usually also been a multitude of other councils, commissions, and boards intended to co-ordinate the work of central and state governments on specific economic problems of mutual concern. To cite only a few examples, there have been the River Boards in India, the provincial advisory Boards for the central Posts and Telegraph Department in Pakistan, the Central Bank Advisory Committee, the Central Marketing Board, and the Statutory Boards of certain central corporations in Nigeria. Furthermore, in India, the Zonal Councils have, among other functions, helped to some degree to co-ordinate on a regional basis economic activities of groups of states. It is clear, then, that in most of the new federations a completely dual polity of isolated central and state governments has

been found impracticable under modern economic conditions and that a wider variety of institutions facilitating close co-operation between governments has been found an essential feature for effective federalism.

How do these arrangements for co-ordinating economic planning in the new federations compare with those in the old federations. An immediately apparent point is that such planning machinery is far more extensive in the newer federations than has generally been the case in the older federations. This is perhaps related to the point already alluded to that the structure of the new federations has been designed at a time when active governmental economic planning is more widely accepted.

Among the older federations, the United States probably has the least formal planning machinery. There are a multitude of specific functional projects and programmes involving intergovernmental co-operation, but there is little formal co-ordination of overall economic planning. This is perhaps a product of the prevailing economic philosophy, but it is also in part the product of the presidential-congressional system, with its diffusion of centres of authority, making it difficult to bring together all the groups that would be involved. This situation is further accentuated by the fact that the United States is composed of fifty states, thus involving a large range of governments which need to be co-ordinated. Consequently, what co-ordination there is in the United States is achieved mainly through federal financial inducements rather than through consultations among governmental leaders, although on occasion some consultation is achieved through the State Governors' Conference.

The Constitution of Canada, like that of the United States, was designed at a time before economic planning became fashionable and, therefore, in some ways the situation there is somewhat similar to that in the United States. But the Federal-Provincial Conference, a conference of central and provincial Prime Ministers, has a continuing Committee on Fiscal and Economic Matters. The Deputy Ministers (Permanent Secretaries) of Finance at both levels of government play a key role in its deliberations and this



committee considers matters related to the co-ordination of economic and fiscal policy, although it does not design specific development plans on the pattern popular in the Asian or African federations. These economic fiscal problems are also discussed at some considerable length in the full meetings of the Federal-Provincial Conferences.

The intergovernmental machinery for co-ordinating economic policy is more developed in Australia than in either the United States or Canada. The chief instruments here are the Premiers' Conference, a standing committee of the Heads of the Commonwealth and State governments, and the Loan Council. The Loan Council, created by a constitutional amendment in 1928, was originally devised to co-ordinate public borrowing by the central and state governments and to avoid intergovernmental competition in the loan markets. During the last decade, however, it has become a key instrument whereby the capital expenditure of the states has to a large extent been co-ordinated with the economic planning of the central government. This has been made possible because the central government has underwritten from surplus central revenues the loans for the states and has thus obtained an opportunity to control the general level of capital expenditure by the states. The extent to which the Loan Council has operated in this way is illustrated by the following comments of Sir Robert Menzies, a former central Prime Minister:<sup>1</sup>

'In most years in my time as Prime Minister, the Loan Council has not purported to decide how much could be borrowed "at reasonable rates and conditions". It has fixed a loan works programme which the Commonwealth has been willing to accept, and has distributed it, by agreement, among the States. This new procedure, adopted by tacit consent without any formal amendment of the Financial Agreement has, as you won't have failed to notice, given the Commonwealth effective overall control of the States' works programmes. . . .

How, then, could the Commonwealth make a loan to a State, a

<sup>1</sup>Sir Robert Menzies, *Central Power in the Australian Commonwealth* 1967, selections from pages 105-7.

loan which would not have its origin in the Financial Agreement or in the Loan Council, but arise outside its terms?

Well, the difficulty was surmounted in this way. The Commonwealth Treasurer had power under the Audit Act to invest the Trust Fund. (You will remember I spoke earlier about the creation of the Trust Fund as a means of avoiding surplus revenue, tucking it away if I may say so.) If actual borrowings fell short of the Loan Council programme, as they chronically did by, say, £60 million, there would be an appropriation of £60 million from the Commonwealth's Consolidated Revenue to an account forming part of the Trust Fund, called the Loan Consolidation and Investment Reserve. And then the Commonwealth would arrange with the States for the floating of an internal loan of £60 million. The Fund, the Trust Fund, the Loan Consolidation and Investment Reserve, would then subscribe the £60 million to the loan. Everybody was, to use a grossly inaccurate phrase, happy. The States got the full amount of cash specified in the approved programme, and the Commonwealth got the necessary interest-bearing securities.

This process clearly extends the Commonwealth ascendancy over the States, for it enables the Commonwealth to decide from year to year what the level of State loan works will be, and to have a great influence upon the level of semi-governmental loan works also.

Decisions taken by the Loan Council are still, of course, expressed in financial terms. Respect is thus paid to the Financial Agreement. But the procedure adopted is of relevance to my thesis. The States submit programmes which are normally much larger than could physically be carried out in the financial year, and they know it. The Loan Council endorses this as "Works programmes", and then "persuaded" by the Commonwealth, "approves" a lesser amount as a borrowing programme.

In short, the Loan Council tends to become a central piece of machinery in an economic planning concept involving Commonwealth and States' co-operation.'



Switzerland, like the United States but unlike Australia or the newer federations, has not established any special intergovernmental council to co-ordinate general economic planning or policy. But consultation between the federal and cantonal governments on specific matters of mutual concern has been extensive and communication between governments has been facilitated by the constitutional provision enabling members of the cantonal governments to serve at the same time in either of the federal legislative chambers. In 1967 over a quarter of the members in each of the central chambers were simultaneously members of a cantonal executive. Another feature of Swiss federalism has been the recent trend to which the Swiss have applied the label 'co-operative federalism' in a different sense from the way in which that term has been used elsewhere. In Switzerland the term has been used to refer to the attempt to resist increased centralisation by encouraging cantonal governments to collaborate with each other on matters of common concern rather than giving up to the central government those tasks which a canton is no longer able to handle alone.<sup>1</sup>

West Germany should be noted for the unique way in which it has used its central second chamber as the major institutional agency for intergovernmental economic consultation and co-operation. Because of the large number of economic matters placed under concurrent legislative jurisdiction and because so much federal legislation is administered by the *laender*, the Bundesrat was expressly designed to serve as something like a standing Federal-Provincial Conference. In the words of Article 50 of the Constitution: 'The *Laender* shall participate through the medium of the Bundesrat in the legislation and administration of the federation.' The Bundesrat is composed of delegates (usually the Chief Ministers and some other Cabinet Ministers) appointed by the Land Governments and subject to recall by their governments, with the delegates of each Land voting as a block. Since all central legislation must be submitted to the Bundesrat prior to presentation in the popular chamber, an opportunity for intergovernmental

<sup>1</sup>See especially the publications of the New Helvetic Society which has encouraged this policy as a defence of federalism.

negotiation on prospective central legislation is afforded. Moreover, although the Bundesrat has only a suspensory veto on legislation under exclusive central jurisdiction, legislation which is related to state responsibility, or which envisages state execution or administration, requires Bundesrat approval. Since, in practice, something like half the central enactments and most of those relating to economic matters have been regarded as falling in this category, the Bundesrat has emerged as a powerful institution and the main forum in which intergovernmental co-operation is negotiated. The resulting co-operative aspects of West German federalism are exemplified by the growing number of federal-state agreements: between 1949 and 1960 over 339 federal-state or inter-state treaties and agreements were completed on a wide range of subjects.<sup>1</sup>

There is one other noteworthy trend in the economic policy of most federations. In most of them there has been a conscious effort in economic planning and development programmes to diminish differentials in the range and quality of publicly provided amenities available in different regions, and this has particularly been the case in the newer federations. This drive has largely been in response to the strong insistence of the less-favoured areas which have tended to expect the range and quality of services available elsewhere in the more prosperous regions of the federation and have framed their demands in these terms. The aim of equalising the services available to the residents of different states has usually been accepted as a desirable policy, but sometimes regional groups have gone even further and have demanded that the location of development expenditure be aimed at producing equality of state *per capita* wealth. This has been resisted generally on the economic grounds that it would often result in a less productive employment of limited capital resources, but in practice in the actual location of projects, such political pressures have often forced concessions or duplication of projects. For example in Pakistan, Bengali resentment had because of economic neglect

<sup>1</sup>T. Cole, 'New Dimensions of West German Federalism', in *Comparative Politics and Political Theory*, 1966, p. 120.

become sufficiently serious that Article 145(4) of the 1962 Constitution actually included the stipulation:

'A primary object of the (National Economic) Council in formulating the plans . . . shall be to ensure that disparities between the Provinces, and between different areas within a Province, in relation to income *per capita* are removed and that the resources of Pakistan (including resources in the foreign exchange) are used and allocated in such a manner as to achieve that object in the shortest possible time.'

Since economic aspirations have been among the most powerful motives leading to the creation of federations, we must consider how effective these federations have actually been in practice in promoting economic development. Indeed, in view of the expanding populations of most of the newer federations, their future internal political stability may well depend upon their success in achieving a rapid economic advancement.

