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**RESEARCH PAPER
NOTES DE RECHERCHE**

**A Political Economy
of Federalism:
In Search of a New Comparative Perspective
With Critical Intent Throughout**

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FOREWORD

The "political economy" approach in the social sciences has a tendency to discount the importance of institutions and the form of political organization in explaining social and political phenomena. Similarly, the study of federalism, almost by definition, often emphasizes as its primary focus, institutions and their organization. Thus as analytical disciplines, the study of federalism and the study of political economy all too often do not meet. This is unfortunate, because in federal political systems, the form of federal organization can profoundly affect the nature of the underlying political economy, and because an understanding of many of the analytical precepts of the political economy approach can illuminate much about the tensions and contradictions inherent in most federal systems.

The Institute is therefore pleased to publish this research paper by Thomas Hueglin. It presents a dialogue between the analysis of federalism and the analysis of political economy. Moreover this analysis is especially instructive by its application to four federal systems of government: the Federal Republic of Germany, Switzerland, the United States, and Canada.

Hueglin's comparative analysis proceeds from the thesis that intergovernmental relations, including aspects of fiscal federalism and regional self-determination, can be better understood by examining whether the broader conflicts in the political economy (those between capital and labour among others) are dealt with directly by the federal system or not. His study of four major federal systems in advanced industrial societies illustrates the importance of whether the more basic conflicts are organized into or out of the federal process. In so doing the study presents a welcome addition to the literature on both comparative federalism and political economy. It will be of primary interest to scholars in these fields, but we would recommend it to practitioners of intergovernmental relations as well, as it offers a number of insights into the evolution of the federal system in Canada and elsewhere.

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of Political Accommodation in Canada (Kingston: Institute of Intergovernmental Relations, 1984).

This current study, *A Political Economy of Federalism*, appears in the Institute's *Research Papers/Notes de recherche* series. This series consists of scholarly publications on a broad range of subjects touching on federalism and related social, political, and economic issues. All contributions to this series are peer-reviewed.

Ronald L. Watts
Director
May 1990

ACKNOWLEDGMENTS

This paper has seen a number of revisions. A much shorter version was first presented at the 1986 Annual Meeting of the Canadian Political Science Association in Winnipeg. A revised manuscript was then submitted to the *Canadian Journal of Political Science*. Its reviewers did not reject it out of hand, but their suggestions for revision convinced me that the scope of what I had in mind required a more substantive treatment than the space of the *Journal* would allow. In the meantime, and with the help of a three-year SSHRC research grant, I have begun to conceptualize a book-length study on the same subject which will also include a fifth case study on the European Community.

The thoroughly revised and expanded version submitted here, therefore, constitutes a report of work in progress. A wealth of constructive comments and criticisms has helped me along the way so far (and I am now hoping for more). I am in particular grateful to my discussant at the Winnipeg meeting, Ron Watts, to the anonymous reviewers of the *Journal*, to Doug Brown, to the two anonymous reviewers for the Institute of Intergovernmental Relations, and to several cohorts of students who were exposed to my thoughts on the *political economy of federalism*.

I also want to thank three eminent scholars who have accompanied my thinking in a more indirect way: Dan Elazar, whose insistence on federalism as a grand social philosophy has helped me to survive in an academic environment that has for the most part become hostile to speculative optimism; Richard Simeon, whose singular qualities as an intellectual bridge-builder have rescued me from the painful intellectual choice between federalism or political economy; and Leo Panitch, who has reaffirmed my conviction that giving up the quest for universal theorization in the face of a complex and fragmented social reality would constitute intellectual retreat.

I finally want to thank the Institute of Intergovernmental Relations, which has been a great source of inspiration and support over the years, and that includes particular thanks to Patti Candido and Valerie Jarus who have always handled my inquiries and requests with great competence and patience. Part of my obligations as Skelton-Clark Fellow of Political Studies at Queen's University back in 1983-85 had been to eventually submit to the Institute a second discussion paper. I am glad that I am finally having a chance to pay off that debt.

Thomas O. Hueglin

ABSTRACT

By its own definition, capitalism leads to a social and spatial concentration of power and wealth. Capitalist systems are therefore characterized by conflicts and struggles of *class and region*. These conflicts can be either cross-cutting or mutually reinforcing. Federalism, on the other hand, is usually defined as a system of intergovernmental cooperation on the basis of balanced partnership. In other words, capitalism and federalism are highly contradictory forms of social organization. Federal systems become meaningless forms of political organization unless they can establish and maintain control over the centralizing forces of capitalism. A comprehensive theory of federalism in capitalist systems would therefore have to address at least the following questions: Do federal systems adequately deal with the spatial conflicts of region? How do they cope, in particular, with mutually reinforcing conflicts of class and region? And, given the structural bias of federalism for conflicts of region, do federal systems adequately deal with, or *organize out*, conflicts of class which cut across region?

These questions require a comparative analysis of the *political economy of federalism*, focusing in particular on the dynamic of centralization and decentralization in centre-periphery relations, the relative autonomy of the federal state in addressing this question, and the conflictive and/or consensual modes of conflict regulation in intergovernmental relations. It appears that the capitalist federal state is constrained by national and international forces of organized corporate influence over which it has only limited control. The *federal condition* therefore has become a dependent variable of centralized corporate decision making. Fiscal federalism in particular is not a question of organizing a balanced partnership, but a matter of centralization first and redistributive compensation later. Similarly, the quest of federal societies for regional self-determination and the conflicts of administrative self-interest in intergovernmental relations cannot be separated from the interests and influence of capital which either reinforce or cut across regional conflicts and struggles.

A comparison of four established federal systems, Switzerland, West Germany, the United States and Canada, reveals that intergovernmental conflict levels and the dynamic of centralization or decentralization depend on whether the basic conflicts affecting the political economy have been *organized into or organized out of* the federal process. In Switzerland, federalism has remained consensual and decentralized because the basic issues of political economy

appear organized out of the federal system. In West Germany, on the other hand, a homogeneous political economy agenda dominates the federal process which has therefore become overly centralized and conflict-avoiding. In the United States, organized corporate influence likewise dominates a centralized federal process. Because intergovernmental relations are fragmented by a functional instead of spatial organization of federalism, however, regional conflicts appear largely neutralized. In Canada, finally, federalism is characterized by a higher level of conflict and a decentralizing dynamic. The dominant circles of corporate influence are regionally fragmented and organized into a political process in which the conflicts of class and region are often mutually reinforcing.

SOMMAIRE

Par définition, le capitalisme conduit à une concentration sociale et territoriale du pouvoir et de la richesse. En outre, les systèmes capitalistes se caractérisent par des luttes de classe et des conflits interrégionaux pouvant soit s'entrecroiser soit se renforcer mutuellement. D'autre part, on peut définir généralement le fédéralisme comme un système de coopération intergouvernementale fondé sur une collaboration équilibrée entre les parties contractantes. Cela dit, le capitalisme et le fédéralisme constituent, au plus haut point, des formes contradictoires d'organisation sociale. Les systèmes fédéraux sont d'ailleurs voués à n'être que des formes insignifiantes d'organisation politique à moins qu'on instaure et maintienne un contrôle sur les forces centralisatrices du capitalisme. Une théorie générale du fédéralisme appliquée au système capitaliste se devrait d'aborder tout au moins les questions suivantes: les systèmes fédéraux résolvent-ils correctement les conflits à caractère régional ou territorial? Comment les systèmes fédéraux affrontent-ils, plus spécifiquement, les luttes de classe et les conflits interrégionaux lorsque ceux-ci ont pour effet de se renforcer mutuellement? Etant donné la tendance structurelle du fédéralisme à générer des conflits interrégionaux, les systèmes fédéraux sont-ils ou non en mesure de faire face adéquatement aux luttes de classe qui s'entrecroisent en région?

Ces questions appellent une analyse comparative qui porterait sur l'*économie politique du fédéralisme*; on insisterait notamment a) sur le dynamique de la centralisation et de la décentralisation dans les relations centre/périphérie, b) sur l'aptitude relative du gouvernement fédéral à pouvoir traiter par lui seul cette problématique et c) sur les modes — consensuel ou conflictuel — de règlement des conflits dans le cadre des relations intergouvernementales. Il apparaît que l'Etat capitaliste de type fédéral subit à l'échelle nationale et internationale l'influence des milieux d'affaires vis-à-vis laquelle son contrôle s'avère limité. La *réalité fédérale* est devenue une variable dépendante tributaire de la prise de décision centralisée émanant du secteur privé. Par ailleurs, le fédéralisme fiscal n'implique pas, tant s'en faut, une collaboration pleinement équilibrée entre les deux ordres de gouvernement en cette matière; à la vérité le fédéralisme fiscal est d'abord une affaire de centralisation. Après seulement intervient la compensation redistributive. La volonté d'autodétermination exprimée par les composantes régionales au sein des sociétés fédérales de même que les conflits provoqués par l'égoïsme des

acteurs impliqués dans ces relations intergouvernementales sont attribuables en fait au capital qui, par l'intermédiaire de ses intérêts et de son influence, peut tantôt intensifier tantôt faire s'entrecroiser les conflits interrégionaux.

En comparant quatre systèmes fédéraux bien établis, soit la Suisse, la République fédérale allemande, les Etats-Unis et le Canada, on s'aperçoit que l'importance des conflits intergouvernementaux ainsi que la dynamique de la décentralisation au sein de ces Etats sont fonction des conflits fondamentaux agissant sur l'économie politique. Ceux-ci se révèlent tantôt *intrinsèques* tantôt *extrinsèques* au processus fédéral. En Suisse, le fédéralisme est demeuré consensuel et décentralisé du fait que les problèmes fondamentaux liés à l'économie politique paraissent extrinsèques au système fédéral. Par contre, en République fédérale allemande, l'économie politique s'appuie sur un programme homogène qui conditionne le processus fédéral, lequel deviendra du coup trop centralisé et "déconflictualisant". Aux Etats-Unis, l'influence exercée de façon systématique par le secteur privé a également pour effet de centraliser le processus fédéral. Les conflits interrégionaux y apparaissent dans un large mesure neutralisés du fait que les relations intergouvernementales présentent une dimension fonctionnelle plutôt que strictement territoriale. Au Canada finalement, le fédéralisme se caractérise par une tendance marquée au conflit ainsi que par une dynamique décentralisatrice. Les sphères où s'exerce de façon prépondérante l'emprise du secteur privé sont disséminées sur le plan régional; elles s'insèrent aussi à l'intérieur de mécanismes politiques en vertu desquels, très souvent, les luttes de classe et les conflits interrégionaux ressortent mutuellement renforcés.

A POLITICAL ECONOMY OF FEDERALISM: IN SEARCH OF A NEW COMPARATIVE PERSPECTIVE WITH CRITICAL INTENT THROUGHOUT

I — INTRODUCTION

Two Souls, Alas, Live in My Chest

[Goethe, *Faust I*]

At the outset, a somewhat personal confession: while I have been a student of federalism for almost twenty years, my work has more recently focused on issues of comparative political economy. This has posed a dilemma in my professional life. When I talk to colleagues in the political economy community, even the mentioning of the word federalism is likely to provoke yawns of disinterest. My insistence that federalism indeed addresses important aspects of regional diversity in modern society is frequently met with the classical verdict of *hallowed nonsense*. Whenever I try to inject what I would consider a necessary dose of political economy analysis into the study of federalism, on the other hand, scholars of federalism typically react with sighs of impatience. Likely, my insistence that the study of federalism has to be embedded in the analysis of the capitalist state and its contradictions leads to accusations of “jargon” and “sweeping generalizations.”

This *Research Paper* attempts to build a bridge. In my mind, federalism is one of the most important principles of political organization. Without some form of federal arrangement, conflicts such as those in Northern Ireland, the Middle East or, more recently, the Soviet Union will not be resolved. However, what is obviously an issue of dramatic or even tragic salience there is part and parcel of territorial politics everywhere: conflicts of *community* that cut across the boundaries of nation-state politics. On the other hand, politics in capitalist societies continues to revolve around the issue of *class*. Even the rise of the middle class and managerial elites cannot deceive about the fact that capitalist societies are divided between a minority of those who control the means of production, and all others who depend on the decisions of that minority. Life under capitalism continues to be a struggle between classes, and it is the state that has become the most important *arena* for the regulation of this struggle. It is therefore that the federal state has to be studied as a system regulating the conflicts and struggles of *community and class*.

Capitalism organizes the production of goods and services on the basis of private property, profit maximization and the allocation of scarce resources

according to the economy-of-scale principle. It therefore leads to a *social and spatial* concentration of power and wealth. Within the context of the majoritarian democratic process of politics, the welfare state has developed policies of social safety and redistribution which have resulted in wide-spread acceptance of the capitalist system of production. Although addressing social inequality only after the basic economic decisions affecting the accumulation and distribution of wealth have already been made, these policies address important issues of class and, to a lesser extent, community or region. Within a prevalent and dominant ideology of individual liberalism, however, the democratic political process tends to cut across class and/or regionally defined collective interests. Instead, it offers compensation programs on an individual basis measured by social status. Democratic process and welfare state must be seen and analysed as important mechanisms insulating the capitalist accumulation process from direct public control and/or resistance which would require more authoritarian forms of stabilization.

Federalism organizes political power around the principle of divided jurisdiction. Recognizing the collective interests of subnational territorial units, the political process in federal states attributes equal or at least near-equal rights to spatial collectivities, states, provinces or cantons, which are unequal in terms of size, population and wealth. Federal states have developed policy packages that address important issues of spatial inequality. But as in the case of the welfare state, the redistributive programs of fiscal federalism only come into action after the basic decisions regarding the capitalist concentration and centralization process have been made. Federal politics therefore must also be seen and analysed as an important mechanism insulating the capitalist accumulation process from public control over the spatial allocation of resources. Moreover, within a prevalent ideology of regional diversity, the federal political process tends to *organize out*¹ those issues and conflicts of class which cut across the boundaries of subnational territorial organization.