Critics have sometimes suggested that the federal institutions, because they involve divisions of responsibility, legalism, rigidities and technicalities, simply create clumsy obstructions preventing full use of the resources of the state to increase the productivity of the economy. Both Canada and Australia, for instance, suffered some difficulties in coping with depression problems during the 1930s, and the new federations taken as a group also provide some evidence to support this view. Even those federations in which the control of economic affairs has been highly centralised, have found that difficulties have been imposed upon economic planning by their complex federal structure. The Appleby Report in India complained, for instance, that in India the Union government was too dependent upon the state governments for the implementation of most of its social and economic programmes.<sup>1</sup> It is significant that it has been in the areas for which the state governments were responsible, such as education, health, agriculture, and land reform, that the achievements of the Indian Five-Year Plans have

<sup>1</sup>P. H. Appleby, *Public Administration in India, Report of a survey*, Delhi, 1953, pp. 17-19, 56.

lagged most. In Malaya, and subsequently Malaysia too, much of the lack of momentum in the field of economic and social development could be blamed upon overlapping responsibilities and delays caused by the need to submit plans to many different authorities before they could be proceeded with or completed. Frequently, in the new federations, demands for equal expenditure have bedevilled attempts to locate development projects where they would be most efficient economically. This has been particularly true in Pakistan where, because of East Pakistan's complaint of neglect, it was necessary to include in the 1962 Constitution the assurance to which I have referred that economic planning would aim at equalising provincial *per capita* wealth. Similar pressures produced in Nigeria before 1966 a tendency for planning in each field to be duplicated in 'fours' or 'fives' with central and regional governments each carrying out their own programmes in parallel. Even in Central Africa where the economic advantages were often cited as the chief justification for a federal union, the Monckton Commission reported that the planning machinery actually set up was inadequate for the task of full economic development.

Are we to conclude then that federal political systems are inherently inefficient in the realm of economic policy? To begin with, it is clear that all the new federations have paid some penalty as a result of the complex political structure implicit in the adoption of a federal form of government. But having recognised this, it must also be noted that the degree of economic efficiency has varied enormously among these countries. The Asian federations, despite their shortcomings, have sustained relatively heavy programmes of economic development, while at the other end of the scale the West Indian federal structure so shackled the central government that it had no capacity to achieve the hoped-for economic transformation. Indeed, the contrast in the capacity to promote economic development has been at least as great among these federations taken as a group, as has the contrast between some of these federations and unitary political systems. I would conclude that it is not merely the creation of a federal structure, but the particular form that structure takes which has a vital

bearing on the capacity to promote economic development.

Furthermore, when it comes to comparing the efficiency of federal and unitary political systems, the question must be considered in terms of practical alternatives. A unitary political system may on paper be potentially more efficient in promoting economic development, but in a culturally plural society such a system may stifle regional spontaneity and provoke harsh regional resentments to a degree sufficient to handicap economic progress. Indeed, in most of the federations to which I have referred, a unitary union was politically unacceptable or impracticable. In such situations federalism, in spite of its deficiencies, is likely to be economically superior to a situation in which there is no union at all and only Balkanisation.

## Chapter 8 THE ADMINISTRATION OF FEDERAL FINANCE

---

### *1. The critical issues*

In the new federations, as in the old, federal finance has been an extremely important and controversial subject. It is particularly significant in three ways: First, it affects the allocation of administrative responsibilities because the financial resources available will place limits on the scope of administration which either level of government is able to sustain. Second, it affects the political balance because whichever level of government has the major financial resources, finds in its hands the means of political control. There is considerable truth in the old adage 'he who pays the piper calls the tune'. Third, it is significant also because the assignment of fiscal and expenditure powers will determine which governments are able to use these instruments to control the economy.

At one time, when federal finance was discussed, the subject was considered simply as a question concerning what revenues were allocated to each level of government, whether these were adequate to the expenditure responsibilities assigned under the constitution to each and, if not, what sort of adjustments were necessary. But the allocation of taxing and other revenue resources and of responsibilities for expenditure have taken on a new significance because of their importance as instruments for controlling and promoting the economy through active fiscal and monetary policy. Thus, the assignment of the revenue-raising and expenditure powers provides the context within which economic policy may be articulated by the two levels of government.

In this context, the question of federal financial relations is a complex one involving not only economic but other political issues. The purely economic considerations themselves may pro-

vide arguments both for centralised and decentralised control of taxing powers. Among the arguments for centralisation which have had some influence have been the emphasis upon applying Keynesian policies to manage and control the stability and development of the economy. The conventional wisdom in Canada, Australia and the new federations has assumed that this can be achieved effectively only if the central government has in its hands the main levers for applying monetary and fiscal policy and the control of foreign exchange. But there are economic arguments for the decentralisation of taxing powers too. Often in federations where there are conflicting economic interests between regions specialising in different products, between regions depending on exports and those on home products, and between territories which would benefit from different fiscal and tariff policies, it has been argued that different taxing policies may be appropriate. Thus, for example in Canada some economists have come to suggest that the uniform income tax arrangements under which Canada operated between the Second World War and 1962 were economically inefficient because they applied Keynesian fiscal policy uniformly to different provinces with different levels of development and unemployment and, therefore, failed to take account of differences in provincial needs and differing incidences of unemployment. To some extent the recent provincial emphasis in federal finance in Canada has been related particularly to provincial concern over development policies rather than stability and to the different fiscal policies which the provinces have desired to in order foster their development.

But other political questions have also been vital in federal-state relations. As part of the political bargain incorporated in a federal constitution, the assignment of revenues usually has a crucial bearing on the whole pattern of political and administrative relations between governments and upon the degree of genuine state autonomy or central power which may exist. This has certainly been an issue in both Canada and Australia. Indeed in both countries during the last year or two, controversy over the financial arrangements has been in the forefront of federal-state

tension. Such political considerations may conflict with the more purely economic considerations of economic efficiency. For example, a closely integrated financial system, desirable on grounds of economic efficiency, may threaten to undermine the regional, political and cultural distinctiveness which the federal structure is intended to protect politically. Indeed, this is exactly the complaint which Quebec has raised about the impact of the centralised financial and economic policies pursued in Canada during the 1940s and 1950s. Inevitably, therefore, federal finance is an area in which compromises have been necessary. These compromises have had to resolve two kinds of conflict of interest. First, there have been those between the central and state governments over the distribution of financial resources and with them the responsibility for controlling aspects of the economy. Secondly, there have been those amongst the states in rivalry with each other concerning the share of resources each should get.

## *2. Trends in the older federations*

The general trend over the last century in the older federations noted by most observers has been the increasing centralisation of federal finance. Indeed, this formed the main theme of the books by K. C. Wheare and A. H. Birch on the subject. A number of factors have contributed to this trend. One has been the change in importance of different tax sources, especially the increasing importance of income and corporation taxes, originally regarded as relatively unimportant and assigned to the central government, but which now in the developed countries are a major source of revenue. Another is that many of the tax sources which a hundred years ago were regarded as relatively unimportant were placed under concurrent jurisdiction, but in those fields which were made concurrent, the central government was given ultimate authority to prevail. Thus, there has been a tendency for central governments to preempt these fields. Another factor was the impact during the 1930s of the depression and the inability of state governments to cope with the resultant problems. The development of Keynesian



theories of fiscal policy with the general assumption that these would be most effective if fiscal policies for stabilisation were centralised, has been an important influence. The centralisation of effort required by the Second World War further accentuated the trend in the 1940s. Subsequently in the 1950s and 1960s there has been an emphasis upon centralised fiscal policy as an instrument not just for stabilisation but for economic development and growth. An equally important factor has been the pressure in most federations for uniform services in different regions, an especially important drive with the growth during the twentieth century of social services. Consequently, the general trend in the United States, Switzerland, Canada and Australia over the last century has been in the direction of financial centralisation, the details of which have been traced in Kenneth Wheare's 'Federal Government', and since the 1930s there has been some concern that this financial centralisation was undermining the autonomy of the states.

But within this general trend there have been some wide variations among the older federations, and in this section I shall concentrate upon Canada and Australia as contrasting examples. Canada illustrates the impact of a much more deeply rooted diversity of national origin, language, culture, religion, and judicial system than Australia. The basic difference pervading federal-state financial relations in Australia and Canada during the last decade has been the considerable measure of decentralisation which has occurred in Canada, representing a sharp retreat from the centralisation of the 1940s and 1950s. Consequently, in Canada the emphasis has been on provincial diversity even in the application of economic and fiscal policy, while in Australia the primary emphasis has been upon the provision of equal standards of services for all states. Thus, in Canada, although some attention has been given to the problem of equalisation among the provinces, the major emphasis recently has been upon matching, as far as possible, independent revenues to provincial expenditures in order to give the provinces maximum autonomy and more control over economic policy and development planning. In

Australia, on the other hand, while some attention has been given to preserving diversity among the states, the major emphasis has been upon the concentration of economic controls and taxing powers in the central government in order to achieve a uniform All-Australia policy and to remove disparities in state services by means of grant programmes involving extensive financial redistribution among the states. Most of the other older federations fall between these two extremes, the United States being somewhat closer to the Australian example while Switzerland is perhaps somewhat closer to the Canadian.

This contrast is illustrated in the realm of public expenditure. In 1960-1 the proportion of combined central and state expenditure for which the states were responsible was almost identical in Canada and Australia, the figure being 37% in both cases. But the decentralisation in Canada which has occurred during the 1960s as a reaction to the over-centralisation of the 1940s and 1950s and also under pressure particularly from Quebec, meant that by 1962-3 the Provincial share had already risen to 41%, as shown in Table 2. The provincial proportion has continued to increase with the result that it is now over 45%. The general trend in Canada is perhaps illustrated by the changing percentage of central expenditure as a percentage of a combined federal, provincial and local public expenditure. Central expenditure in 1939 represented 33%, in 1944 87%, in 1958 59%, in 1963 46%, and is now about 40% of combined federal, provincial and local public expenditure. These figures illustrate the extent to which Canada has been recently undergoing a large measure of decentralisation which contrasts with the trend in Australia. Table 2 also shows the relative positions of the other European and North American federations. In the realm of expenditure, the United States is even more centralised with the states being responsible for only 26% of combined federal and state expenditure, while Western Germany and Switzerland in which the comparable figures are 41% and 62% are more similar to the Canadian pattern.

If we turn to the sources of revenue we see a similar pattern. In terms of the independent sources of revenue available to them

before transfers from the central government, the Australian states are much weaker than the Canadian provinces. Table 2 shows that the percentage of combined central and state revenues raised by the central government was 80% in Australia in 1960-1, and 68% in Canada in 1962-3. Moreover, the continuing trend of decentralisation in Canada since 1962-3 has meant that the figure in Canada now would be about 60%. Here again, as Table 2 shows, the United States in which the comparable figure was 79%, is closer to the Australian model while Western Germany and Switzerland with respective figures of 64% and 65% were closer to the Canadian pattern. There are several reasons for the contrast between Australia and Canada in the relative centralisation of revenue sources. In Australia the uniform tax arrangements which have been in operation since World War II have meant that the central government has preempted the income tax field, which was a major source of revenue. Canada adopted a somewhat similar wartime scheme but in 1962 the tax-rental scheme, as it was known, was abandoned and the provinces returned to levying income taxes. Consequently, by 1966 the provinces were levying between 24% and 47% of income taxes, around 10% of corporation taxes, and 75% of secession duties, although a system of single collection by the central government on behalf of the provinces was maintained. These patterns compare with the situation in the United States where some states levy income taxes, but rarely more than 5%, while in Switzerland in 1965 the cantons levied 74% of all income tax, and in Western Germany in 1965 two-thirds of all income and corporation tax was levied by the states. Another major difference between Australia and Canada is that the Australian states do not have the power to levy sales taxes which in Canada form 46% of all provincial revenue and which are also an important source of state revenue in the United States. To what are these differences in Canada and the United States to be attributed? In Canada it would appear that by the late 1950s there was a recognition that uniform central fiscal policies had failed to solve the problems of a differing incidence of unemployment in a number of provinces and this was accentuated by provincial pressures for

the application of different fiscal policies to foster their own regional development. In Australia, on the other hand, perhaps because the economy is less differentiated regionally, there was not the same dissatisfaction with a uniform fiscal policy and it would appear that centralised fiscal policies for stabilisation and development remain an article of faith in the central Treasury.

In the realm of public borrowing there is again a sharp contrast between Canada and Australia. In Canada the provinces have independent borrowing power, both internally and externally, with only the market as a limit. This has reinforced provincial autonomy but has, of course, weakened the central control over foreign exchange. In Australia during the last four decades, state and central borrowing has been co-ordinated by the binding decisions of the Loan Council, thus avoiding competition among state governments. But the net effect has been to give the central government virtual control over a large range of state public borrowing because it underwrites their loans from its own revenue surplus. Thus, indirectly the Loan Council provides a means for central control over the capital expenditure of the states and a further instrument for the central control of economic policy. Of the other older federations, none has gone as far as to establish a loan council, but Western Germany has provided the central government with some controls over the internal and external borrowing powers of the states.

If we return to the process of fiscal adjustment here too we find a contrast between the patterns in Australia and Canada. There are three aspects to the problem of adjustment: the need to match governmental revenue to their expenditure responsibilities, the redistribution of fiscal resources to remove disparities among states, and the formal machinery by which the reviews are carried out.

In all the older federations, transfers from the central governments to the states have been required in order that the revenue of the states might meet their expenditure responsibilities. But there have been wide variations in the extent to which such transfers are required. Table 2 indicates the percentage which

such transfers represent of the combined central and state revenue, and Table 3 indicates the percentage which such transfers form of total state revenues. Here it is significant that in Australia 54% of state revenues in 1960-1 came from such transfers while in Canada in 1959-60 the figure was just over half of that, 32%. The other older federations are closer to the Canadian example, the comparable figure in Western Germany being 12%, in the United States 20%, and in Switzerland 27%. But in assessing the degree to which state autonomy may be undermined by such transfers, we must examine also the form of these transfers, that is, the extent to which the grants of the central government are conditional on certain terms being met, or merely unconditional. In Australia in 1965-6, about three-quarters of the transfers took the form of unconditional grants. To be more precise, 70.6% came from unconditional financial assistance grants negotiated for five-yearly periods by the Premiers' Conference, 3.7% took the form of unconditional grants recommended by the Commonwealth Grants Commission to assist the claimant states which had special financial needs, and 25.7% represented special purpose conditional grants. In Canada, the proportion was rather similar in the days before provinces re-entered the income tax field, about two-thirds of the transfers in that period being unconditional in form. A large proportion of these unconditional grants were discontinued when the provinces re-entered the income tax field, with the result that the unconditional grants now form only about one-third of a much smaller total of grants. Generally speaking, in the older federations as a group, conditional grants have formed somewhere between 10% and 20% of the total state revenues, as indicated in Table 3. The current trend in Canada indicates an attempt to decrease the number of shared cost programmes involving conditional grants, while in Australia the trend in recent years has been in the opposite direction.

In the redistribution of financial resources in order to compensate for disparities in taxing capacity among states, there is an interesting difference between Australia and Canada. To begin with, the disparities among states in Australia are much less than

among the Canadian provinces. In 1964-5 the *per capita* income of Victoria, the wealthiest state, exceeded that of Tasmania, the poorest state, by 25%, while in Canada in 1963 Ontario's *per capita* income exceeded that of Newfoundland by 101%. Yet in spite of the much greater disparity in Canada, Australia has done much more to redistribute the financial resources among its states. In Canada there has been an equalisation formula which has been designed to ensure that the *per capita* transfers to the provinces (at the amount of central income tax abatement) would produce *per capita* receipts for each province matching the average of the two wealthiest provinces. Thus, in effect, the receipts of the poorer provinces have been supplemented to bring them to the level of the two wealthiest provinces. In Australia, however, redistribution has gone further with the poorer states actually receiving substantially more *per capita* than the wealthiest: the unconditional financial assistance grants to the poorest provinces in 1964-5 were on a *per capita* basis 63% greater than those to the wealthiest. Furthermore, the Commonwealth Grants Commission has since the 1930s been recommending further grants to meet the special needs of the claimant states, its recommendations being based on such calculations as the unit costs of selected services. The redistributive effect is also embodied in the allocations made by the Loan Council under which Tasmania, for example, receives on a *per capita* basis 248% of that received by Victoria. Thus, it might be said that in Australia there has been a major emphasis on the reduction of disparities, even at the expense of state autonomy, through the operation of the Commonwealth Grants Commission and the Loan Council, while Canada appears to have followed a pattern involving less redistribution but leaving the provinces with more autonomy. Most other older federations again fall somewhere between these two extremes.

When it comes to institutional machinery for reviewing the allocation of fiscal resources, these are far more extensive and formal in Australia than in Canada. In Australia, the machinery was established mainly in the period of financial difficulties in the 1920s and 1930s. An example is the Loan Council, a formal



constitutional body, established by constitutional amendment and with power to make decisions binding on all the governments concerned. It simply has no counterpart in Canada. Another example is the Commonwealth Grants Commission. This is an independent Commission whose responsibility it is to consider the needs of the poorer claimant states. It examines the state accounts and their tax effort before making recommendations concerning the supplementary grants which these states should receive from the central government. It is perhaps worth noting that in recent years the Commonwealth Grants Commission had had a declining role. During the last ten years, first South Australia and now Western Australia have ceased to be claimant states so that only Tasmania remains in this position. In these circumstances it would not be surprising if the role of the Grants Commission were to be transformed within a few years. The reason for this development is that to some extent the Commonwealth Grants Commission has been a victim of its own success as the gaps among the states have been reduced. Industrial development in South Australia and extensive discoveries of minerals in Western Australia have also contributed to their willingness to give up their claimant status, and this has been encouraged by the dislike which most politicians and civil servants have felt for the inevitable limitations upon state autonomy involved in the examination of their accounts and the assessment of their tax effort by the Commonwealth Grants Commission. A third and now perhaps the most important body for review of finances is the Premiers' Conference which has determined for five-year periods the formula for the financial assistance grants from the central government which have represented some 70% of the total transfers to the states. The Premiers' Conference has, in fact, become the focal point of intergovernmental financial bargaining. Canada has nothing comparable to the Australian Loan Council or the Commonwealth Grants Commission but the Federal-Provincial Conference assisted by its continuing Committee on Fiscal and Economic Matters has performed in much the same way as the Australian Premiers' Conference. Of the other older federations, most are closer to Canada in the extent to which they

have relied upon ad hoc negotiations rather than upon standing bodies like the Loan Council or Grants Commission. For example, in the United States, there is no formal machinery responsible for an overview of intergovernmental financial relations. In Switzerland intergovernmental meetings of Finance Ministers worked out the recent proposals for an equalisation formula. In Western Germany the unique role of the Bundesrat in intergovernmental matters makes it perhaps closer to the Australian example.