The conflicts of class and community in capitalist societies are either *cross-cutting* or mutually *reinforcing*. The spatial and social concentration of wealth creates concentric circles of power, dividing capitalist systems into spatial centres and peripheries with unequal opportunity structures, and into social classes of inequality within centres as well as peripheries. Conflicts of class and region are cross-cutting when general issues of capital and labour, wealth and poverty, etc., are at stake which are primarily seen as permeating society in its entirety. They are reinforcing, however, when the inequality of power and wealth appears primarily linked to the opportunity structures of central and peripheral regions. An analysis of federal politics in capitalist states must therefore minimally address the following questions: Do federal systems adequately deal with conflicts of community or region? How do they cope with reinforcing conflicts of class and region? And, given the structural bias of

federalism for issues of region, do the regulatory mechanisms of federal systems appropriately deal with, or organize out, issues and struggles that are primarily seen as conflicts of class?

In order to even attempt such an analysis, the conceptualization of class and region in a comprehensive theory of federalism in capitalist states would be required. Am I trying to square the circle? On the one hand, it seems an impossible task to wed or merge what constitutes two massive bodies of theoretical and analytical knowledge which, after all, have each produced important insights into their respective subject matters. So why should one force together what can be looked at separately when examining class or region? On the other hand, the realization that a complex world requires complex patterns of inquiry and comprehension inevitably leads to the conclusion that it is impossible to organize the discussion of *politics in federal states* — indeed any meaningful discussion of politics — around one simple set of theoretical assumptions.

However, in this *Research Paper* only some directions can be suggested which might guide further research and analysis. The argument will therefore proceed in the following steps: After a brief examination of extant theories of FEDERALISM AND FEDERATION, an attempt will be made to outline some conceptual elements for the analysis of FEDERALISM IN CAPITALIST STATES. The relevance of these will be illustrated, more than rigorously tested, by looking at four typical federations: Switzerland, West Germany, the United States, and Canada in COMPARATIVE PERSPECTIVE. The CONCLUSION will finally summarize findings and return briefly to the conceptual premises of federalism in theory and practice.

II — FEDERALISM AND FEDERATION

“At sessions like this, one despairs of the field.” Scribbled to me by Daniel Elazar during a 1985 international workshop on comparative federalism in Paris, this remark all too often reflects the theoretical state of the art.

This is not to say that the knowledge about federal systems had not been advanced by excellent research in recent years. What is wanting, however, is a theoretical and analytical framework which would allow meaningful comparisons. As all political theory is essentially comparative political theory, we can only begin to understand why politics is organized and conducted in a particular manner when we possess a conceptual framework that allows us to draw comparisons with different organizations of politics in different social formations or at different historical stages in the life of one and the same formation. Even when the object of inquiry is restricted to one country in one particular period of time, the theoretical framework must ultimately be consistent with politics elsewhere and at all times — either establishing similarities or differ-

ences. To the best of my knowledge, there is not one book on comparative federalism that would fulfil these theoretical criteria.

Attempts of theoretical clarification either seem too wide, calling for a broad philosophy of federalism, or too narrow, focusing on a handful of structural principles organizing federation.² The broad approach often makes sweeping assumptions which make meaningful comparisons impossible. Noble principles like *mutual sharing* and *unity in diversity* apply to all kinds of situations of social and political life which have little or nothing to do with federal organization, or, to reverse the argument, they turn everything into a question of federal organization. This argument, that "all social life is federal in character," can be and has been made,³ but it is a poor yardstick for more specific comparisons. The narrow focus, on the other hand, typically theorizes over an institutional checklist of federal states. It therefore neither allows the inclusion of the discussion of federal arrangements in non-federal political systems (such as the European Community, or the new Spanish Constitution of Autonomous Communities), nor does it lead beyond narrow institutional analyses. It allows for a comparative discussion of the politics of federalism, but cannot expand to an analysis of politics *in* federal states.

The narrow focus and approach became particularly dominant in the years after World War II when, after the experience with European fascism, political science searched for principles of good government. America, which had played a central role in liberating Europe from fascism and which was about to assume hegemonic leadership throughout the western world, became the principal model of such government. Federal government, or, more precisely, "that principle embodied in the government of the United States under the Constitution of 1787," became the almost exclusive yardstick for a new comparative political science of good government.⁴ The picture of the *American model* was later complemented by a similarly narrow approach to a *civic culture* of individual liberalism and free-wheeling entrepreneurialism. The contradictions between federal government and liberal society were rarely examined, and the insistence on the prerequisite of a federal society for legitimate forms of federal government largely remained limited to vague notions of socio-cultural diversity and a desire for sharing and partnership in a *compound republic*.⁵

This is not to say that societal diversity and a political culture of sharing would not indeed be important prerequisites for federal systems. The point is, however, that a meaningful political theory of federalism cannot be developed when the *social forces* conditioning politics are eclipsed as prerequisites from the analysis of the workings of federal government, and not included as part and parcel of an ongoing power struggle. As a consequence, federal theory emerges at best as a compendium of constitutional wisdom and intergovernmental technique, and as an end in itself at worst. In particular, precisely those techniques of fiscal federalism which would have to be seen as indicative of a

spatial struggle for resources and identities are being treated, for the most part, as a matter of rational governmental choice. Despite ample evidence that governments in capitalist states are more rapidly than ever moving from the *logic* of active public policy formation to the *logistics* of reactive damage control and crisis management,⁶ fiscal federalism is still treated as an independent analytical variable.

The narrow governmental approach does allow for insightful analyses of country-specific problems and conflicts, but it rarely leads to meaningful comparisons. We know, for example, that intergovernmental relations in the United States are characterized by an uncoordinated maze of nationally dominated grant programs,⁷ whereas intergovernmental relations in Canada tend to become ritualized in highly politicized channels of *federal-provincial diplomacy*.⁸ We also understand that West German federalism is overshadowed by the highly centralized process of party competition,⁹ while the dynamics of plebiscitarian democracy cut across the strict proportionality institutionalized in the Swiss federal system.¹⁰

Because they are country-specific, however, these analyses remain side by side, without providing a comparative yardstick. At the structural-functional level, we are simply and factually informed about differences or similarities. In comparative perspective, this can amount to little more than "matching cases to some test of the ideal federal order." In the context of "within-system analysis," furthermore, it is difficult to develop a "comparative framework" which would analyse not only issues and struggles unique to a particular federal system, but also underlying dimensions and social forces that are in fact "common to several systems."¹¹ In other words, the question remains unanswered why federal structures and processes take on unique characteristics even when the basic issues of conflict and policy formation in capitalist states are very similar, or, conversely, why a relatively standardized set of federal institutions is maintained when the conflicts and struggles of class and region do indeed vary from one country to another.

In contrast to these attempts to compare federal systems on the basis of a narrow set of institutional principles,¹² there is the conceptualization of a broad philosophy of federalism that casts a much wider net over all kinds of political arrangements in federal and non-federal systems. The main thrust of this *federalism as grand design* approach is to assert that mutual sharing is a basic form of social life established in federal forms of political organization which have a rich socio-cultural tradition, and that federalism as such is "means and end."¹³ The idea of such *covenanted* mutualism is a badly needed corrective for both the prevailing spirit of contractual greed in modern capitalist society, and especially for the theoretical reduction of nation-state politics to the concept of power. As a broad social philosophy, however, it focuses more on what ought to be than on what actually is.

In the context of comparative federal analysis, a noble-minded federal philosophy will more often than not tend to sweep grandly over the ignoble realities of political life. Insisting upon a yardstick of *mutual sharing* among a plurality of territorially organized groups can only rarely serve as a point of conceptual clarification in a world in which the institutions are for the most part designed and governed by a "cash-nexus" of market-oriented and competitive contractualism.¹⁴ Moreover, the wide theoretical approach also blurs a clear picture of what is federal-political practice and what is not. Defining federalism as "the recommendation and (sometimes) the active promotion of support for federation," or recognizing "diversity... as a living reality,"¹⁵ allows us to discuss as federal *ideas* phenomena as alien to the word and spirit of federalism as those largely speculative attempts in late Victorian England to "consolidate British power overseas" by advocating "some form of colonial representation," or even the constitution of "subordinate" parliaments in the imperial territories.¹⁶

Those who are committed to the study of federalism and federation often feel obliged to justify their attachment to the federal *principle* against the taunts of the surrounding political science community. It is astonishing that this is so even in the case of America where one would tend to assume that federalism is synonymous with government.¹⁷ One reason is, of course, that the structural framework of federation is so much taken for granted that it tends to become an unquestioned given in the context of American government. Another and more important reason is, however, that the "common preoccupation" of federalist scholars with some "ideal federal order" diverts "attention away from those issues having substantial consequences for the workings of federal arrangements."¹⁸ This is especially so when the quest for such a federal order becomes embedded in assumptions about the nature of civil society which are in themselves inconsistent with the substantial issues of political reality.

In particular, the theoretical linkage between federalism and pluralism¹⁹ tends to obfuscate theoretical clarification. Whether conceived as structural variety within plural societies, or as constitutional protection of diversity beyond the whims of pluralist group competition, federalism usually and uncritically attributes representative priority to groups that are territorially defined over others that are not (social classes, for example).²⁰ More questionable in theoretical terms, however, are the theoretical limitations of pluralism itself. If the more advanced pluralists today have to acknowledge to themselves that their concept suffers from a contradiction between form (unrestrained group diversity) and content (the domination of business over all other groups),²¹ then structural variations or the constitutional procurement of such a contradiction do not seem to become any more meaningful. This is particularly so under the assumption that the capitalist mode of production leads to an uneven concentration of social and spatial power. The contradiction between

pluralist theory and business power finds its spatial complement in the contradiction between federal theory and the asymmetry of power in centre-periphery relations.

What is largely missing, then, is an appropriate conceptual as well as analytical framework within which the structural-functional peculiarities of federal systems can be examined and compared. *Class and region* have been suggested as the main parameters for such an examination. It would require measuring the federal principle of mutual sharing against the ideological reality of national paramountcy. It would further need a reexamination of constitutional power separation within the context of economic centralization imposed on federalism by the imperatives of the (national as well as international) political economy. As a corollary, the definition of federalism as a *balance* between central and regional powers would have to be contrasted with the *de facto* asymmetry of centre-periphery relations. The modes of conflict regulation which determine the dynamic of intergovernmental relations, would have to be identified in terms of their capacity to establish, maintain, or destabilize federal balance. It would finally require an answer to the question of whether federalism as the political organization of region resolves or displaces continuing conflicts of class. In short, what is needed is a — comparative — political theory of class and region in federal states.

III — FEDERALISM IN CAPITALIST STATES

While federal theory for the most part still operates under the largely obsolete assumption of the functional separation of (federal) state and (plural) society, important recent theories of the advanced capitalist state have more adequately elaborated on a theoretical position that ties organized socioeconomic interests and political structures into a highly complex compound of political ideology, institutions and economy.²² In fact, these theories transcend the orthodox positions of both pluralist *structuralism* and Marxist *instrumentalism*.²³

The separation of state and society in federal theory means that federalism is seen as a set of institutions which enhance *good* societal values. These values exist (or do not exist) in society independently from institutionalized politics. Plural societies hence have plural values. Since federalism enhances plurality, federal political institutions must be a matter of rational constitutional choice. Theoretically, this can lead to a brilliant discourse on political design.²⁴ It does not and cannot lead, however, to a critical examination of the question of whether the plurality which federalism fosters is a matter of lived reality or simply of ideological bias. And neither can it lead to a critical analysis of those socio-economic forces in capitalist systems which may effectively prevent "proper" choices (assuming that plural democracy and federalism are proper).

The "proper conduct of government" becomes a matter of "appropriate theory."²⁵ Improper government merely is bad choice.

New theories of the state have more recently reemphasized that political arrangements are not consequences of choice (rational or otherwise), but continue to result from struggle. This struggle stems from the contradictions inherent in the capitalist welfare state.²⁶ The seminal importance of these theories does not stem from the fact that they would indeed reiterate classical Marxist positions of class struggle, but that they have become almost common property among neo-Marxist and neo-pluralist theorists who examine the nexus between capitalism and the modern welfare state.²⁷ Both stress that state and political process "are part and parcel of the economic structures and processes of modern capitalism" because it is the state and its legislative as well as administrative branches that have become the central arena of conflict and struggle.²⁸ Both also emphasize the stabilizing role of ideology in obscuring the contradictions inherent in the capitalist state.²⁹ Hence there is growing consensus that a new political theory is needed which is based on the "interaction of economics, politics and culture."³⁰

In the realm of political ideology dramatic changes have been noted over the past two decades. While Robert Lane still could foresee the "politics of consensus in an age of affluence" in the mid-1960s, the situation is now characterized by rapid value change and ideological fragmentation. Samuel Huntington predicted correctly that the structural adjustments to *postindustrialism* would bring along with them an enormous expansion of mobilized participatory demands. In the wake of a massive wave of societal mobilization and politicization during the 1970s and early '80s "nervous liberals" began to question the merits of unrestrained pluralism and pleaded for moral reeducation as the only remedy against *excessive* democratic demands.³¹ The astonishing fact is, however, that the ideological volatility described and analysed rather underscored the resilience than the inherent weakness of the state and its various support systems. The answer may lie in the fact that a *return of ideology* has taken place at the commanding heights of capitalist systems as well as at the grassroots level. In their quest to restructure and adjust capitalism to rapid structural change and technological innovation, the state and its dominant classes needed to disseminate new ways of ideological regulation — often in the seemingly neutral form of technocratically defined systemic constraints. The ideological contradiction lies in the fact that "state and corporate organizations seeking to administer their environments by means of scientific-technical rules are obliged continually to solicit the active participation of their members and clients, whose initiative and autonomy these organizations must nevertheless forbid."³²

The main change and challenge with regard to political institutions throughout the postwar period has been the dramatic rise in political interventionism and public policy. This has intensified the contradictions of the capitalist

welfare state in two important ways. On the one hand, public spending for accumulation *and* legitimization led to a fiscal crisis of unprecedented budget deficits when the postwar growth boom came to its presumable end.³³ On the other hand, the same structural volatility of the capitalist system, which requires permanent adjustment and restructuring to the national and international environment, also led to an increasing degree of fragmentation and conflict within the capitalist class.³⁴ The interests of national and international corporations, domestic and export-oriented businesses, industrial and finance capital, large multinational and small family enterprises, etc., are less likely to coincide when "the growth of a world market combined with the increasing scale of industrial, banking and commercial enterprises means that national markets have become less regulated by nationally based corporations." Together with similarly disjuncting effects on work force and cultural norms, these tendencies have been described and analysed as symptoms of *capitalist disorganization*.³⁵ How can political interventionism and public policy accommodate or even serve such conflicting and contradictory interests? At the level of policy the answer is relatively easy: through permanent incrementalist crisis management.

At the level of politics, however, a theory and analysis of the *relative autonomy* of the state vis-à-vis these conflicting and contradictory forces is required. In essence, the concept of relative autonomy is based on the following logic: contradiction and conflict in capitalist society require state regulation. The state cannot fulfil this requirement if it is entirely dependent on one particular class or dominant fraction thereof. Consequently, the state needs a "certain degree of autonomy." It "acts on behalf" of that dominant class, but not at its "*behest*."³⁶ This view of a *symbiotic* relationship between government and business is a major theoretical step ahead. It leads beyond conventional economic theory which neglects the influence of government inducements on business behaviour.³⁷ It also and reversely leads beyond conventional state theory which explains government behaviour in statist terms as neutral, (more or less) rational choice, and/or governmental self-interest without taking into consideration the close interconnections between the capitalist system and the democratic state.³⁸ It therefore allows an examination of these interconnections without casting *a priori* judgement on their extent and quality.

The political economy of the capitalist state is finally characterized by rapid structural change and an increasing degree of socio-economic polarization resulting from it. Leaving behind the epoch of postwar national reconstruction and growth, capitalism is now confronted with a volatile international market place as the main arena of success or failure.³⁹ Established capitalist countries are experiencing unprecedented competition from newly developing countries. Many sectors are faced with growing market saturation. In the capitalist core countries this has led to de-industrialization, the growth of service sector occupation,⁴⁰ and economic *dualization*: the emergence of a deepening socio-

economic division between winners and losers across economic and occupational sectors.⁴¹ Again this puts the capitalist state into a contradictory position. In order to perform its accumulation function it must intensify its symbiotic relationship with those growth industries on whom the success of economic restructuring depends. This will obviously alienate other sectors which find themselves among the losers. Moreover, it will deepen structurally induced social need which may increase conflict over levels of sustained welfare legitimization. Already constrained by mounting budget deficits, the capitalist state must administer painfully selective choices of spending priority. Siding with dominant interests, and thus administering a renewed "class struggle from above,"⁴² the dissemination of an ideology of *healthy* market competition becomes part and parcel of its activities.

These theories of the capitalist state transcend the conventionally segregated theories of politics, economy and culture in several important ways.⁴³ First, as theories of dynamic social change, they allow us to analyse side by side the struggles entrenched in structures of "old power," and those surfacing through "new social practices" among classes, groups and movements.⁴⁴ Second, as theories of economic power, they allow us to analyse side by side the important role of groups and classes within capitalist societies. The existence of class and class fractions remains fundamental for the analysis of control over the means of production and over governmental power. At the same time, however, there are groups and alliances that cut across class boundaries, as for example sectoral losers among business and workers. And there are increasing numbers of people who are no longer attached to the capitalist exchange relationship at all, as for example growing government bureaucracies or the permanently unemployed.⁴⁵ Finally, as theories of political control, they allow us to analyse the linkage of economic and state power. Classes and groups can be seen as operating within the structural context of relative state autonomy, rather than as *free agents*⁴⁶ determining these structures and processes.

How can these comprehensive theories of capitalist states be translated into a meaningful instrumentarium for the analysis of federal systems? The most important recent starting point has come not from the study of federalism itself, but from the wider field of territorial politics and regionalism in the context of centre-periphery relations.⁴⁷ The yardsticks for a qualitative as well as quantitative assessment of centre-periphery relations are the continued existence of socio-cultural *difference*, socio-political *distance* and socio-economic *dependency*. These yardsticks may provide useful tools for the examination of federal systems as well. Theoretically, however, they move only little beyond systematic comparative description. If federal-political structures and processes are to be seen and understood as shaping, and being shaped by, the conflicts and struggles of socially as well as spatially fragmented capitalist societies,⁴⁸ their analytical examination would indeed have to be embedded in a comprehensive

"theory of political cleavage" which "we now significantly lack."⁴⁹ Only some indications can be given, therefore, towards what direction such a theoretical effort would have to move.

In their study on the *Small Worlds* of Canadian provinces, David Elkins and Richard Simeon found "a population highly sensitized to regional differences," and yet those regional expectations and patterns of public policy have become increasingly convergent at the same time.⁵⁰ How can these seemingly contradictory findings be explained? One answer can be found in the break-down of the postwar consensus referred to earlier. New contradictions between local *way of life*, national-political *regulation* and internationalized *regime* of accumulation⁵¹ led to an expansion not only of participatory demands, but also of values concerning the way of life. Regionalism or even separatism became ideological rallying points for "people organizing space for their own aims"⁵² when national norms and values no longer seemed to satisfy peripheral aspirations. The political institutions of federalism obviously served to facilitate the mobilization and articulation of peripheral self-determination. But the retention of socio-cultural differences despite the homogenizing forces of industrial modernization poses more difficult and complex questions to federal analysis. Is the mobilization of regional political identity merely a matter of political culture, or a consequence of political and economic structures and processes as well?

Alan Cairns has provided another important perspective of inquiry: against Livingston's suggestion that federalism is primarily a function of societies, he drew attention to "the capacity of government[s] to make society responsive to its demands."⁵³ As I pointed out earlier, the state has to solicit the active participation of members and clients on whose collaboration its efficiency depends. At the same time, it has to forbid quests for initiative and autonomy among those members and clients. In terms of centre-periphery relations this first meant peripheral modernization through the dissemination of central norms and values. This was the phase when central programs and policies of the welfare state proliferated. With those programs, however, administrative and technocratic expertise spread to peripheries, provinces and regions. This in turn spawned precisely what was to be forbidden, a powerful quest for greater autonomy and self-reliance. In the context of the duplication of executive structures in federal states this typically meant the "growth of government at both levels," and an often immobilizing degree of federal-provincial conflict and competition.⁵⁴

Given the rise of "large, complex networks of interdependent action" in modern polities,⁵⁵ a clean separation of competences among different levels of government seems no longer possible. And given the paramountcy of national policy formation in a globalizing environment of politics and economics, it seems likewise impossible to assume that formal power separation alone can

achieve a meaningful degree of regional self-determination. The degree of regional and/or intergovernmental conflict is therefore conditioned by the political distance between peripheral aspirations and the central process of decision making. Canadian students of federalism have elaborated on two principal institutional forms organizing either distance from, or access to, central policy-making. One form is the incorporation of regional interests into the legislative process at the federal level of government. Upper Houses in bicameral systems of federalism provide representation on the basis of region rather than population. Such systems have been labelled as systems of *intrastate* federalism. The institutionalization of intergovernmental relations is the other form. In Canada, where bicameralism is not fully developed, federal-provincial relations have to rely almost exclusively on quasi-diplomatic modes of political bargaining among the two levels of government. This system has been called *interstate* federalism.⁵⁶

Institutional analyses of this kind can tell us how intergovernmental conflict regulation is organized in federal states, and also how particular institutions shape the dynamic and often specific outcomes of such conflicts. But they tell us little or nothing about the underlying social forces on whose behalf these conflicts are carried out in the first place. Bearing in mind the earlier analysis of the capitalist state's relative autonomy, a merely statist perspective of intergovernmental warfare surely cannot provide more than a diagnosis of symptoms. The root of the disease itself must be found in the spatial concentration of capital, and in the fragmentation of business and labour into winners and losers. Not only does this "crisis of industrialism" translate into a regional crisis of sunbelt-rustbelt disparities,⁵⁷ it also predetermines regional winners and losers in intergovernmental conflicts.

Regional dependency is the spatial corollary to social class domination in capitalist systems. The federal-political process must therefore be examined and explained in terms of centre-periphery relations. Conventionally, centres differ from peripheries by their concentration of secondary industrial production and the proliferation of a tertiary or service sector. Peripheries are typically engaged in the extraction and production of primary resources. In an age of electronic communication and dramatically increased capital mobility, however, this distinction needs to be reexamined. The "spatial fix" between dominant manufacturing and subordinate extractive industries "has begun to dissolve" under the impact of a "spatial scattering" of production processes nationally and world-wide.⁵⁸ At the the same time, however, the power and control of big business and the large corporation over financial resources, technological innovation, and productive allocation remains undiminished.⁵⁹ Control and regulation of finance, technological innovation and information therefore have become more cogent indicators distinguishing between centre and periphery.⁶⁰

In federal states, the crucial centre for such control and regulation would typically be the national level of government with the principal agents of economic control, finance, communication and big business flocked around it. This would put the peripheral participants in a federal system in a situation of socio-economic dependency. However, with centrality defined as above, the spatial fix of power control also is no longer a given. What needs to be reexamined, in particular, is whether central interests are national interests embodied by federal government, or whether the central interests of some regions are pitted against the peripheral interests of other regions, with the federal government in a position of relative autonomy vis-à-vis both. Arguably, the interests of big business and the large corporation follow an internationalized agenda which is not exclusively associated with either level of government. Rather, the duplication of government in federal states allows these interests to forge symbiotic relationships and alliances with either level, exploiting the existing and deepening tensions of centre-periphery relations to their advantage at any given moment. The role and functions of federal political systems in enhancing central accumulation and peripheral legitimization both become dependent variables of socio-economic forces no longer under national or regional political control.

In this context the old controversy as to whether "federalism make[s] any difference in the way that people are governed" appears in a different light.⁶¹ The federal state is only relatively autonomous in accommodating the conflicts between centre and periphery. The instruments and policies of fiscal federalism in particular only come into play after the basic economic decisions concerning centre-periphery disparity have already been made. But this does not mean that federalism has become obsolete.⁶² It does mean, however, that federalism is not an independent variable shaping the politics, economics and culture of capitalist societies. Rather, it is a form of political organization dependent on, and responding to, the forces of spatial concentration and polarization inherent in the capitalist mode of production. As such, federalism does make a difference indeed: at best it alleviates some of the conflicts stemming from spatial disparity and discrimination, at worst it reinforces them.⁶³

This means finally that the analysis of economics, politics and culture in federal states must be placed in a dynamic developmental framework. Two major issues stand out: first, it is almost trite to reiterate that the operational rationale of federal systems ultimately relies on some sort of acceptable or legitimate balance between centralization and decentralization. This balance cannot be established or maintained through formally divided jurisdictions alone. Given the symbiotic relation between business and politics, political federalism is weakened when it is not complemented by a somewhat balanced allocation and sharing of economic resources as well. It is rendered obsolete when (fiscal) economic sharing only takes place after the central creation of

peripheral dependency is already established. Likewise, the very notion of regional cultural diversity indeed amounts to little more than "hallowed nonsense"⁶⁴ when it is defined solely as *primordial* opposition against the overwhelming forces of national modernization and standardization. It gains significance, however, when it is understood as a formation of a new and anticentralist regional identity which opposes political domination as much as economic dependency.⁶⁵ Consequently, whether a federal system moves towards centralization or decentralization very much depends on the spatial allocation of political, cultural *and* economic resources.

Second, as the dynamic of centralization versus decentralization in federal systems is an expression of spatial conflicts and struggles, the quality and stability of these systems is very much determined by the modes of conflict regulation which ultimately decide which way a federation may go. Basically, there are two such modes: a *competitive* mode of unilateral action and conflictive policy promotion, and a *consensual* mode which relies on mutual bargaining and compromise. Federal systems will always employ both. The institutional framework of divided but overlapping jurisdictions and the resulting policy interdependence makes cooperation on the basis of mutual bargaining the inevitable hallmark of federal political accommodation. But this does not mean that unilateralism and competition would not loom behind the facade of *consociational federalism*. Participants at the negotiating table will try to improve their bargaining position by unilaterally changing the balance of power in their favour, and/or they will try to gain support from their respective electorates by competitively promoting alternative and often opposing policy packages.

The relative dominance of each of these modes of conflict regulation is a good indicator of the existing balance/imbalance in federal states. What is more important again, however, is to analyse both political structures and the political culture of political accommodation in the context of those underlying socio-economic forces which determine what is to be included in the bargaining agenda, what is open to federal compromise only after a dominant agenda of unilateral action has already been established, or what is organized out of federal regulation altogether.

It may seem that such a loaded agenda of inquiry is too complex and poses insurmountable difficulties to theoretical comprehension or even analytical exploration.⁶⁶ It seems to me, however, that our understanding of the complex world of politics in federal states is better served by asking complex questions or sets of questions, even if the answers remain partial themselves, than to take resort to the surgical cleanliness of monocausal explanations. In one of the most penetrating and prophetic passages of the Communist Manifesto, Marx described the modern world of bourgeois politics and capitalist economics as one in which "all that is solid melts into air."⁶⁷ In that world it is the difficult task

of comparative politics to find at least some patterns of similarities and dissimilarities across time and space.

IV — COMPARATIVE PERSPECTIVE

Obviously, a general theory of federalism would have to stand the test of analytical application in a large and varied number of cases.⁶⁸ Some of the most exciting cases of highly dynamic federal development today are to be found in countries that are not constituted as formal federations. The evolution of post-Franco Spain from autocratic centralism to a highly decentralized system of autonomous regional communities is such a case, for example.⁶⁹ On the other hand, a rather vague juxtaposition of federalism and centralization can lead to a quickly growing mass industry of comparative federalism which appears to be more confusing than clarifying.⁷⁰ As a viable starting point at least, it seems appropriate to begin with a comparative analysis of well-established classical federations such as Switzerland, West Germany, the United States and Canada.

These countries are similar cases insofar as they all belong to a core group of capitalist states with high degrees of industrial productivity and wealth. Their political institutions are similarly based on the principles of representative democracy, party government and judicial constitutional review. And they all adhere to a dominant political ideology of economic liberalism and political pluralism. On the other hand, they are obviously different in many ways. Switzerland is usually regarded as an ideal case of consociational federalism where principles of proportionality and consensual bargaining have effectively replaced political conflict.⁷¹ As I will argue, this is only so because most conflictive socio-economic issues have been organized out of the federal political process. West Germany, on the other hand, has been described as a federation in which party competition is so dominant that it has effectively displaced most issues which would be federal in nature.⁷² Here, the point will be made that this obsolescence of West German federalism stems from a uniquely concentrated political economy which is *organized into* the political process, rather than structural peculiarities of the party system.