To summarise the contrast between the Canadian and Australian patterns, in Canada the emphasis has been upon diversity and provincial autonomy while in Australia the emphasis has been upon the equalisation of state resources and upon central paramouncy. Each perhaps has something to learn from the other. Australia serves as an example of the extent to which the redistribution of resources and the effort to provide uniform services may be a unifying force. On the other hand, the reaction in Canada against over-centralisation illustrates the requirement of substantial financial autonomy if states or provinces are to preserve their political autonomy.

### *3. Trends in the newer federations*

In the newer federations the pattern of federal finance has generally followed the Australian model. There are a number of reasons for this. One was the influence of Keynesian economic thought in the period immediately preceding their formation. The Keynesian analysis was primarily unitary in its political assumptions and thus there was a widespread assumption that the best benefits could be obtained by centralising the control of fiscal policy. A second factor has been the urgency for economic planning in the new federations because of a desire both to cope with growing populations and to reduce the gap between them and the wealthier nations. Finally, the Australian federation, created in 1901, has been looked upon as the latest and most modern of the older federations, and as the one which by creating a Loan Council and a Commonwealth Grants Commission had added some modern



innovations. The Australian model was especially influential in the Indian Constituent Assembly where many references were made to the special financial features of the Australian example. But the Indians expanded upon the example of the Commonwealth Grants Commission. From a Commission with narrow terms of reference relating mainly to the few needy claimant states, the Indians turned to a Finance Commission whose responsibility was to make quinquennial recommendations on the whole range of central-state financial relations. The Indian model subsequently influenced the arrangements adopted in Pakistan and Malaya, and the Asian examples in turn influenced the Nigerian financial arrangements. Particularly significant here was the role of Sir Jeremy Raisman whose experience on the Indian Continent was brought to bear on fiscal commissions in which he participated in Pakistan in 1952, in Rhodesia and Nyasaland in 1952 and 1957, in Nigeria in 1958, and East Africa in 1961. Thus either directly, or indirectly through its influence on the Indian example, the Australian model has been very influential.

In examining the financial arrangements in the newer federations, I shall deal with the problem in terms of the three major components: (1) the assignment of powers to levy and collect revenue; (2) the allocation of expenditure; and (3) the use of substantial transfers of revenue from one level of government to another.

In the allocation of powers to levy and collect taxes and other revenues, the principles of economic efficiency and national welfare have tended to be dominant in the new federations. As Tables 1 and 2 show, the major revenue sources, direct and indirect, have been assigned in the newer federations to the central government. The West Indies here is the only notable exception. Generally, the important considerations have been efficient levying and collection of taxes, minimising double taxation, avoiding financial barriers to inter-state trade, encouraging the creditworthiness of the federation and, most important, enabling a national integrated active fiscal policy both to encourage domestic and foreign investment and to maintain stability against inflationary

pressures. Most of the significant indirect taxes, such as import and export taxes, excise duties and sales taxes, have normally been placed under central control, although there have been some exceptions regarding particular products where special geographical circumstances favoured state responsibility. The levy and collection of corporation and personal income taxes have also been assigned to the central governments, although in Nigeria the latter was placed in regional hands because it was closely related to local administration. Thus, most of the fiscal instruments for implementing economic policy have been assigned to the central governments. The corollary to this situation is that state governments have inevitably found themselves left with meagre sources of independent revenue. They have had to rely on taxes with a distinctly local base, such as those on land, duties on entertainment, and licences, and upon non-tax sources of revenue such as profits from commercial operations and public utilities. In addition, the power of state governments to raise loans has been restricted. Because the control of credit is an essential element in the control of inflation and the maintenance of employment, and because of the necessity to protect the creditworthiness of the federation as a whole, the authority to raise foreign loans has almost always been placed exclusively in central hands or at least when assigned to the states has required central approval.

In the allocation of fields of expenditure, by contrast with the allocation of revenue sources, both economic and political considerations have led to a much higher degree of decentralisation. Because in many fields, especially the social services, agriculture, and even in development projects, efficiency and adaptation to local circumstances can often be best achieved through local administration, there have been strong economic arguments to support decentralisation. The tendency has been reinforced by the strength of political and economic regional interests in most of the new federations. Consequently, many of the expensive and expansive fields of expenditure have been placed in the hands of the state governments. Indeed, as Table 2 shows, state expenditure as a

proportion of total public expenditure has been greater in most of the new federations than in the older ones.

Because of the contrasting centralisation of revenue sources and decentralisation of expenditure, it has been necessary in the new federations to rely on substantial intergovernmental financial transfers in order to bring into balance the revenue and expenditure of the governments involved. The relative size of these transfers, as Table 2 shows, has been substantially larger than in the older federations and there are three significant features about these arrangements for fiscal adjustment.

The first is that in order to save the principle of state financial autonomy, a large portion of the transfers has normally taken the form of constitutionally guaranteed, unconstitutional grants or constitutionally guaranteed shares of central tax revenue. Thus, the principle of 'fiscal responsibility', the principle that governments who have the pleasant job of spending money should have the unpleasant job of raising it, has been given little weight in an age when taxes are significant not simply as a source of revenue but as an aspect of fiscal policies with wider economic implications. Some attempts have been made to ensure financial responsibility, however, by fixing allocations of grants for specific periods during which state governments must make ends meet, in order to ensure a genuine effort by the states to balance their budgets. Experience tends to suggest that in a situation where the central government merely makes up the deficits of the state governments, there results not only less tax effort by the state governments but also a growing interference by the central government in state autonomy. The most extreme example of this situation was that which existed in Malaya between 1948 and 1954 but, there are some indications of similar difficulties both in Australia and in India. The dominant factor which has led to an emphasis upon unconditional transfers of revenue from the central to the state governments has been the strength of the political pressures for state autonomy. Extensive reliance upon conditional grants to assist state current revenue has almost always been rejected as likely to undermine state autonomy and to give the central government a

measure of control over the states. An exception to this general trend, however, has been the relatively wide use of conditional grants, especially in India and Pakistan, for purposes of aiding capital revenue for state economic plans, a policy which has in practice been sufficiently extensive as to be regarded by some as a significant threat to state and provincial autonomy.

The unconditional transfers have normally taken one of two forms. Frequently they have been unconditional grants. These have the advantage that the fixed amounts give the state governments a base on which to plan for the future and exercise responsibility for keeping expenditure within income. The disadvantage is that they are likely to require regular adjustment because of changing circumstances. More popular in the new federations has been the constitutional guarantee of a share of all or a portion of the proceeds from certain taxes levied and collected by the central government. This may, as in Nigeria, even involve grouping together a number of central taxes to form a distributable pool from which certain proportions are distributed to the regional governments. There are a number of advantages to sharing the specified portions of central taxes. Perhaps most important, is that state revenue is made elastic, expanding correspondingly with central revenue, since state revenue forms a percentage of the central tax yields. This contrasts with the situation in Australia where central tax receipts have increased more rapidly than the unconditional grants made to the states. A further argument sometimes advanced in favour of the states receiving a percentage of central tax revenue is that the state governments are given a direct interest in encouraging the growth of those activities upon which these taxes depend.

The second feature about the arrangements for fiscal transfers in the new federations is that these transfers have generally been used also to reduce disparities in the capacity of the less fortunate states to provide services and social amenities. Although the principle of derivation, the distribution of taxes in proportion to state contribution to central taxes, has had some application as a result of the pressure of wealthier states, especially in Nigeria

before 1958, its use elsewhere has been limited. In most of the new federations, an attempt has been made to compensate for the unequal economic impact of federation, to minimise differences in the *per capita* revenue of states, and to meet the special needs of less wealthy areas. Because of the difficulties of obtaining accurate data on state fiscal capacity, the most common formula here has been the distribution of unconditional transfers to the states on a *per capita* basis, this being adjusted sometimes to take specific account of other special factors. Here the general pattern in equalising transfers towards a uniform *per capita* level is closer to the Canadian rather than the Australian pattern, and like the Canadian example has the shortcoming that it provides no positive assistance towards reducing the gap between the wealthy and poor states but rather merely prevents it from widening.

The third feature is that in order to make these arrangements adaptable to changing needs and circumstances, the establishment of standing machinery for fiscal review and adjustment has been the common pattern. Here the new Commonwealth federations have been influenced by the Australian precedents of the Grants Commission and the Loan Council. Most of the new federal constitutions have included provisions for commissions and councils to undertake fiscal adjustment at periodic intervals and to co-ordinate public borrowing. Sometimes, as in the case of the Finance and Fiscal Commissions in India, Nigeria, Rhodesia and Nyasaland, and Malaysia, these have taken the form of independent expert advisory commissions, comparable to the Australian Commonwealth Grants Commission but with a wider scope of reference. Where this has been the pattern, the success of these commissions has rested largely upon their ability to establish a reputation for impartiality. In other examples, notably the finance councils specified in the constitutions of Pakistan and Malaysia, and the loans councils of Rhodesia, Nyasaland, and Nigeria, these institutions have taken the form of councils composed of representatives from the central and state governments, providing regular occasions when intergovernmental bargains and compromises might be negotiated. These have been comparable in

style of operation to the Australian Premiers' Conference or Loan Council or to the Canadian Federal-Provincial Conference.

The degree to which these two types of institutions have provided flexibility both in balancing revenues and expenditure of the respective levels of government and in redistributing financial resources among different states can be seen by the frequency with which fiscal reviews have been undertaken in the new federations. In India, the constitution has required these every five years. There were Commissions in 1952, 1957, 1962 and 1966, and a fifth Commission was appointed in 1968, its early appointment being intended to bring its quinquennial recommendations in phase with the five-year plans. In Pakistan there were reviews in 1952 and 1962. In Malaya adjustments were made in 1956, 1957 and 1962, not to mention those made at the time Malaysia was established in 1963. In Nigeria, revisions in the distribution of finances followed the fiscal review commissions of 1947, 1951, 1953, 1958 and 1964. In Rhodesia and Nyasaland adjustments were made following the report of a fiscal commission in 1958, five years after the federation was formed. In the brief history of the West Indian federation, not only revenue allocation but the whole plan for a customs union was made the subject of a commission and of inter-governmental studies. The importance of this flexibility in relation to economic policy is exemplified by the degree to which the Indian Finance Commissions have had to take into account the 'Plan' commitments for the governments involved when making their recommendations, and by the suggestion of recent Finance Commissions that their work should therefore be very closely integrated with that of the Planning Commission. Indeed, one of the major issues facing the Fifth Financial Commission in 1968 was its relation to the Planning Commission and whether the Planning Commission should assume the role of the Finance Commission or vice versa. The problem is that the conditional grants associated with the five-year Plan have affected the whole pattern of state financial commitments and have tended to undermine the calculations of the Finance Commissions in making their assessments. The first step in meeting this problem that has been

taken has been to change the timing of the Finance Commission to fit the five-year Plan periods. But there remains the important question of the degree of emphasis that is to be put on the priorities of planning and whether the Finance Commission should be subservient to the priorities established by the Planning Commission. One of the difficulties here is that the Finance Commission itself is a constitutional body performing something of an arbitral function, very different from the planning function performed by the Planning Commission, a body not expressly created under the constitution. At the time of writing, the fifth Finance Commission had not yet reported but its analysis of this problem will be of interest not only in India but in the other new federations.

In each federation it has been necessary to work out compromises and intergovernmental machinery in order to facilitate two priorities. First, the financial arrangements have had to be designed with a view to enabling effective economic development. This has required the co-ordination of economic planning and expenditure, the avoidance of unnecessary duplication, the achievement of effective fiscal policies aimed at stability and development, and the provision of adequate resources to enable governments to meet their administrative responsibilities. Secondly, the federal financial arrangements have had to be related realistically to the demands for political balance, that is, to avoid undermining state autonomy while at the same time making possible federal co-ordination and cohesion. Currently, most federations have found it essential, therefore, to establish special intergovernmental machinery. But the mere establishment of the machinery has never been sufficient; its effectiveness has depended upon the calibre of leadership available at both the political and administrative levels.

## PART V: CONCLUSIONS



## Chapter 9 CONCLUDING SUMMARY

---

### *1. The variety of administrative arrangements in federations*

From the wide range of differing examples which have been cited in the previous chapters, it is clear that there is no single model of federalism that is appropriate for all situations. For example, administration within federations has differed according to whether a presidential, collegial or parliamentary executive has been instituted. Some federations have had completely dual public services while others have had some joint or shared public services. The size, number and internal homogeneity of the units of state administration have varied. There have been different degrees of centralisation or decentralisation of legislative and administrative functions. The machinery for intergovernmental administrative co-operation has taken many forms. There have been different degrees of centralisation in the control of economic policy and planning. The allocation of taxing and expenditure powers among governments and the procedures for adjustment have varied.

Clearly, a variety of administrative arrangements is possible in federal political systems. One of the lessons to be learned from the experience of other federations, therefore, is that each federation should adopt those administrative arrangements which are most suitable to its particular circumstances rather than attempt to follow a single or theoretical model.

### *2. The interdependence of governments within federations*

While I have drawn attention in the preceding chapters to the variety of administrative arrangements found in different federa-

tions I have also emphasised one feature common to all federal systems: interdependence among the component governments. In practice within a federal system it has proved impossible to isolate one level of government from the other, either politically or administratively. I have pointed to numerous examples of inter-governmental interdependence, especially in discussing the problems of distributing jurisdiction among governments, the control of economic policy and of economic and social planning, and the allocation of finances to governments.

The corollary to this interdependence is that every federation has needed effective co-ordination of its component governments. Invariably co-operative machinery has been needed to facilitate intergovernmental consultation and joint action in areas where their interests and responsibilities overlap. Experience also indicates that the mere existence of such machinery is not enough; what is required is its effective operation.

### *3. Implications for the design or reform of federations*

Because the constitution provides the framework within which the political and administrative processes operate and indeed channels these activities, it is important that in designing a federal constitution it is conceived not simply as a static structure delineating areas of legal jurisdiction but as a structure which will influence and channel political and administrative activities in appropriate directions. The constitutional structure should be shaped, therefore, to encourage and facilitate the two major functions which a federal political system must perform in order to be effective in a diverse society.

First, the federal structure must be designed to enable the desires for regional diversity to express themselves adequately. If the structure is inadequate for this function, secession and fragmentation are the likely results. What is required then is adequate state autonomy over those matters on which the peoples of the federation are not agreed so that these subjects can be removed from controversy at the central level and dealt with by each

regional group expressing itself in its own distinctive way.

But secondly, and equally important, the federal structure must be designed to encourage cohesion among the diverse regional groups on those interests which they have in common. The devolution of controversial matters to the states may help by avoiding conflicts in central government, but ultimately, unless a positive federation-wide consensus counterbalancing regionalism is generated, the federation will lack the cement to hold it together. If the central government is to encourage such cohesion it must possess adequate power, both in order to operate effectively and to attract prestige, and the central institutions should be designed to induce compromise rather than conflict.

But the effectiveness of a federal political system does not rest on the constitution alone. Ultimately its effectiveness will depend also on two other key factors. The way in which the political parties operate will determine whether they accentuate inter-regional cohesion or conflict within the federation. The way in which the public services operate will determine whether effective administration is provided in both levels of government and how well co-ordinated is their activity. The design or reform of any federal system, therefore, must take into account the impact of the constitution, the political parties and the administrative arrangements, and the interaction of these with each other.

**TABLE 1: DISTRIBUTION OF LEGISLATIVE AND EXECUTIVE AUTHORITY IN FEDERATIONS**

	Canada	Australia	India	Pakistan 1958	Pakistan 1962	Malaya	Nigeria	Rhodesia and Nyasaland	West Indies
<i>Residuary power</i>	F	R	F	R	R	R	R	R	R
<i>Whether regional powers are listed</i>	Yes	No	Yes	Yes	No	Yes	No	No	No
<i>External Affairs</i>		C	F	F	F	F	F	F	
<i>Treaty implementation</i>	FR	C	F	Fr	F	Fr	FR	FR	FC
<i>Citizenship and aliens</i>	F	C	F	F	F	F+	F	FC	C
<i>Immigration: into Federation between regions</i>	C	C	F	F	F	F+	F	FC	F
<i>Defence</i>	F	FC	F	F	F	F	F	FC	F
<i>Police</i>		C	R	R	R	F	FrR	FCR	
<i>Public order</i>			R	R	R	C	C	C	
<i>Prisons</i>	FR		R	R	FR	F			
<i>Preventive detention</i>			C	FR	FR				
<i>Law and procedure</i>									
<i>Civil</i>	FR	C	C	C		FR	CR	CR	C
<i>Personal</i>	FR	C	C	C		F	FR		CR
<i>Criminal</i>	F		C	C					C
<i>Constitution and organisation of courts</i>	R		FR	FCR	FR	F+	FR	FCR	FR
<i>Machinery of government</i>									
<i>Public services and pensions</i>	FR	FR	FR	FR	FR	F+R	FR	FR	FR
<i>Elections:</i>									
<i>Federal</i>			F	Fr	F	F	F	F	FR
<i>Regional</i>			FR	Fr	F	F			
<i>Finance</i>									
<i>Foreign exchange</i>			F	F	F	F	F	F	F
<i>Currency and coinage</i>	F	FC	F	F	F	F	F	F	C
<i>Foreign loans</i>	FR	C	F	FR	FC	F	FR	FR	FC
<i>Internal loans</i>	FR		FR	FR	FR	F	F	FR	FC
<i>Public debt</i>	F		FR	F	FR	F	F	FR	
<i>Audit</i>			F		F	F	FR	FR	FC