Federalism in the United States is often portrayed as a system of unstructured cooperation in which central government and the Supreme Court have come to play the crucial role of determining periodic trends of centralization or decentralization.⁷³ In my view, however, Supreme Court and government today preside mainly over ideological shifts between socio-economic liberalism and conservatism which affect the dynamic of American federalism only indirectly. Again, the point to be made here is that this is not primarily a matter of constitutional choice or intergovernmental power competition, but a consequence of American economic liberalism which has effectively organized out of the intergovernmental agenda those conflicts which would address basic

issues of socio-economic regulation and resources allocation in particular. In Canada, on the other hand, the major conflictive issues affecting the country's regionalized political economy appear very much organized into the process of federal-provincial diplomacy and the ongoing debate of constitutional change.⁷⁴

Hence the following cursory examination of these four cases will mainly focus on the following questions and issues: To what extent are the conflicts of *class and region* organized into or out of the political process, and, as a corollary, what conclusions can be drawn as to the nexus between the relatively autonomous state and its dominant socio-economic forces? What are the consequences on the consensual or competitive nature of centre-periphery relations? And in particular, how are trends of centralization or decentralization correlated to the respective organizational bias of the federal system as a whole? It appears that the organizational inclusion of basic conflicts affecting the political economy has led to the centralization of the federal system in West Germany, while it has had decentralizing effects in the case of Canada. It similarly appears that the organizational exclusion of basic conflicts affecting the political economy has led to the centralization of the federal system in the United States, whereas it has stabilized a system of federal decentralization in Switzerland.

SWITZERLAND

The formal political structures of the Swiss federal system are well known. They are characterized by a high degree of cantonal and local self-government, territorial and cultural proportionality institutionalized in a bicameral legislative system, and a multi-party government or *grand coalition* among the four major political parties.⁷⁵ Economically, Switzerland is one of the most successful and stable countries in the world, boasting the highest per capital/GNP rate and lowest unemployment/inflation rates among western industrial states.⁷⁶ Most observers conclude that Switzerland must obviously be a paradigmatic case of balanced federalism, consociational democracy and a political economy in which class and region are no longer conflictive issues. A closer look reveals a different picture, though.

As a recent and careful critique of the Swiss political system points out, the crucially determining factor of Swiss politics is not the decentralized structure of organized interests, but the overly centralized structure of organized *influence*. Hanspeter Kriesi first identifies a highly integrated core structure of organized influence which dominates the entire system. He then points out that it is an "economic and social policy block" which dominates this core structure. Within this block, finally, it is the capital and business interests that are more numerous and better integrated (i.e., more influential). Government acts as a

"broker" within this asymmetrical structure of influence.⁷⁷ Thus capital and business interests appear as *the core of the core of the core* in the context of Swiss policy formation, and the Swiss polity rather resembles a sequence of concentric circles than a matrix of autonomous yet overlapping circles of self-determination.

Given my earlier assumptions about the symbiotic relationship between dominant business and the capitalist state, these findings are not surprising. As in all advanced industrial states, policy formation is dominated by economic concerns, and in the Swiss case these are controlled by an almost uniquely concentrated and multinationally operating business community.⁷⁸ However, it is the economic and fiscal substance of cantonal and local self-determination which must be reevaluated in this context. In fact the continued existence of grave socio-economic inequalities among cantons⁷⁹ is an indication that the idyllic picture of proportionally balanced regional harmony is deceiving. That the *gnomes of Zurich* rule Switzerland may be an overdrawn caricature, but it is a matter of fact that both the French and Italian speaking minority communities resent German Swiss dominance. There are several factors which substantiate the suspicion that Swiss federalism has merely organized out rather than resolved conflicts of central dominance and peripheral dependency.

Thus it came as a puzzling surprise to the various admirers of the Swiss polity when in the late 1970s violence erupted in the canton of Berne and the French-speaking *Jura* eventually seceded as a separate new canton. Analysis later-on established that uneven economic development had been a crucial factor which in fact cut across the borderlines of language. Thus the south of the *Jura*, although French speaking as well, opted to remain with the canton of Berne because it "had been industrialized over a much longer span of time and was closer to the advanced centres of the Swiss economy."⁸⁰ Those centres are concentrated in the German speaking part of the country which consists of over two-thirds of the population. The socio-economic dominance of Zurich in particular, and the German part of Switzerland in general, accounts for a centre-periphery disparity of 2:1 measured in per capita/GNP.⁸¹

Another and even more important indicator of socio-economic asymmetry is the transcultural integration of the financial and business community. One of its more macabre vehicles is the Swiss *militia* system of national defence which not only requires every male citizen to participate in military exercises every year, but moreover creates a closely monitored link between military and socio-economic achievement.⁸² There is evidence that economic leaders are simultaneously high ranking officers and active politicians as well. Switzerland is governed by a closely interconnected and mutually supportive "*core elite*."⁸³ Given the dominance of industrial concentration in the German part of Switzerland, the socio-political and economic dominance of that part seems to be a rarely examined but nevertheless plausible conclusion. It is evidenced, in terms

of political culture, by the fact that the German speaking majority habitually takes a centralist stance in policy issues, whereas the French and Italian minority groups generally favour more decentralist solutions.⁸⁴

Decentralization is indeed the most commonly purported characteristic of the Swiss federal system. While that remains true for the institutionalized transformation of multiculturalism into proportional government structures, it seems doubtful that the stability of the Swiss polity indeed rests essentially on some sort of "linguistic peace."⁸⁵ The formal mechanisms of federalism deflect from the existence of considerable social as well as regional disparity of opportunity and influence. Stability stems from the fact that even the poorest regions are still among the wealthiest in Europe, and from a dominant ideology of nationalism which is perpetually disseminated by the dominant *core elite*. Behind the facade of consociationalism loom manipulated national chauvinism and conformity. As I have tried to point out elsewhere,⁸⁶ the overriding substance of Swiss political culture is its *tyranny of the majority*, not multiculturalism. What holds Switzerland together is money, not mutualism.

This becomes particularly evident when we take a look at the process of direct democracy in Switzerland. For outside observers, this system of frequent plebiscites often appears as little more than a complementary *curiosum* of Swiss federalism. Analysed from within, however, it appears as the crucial variable of Swiss policy formation, with the federal mechanisms of representative proportionality as a distant second.⁸⁷ *Referenda* are particularly important for issues of constitutional change that frequently affect the balance between federal government and cantons. Because of constitutional conflict between these two levels of government, the national citizenry has had to go to the polling station over 20 times in the 1980s alone. As all forms of direct democracy circumvent the formal channels of established policy formation, referenda play into the hands of dominant organized interests. The national employers' trade and industrial associations have frequently used the threat to *initiate* a referendum⁸⁸ as a means of pressure politics. Generally speaking, however, plebiscitarian majorities reflect prevalent societal values which in turn are dominated and manipulated by the inner circles of power.

Participation in plebiscites is notoriously low. This means effectively that "less than 20 percent of the population can block a constitutional decision supported by about 80 percent."⁸⁹ As bourgeois parties and influence groups appear much closer to the decision making core than unions and left-wing parties,⁹⁰ and in consideration of the large manipulative advantage of the dominant classes over average citizens and the underprivileged,⁹¹ the conventional imagery of consensual bargaining and compromise in the Swiss federal polity needs to be reconsidered. A dominant bloc of influence will at best try to manipulate competing key groups activated by the issue at stake, and it will unilaterally determine the process of opinion formation at worst.

It is not surprising, then, when an analysis of formalized politics in Switzerland comes to the conclusion that government activity is generally low.⁹² It is nevertheless misleading. The Swiss political economy is controlled by an almost uniquely concentrated and multinationally operating business community.⁹³ Here, the relative autonomy of the state is most restricted, and, especially in the context of plebiscitarian pressure politics, its capacity for active policy formulation appears curtailed indeed. This does not mean that the role of government is generally passive. Take labour policy, for example. One main reason for the low unemployment rate is that Switzerland secures industrial and productive stability by means of a migrant labour policy that is far from passive.

A policy of tightly controlled and temporarily restricted labour immigration regulates the Swiss labour market. Simply speaking, immigration is encouraged in times of *extensive* economic expansion, whereas migrant workers are sent home when economic stagnation and *intensive* economic restructuring make large numbers of them superfluous. The unemployed of Switzerland therefore figure in Sicily and elsewhere outside the country. It may be true that federal and cantonal governments have been "both unable and unwilling" to pursue an active manpower policy, and that it was the Swiss firms themselves which refused to renew the work permits of a quarter of a million foreign workers. But to assume that the problem of an excess of foreign workers thus is "solved through market institutions" is naive at best.⁹⁴ In the first place, Swiss business could not throw migrant workers out of the country if Swiss immigration policy did not permit it. Negative social policy is certainly an active one. Second, it is inappropriate to speak of market institutions when business refuses to renew work permits (i.e., conducts policy) instead of simply firing workers (i.e., conducting business). The very distinctions between private and public, market and politics, seem largely obsolete. A more appropriate reading of Swiss labour and social policy would indicate that once again a highly conflictual issue, impinging very much upon national and/or cantonal fiscal resources, has been successfully organized out of the federal-cantonal process of political accommodation.

So has the issue of gender equality. Nothing illustrates better the sorry state of political research on Swiss democracy than the almost complete silence about the persistent patterns of gender inequality in that country. In 1967, the *Toronto Globe and Mail* could still report that:

Under a law passed in 1912, a married man has control and management of all community property. If a woman has a bank account, under the law she must give her husband the bank book when she marries and must let him decide what should be done with the money. If she wishes to engage in a profession, she must legally have her husband's permission to do so. She retains property rights in her dowry but her husband controls it.⁹⁵

Since Swiss women finally gained the national right to vote in 1971, some or most of these provisions may have been removed in the meantime. Perhaps they still exist in the law books, but are no longer enforced. But perhaps they are.⁹⁶ The point is that not a single book or article analysing the Swiss political system bothers to even mention that democracy in Switzerland has been taking place in such a context of gross gender discrimination and halted democratic evolution. The point is moreover that the failure to do so leads to serious misjudgements about the Swiss political system in general. The fact that Swiss politics is dominated by a core elite in charge of the economic and military system, takes on an even more dramatic meaning when considering that its domination is channelled through a law-enforced male-only network.⁹⁷ Multiculturalism, for example, loses much of its meaning when in reality only *one* culture is allowed (across language borders) which is controlled by the same male chauvinists defending their political, social and economic privileges. The pristine beauty of the Swiss system of *consociational federalism*, then, must appear to the majority of the Swiss population, women (and foreign workers), about as insignificant as the federal constitution of the Soviet Union has been for the majority of non-Russian republics in that country.

A number of conclusions can be drawn. The Swiss political system is characterized by a unique degree of government and business *interlocking*. The dominant classes and groups largely pursue their interests outside the institutionalized channels of federal-cantonal politics. It seems plausible that Swiss federalism serves as a legitimating arrangement of consensual bargaining only in policy fields such as language and religion which are no longer seen as crucial matters of conflict. While decisive in the formation of the Swiss polity, federalism has become increasingly obsolete, giving way to the centralized modes of policy formation dominated by a nationally oriented and internationally operating business bloc. Swiss federalism remains important, however, insofar as it accommodates the multiple structures and identities which it has helped to create. As the *Jura* example demonstrates, this diversity would likely be a much more conflictual one without such accommodation.

WEST GERMANY

Due to the redrawing of borders and rapid modernization, postwar West Germany is today one of the most homogeneous countries in Europe.⁹⁸ Regional cultural differences are next to negligible and centre-periphery disparities have rarely been an issue of conflict thus far. Despite the intentions of its postwar founding fathers to reconstruct West Germany as a democratic Federal Republic in which political power would remain essentially decentralized,⁹⁹ the West German state steadily evolved as a highly centralized polity which was soon and aptly labelled as a *unitary federal state*.¹⁰⁰ Apart from the lack of salient

issues of regionalism, this trend towards centralization was fostered in particular by a legalistic German state tradition, and by an unprecedented degree of economic concentration and monopolization.¹⁰¹

First and foremost, the West German federal system differs from most others in its peculiar mode of division of competences which goes back to the tradition and practice of the Bismarck-Empire.¹⁰² While practically *all* important legislative competences are concentrated at the federal level, implementation and administration have become the exclusive domain of the provinces or *Laender*.¹⁰³ This horizontal division of powers¹⁰⁴ has resulted not only in the legislative supremacy of the federal level of government or *Bund*, but also has led to two other peculiarities of structure and process. On the one hand, the legislative supremacy of the *Bund* had to be complemented by giving the *Laender* a strong and often decisive voice in the central legislative process. Intrastate federalism is the hallmark of the West German system. On the other hand, the almost all-encompassing administrative competences of the *Laender* nevertheless required close cooperation between both levels of government. Bureaucratic and administrative *interlocking* between *Bund* and *Laender* became an increasingly dominant characteristic of the West German political process.

All important legislative acts have to be passed by both houses in the bicameral federal system. The upper house or *Bundesrat* is composed of instructed representatives of the *Laender* governments¹⁰⁵ which means that the process of intergovernmental bargaining is institutionalized into the central legislative process. A crucial role is played by the legislative Mediating Committee which is composed on a par by members of both houses.¹⁰⁶ This system of legislative intrastate federalism is complemented by a process of administrative interstate federalism which is carried out by a plethora of commissions and councils that coordinate policy implementation and administration horizontally among the *Laender* and vertically between the two levels of government.¹⁰⁷

The original constitutional intention had been to balance the federal system by allowing for a high degree of horizontal self-coordination among the *Laender* within a centrally legislated comprehensive scheme of tax sharing and fiscal equalization. After the constitutional reforms of 1969, however, the establishment of so-called *joint tasks* led to an erosion of this balance. Horizontal bargaining became increasingly dominated by vertical federal co-determination.¹⁰⁸ The main consequence of this *federal encroachment* has been described and analysed as *political interlocking*.¹⁰⁹ Since practically all acts of legislation require consent from both houses of parliament, and hence from at least a majority of the *Laender* governments, and shared competences in such crucial policy fields as education, research and development, financial planning and regional economic development require almost permanent horizontal as well as

vertical cooperation, it has been argued that the West German policy process has become overly incrementalist and often immobilized.