	Canada	Australia	India	Pakistan 1958	Pakistan 1962	Malaya	Nigeria	Rhodesia and Nyasaland	West Indies
<i>Finance (cont.)</i>									
<i>Taxes:</i>									
<i>Customs</i>	F	F	F	F	F	F+	F	FR	CR
<i>Excise</i>	F	F	FR	FR	F	F+	F	FR	CR
<i>Corporation</i>	FR	C	F	F	F	F	F	FR	C
<i>Personal income</i>	FR	C	FR	FR	FR	F	FR	FR	CF
<i>Sales taxes</i>	FR	C	FR	FR	F	F+	FR	FR	
<i>Other taxes</i>	FR	C	FCR	FR	FR	F+R			RC
<i>Banking</i>	F	CR	F	FC	FR	F*	F	FC	C
<i>Cheques and bills of exchange</i>	F	C	F	F	F	F	F	F	C
<i>Stock exchanges</i>			F	FC	FR	F			
<i>Money lending</i>			R	R		F*			
<i>Trade, commerce, and industry</i>									
<i>External trade</i>	F	C	F	F	F	F*	FR	F	C
<i>Inter-regional trade</i>	F	C	F	F	F	F*	FR	C	C
<i>Intra-regional trade</i>	R		RC	R		F*		FR	
<i>Corporations and companies</i>	FR	CR	FR	FCR	FR	F+	FR	FR	C
<i>Insurance</i>			F	FC	FR	F*	FR	FR	C
<i>Patents, trade marks, copyright</i>	F	C	F	F	F	F	F	F	C
<i>Weights and measures</i>	F	C	FR	FR	F	F	F	F	C
<i>Industries</i>			FCR	FR	FR	F*	F	F	C
<i>Mines and oilfields</i>			FR	FCR	FR	F	F		
<i>Factories</i>			C	R		F+			
<i>Price control</i>				C		F*			
<i>Co-operative societies</i>			R	R		F		CR	
<i>Planning</i>									
<i>Economic and social</i>			C	C	F	F+r		C	
<i>Town and country</i>						C			
<i>Shipping and navigation</i>									
<i>Maritime</i>	F		F	FR	FR	F*	F	F	C
<i>Inland waterways</i>	FR		FR	R	FR	F*	FR	F	
<i>Ports</i>		CR	FC	FR	FR	F*	FR	F	
<i>Fishing</i>	F		FR	FR	FR	F*			CR

	Canada	Australia	India	Pakistan 1958	Pakistan 1962	Malaya	Nigeria	Rhodesia and Nyasaland	West Indies
<i>Communications and transport</i>									
Roads and bridges	FR	C	FR	R	R	FR	FR	FC	
Railways			F	FR	F	F+	F	F	C
Air			F						
Regulation of traffic						F+R	CR	C	
Carriage of passengers and goods			F			F×			
Mechanical vehicles			C	R		F			
Posts and telecommunications	FR	FC	F	Fr	F	F	F	F	C
Broadcasting and television			F	F	F	F	FR	C	C
<i>Utilities</i>									
Water			FR	R		F×R	FC	FR	
Electricity			C	R		F×+	CR	C	
Gas			R	R	F	F+	CR	F	C
Nuclear energy			F		F		F		
<i>Education</i>									
Elementary and secondary	R		R	R		F+		FR	
University	R		FR	R		F+	FC	F	F
Teacher training	R		R	R		F+			
Libraries			FR	FR	FR	F+			FR
Museums			FR	FR	FR	F+	F		FR
Archaeology and monuments			FCR	CR	FR	F+	C	FR	C
Scholarships	R	C	R	R		C+			
<i>Medicine and Health</i>									
Hospitals and clinics	R		R	R		F××		C	
Lunacy	R		C	R		F××			
Poisons and drugs			FC	CR		F××	CR		
Liquor			R	R		F××			
Public health and sanitation			R	R		C		C	
<i>Labour and social services</i>									
Trade unions		CR	C	C		F+	C		C
Industrial disputes			C	C		F+	C		C

	Canada	Australia	India	Pakistan 1958	Pakistan 1962	Malaya	Nigeria	Rhodesia and Nyasaland	West Indies
<i>Labour and social services (cont.)</i>									
Unemployment relief	F		R	R		F+			
Workmen's compensation			C	C		F+		F	
Social security		C	C	C		F+			
Social welfare services		C	C	C		C			
Charities			C	R		F×			
Women and children						C		C	
Vagrancy			C	R		C			
<i>Land</i>									
Tenure	R		R	R		CR			
Prospecting			FR	R		R			
Compulsory acquisition		C	C	R		R			C
Transfer	R		CR	R		R			
Reservations	F		F	F	F	FR			
<i>Agriculture</i>	C		RC	R		R		F×C×R	
Forestry			R	R		R			
Agricultural pests and diseases			RC	R		F×		F×C×R	
Agricultural loans			R	R		R		F×C×R	
Animal husbandry			R	R		C			
Drainage and irrigation			FR	R		C		FR	
Soil erosion						C		F×C×R	
<i>Local government</i>	R		R	R		F×R			
Fire brigades						R			
Burial and cremation grounds			R	R		R			
Pounds and cattle trespass			R	R		R		F×C×R	
Markets and fairs			R	R		R			
<i>Miscellaneous</i>									
Survey			F	F	F	F+	C	C	C
Census	F	C	F	F	F	F	C	C	C
Statistics	F	C	F	FRC	FR	F	C	C	C
Meteorology			F	F	F	F	F	F	
Aborigines	F		FR	FR	FR	F+		FR	
Professions			C	R		F×	C		



	Canada								
	Australia								
	India								
	Pakistan 1958								
	Pakistan 1962								
	Malaya								
	Nigeria								
	Rhodesia and Nyasaland								
	West Indies								
Miscellaneous (cont.)									
Holidays									
Newspapers and printing									
Licensing of films									
Entertainment and sports									
Wild animals and National Parks									
Lotteries									
Betting and gambling									
Research									

#### NOTES ON TABLE 1: Distribution of Legislative and Executive Authority

This table summarises the distribution of legislative authority expressly mentioned in the constitutions or necessarily implied from them. The letter F indicates exclusive federal authority, C concurrent authority, and R exclusive regional or state authority. Where the federal power is more restricted than the letter F alone might imply it is shown as FR to indicate that some aspects of that subject are placed under regional authority or that regional consent is required for the exercise of federal authority in that field. Fr indicates federal powers which can be exercised only after consulting regional governments but which do not require their consent. If a subject is not mentioned in the Constitution the space in the table has been left blank; the assignment of the residuary power which would normally apply in such areas is, however, indicated in the first line of the table. It should be noted that in some federations, notably India with respect to the State of Jammu and Kashmir, Rhodesia and Nyasaland with respect to agriculture in the different territories, and Malaysia with respect to Singapore and Borneo, the distribution of legislative authority does not apply equally to all autonomous regional governments; such instances are marked on the table with an asterisk or a + or x. The distribution of legislative powers indicated for Nigeria is that under the 1963 Constitution.

In the federations listed in this table, administrative responsibility is normally co-extensive with legislative authority except in India and Pakistan where the administrative responsibility for all central legislation in the concurrent fields is specifically assigned to the states by the Constitution. In all the federations listed, except Canada, there is provision for voluntary delegation of administrative responsibility by the central government to the states, an arrangement extensively used in most of them.

This table is taken from R. L. Watts, *New Federations* (Clarendon Press, Oxford, 1966), pp. 364-6.

TABLE 2: COMPARISON OF CENTRAL & PROVINCIAL CURRENT REVENUES & EXPENDITURE

Federation	Year	Percentages of Total Central and Provincial Revenues*			Provincial expenditure as % of central plus provincial expenditures (in ascending order)
		Central Revenue (before transfers)	Provincial Revenue (before transfers)	Inter-government transfers (Net)	
Malaya	1959	89	11	7	17
U.S.A.	1959-60	79	21	5	26
Australia	1960-1	80	20	17	37
West Germany	1963	64	36	5	41
Canada	1962-3	68	32	12	41
Pakistan	1962-3	69	31	19	49
Nigeria	1959-60	84	16	37	54
India	1960-1	60	40	20	58
Switzerland	1965	55	45	16	62
W. Indies	1959-60	1	99	2†	97

\* Combined central and provincial revenues, excluding municipal revenues.

† Mandatory levy on Territories for transfer to Federal Government

Sources: R. L. Watts, *New Federations: Experiments in the Commonwealth*, Oxford, 1966, Tables 4-10, and Annual Budget Statements, Statistical Abstracts, and Year Books for countries concerned.