Of particular importance in this context is the party system. Especially when the two parliamentary houses, *Bundestag* and *Bundesrat*, are governed by different party majorities, the passing of important bills *de facto* requires consensus and compromise between government and opposition. And since the major West German political parties are closely associated with and ideologically committed to the interests of either business (as the Christian-Democratic CDU) or labour (as the Social-Democratic SPD), effective policy formation for all practical purposes also "depends upon the agreement of capital and labour." It seems that in this system of "multiple consensus requirements"¹¹⁰ between *Bundestag* and *Bundesrat*, government and opposition, capital and labour, federalism has indeed become overly centralized and immobilized, even replaced by the imperatives of party competition on the one hand, and the systemic constraints of bureaucratic interlocking on the other.

The *Bundesrat* indeed has rarely promoted regional interests. Given the low degree of cultural and socio-economic cleavages in West Germany, it has more commonly served as a "second government" and additional site of central policy formation. It has fully supported the trend of *federal encroachment* as long as its two power domains, co-determination of federal legislation and policy implementation, remained untouched. When it became evident that an opposition majority in the *Bundesrat* could effectively obstruct federal legislation by the ruling government coalition, electoral campaigns in the *Laender* were at times conducted as a "battle for the majority in the *Bundesrat*."¹¹¹ As an institution of crucial importance in the West German system of intrastate federalism, the *Bundesrat* has routinely emphasized partisan issues over regional ones, and prominent *Laender* politicians have routinely used it as a platform of national exposure.¹¹²

An overly centralized party system is usually cited as the main culprit. Political accommodation on the basis of federal bargaining and compromise are seen to be structurally inconsistent with party competition¹¹³ which has effectively replaced or, once again, organized out, federal political accommodation. At the same time, however, the institutionalized process of firmly interlocked administrative federalism permanently requires such accommodation. It is this structural incongruence that has led to the alleged symptoms of policy incrementalism and immobilism. On the one hand, it has been asserted that the bureaucratic system of interlocking has usually resulted in viable solutions below the level of political confrontation.¹¹⁴ On the other hand, it has been pointed out that in cases of crucial partisan conflict such as education, for example, the failure of centralized accommodation has led to policy clefts between the *Laender* governed by different party majorities.¹¹⁵ The point is that the resulting fragmentation of education policy in West Germany is not a result

of existing cultural/religious cleavages, but a consequence of the ideological conflict between the major parties.

Considering now the spectacular success with which West Germany reestablished itself as one of the strongest economic leaders in the world and dominant economy in Europe,¹¹⁶ the verdict of policy incrementalism at best and policy immobilism at worst obviously needs further examination. In fact, the pursuit of an active government policy of Keynesian macroeconomic management has been identified as the hallmark of the West German political economy.¹¹⁷ Furthermore, government intervention was particularly intensified in periods of increased international trade and market volatility which required massive economic restructuring.¹¹⁸ The general judgement that federalism provides a "barrier against waves of rapid change"¹¹⁹ is therefore misleading. West German federalism has been described primarily as a process of administrative interlocking that is essentially removed from parliamentary and hence public control.¹²⁰ At the same time, it has been pointed out that the "secret of West Germany's industrial policy is its invisibility."¹²¹ What obviously needs to be examined, then, is the question of whether the interlocked structures of West German federalism may indeed provide an insulating shield of systemic constraints behind which the dominant policy-makers can administer uncontrolled rapid change.

This question can only be answered by an analysis of the close ties between policy-makers and the dominant economic forces. Despite its polycentric structure, the West German political economy is characterized by an almost unique degree of concentration. Due to national market limitations the entire industrial sector appears unified in its persistent export orientation. Moreover, the banking sector, which is itself highly concentrated, determines industrial development and production by effectively controlling three-quarters of the entire West German capital stock.¹²² This powerful bloc of financial and industrial interests also dominates industrial policy formation through links of organized influence which at closer examination are not so invisible at all. While "the close contacts between the government bureaucracy and interest groups provide the main channel for organized business to exert influence on policy making," the role of organized labour has been "extremely limited, bordering on exclusion," and parliamentary control "is more or less eclipsed."¹²³ This leads to several conclusions.

First, the enormous centrality of financial capital, export industry and federal economic policy formation must be seen as the main cause why the *Laender* legislative process has increasingly sunk into peripheral oblivion. The process of bureaucratic interlocking has been a logical consequence, and not the cause, of this peripheralization. Whatever regional economic grievances existed, they could *only* be voiced through the centralized process of intrastate federalism.

However, this process of centralization need not necessarily be irreversible.¹²⁴ Increased capital mobility and economic restructuring have for the first time created some serious signs of centre-periphery disparity and conflict. New industries are predominantly located in the booming south of the country, while some northern *Laender* suffer from deindustrialization and structural unemployment. The creation of an integrated European market has moreover weakened the efficacy of centralized national policy formation. While European Community regulations make it more difficult to implement policies of regional development for structurally weak regions, the stronger *Laender* have begun to seek opportunities in direct cooperation with similarly prosperous regions elsewhere in Europe. *Endogenous regional development* has become a new catchword that eventually might also revitalize a more balanced system of federalism. It would inevitably also be more conflictive.¹²⁵

Second, the effective control of a dominant cartel of economic interests over economic policy formation sheds some critical light on the usual assumptions regarding the causal link between economic efficiency, political stability and consensual political bargaining in West Germany. This link has been widely described and analysed as *corporatism*, the concerted action of political bargaining between organized labour, capital and the state.¹²⁶ Given the institutionalized influence of the dominant bloc of finance capital and export interests over the economic policy agenda, assertions as to a liberal *logic of exchange* in these corporatist arrangements appear rather hollow.¹²⁷ It is more likely that unions were granted a voice within the existing framework of dominant and government interests, but that they never had control over that framework itself. Co-opted into a scheme of centrally administered economic restructuring, they could no longer address the negative structural consequences upon sectoral and regional employment. The principle of consensual social partnership appeared to have been replaced by the unilateral imperatives of systemic stabilization.¹²⁸

Again, recent trends of regional revitalization cannot be overlooked. As the efforts of industrial adjustment and improved international competitiveness appear to shift from central regulation to regional initiative, a *meso-corporatist* form of regional social partnership may eventually develop as an alternative to the politics of centrality.¹²⁹ However, it also cannot be overlooked that while such strategies of regionalized corporatist interaction may lead to impressive results in growth regions, they will typically amount to not much more than *decline management* in structurally weaker regions.¹³⁰ Furthermore, a lasting federalization leading to autonomous regional economic policy formation can hardly occur as long as the economic superstructures remain as concentrated as is the case in West Germany.

More important in the long run is the rise of new social movements and the Green Party. Explanations for this phenomenon reach from *postindustrial* value change and disaffection with the particularly obsessive forms of West German

materialism, to expressions of protest and a new political identity among the rapidly increasing number of social and regional groups whom the capitalist restructuring process discharges into permanent socio-economic peripherality.¹³¹ Again considering the centrality of the dominant cartel of organized political and economic interests, it is not surprising that the successful issues of new social movements and the Greens are often local and regional in nature. And here federalism has provided formidable opportunity structures indeed. It is no exaggeration that the Greens' success as a national party has been based essentially on their previous and solid conquest of seats and — at least some — government responsibility at the local and regional level. That promotion of local and regional interests has already begun to affect the agenda of the notoriously centre-oriented *Bundesrat*.

The main conclusion to be drawn is that the interlocked character of the West German federal system has not stood in the way of a dominant national economic agenda. The development of *unitary federalism* has to be seen as a continuous process of structural adaptation to that agenda. Multiple consensus requirements have restricted the institutionalized action potential of West German federalism, not the political success of its dominant actors. Deviant social, regional and cultural interests have become locked into a centralized cartel of political accommodation that allows for compromise only within the dominant agenda. In this sense, West German federalism does indeed constitute a shield of insulation behind which the dominant socio-economic forces can operate considerably removed from public control. It appears that substantive changes of policy agenda and process can only come from *outside* this cartel.

UNITED STATES

If the principal characteristic of federal systems is the diffusion of power among a multitude of autonomous national, regional and local governments,¹³² then the sheer numbers make American federalism a case of exceptionalism rather than a model. Fifty states and almost 80,000 county, municipal, township, school and special district governments constitute a sharply marked difference to the number of governments in other federations, indeed to the number of administrative units in the countries of the entire western industrialized world.¹³³ What distinguishes this maze of government from other federations more than anything else, however, is that it has not undergone a significant process of systematic coordination and joint planning. The results have been described as a degree of functional confusion and massive fragmentation of administrative responsibilities which arguably "make the American system of local government the most fragmented in the world."¹³⁴

Ironically, this unmatched dispersion of multi-layered and overlapping jurisdictions has led to an unprecedented degree of federal centralization neverthe-

less. The proliferation of competences with overlapping yet limited competences weakened the administrative efficiency of local government: "too many local governments, not enough local government."¹³⁵ As a consequence, federal government became more and more involved in the regulation and financing of local affairs which in turn weakened the competences of state administrations. The result has been a plethora of — some 500 and mostly conditional — federal grant-in-aid programs which are given to a multitude of possible recipients on a competitive basis.¹³⁶ Competition, interest group pressure, log-rolling, the bureaucratic self-interest of grants-administering agencies, all have brought forth a "federal octopus" reigning in supreme piecemeal fashion over a "chaotic grant structure" and the "classic confusions" of fiscal federalism.¹³⁷ Repeated efforts to revamp federalism by either replacing categorical grants with a more flexible scheme of revenue sharing, or reorganizing the entire system through a *Big Swap* of competences, have not been able to change the picture substantively.¹³⁸ The American polity continues to resemble more a medieval empire of confederated fiefdoms under arbitrary imperial rule than the enlightened republic once envisaged by its founding fathers.

The main dynamic of American federalism hence has not been the evolution from dual to cooperative federalism, but the historical victory of centralization over decentralization. In juridical terms, this is the victory of the Supremacy Clause over the Tenth Amendment. It led American scholars to redefine their federal system as "permissive federalism" because the "national government unquestionably possesses the legal authority to impose whatever degree of restrictiveness [upon state authority; T.H.] it wishes."¹³⁹ In other words, the federal government today possesses ultimate authority over whatever it defines as "national problems" and propagates as "public opinion." The political stature of the states has degenerated to a "function of Congressional opinion formation."¹⁴⁰ Two structural explanations have conventionally been given for this development, the constitutional provision of Congressional intrastate federalism, and the lop-sided role of Supreme Court legislation in interpreting constitutional balance.

Congressional bicameralism is based on the *senate principle*. Senators are popularly elected and at best indirectly responsive to the interests of state governments. It is one of the peculiar characteristics of American federalism that it significantly lacks an interstate dimension. This peculiarity is best illustrated by the fact that state governors and city mayors have become part of an increasingly active intergovernmental lobby in Washington D.C. whose activities are "virtually indistinguishable" from those of private interest organizations.¹⁴¹ This is so because the federal competences in the United States are formally independent from state cooperation, and such cooperation therefore remains based on "voluntary concessions" of federal government.¹⁴²

Deprived of institutionalized means of control over federal legislation (which the dual concept of federalism did not foresee), state and local governments can only lobby against the functional centralization of American federalism. If that does not lead to success, judicial review remains the last option.

Because the American Constitution is characterized by "profound inconsistencies in... the basic distribution of authority on which the maintenance of a federal system depends," the Supreme Court has indeed become the most important authority in "policing the boundaries of authority between institutions of government." However, it has usually sided with the interests of central government. In the notoriously famed *Garcia* case, for example, the Supreme Court came to the conclusion that it would no longer even "scrutinize" federal intrusions into states' rights. Contrary to widespread assertions that this was a shocking reversal of an earlier decision that had affirmed the Court's "role as the umpire of federalism," it has been argued that "*Garcia* can be viewed as the predictable conclusion of some fifty years of judicial precedent" with only few and "anomalous" reversals and revisions.¹⁴³

Explanations for this nexus between the Congressional encroachment upon states' rights and Supreme Court compliance remain mostly inconclusive, reaching from an "intellectual crisis" of federalism,¹⁴⁴ the mutually reinforcing self-perceptions of federal legislators as well as politicized judges as the "apex" of the American polity,¹⁴⁵ to the functional requirement of "national standards" in the pursuit of policy objectives.¹⁴⁶ Scholars of federalism tend to overlook, in this context, the fact that the pursuit of policy objectives is only rarely dictated by intellectual considerations about the best polity, and that federal legislators are more likely to conceive of themselves as the apex in monetary rather than constitutional terms. If even an only mildly libertarian observer of the American political system can come to the conclusion that its essence is massive, unabashed and unrepenting "capital corruption,"¹⁴⁷ the process of centralization in the American federal system must be reconsidered as a consequence and as a dependent variable of those dominant and corrupting circles of organized influence that set the agenda for policy objectives and administration in the first place.

And indeed, the pervasive practice of lobbying, log-rolling and pork-barrelling in American politics reveals patterns of organized influence which are a far cry from the myths of plural opportunity and judicial impartiality.¹⁴⁸ American policy formation has been based on an "explosion of organized activity" in recent years, and it has been unambiguously tilting in favour of business interests.¹⁴⁹ The influence of corporate PACs upon elections has arguably led to an identification of "the public interest with business interests."¹⁵⁰ With the advent of the neo-conservative Reagan administration, ideology has become a crucial factor in determining political influence. While interest groups proliferated across issues and ideology, the collective influence

of all those outside the business and profit-making sector "declined most dramatically."¹⁵¹

As evidenced by the "extraordinary spectacle" of Attorney General Edwin Meese III "attacking at least sixty years of Supreme Court precedent" in a 1985 speech to the American Bar Association, ideological choice also became a paramount factor in the President's attitude towards the federal judiciary.¹⁵² And while it is difficult if not impossible to demonstrate direct channels of influence between Supreme Court and dominant interests, it is nevertheless obvious that the judicial system is affected by interest group efforts to influence judicial appointments, sponsor litigation in test cases, and shape legal opinion through the provision of briefs, commissioned legal comment and scholarship. In all these activities, the involvement of conservative organizations has risen significantly.¹⁵³

The existence of dominant circles of influence is best tested by examining policy outcomes. The fact that the main victims of Reagan's policies of social deregulation were precisely those groups whose influence declined during the same period of time, needs no further documentation.¹⁵⁴ In the same vein, the close relationship between unprecedented military spending and economic prosperity of precisely those regions in the United States where military industries are concentrated, in which the highest concentration of PACs can be found, and where the core of corporate support for Reagan was located, can hardly be a coincidence.¹⁵⁵ The self-declared upgrading of the Pentagon as a department for the promotion of defence-related industrial technology¹⁵⁶ gives further evidence that today more than ever the *military-industrial complex* constitutes the *core of the core* of organized influence.¹⁵⁷

In the context of the fragmentation of regional and local government structures, and their limited access to the national level of government within the existing dominant circles of influence, these findings cast considerable shadows of doubt onto the imagery of the American federal polity as one which promotes cooperation on the basis of consensus. On the one hand, the spatial aspects of the American economy once again seem organized out of the political agenda. As in the case of the defence industries, the interests of states and localities only become salient when they happen to coincide with the specialized interests dominant in the national circles of influence: "federalism in economic matters has all but disappeared."¹⁵⁸ The *balkanization* of government structures once again provides a shield of insulation behind which a corrupted process of policy formation takes place removed from public control.

Fiscal federalism is a dependent variable of that process. The rearrangement of competences and fiscal responsibilities by various rounds of *new federalisms* must be seen in the same context. Reagan's *Swap* proposals, for example, only would have exacerbated centre-periphery disparities between the new rustbelt and sunbelt regions.¹⁵⁹ It would have saved the federal government millions of

dollars, but regional economic concerns would have remained poorly represented in the process of further allocating these dollars. The existence of 50 states and some 80,000 governmental units again makes a big difference in comparison with other federations. Confronted with a highly inaccessible process of intrastate federalism, and the functional fragmentation of interstate federalism, the interregional coordination and cooperation of interests is next to impossible. Given the priority of a centrally defined national interest over concerns of regional socio-economic equalization,¹⁶⁰ state and local governments can individually join, and compete with, the national race for corporate influence, but they have little or no control over it.

Finally, the question of whether the accommodation of conflict in the American federal polity is consensual or competitive, may be inappropriate altogether. This distinction only makes sense if there are cleavages in society that can lead to potential conflict, and if the prevalent political culture perceives them as potentially conflictual. In federal systems such cleavages exist either between competing spatial collectivities, or between sets of group interests and/or individual expectations organized around such collectivities.¹⁶¹ In the case of the United States the argument can be made that this conflict potential has entirely been organized out of the politics of federalism.

A dominant ideology of individual liberalism determines the political process. In the notorious absence of socialist alternatives in particular,¹⁶² partisan conflicts have become insignificant, parties undistinguishable and the electorate apathetic. For the same reason, state and local administrations cannot usually claim to represent regional collectivities. They more typically promote functional interests and special issues. Because of the almost complete absence of socialism *and* the relative weakness of regionalism, Congressional policy formation is pragmatic and generally guided by a *you-win-some-and-you-lose-some* mentality. Under a dominant ideology of market liberalism, log-rolling and pork-barrelling in the Congress do not constitute political compromise, but de-politicized pragmatic deals which do not exclude the fact that regionally needed farm subsidies can become a trade-off for, say, aid to the Nicaraguan contras.

Similarly, the Supreme Court is no longer the umpire of federalism, but the chief interpreter of individual rights in a national context. Effects on the distribution of competences between the two levels of government, as in the recent decision on abortion, for example, are only secondary to the main issue. Constitutional choice for the most part is confined between individual liberalism and individual conservatism. The proliferation of litigation itself is indicative of the relative absence of conflicts which would otherwise lead to political conflict or require careful political compromise. Litigation is not conflict but business as usual.

This is not to say, of course, that there are no regional issues and conflicts in the American polity. From a comparative view, however, they seem ideologically weakened by the prevailing individualism which dampens any form of collective consciousness. Politically, they are more often than not *organized out* of the decision-making process by a political culture committed to functional pragmatism. Thus, while regional influences are "clearly significant" in congressional voting, regional voting blocs hardly constitute a "solid ideological front." The *Conservative Coalition* among Republicans and southern Democrats, for example, or the pro-business alliance among southern and non-eastern Republicans, testify more "to the ideological diversity of the parties" than to entrenched patterns of regionalism. In 80 to 90 percent of all cases, congressional members will vote with their party.¹⁶³ American voting behaviour in national elections complements this picture. Regional voting differences for major parties in the United States typically hover around 3 percent, while they are more than twice as high in Canada, for example.¹⁶⁴ In terms of socio-cultural *difference*, socio-political *distance* and socio-economic *dependence*, then, or as a significant degree of "interaction of economics, politics and culture," a strong case for American regionalism can hardly be made.¹⁶⁵

Ironically, it is the non-centralized party system that turns out to be a major safeguard for some plurality of class and region. The insulated remoteness of federal politics is only very selectively transmitted to the corners of America, via the marketing imperatives of national media coverage, or the venerable tradition of Presidential *fire-side chats*. The parties, on the other hand, function as transmission belts of national opinion formation only during national election campaigns. This remoteness of national politics, the weakness of central party control at the grassroots level, and the general fragmentation of the political process, allow for a wide open space for the articulation of concerns and initiatives outside the centralized structures of American federalism.

This openness is the greatest strength of the American political system. It may be the major safeguard for the relative impartiality of the American state. But as all structural elements of politics, it neither promotes nor prevents freedom or any other cherished value. It has allowed the rise of the civil rights movement *and* the continued existence of racism. It has established a system of *de facto* multiculturalism in New York, but legally prohibited the acceptance of more than one official language in California. It *can* invigorate the political process, but as long as the American disrespect for collective rights prevails, it will have to do so more *despite* than through the formal institutions of federalism. The rising agenda of ethnic and social regionalism in the United States may soon become a test case as to whether its conflictive potential will be carried into the streets, or can be accommodated through a political process of federal compromise which certainly is not ruled out by the letter and spirit of the American Constitution.

CANADA

In contrast to the American system of functionalized federal administration which cuts across the boundaries of territorial responsibilities, it is the hallmark of Canadian federalism that it has retained a much higher degree of spatial administration that reinforces the constitutional separation of competences. The complex reality of modern federal systems requires a mix of both types of administration,¹⁶⁶ of course, but more than in the other cases considered, it remains a basic characteristic of Canadian federalism that its administrative operations are conducted by intergovernmental specialists rather than program-specific functional specialists, and that this tendency has even been increasing in recent years.¹⁶⁷ The end result has become known as a rather unique system of *federal-provincial diplomacy* which is highly conflictive in nature and differs from international diplomatic conflicts only insofar as "no one has as yet been killed."¹⁶⁸

The main operational characteristic of this system, *executive federalism*, dominates much of the Canadian discussion on federalism.¹⁶⁹ Major criticisms have focused on the fact that the decision-making process has increasingly been removed from parliamentary debate and shifted to the mostly secretive negotiations of First Ministers' Conferences as well as to direct channels of administrative federal-provincial cooperation. As a consequence, the growth of government bureaucracies at both levels has been deplored. Another characteristic, *province-building* has been analysed and criticized, to varying degrees, as a self-aggrandizing dynamic of governments to promote their own agendas, not those of the provincial populations they represent, or even as making societies responsive to their demands.¹⁷⁰ Richard Simeon best summed up the conflictual nature of federal-provincial relations by pointing out that whatever tensions and differences existed, they would inevitably be "mobilized, channelled and expressed through Canada's federal and provincial governments and their leaders."¹⁷¹ By adding that thus "the process dominates the substance,"¹⁷² however, he tended to side with the loud chorus of those who saw the conflicts of class and region at least partially replaced by those of government structures and administrative functions.

In such statist terms, the debate particularly focused on the Canadian Constitution. Due to the peculiar division of powers in the original British North America Act (the provincial ownership of natural resources and administration of culture and education in particular), the originally intended concentration of competences at the federal level became successively eroded. Especially in the Canadian west, some provinces assumed more and more regulatory powers in a modernizing political economy which remained essentially resource-based. In Quebec, on the other hand, a modernizing society recalled its socio-cultural identity and demanded equal access to economic opportunity. The result was a fuzzy duplication of regulatory powers which in turn deepened existing imbal-

ances between revenues and program costs at both levels of government. Conflicts arose not only over the distribution of revenues and expenditures, but also over declining efficiency and over whom public opinion would credit with particular public policy programs.¹⁷³

The recent and ongoing debate over the Meech Lake Accord¹⁷⁴ has hardened the suspicion that constitutional conflict is not a passing episode in Canadian politics. Once again, a federal-provincial debate rages over the special constitutional status of Quebec, the alleged or real further erosion of central power, the increased use of the Notwithstanding Clause, and the now broadened opting-out provision of the 1982 *Constitution Act*. In a new constitutional environment of *special status*, it is feared that these provisions will undermine the unity and universality of Canadian public policy. And once again, the problem of *Meech* is predominantly defined in structural terms as a question of finding the right formula.¹⁷⁵ Quite likely, its adoption or rejection will depend on the outcome of a renewed debate about the institutionalized functions of federal and provincial governments in general. In other words, the shortcomings of one constitutional amendment will be repaired by yet another amendment.

A major preoccupation has been the question of Senate reform.¹⁷⁶ Canada is indeed the only country among the major established federations which must for all practical purposes be considered as monocameral.¹⁷⁷ Appointed by the Prime Minister on a basis of party notability rather than regional representation, the members of the Canadian Senate are poorly legitimated and possess little effective political power. The odd combination of Westminster parliamentarism and federalism has polarized the political process. National and provincial policy formation take place exclusively in their respective parliamentary settings as a majoritarian process of cabinet politics. The coordination of regulatory powers is confined almost exclusively to the process of interstate federalism. Constitutional changes such as the Meech Lake Accord that require provincial consent, typically originate in informal First Ministers' Meetings removed from parliamentary control, and only afterwards become subject of legislative scrutiny and ratification. More importantly, they fall prey to inter-governmental cabinet politics on the basis of existing and rarely challenged house majorities at both levels of government. The potentially conflictual character of this process is compounded by the lack of a national party system.¹⁷⁸ Even when the same party governs at the national level and in a particular province as well, the coordination of opinion formation and policy process between the two is by no means ensured.

It is the lack of provincial representation and legislative co-determination at the national centre of decision making that is usually singled out as the main culprit for the rise of interstate federalism and conflictive intergovernmental relations in Canada.¹⁷⁹ As I have argued previously, however, the hope that Senate reform might lower the conflict potential in Canadian politics, is based

on the illusion that constitutional engineering can indeed change radically, or even eliminate altogether, the underlying roots of the perpetual federal crisis which Richard Simeon had identified aptly and early-on as a crisis of "differing concepts of community, ...regional economic tensions, and ...linguistic differences."¹⁸⁰ One view is that the governments of Canada simply capitalize on the existence of these tensions for their own — electoral as well as bureaucratic — purposes: the process dominates the substance. Another view is that these conflicts of class and region are in fact organized into the process of Canadian federalism and therefore set the agenda: the substance dominates the process.

There can be no dispute that Canada is strongly regionalized in geopolitical terms. Its five major regions, Atlantic Canada, central Canada, the Prairies, British Columbia and the vast North, all are not only separated from one another by geographical distance, but have moreover retained strong transnational links with the United States.¹⁸¹ They are further differentiated from one another by clearly distinct economic bases, especially with regard to the concentration of industrial manufacturing in central Canada, and resources exploitation elsewhere. Each region is also characterized politically by a different constellation of party politics. And some regions are finally divided internally, as central Canada by the cultural division between Ontario and Quebec, or the Prairies between the more conservative *prairie capitalism* in Alberta and the stronger social democratic tradition of the other two provinces.

The conflictive potential of such political, economic and cultural fragmentation is reinforced by the politics of numbers. Five regions and ten provinces tend to create clearer patterns of cleavage and confrontation than 50 (American) states with much more overlapping and cross-cutting interests. It is further reinforced by a spatially organized and often concurrent division of competences and responsibilities which, although overlapping and begging for coordination as in the case of national and provincial sales taxes, is unlikely to produce the kind of interlocked consensus requirements typical for the (German) system of administrative federalism. It is finally reinforced by the lack of a strongly nationalist identity which would overarch provincialist aspirations as thoroughly as the (Swiss) *tyranny of patriotism*. To what extent this array of mutually reinforcing conflict arenas becomes a salient feature of federal-provincial relations, however, is first and foremost a question of the spatial organization of influence.

If the conflicts of intergovernmentalism constitute the major preoccupation of federalist scholarship, it is the question of class or region that dominates the discussion in Canada's political economy community.¹⁸² With the overwhelming concentration of all industrial manufacturing in central Canada and especially southern Ontario,¹⁸³ an argument can be made that it is from here that a dominant class shapes Canadian politics, while the subordinate classes of the Canadian hinterlands provide resources (oil from Alberta, for example) and a

reserve army of labour (Atlantic Canada in particular).¹⁸⁴ Federal-provincial conflict, in this vein, has traditionally been explained as peripheral resistance against this dominance, and against federal politics as an instrument to promote central Canadian economic interests.¹⁸⁵ However, this picture of class-based centre-periphery discrimination does not coincide with the regional distribution of per capital income which is particularly high in some of the resource provinces such as Alberta and British Columbia.¹⁸⁶ Hence it seems more likely that it is competing fractions within the capitalist class that have contributed most to regional conflict in Canada.

A particular point of controversy has been whether it is Canada's spatially fragmented system of *resource capitalism* which inevitably pits the interests of capital fractions against each other, or whether a rather united capitalist class instrumentalizes the federal-provincial conflict arena for the promotion of its dominant agenda, flexibly playing both the federal *and* provincial cards of organized influence.¹⁸⁷ The ongoing intensity of this debate is somewhat surprising. All or most participants agree on the basic fact that "institutions and organizations have explanatory importance, but they are bounded — at least in general — by the processes of capital accumulation."¹⁸⁸ It then amounts to little more than intellectual hair-splitting,¹⁸⁹ whether dominant capital elites keep the rest of the country in peripheral dependency, a relatively autonomous state reproduces unequal power relations, or a human agency in a fragmented civil society attempts to resist the powers of the dominant ideological hegemony to organize politics.