TABLE 3: COMPARISON OF COMPOSITION OF PROVINCIAL CURRENT REVENUES

Federation	Year	Percentages of Total Provincial Revenues				
		Independent Revenue	Share of Central Taxes	Constitutional Unconditional Grants	Conditional Grants	Total Transfers
W. Indies	1959-60	98	—	—	2	2
W. Germany	1963	88	—	—	12	12
Switzerland	1965	73	5	8	14	27
Canada	1959-60	68	16	2	14	32
India	1960-1	65	19	5	11	35
Pakistan	1962-3	63	36	1	—	37
Malaya	1958	62	1	35	2	38
Australia	1960-1	46	—	40	14	54
Nigeria	1959-60	28	55	17	0.2	72

Sources: R. L. Watts, *New Federations: Experiments in the Commonwealth*, Oxford, 1966, Table 4B, and Annual Budget Statements, Statistical Abstracts and Yearbooks

## INDEX

*Bold figures indicate main entries*

Administration, *see* Federal  
 Administrators 79, 82-9  
 Africa 4, 7  
 African federations 102, 108  
   economic advance of 97  
   private sector 98  
 Alaska 45  
 Alliance Party (Malaya) 77  
 All-India services 29, 30; integrated 27  
 All-Pakistan services 27  
 American: consensus 21  
   federation 15, 18, 71 n.;  
   system examined 7  
   presidential 17  
   *See also* United States of America  
 Anglo-Indian community and public services 39  
 Appleby Report (India) 112  
 Area and problems of  
   communication 58  
 Asian federation 7, 25, 26, 27, 28, 42, 63, 93, 97, 98, 99, 100, 101, 102, 106, 108, 113  
 Australia 3, 6, 9, 10, 12, 16, 20, 25, 45, 49, 60, 61, 67, 70 n., 76, 80, 83, 112, 122, 125, 126, 128, 138-44  
   administrative co-operation 76, 78 n.  
   allocation of responsibility 65  
   central government 99, 101  
   centralisation 59, 75, 116, 118  
   decentralisation 70-1, 78, 118  
   economic controls 119; issues 93 ff.; planning 108  
   federal finance 122, 125  
   intergovernmental committees 80, 108  
   inter-state co-operation 77  
   public borrowing 121  
   revenue 120, 123; transfer of 122  
 Ayub Khan, President 40, 61

Balkanisation 9, 114  
 Basle 46  
 Belgium 8  
 Bengal 11, 39, 40  
 Berne, canton of 38, 46  
 Bernese Jura 96  
 Borneo 41, 47, 65  
 Britain 8  
 British Colonial administration, territorial units of 46  
 British North America Act (1867) 36, 65  
 Bundesrat 64, 65, 80, 111, 125  
 Cabinet Mission (1946) 49  
 Canada 3, 5, 8, 9, 10, 12, 16, 20, 33, 34, 36, 49, 50, 67, 68, 70 n., 76, 82, 112, 116, 123, 124, 130, 138-44  
   administrative problems of 79;  
   relations 77  
   central administration in 61, 65  
   communications 61  
   constitution 5-6  
   decentralisation 71, 118, 119, 120  
   economic planning 93, 107-8  
   federal finance in 116, 118  
   fiscal resources of 123  
   French-Canadians, and 38, 50  
   government of 83-5  
   intergovernmental committees for 80, 81  
   inter-state co-operation in 77  
   language and religion in 10  
   legislative power of 73  
   minority governments of 22, 52  
   public borrowing in 25, 37, 121  
   reorganisation of 48  
   revenue, and 120  
   states of 60  
   tax-rental scheme 120  
   universities of 58  
 Canadian Maritimes, economics of 94  
 Cantonal governments 101, 102  
 Caribbean, The 26, 48, 102  
   federations in 102

- Central Africa 96, 97, 99, 113  
 Central American Common Market 9  
 Central Banks Advisory Committee (Nigeria) 106  
 Central government 9, 14, 21, 26, 34, 52, 78, 93, 99, 100, 101, 128, 129 economic development, and 100 minorities, and 52 responsibilities of 99, 101 taxes, and 128, 129  
 Central grants-in-aid 19  
 Centralisation 6, 10, 58, 60, 64, 65, 70 n., 134  
 Central Marketing Board (Nigeria) 106  
 Central and provincial current revenue and expenditure comparison 143  
 Central public services, *see* Public services  
 Central and state governments: division of jurisdiction 73 secondment of office in 28 separate services in 26  
 Central-state co-operation 77  
 Ceylon 8  
 Civil Service of Pakistan (C.S.P.) 28, 30, 31  
 Civil services, separate and independent 27  
 Collegial executive 15, 16, 17  
 Committee on Fiscal and Economic Matters 84, 107, 124  
 Common Monetary system 93  
 Commonwealth, dual service of 25 federations 16, 64, 83; economic policy of 103 fiscal review, and 130  
 Commonwealth Grants Commission 122, 123, 124  
 Communications 61, 69 transport, and 140  
 Conditional grants 129  
 Conferences in state administration 81  
 Congress Party (India) 11, 13, 74 dominance of 104 economic power of 97  
 Consensus in federations 33  
 Constituent Assembly of Pakistan 97  
 Co-operative activity, types of 77-82 administrative relations 10 f.; factors hindering 73, 74 federalism 7  
 Co-ordinate systems of government 57  
 Corporation tax 117, 120  
 Council of States (Switzerland) 21, 29  
 Cultural groups 34, 35  
 Customs union, analysis of 94  
 Czechoslovakia 4  
 Decentralisation 8, 9, 58, 60, 61, 62, 65, 70-2, 78, 127, 134  
 Defence 138  
 Delineation of states 44, 45  
 Development planning 103 ff.  
 Development policies 96  
 Distribution of legislative authority 138-42  
 Dual federalism 62, 74  
 East Africa 49, 126  
 East African Common Services Organisation 9  
 East Bengal 96  
 East Pakistan 31, 46, 61, 94, 113  
 Eastern Germany 4  
 Economic: affairs 98 planning 78, 81, 125 policy 93; and finances 91-132 responsibility, allocation of 98 stabilisation 95  
 Education 140  
 European Economic Community 8-9  
 Excise duties 127  
 Executives, forms of 12, 15-22 collegial 15, 16, 17 fixed term 22 parliamentary 15, 16, 17 residential 15, 16, 17  
 Expenditure 119, 134; allocation of 126, 127  
 Export tax 127  
 External affairs 68, 138  
 Federal: administration 3; problems of 68, 79, 93; role of 6-7 economic issues 93, 94 cohesion 21-2 context 1-22 expenditure 119, 126, 127, 134 finance 115-32 responsibilities 11 stability 13, 14 -state expenditure 71 systems 3-14  
*See also* Federations  
 Federal Council (Switzerland) 16  
 Federal Provincial Conference 20, 81, 83, 107, 110, 124  
 Federalism, character of 17

- Federal-Provincial Fiscal and Economic Relations, Committee on 87  
 Federations 4, 5, 11, 72, 95, 111, 135-6 administrative arrangements in 134 administrative responsibility of 12, 63 distribution of authority in 138-42 economic affairs of 95, 102 ff., 111 financial arrangements and political balance 132 functions, allocation of 66-70 intergovernmental co-operation 73; relation 7, 10 f. jurisdiction, problem of divided 57-72 new 4, 113, 125-9 old and new, economic plans compared 107 politics 14, 25, 44-7, 97; rivalry in 106  
*See also* Federal  
 Finance 138-9 resources, allocation of 12, 63  
 Finance Commission 126, 132  
 Fiscal: adjustment 121 policies 95 transfers 128, 129  
 Five-Year Plans 132  
 Fixed term executive 22  
 France 8  
 Free market 93  
 French minority 16  
 French-Canadians 37, 61, 96 representation of 36  
 French-Swiss, representation of 38  
 Functions, allocation of 60, 66-70  
 Germany 8  
 Glassco Commission 85  
 Government, composition of 83; systems 3-14, 59  
 Government of India Act (1935) 27  
 Grants Commission 125, 130  
 Grants-in-aid schemes 78, 79, 82  
 Hawaii 45  
 Heterogeneity within states 49  
 Import tax 127  
 Income tax 117, 120  
 Independent public service 25  
 India 4, 8, 28, 34, 58, 60, 70 n., 72, 97, 130, 138-44 cabinet system 16 central governmental administration 64, 65 conditional grants 129 decentralisation, and 61, 72 division of 51 economic councils of 103, 104; economic planning 81 joint services 31, 32 language difficulties 76, 128 regional units 48, 50 representation, and 38-9 services, staffing of 26 states of 65; reorganisation of 46, 51, 52 two-tier government in 25  
*See also* Congress Party  
 Indian Administration Service (I.A.S.) 27, 29  
 Indian Civil Service (I.C.S.) 27, 30  
 Indian Constituent Assembly 126  
 Indian Constitution (1950) 39, 65, 102  
 Indian federalism 81  
 Indian Finance Commissions 131, 132  
 Indian Five-Year Plans 112  
 Indian Forest Service 30  
 Indian Medical and Health Service 30  
 Indian Police Service 27, 29  
 Indian Service of Engineers 30  
 Indirect elections (Switzerland) 6  
 Indirect taxes 127  
 Interdependence of federal government 7, 136-7  
 Intergovernmental administrative co-operation 9, 19, 26, 73-89, 108 committees 80, 81, 82 conflicts 82 co-ordination 88, 89, 102-14 financial relations 125, 126, 128 institutions and economic policy 103 relations 7, 17-20, 33, 55-89 responsibility 62  
 Internal migration 69  
 Internal social heterogeneity, 50  
 Inter-state co-operation 77  
 Inter-State Council of India 80  
 Inter-state minorities 52  
 Inter-Territorial Planning Group (Rhodesia and Nyasaland) 103  
 Intra-state minorities, protection of 53  
 Italian-Swiss representation 38  
 Jamaica 11, 13, 48, 94, 97; economy of 94, 97  
 Jamnu 65  
 Joint administration services 26, 28, 29, 30, 31, 32