What matters more are the indisputable facts of uneven economic development which have made centre-periphery relations the main feature of the Canadian political economy. While a central Canadian commercial-financial elite has indeed been the main instigator and beneficiary of this development, the country's continued dependence on the production and export of natural resources or *staples*¹⁹⁰ has created regional socio-economic elites that gradually learned to utilize the institutional framework of federalism to their advantage. Exploiting in particular the constitutional provisions of provincial resource ownership, some provinces were able to call into question a national policy of asymmetrical socio-economic relations, but they were not able to fundamentally change this asymmetry. Riding on the wave of Quebec nationalism, new regional identities emerged all across the country, although only the linguistic cohesion of Quebec was able to pose a serious challenge to the established patterns of power and influence in national political representation and policy formation.

Conflict arose over the gradual process of political decentralization running counter to the centralizing experience of most other federations. Especially in the Canadian west, the economically stronger provinces favoured this process, resenting strongly, however, Quebec's separatist blackmail in the process.

Atlantic Canada, on the other hand, although a deindustrialized victim of the centralizing national policy, remained generally faithful to a more centralist perspective because it is now the major recipient of national fiscal equalization and welfare handouts. The Meech Lake Accord has reopened all these conflicts after a deceiving lull which stemmed as much from everybody's intergovernmental weariness after Trudeau's departure as from the new Conservative government's attempts at national reconciliation. Promising everything to all regions, however, the Mulroney government set the stage for a new and possibly even nastier round of national conflict, even though it may well be true that the adoption of *Meech* would be more a constitutional acknowledgment of a persistent pattern of political development than a radical departure from it.¹⁹¹

In this context, the nexus between Quebec's *special* place in the Canadian Confederation and the *general* problem of federal-provincial accommodation needs to be sorted out. On the one hand, it is evident that Quebec poses a unique problem to Canadian federalism because it can claim historical rights that other regions and provinces cannot, because its cultural-linguistic distinctness reinforces a sentiment of relative regional deprivation and foments a separate socio-political identity which in other regions and provinces could hardly develop to the same extent, and because immigration and general demographic patterns of development pose a serious existential threat.¹⁹² Even moderate Quebecers insist that strict language laws remain necessary, as in the case of public advertising, for example, because the French language and culture could not survive if new immigrants and residents of the province were able to *get by* in English.

On the other hand, the political conflict over *Meech* reveals a deeper *legitimation crisis* in the Canadian federal system which cannot be explained by Quebec's position of exceptionalism alone. The lack of *intrastate federalism* relegates the decision-making process in important constitutional matters to the backrooms of cabinet politics and intergovernmental bargaining. Parliamentary debate only provides a token procedure of legitimation as long as simple majorities prevail,¹⁹³ and public hearings are little more than a last resort of political face saving when the prospect of failure looms over the process of provincial ratification. It seems that the charismatic leadership qualities of a Trudeau or René Lévesque could to some extent compensate for that lack of procedural legitimacy. The blandness of Mulroney and Bourassa, however, who for the most part have settled for administering process instead of providing leadership *in substance*, cannot.

It seems that opposition to *Meech* is not so much motivated by the resentment against Quebec's perceived or real position of privilege in Confederation, but spurred by concerns on the part of Canada's other constituents that this is a poorly legitimated but nevertheless *final* constitutional settlement that has left them out. While governments once again squabble over the future of the

federal-provincial power balance, non-territorial constituents, such as women and native peoples in particular, fear that *Meech* will erode the constitutional recognition of their rights and interests only recently enshrined in the Charter of Rights and Freedoms.¹⁹⁴ Only time and unforeseeable rounds of court battles will probably tell whether or not these fears are justified.¹⁹⁵ What can be said with some degree of certainty, however, is that *Meech* once again affirms the *organizational bias* of federalism for territorial politics. It emphasizes "mandatory sensitivity to the nuances of regionalism," but it does not provide an "equally powerful constitutional injunction [which] would direct policy-makers to the needs of the poor and vulnerable groups on a nation-wide basis."¹⁹⁶

In terms of organized influence, therefore, much of the conflict over *Meech* may at first sight indeed be a matter of intergovernmental rivalry. The recent endorsement of *Meech* by Anglophone business,¹⁹⁷ on the other hand, indicates that the dominant classes of Canada are indeed rather unified in their confidence that they will be able to make *governments responsive to their demands* no matter where the chips of constitutional balance fall in the end. If the intensity of interregional and intergovernmental conflict in Canada is first and foremost "a function of the underlying political economy," it is the Free Trade Agreement, and not the Meech Lake Accord, which "may well have a greater impact on federalism."¹⁹⁸

A virtual plethora of studies¹⁹⁹ has established evidence that the existing cleavage between central commercial-financial and peripheral resource capital is overarched by foreign domination. Canada's resource industries are dominated by (mostly American) foreign ownership.²⁰⁰ The indigenous commercial-financial elites, on the other hand, favoured a path of *invited* industrialization which established a foreign-dominated system of (mostly American) *branch-plant* manufacturing.²⁰¹ The state was instrumental in facilitating foreign ownership and domination. With few exceptions, the federal government has done little to curb foreign investment.²⁰² It was openly invited by provincial governments seeking to maximize rents from provincial resource ownership.²⁰³ The result has been the emergence of a continental elite which is no longer loyal to a national agenda of economic development. The recent neo-conservative turnabout of the Mulroney government²⁰⁴ suggests that it is this elite which has firmly established itself as the *core of the core* of organized influence in Canadian politics.

One exception to the political compliance with economic continentalism was the *Canadianization* drive of the later Trudeau years. It was met with outright hostility by the resource community of provincial governments and their foreign clients, and it was fiercely opposed by the financial and business community. Mulroney promised national reconciliation *and* business appeasement through the Meech Lake Accord and Free Trade with the United States.

While the enthusiasm for *Meech* was short-lived,²⁰⁵ the U.S.-Canadian Free Trade Agreement became the cornerstone of the Mulroney government's new and lasting liaison with the business community. The point here is not whether the social and economic consequences of the Free Trade Agreement will be negative in the long run, as this author fears.²⁰⁶ Rather, it is the close circuit of dominant business interests and government policy that is startling in its unabashed openness.

Organized in what is ironically called the Business Council on National Issues, a continentally oriented core of businessmen has been pressing for a more market-friendly turnabout of government policy since the economic crisis of the mid-1970s.²⁰⁷ These *coporate statesmen* do not just lobby government. They have begun to take a well-orchestrated public stand on all political issues concerning their interests. Their partisanship on behalf of the Free Trade Agreement in the 1988 election constituted what must have been the most expensive political media campaign in the history of the Canadian state. Arguably, the Council's influence upon Canadian socio-economic policy formation is unprecedented in the entire western industrialized world.

It is a general problem of interest group politics that the largest corporations have financial means of influencing the political process through contributions to parties, partisan advertising, and public relations campaigns portraying their goals as beneficial to society in general, which dramatically exceed those of all other players. In Canada, for example, it "would be easy for a single mega corporation to pay all the bills of both major parties."²⁰⁸ The impact of coporate interests upon the political process is then a matter of corporate concentration as well as access to policy-makers. Largely due to the small size of the domestic market, the size of Canadian corporations in terms of asset concentration seems to "outpace" corporate concentration in the western industrialized world. It has sharply increased, in particular during the 1965-83 period when it declined in most of Canada's major trading partners including the United States and West Germany.²⁰⁹ It has become further intensified since then by a "merger boom" which in the 1986-87 period alone included 79 takeovers exceeding \$100 million transaction value.²¹⁰

It is in terms of access to the political process and its policy-makers, however, that a full picture of organized influence in the Canadian political economy emerges. A host of studies has not only demonstrated the close and privileged access of dominant corporate interests to the governmental process of committees, task forces, hearings, etc., but also the existence of strong interpersonal ties. These are evidenced by the ease with which "members of the business, bureaucratic and political elites move from one to the other over a career of about four decades."²¹¹ Moreover, the entire process of pressure politics seems to have become reversed in an almost physical sense when it becomes less characterized by organized interests crowding the parliamentary lobby, and

more by regular meetings that are organized by the Business Council on National Issues on *its* behalf, and attended by politicians including provincial Premiers instead. Indeed the conclusion must be drawn that the Council "is a power group like no other" and "is so recognized by government."²¹²

The Free Trade Agreement has been the Council's single most important agenda. What conclusions can be drawn with regard to the fact that in comparison to the Meech Lake Accord, for example, its adoption did not significantly raise the threshold of intergovernmental conflict, and therefore seemed to prove an exception to the general rule of federal-provincial relations? Has the political economy agenda finally been organized out of Canadian federalism? A closer examination reveals that the latter may not be the case at all.

First of all, the matter was decided by parliamentary majoritarianism, not federalism. In fact, a clear majority of the Canadian electorate did *not* vote for the party recommending free trade.²¹³ Second, the issue seemed to reverse the pattern of intergovernmental conflict, rather than eliminate it. While the peripheral provinces were strongly in favour, opposition came from Ontario, traditionally the strongest ally of federal government. This may be so because the Free Trade Agreement seems to reverse one hundred years of a National Policy of tariff barriers which had kept the peripheries in the leading-strings of dependent development. Freed of these constraints, provinces west and east of southern Ontario are hoping to develop or recapture economic self-determination through new opportunities of unrestrained north-south trade. In an environment of continentalized business domination, these hopes may be short-lived.

One of the explicit goals of those advocating Free Trade was the competitive restructuring of a continental economy according to the economy-of-scale principle. If that principle accounts for more than just economic rhetoric on behalf of corporate interests, it will also have to apply to the chances of peripheral economic development. Replacing central Canadian domination with that of the industrial giant south of the border, there might be little to gain from free trade other than a more rapid depletion of the remaining natural resources. At the same time, central policies of regional development and subsidization might be in serious jeopardy. Where the chips of winners and losers will fall in the end, cannot yet be decided, but *that* they will fall unevenly in an uneven political economy such as Canada's, seems inevitable. Regional economic conflict therefore may have been organized out of the free trade debate only temporarily, and mainly by virtue of a historically grown resentment against the national tariff policy on the part of Ottawa's traditional foes. If the signs are not deceiving, it is already on its way back.

This leaves the analyst with a number of confusing messages and conclusions. In a country that continues to be divided along the lines of territory, economy and identity, the question seems pointless whether region or class is

the most important dividing line of its political economy, and whether regional societies demand decentralist policies from their governments or these governments make societies responsive to their demands. Clearly, configurations and issues exist under which *either* the one or the other will tend to dominate. It is also clear that the political, economic and cultural forces of conflict are not only mutually reinforcing rather than cross-cutting, but also overlapping rather than exclusive — at least in comparative perspective. One conclusion that can be drawn is that this relative congruity between societal and political interest distribution ought to provide the Canadian federal polity with a formidable opportunity to resolve its conflicts through carefully negotiated compromise rather than unilateral confrontation. The *Meech Lake* issue may yet be resolved in such a manner.

The analysis of the genesis of the Free Trade Agreement, on the other hand, leads to a different conclusion. The existence of a dominant bloc of organized influence is incongruent with the spirit and letter of federal interest accommodation on the basis of compromise. Its financial and manipulative powers clearly cut across the spatial organization of interests. So does its continentalist connection which subordinates both central and peripheral actors to economic forces outside the reach of national interest accommodation. The result is a political process of conflict and/or acquiescence rather than compromise and/or consensus. Canada's governments at both levels seem to always have oscillated between the one or the other. In the current situation the question is whether Mulroney's singular fixation on emulating the American way, and his remarkable obedience to the dominant forces of capital, will for once result in a pendulum shift that is irreversible.

V — CONCLUSION

The main conclusion to be drawn from this brief comparative inquiry into the close but uneasy relationship between political economy and federalism cannot really be surprising. The concentrating forces of the market and private control over the regime of capital accumulation do not square well with balanced socio-economic existence and regional partnership in a federal polity. There is no conspiracy of capitalism against the peripheries in capitalist societies, but indeed a structural and existential contradiction between private enterprise and corporate power on the one hand, and balanced regional development on the other. Time and again this contradiction becomes expressed in the dilemmas of politicians and economic strategists who may "like both ideas," but by doing "anything that favours one will tend to work against the other."²¹⁴

The capitalist state is more than ever constrained by national and international economic forces over which it has only limited control. The federal capitalist state therefore has to operate in an economic environment that

threatens its capacity to maintain a system of balanced partnership among its members. Federalism is no longer a matter of mutual and equal partnership, but instead is *centralization first and redistributive compensation later*: hence the dominance of fiscal federalism in intergovernmental relations that demonstrates that the *federal condition* has become a dependent variable of corporate decision making. Federal institutions of government provide opportunity structures for regional self-determination only when regional economic and social powers are mutually reinforcing.

Similarly, the standardization of modern mass society has eroded much of the cultural autonomies in federal societies, although it is here that peripheries may have found a formidable first rallying point of *resistance against national incorporation*: hence the ambiguous regional claims for *special status* with the goal of achieving universal standards of life styles and services nevertheless in mind. Whenever such universality is achieved, it seems to result far more from the spatial homogeneity of capital interests than from deliberate federal design. Federalism may provide safeguards for regional socio-cultural diversity which do not conflict with the operational imperatives of the dominant circles of influence, but such diversity can only be stabilized in a meaningful way if it is again reinforced by regional socio-economic forces sharing the same values.

Finally, the administrative and bureaucratic complexities of intergovernmental relations certainly have led federal systems onto a path of *declining transparency and accountability*: hence the conflictive judicialization of the federal process in some cases, and the immobilizing degree of joint responsibilities in others. However again, the rise of political and administrative self-interest at both levels of government appears far more as a dependent variable of conflictive socio-economic interests than the inevitable institutional consequence of power separation. Since governments are held responsible electorally for the responsibilities attributed to them, their actions all too often constitute little more than desperate and disparate means of reactive *federalism* when the major decisions affecting regional and/or national socio-economic opportunity structures have already been made elsewhere, i.e., in the boardrooms of corporate power.

The relative autonomy of the capitalist federal state allows its governments to set the agenda of policy formation only within the range of organized bias provided by the dominant circles of influence. Governments can only change this organization in symbiotic cooperation with those circles.²¹⁵ The spatial equalization of centre-periphery disparities in particular is only possible as long as it is not perceived as a significant violation of the capitalist organization of bias, i.e., the concentrated national resources maximization — unless, of course, spatially organized differences exist within the dominant bloc of capital interests as to what exactly constitutes such national resources maximization.