- Joint Consultative Committee on Education (Nigeria) 80
- Joint Economic Planning Committee 106
- Judicial and Legal Service Committee 32
- Juras region 46
- Jurisdiction, division of 57-72, 82
- Kashmir 65
- Kelantan 32
- Kentucky 45
- Keynesian economic policy 116, 118, 125
- Labour and social service 140-1
- Lagos 58
- Land 141
- Language, problems of 10, 35-7, 65, 76
  - See also Linguistic
- Latin America 4
- Law 69, 138
- Leeward Islands 32
- Legal sovereignty 5
- Legislative authority 68, 71, 72
- Linguistic: composition of central services 40
  - cultural groups, 34, 35
  - groups, representation of 37, 38
  - separatism 96
- Loan Council (Australia) 6, 108, 121, 123, 124, 125, 130, 131
- Local government 59, 141
- Machinery of government 138
- Maine 45
- Malawi 13
- Malay communalism 96;
  - constitution 40, 41
- Malaya 8, 17, 72, 97, 126, 128, 131, 138-44
  - administrative jurisdiction 67
  - central government, and 101
  - economic and social development 96, 105, 113
  - joint services 26, 28, 30, 32
  - racial representation 40
  - states 48
  - two-tier government in 25
- Malaysia 4, 17, 28, 30, 32, 47, 52, 66, 67, 130, 131
  - administrative jurisdiction 58, 67
  - allocation of responsibility 63, 65, 67
  - economic development and planning 81, 100, 113
  - government committees 80, 103
  - legislative jurisdiction 102
  - racial representation 40
  - regional representation 34
  - two-tier government in 25
- Medicine and health 69, 140
- Menzies, Sir Robert, on Loan Council 108-9
- Minority 16
- Monckton Commission 113
- Multicultural federations and groups 35, 41, 42, 46, 47, 94
- Multi-ethnic countries 8;
  - federations 34, 76
- Multi-linguistic federations, problems of 36, 76
- Multi-party coalition 22
- Nagaland 46, 65
- National Council on Establishment 80
- National Council for Local Government (Malaysia) 80
- National Council for Natural Resources 106
- National Council for Social Welfare (Pakistan) 80
- National Defence Council (India) 80
- National Development Council 103, 104, 105
- National Economic Council 80, 103, 105
- National Finance Council 80, 103, 105
- National Integration Councils (India) 80
- National Land Council (Malaysia) 80, 103
- Nehru, Pandit 11, 97, 104
- New Helvetic Society 110 n.
- New South Wales 46
- Newfoundland 123
- Niger Development Board 106
- Nigeria 4, 31, 34, 42, 44, 47, 70 n., 72, 138-44
  - administrative responsibilities 11, 44, 66
  - central government 70
  - decentralisation 61, 62
  - economic planning and development 88, 97, 99, 105, 113
  - education 41
  - federal-state services 31
  - finance 129
  - fiscal commission 126, 130, 131
  - government system 17; two-tier 25
  - intergovernmental committees 81, 103, 106
  - joint services 26, 27, 32, 74
  - language difficulties 76

- Nigeria—cont.
  - minority groups, and 22
  - political boundaries and structure 8, 50
  - regionalism in 48, 49, 51, 59
  - states in 60
- North American federations 98, 119
- Northern Nigeria 11, 58, 96
  - economics of 94
- Northern Ontario 45
- Northern Territories 45
- Nyasaland 94
- Ontario 45, 58, 59, 123
- Ottawa 36, 38, 84
- Pakistan 4, 11, 30, 40, 70 n., 72, 96, 97, 112, 126, 138-44
  - Bengalis, and 96, 111
  - central government 63, 65, 101
  - Constitution (1962) 113
  - decentralisation 61, 62
  - economic planning 102, 129
  - government committees, councils and commissions 80, 91, 103, 104, 106, 130, 131
  - government system 16; two-tier 25
  - joint services of 27, 28, 31
  - minority governments 22
  - provinces of 47, 51, 60
  - representation in 34, 39, 48, 49
- Parliamentary federations 17, 20, 21; political instability of 22
- Parliamentary system of government 15, 16, 17, 20, 21
- Penang, economy of 94
- Perlis, joint services in 32
- Planning 139
- Planning Commission (India) 11, 103, 104, 131, 132
- Poisons and drugs, control of 69
- Police 138; control of 69-70
- Police Council 31, 80
- Police Service Commission 31, 32
- Police Service of Pakistan (P.S.P.) 28
- Political instability 10, 31, 62
  - institutions, structure of 11
  - integration, economic argument for 94
  - parties, influence in federation 14, 74; control of 21
- Population, effect on service 58
- Posts and Telegraph Department (Pakistan) 106
- Premiers' Conference (Australia) 20, 80, 81, 83, 108, 122, 124, 134
- Presidential system in U.S.A. 15, 21, 107
- Prime ministers 17
- Prince Edward Island 59, 79
- Professionalism in public service 74, 82, 83
- Provincial Advisory Boards for Ports and Telegraphs (Pakistan) 80
- Provincial current revenues 144
- Public borrowing 121
- Public services 9, 14, 25-53, 73, 75
  - appointments and promotions in 26, 27, 28, 29, 35
  - dual or joint 25-32
  - internal communications 35
  - professionalism in 74, 82, 83
  - representation in 38, 39
- Public Service Commission 28, 29, 32
- Punjab 46; landowners in 97
- Quebec 33, 50, 65, 84, 85, 71, 119
  - administration 36
  - centralised financial and economic policies 117
  - role in foreign affairs 68
  - universities, and 69
- Queensland 46
- Regional administration 61, 77
- Regional government 8, 98
- Regional groups in civil service 35
- Representation of linguistic groups 36, 37, 38
- Residuary power 12, 138
- Responsibilities, allocation of 65, 99
- Revenues 58
  - per capita 130
  - power to levy and collect 126
  - sources of 119 ff.
  - transfers from central government 121, 126, 128, 130
- Rhodesia, interests in 97
- Rhodesia and Nyasaland 4, 25, 103, 126, 131, 138-44
- River Boards (India) 106
- Rivers State 58
- Roman Catholic minorities 16
- Royal Commission on Bilingualism and Biculturalism 37, 52
- Rural and Industrial Development Authority 105
- Sales tax 127
- Sanitarian 18 f., 25
- Secession duties 120
- Second World War 118, 120
- Separation of powers 15, 16, 18, 21
- Separatism 96



- Services, sharing 25 ff. *See also*  
     Public Services  
 Shipping and navigation 139  
 Singapore 47, 65, 94  
 Social and economic planning 11  
 Social services 64, 69, 95, 97, 127  
 South Australia 124  
 Southern Nigeria 47  
 States 45, 46, 69, 70, 78  
     administration units 44-53  
     boundaries, reorganisation of 51  
     expenditure 71  
     government of 11, 26, 93  
     revenue of 63, 121 ff.  
     size and number of 47, 48, 59, 60  
 States Reorganisation Commission 29  
 Statutory Boards (Nigeria) 106  
 Switzerland 3, 6, 9, 10, 11, 12, 14, 17, 21, 25, 38, 67, 119, 120, 143, 144  
     cantons in 11, 47, 48, 58, 59, 60, 94, 120  
     central government in 99, 101  
     collegial executive of 16, 22, 63  
     division of authority 63  
     economic affairs of 101; planning and development 94, 110  
     expenditure of 71, 72  
     federalism in 102, 110  
     financial centralisation in 118  
     fixed executive in 20  
     intergovernmental relationship of 19, 125  
     inter-state co-operation of 77  
     language and religion in 10  
     linguistic groups, representation of 37, 76  
     public service representation in 38  
     regional representation in 34, 36, 46, 49, 50  
     revenue of 122  
 Summit conferences 20  
 Supreme Court 5  
 Tariff advisory Board (Malaysia) 80  
 Tasmania 123, 124  
 Tax, levy and collection of 126, 127  
 Taxation 117, 120, 127, 134  
     control of 116  
 Technical education 69  
 Trade, commercial and industrial 139  
 Trengganu, joint services 32  
 Uganda 49  
 Union of Soviet Socialist Republics (U.S.S.R.) 4  
 Union-state relations in India 74  
 Unitary political systems 8, 114  
 United States of America (U.S.A.) 3, 6, 9, 10, 11, 12, 17, 19, 21, 25, 45, 93, 119, 143, 144  
     centralisation 101, 119; financial 118  
     decentralisation in 61  
     executive of 15, 16, 20  
     federalism in 71, 74  
     intergovernmental co-operation of 107, 108, 110  
     inter-state co-operation of 77  
     money and credit of 99  
     planning machinery of 107  
     presidential system in 15, 63  
     revenue of 120  
     senate of 21  
     states of 48, 60  
 Units of administration 44-53  
 Universities 59, 69  
 Utilities 140  
 Uttar Pradesh 11, 58  
 Victoria, relations with government 75; *per capita* income 123  
 Vocational Training Council 81  
 West Indies 4, 9, 11, 32, 48, 67, 72, 138-44  
     central government in 100  
     development policy of 96  
     federation of 49, 70, 99  
     revenues of 126, 131  
     socialism in 97  
     two-tier government of 25  
 West Pakistan 46 and n. 47  
     civil service appointments in 39  
 West Virginia 45  
 Western Australia, economy of 94, 124  
 Western Germany 63, 71, 99, 101, 119, 120, 122, 125, 143, 144  
     central laws 102  
     constitution of 110  
     economic policy of 94  
     federalism in 64, 111  
     governmental economic consultation in 110  
     state borrowing, and 121  
     taxes of 120  
 Windward Islands 32  
 Yahya Khan, President 46 n.  
 Yoruba-Ibo rivalry 51  
 Yugoslavia 4  
 Zonal Councils (India) 80, 106