As the examination of four federal systems revealed, substantive differences exist with regard to the interconnections between federal process and capital interests. In Switzerland, federalism is hardly a transmission belt of those interests. The dominant circles of influence operate ideologically by appealing to the patriotic duty of national conformity, and politically through plebiscitarian manipulation. Both strategies cut across and indeed hollow out the federal process of political accommodation. Federalism is relegated to the relatively harmless realm of multiculturalism. In the United States, on the other hand, the Congressional usurpation of most legislative powers has demoted federalism to the status of functional intergovernmentalism which can no longer address adequately questions of regional balance. Organized corporate influence dominates the agenda of centralized legislative activity, whereas regional concerns have become a secondary player in a pragmatic process of log-rolling and pork-barrelling. The question of federal balance is relegated to a subsidiary status in judicial litigations over questions of socio-economic liberalism that dominate the organization of bias.

In the federal systems of West Germany and Canada questions of immediate socio-economic concern play a much more direct role. In this sense the political economy appears organized into the federal process. In the West German case the interlocked mechanisms of federalism are transmission belts for a dominant agenda of export-led macro-economic management. Social and spatial conflicts which might erupt over that agenda, are effectively blocked by multiple consensus requirements among both levels of government as well as capital and labour. In Canada, a major difference is the much more fragmented interest structure of federalism that *can* organize regionally countervailing forces to the dominant bloc of (continentalized) corporate power. This is particularly the case when the interests of regionally based capital fractions, self-interest of provincial governments and regional socio-cultural identities are mutually reinforcing. When that is not the case, on the other hand, the dominant corporate agenda prevails and can easily make governments and societies responsive to *its* demands.

Does federalism matter after all? This paper has been written *with critical intent throughout*. What was to be demonstrated, however, is not that federalism has become obsolete altogether. The goal was to show that the sheer existence of federal institutions in the cases examined is hardly a sufficient reason to rejoice in the advantages of federalism as a *grand design* of political and social organization. Federalism indeed seems to matter little, and institutional tinkering will hardly change that, if and as long as the political economy of the capitalist state is not incorporated into the design of mutual cooperation and balance itself. In other words, politics and economics have to provide the material basis for the retention and stability of the *federal condition*, and not have federal societies adapt to and facilitate political administration and eco-

conomic production. It is not so difficult to imagine how shared intergovernmental control over corporate power, and over the spatial allocation of financial and investment capital in particular, could indeed constitute a new beginning for a new *political economy of federalism*. Perhaps this would have to mean a partial sacrifice of national resources maximization on behalf of a greater balance in regional self-determination. On the other hand it might lead to a new flexibility in the organization of production which capitalism itself is currently seeking, albeit through avenues largely removed from social and regional control. But this is a different story and a different paper as well.

Notes

1. Following Schattschneider's famous analysis, it has become a standard argument of federalist scholars that "organization is the mobilization of bias," and that federalism therefore exploits some conflicts while it *organizes out* others. Little is said, however, about the causes of conflicts and the origins of bias. See Richard Simeon, "Regionalism and Canadian Political Institutions," in J. Peter Meekison (ed.), *Canadian Federalism: Myth or Reality* (Toronto: Methuen, 1977), 294.
2. The extant literature trying to clarify the theoretical nexus of federalism and federation is, for the most part, more confusing than clarifying; see, for example, Valerie Earle (ed.), *Federalism: Infinite Variety in Theory and Practice* (Itasca: Peacock, 1968), S. Rufus Davis, *The Federal Principle: A Journey Through Time in Quest of a Meaning* (Berkeley: University of California Press, 1978), and Preston King, *Federalism and Federation* (Baltimore: Johns Hopkins University Press, 1982).
3. Franz Jerusalem, *Die Staatsidee des Foederalismus* (Tuebingen: Mohr, 1949), 6. The roots of this argument may go back to the 17th century German theorist Johannes Althusius who combined the biblical notion of *covenanted* social life with federal principles of political organization; see especially the work of Carl Joachim Friedrich, which can be seen as a life-long footnote to Althusius; compare my "Johannes Althusius: Medieval Constitutionalist or Modern Federalist?", reprinted in Daniel J. Elazar (ed.), *Federalism as Grand Design: Political Philosophers and the Federal Principle* (Lanham: University Press of America, 1987), 15-47.
4. K.C. Wheare, *Federal Government* (New York: Oxford University Press, 1946/1964), 11. The point here is not that Wheare wanted to exclude *confederalism* from his definition, but that the discussion was restricted to government organization. Socio-economic and cultural factors were mentioned as "prerequisites" (35-52) which were simply taken for granted.
5. The debate reopened with William S. Livingston, "A Note on the Nature of Federalism," in Aaron Wildavsky (ed.), *American Federalism in Perspective* (Boston: Little, Brown, 1952/1967), 36-37. Daniel J. Elazar is one of the few scholars of federalism who have always insisted that federal organization needs to be based on a federal political culture of *partnership*. But while he can tell us where such a societal foundation for successful federation exists, and where not,

- his thoughtful comparisons stop short of any socio-economic examination as to *why* that is so. In fact, his identification of the American federal culture with the *cowboy-partner* seems to be more confusing than clarifying. If it is the combination of rugged individualism and partnership which safeguards the federal principle, the secular trend of the American polity towards centralization, thus violating federal balance, can only be explained at the governmental level. The existence or non-existence of a federal society becomes irrelevant. See *Exploring Federalism* (Tuscaloosa: The University of Alabama Press, 1987), 192-97.
6. The literature on the crisis of the capitalist state is endless. See, as a summarizing example, my "The Politics of Fragmentation in an Age of Scarcity: A Synthetic View and Critical Analysis of Welfare State Crisis," *Canadian Journal of Political Science* 20,2 (1987), 235-64.
 7. See Michael D. Reagan and John G. Sanzone, *The New Federalism* (New York: Oxford University Press, 1981).
 8. Richard Simeon, *Federal-Provincial Diplomacy: The Making of Recent Policy in Canada* (Toronto: University of Toronto Press, 1972).
 9. See Gerhard Lehmbuch, *Parteienwettbewerb im Bundesstaat* (Stuttgart: Kohlhammer, 1976).
 10. Leonhard Neidhart, *Plebiszit und pluralitaere Demokratie* (Bern: Haupt, 1979).
 11. Herman Bakvis and William C. Chandler, "Federalism and Comparative Analysis," in Bakvis and Chandler (eds.), *Federalism and the Role of the State* (Toronto: University of Toronto Press, 1987), 5-6. While this volume is an important step in the right direction, it suffers from the inevitable weakness of most edited *Readers*. As the editors acknowledge, (*ibid.*) the comparative framework "implies no single approach but rather a variety of different research strategies." This is even more true in the case of C. Lloyd Brown-John (ed.), *Centralizing and Decentralizing Trends in Federal States* (Lanham: University Press of America, 1988). In an important recent study on *Intrastate Federalism in Canada*, by Donald V. Smiley and Ronald L. Watts (Toronto: University of Toronto Press, 1985), the comparative analysis remains entirely at the superstructural level: federal institutions were shaped because "founding fathers... believed," "custom has prescribed," or simply because a particular system was "introduced" (37-61). More to the point of the approach adopted in this *Research Paper*, Edmond Orban, *La Dynamique de la Centralisation Dans L'Etat Fédéral* (Montreal: Quebec/Amerique, 1984), at least raises the question of capitalism as a factor accelerating centralization (73), but he then nevertheless identifies federalism as the independent variable by asking whether decentralization is "un objectif vital pour le fédéralisme" (178; *italic added*).
 12. As Bakvis and Chandler note, this comparative tradition, which was established on the basis of the American model after World War II, has meanwhile "faded." See "Federalism and Comparative Analysis," 5.
 13. The best known exponent of this view is Daniel J. Elazar. See his *Exploring Federalism*, esp. 80. See also Daniel J. Elazar (ed.), *Federalism as Grand Design* (Boston: University Press of America, 1987). At the theoretical-philosophical level, Elazar's long occupation with the federal principle, and its *covenanted* roots,

- is indeed one of the richest contributions to social philosophy. Perhaps at times unwillingly, Elazar finds himself in a grand tradition of radical and/or utopian social philosophers. See, for example, Martin Buber, *Paths in Utopia* (Boston: Beacon Press, 1958).
14. See Robert Skidelsky, "The Decline of Keynesian Politics," in Colin Crouch (ed.), *State and Economy in Contemporary Capitalism* (New York: St. Martin's, 1979), 64.
 15. Michael Burgess, "Federalism and Federation in Western Europe," in Burgess (ed.), *Federalism and Federation in Western Europe* (London: Croom Helm, 1986), 20.
 16. Michael Burgess, "Empire, Ireland and Europe: A Century of British Federal Ideas," in Burgess (ed.), *Federalism and Federation in Western Europe*, 128. Burgess, who makes many thoughtful observations about the discussion of federal principles in Britain, obviously wants to secure a legitimate British seat at the international roundtables of comparative federalism. In doing so, his plea for a British federal tradition goes overboard. Thus he gives the credit for forming the Canadian federal system to British drafters (*ibid.*, 127). The point is, however, that Canadian federalism was a Canadian solution to Canadian problems. British thought had a part in it only insofar as the Canadian Constitution reflected a rather incomplete adoption of federal principles, e.g., the insufficient degree of regional/provincial representation at the level of federal government in particular.
 17. Samuel Beer acknowledges that it is not easy to counter this scholarly scepticism. See his "Introduction," in Timothy Conlan, *New Federalism* (Washington D.C.: The Brookings Institution, 1988), xi. See also the debate about whether federalism matters, between William H. Riker and Vincent Ostrom especially in Ostrom's "Can Federalism Make a Difference?," in Daniel J. Elazar (ed.), *The Federal Polity* (New Brunswick: Transaction Books, 1974), 197-237.
 18. Bakvis and Chandler, "Federalism and Comparative Analysis," 6.
 19. That federalism adds another, spatial, dimension to societal group plurality which is natural or primordial, and hence secures *liberty*, is a venerable assumption that is usually traced back to Montesquieu and The Federalist. Daniel J. Elazar, in *Exploring Federalism*, sums up the argument by asserting that "various kinds of pluralism are appropriate in a large, multifaceted polity," that further "liberty is served by having different varieties of pluralism," and that finally "for those who believe that pluralism is a significant dimension of liberty, the maintenance of a proper federal system should be high on their agenda" (103).
 20. Another tradition of federal thought that can also be traced back to Montesquieu, or even Althusius, is occasionally thrown into the debate as *societal federalism*. It would incorporate non-territorial social and/or occupational groups into a constitutional system of representation. While this tradition may constitute a theoretically more promising alternative and political corrective to the unfettered individual liberalism of modern capitalist society, its major problem is one of practical political organization. See Ferdinand Kinsky, "Personalism and Federalism" (249-74), and my "Johannes Althusius: Medieval Constitutionalist or Modern Federalist?" (15-47), both in Elazar (ed.), *Federalism as Grand Design*.

21. See John F. Manley, "Neo-Pluralism: A Class Analysis of Pluralism I and Pluralism II," *American Political Science Review* 77 (1983), 368-83.
22. See, as one summarizing example among many, Martin Carnoy, *The State and Political Theory* (Princeton: Princeton University Press, 1984).
23. Theoretical controversies between these positions span a wide literary field which cannot be reexamined here. Pluralist structuralism essentially assumes that fairness and approximate equality in the democratic political process is a matter of appropriate structural organization. A recent example is A. Paul Pross, *Group Politics and Public Policy* (Toronto: Oxford University Press, 1986). Pross adopts some sort of a *post-pluralist* position which claims that special interest groups dominate pressure politics in their respective policy fields, and that in the end an "attentive public" as well as the Prime Minister's "broad perspective" must enforce the general will (272-74). Throughout the entire book, the nexus between interest groups and policy is treated as a matter of organization potential and capacity. Power is defined purely in terms of bureaucratic organization and structural adaptation (108-14). Socio-economic power is referred to vaguely as "internal resources" (*ibid.*, 109). We hear that the "poor or disadvantaged have no voice," (235) but this is so because they are unorganized, and not because they *cannot* organize. The most important study on the defects of group representation in capitalist society, Charles E. Lindblom, *Politics and Markets* (New York: Basic Books, 1977), is not even mentioned.

Instrumentalist Marxism, on the other hand, essentially assumes that fairness and approximate equality in the political process are prevented by the fact that the state is an instrument in the hands of a dominant or ruling class. An overdrawn example of this position may be David Langille, "The Business Council on National Issues and the Canadian State," *Studies in Political Economy* 24 (1987), 41-85. Langille construes a well-documented scenario in which organized big business in Canada appears to have unmatched access to national policy formation. The picture seems overdrawn because references to media campaigns and the striking similarities between declared business interests and subsequent government action do not establish direct evidence of an instrumentalist nexus between business and government. However, the analysis is stringent enough to refute pluralist assertions that a balanced system of pressure group representation is a mere matter of appropriate organization and regulation.

24. Such is the case with Vincent Ostrom, *The Political Theory of a Compound Republic* (Lincoln: University of Nebraska Press, 1971/1987).
25. *Ibid.*, 210.
26. By *contradiction* I mean that the institutionalized political process in the capitalist welfare state is conditioned by two sets of mutually exclusive requirements or *functions*. One pertains to the capitalist mode of production or *accumulation function*, the other pertains to the mode of social (welfare) regulation or *legitimation function*. The pursuit of either one function through the institutionalized pattern of politics tends to destroy the very foundations upon which the success of the other is based. The spectacular rise of the modern capitalist welfare state after World War II was only possible through exceptional growth which was deceptive about this inherent contradiction. See Claus Offe, *Contradictions of the*

- Welfare State* (London: Hutchinson, 1984), esp. chapters 5 and 6; and James O'Connor, *The Fiscal Crisis of the State* (New York: St. Martin's, 1973), esp. chapter 3.
27. Claus Offe's neo-Marxist analysis of the *Contradictions of the Welfare State* comes to the conclusions that: "The contradiction is that while capitalism cannot coexist *with*, neither can it exist *without*, the welfare state" (153; author's italics). In very similar terms, Charles E. Lindblom's liberal examination in *Politics and Markets* ends by asserting that: "The large private corporation fits oddly into democratic theory and vision. Indeed, it does not fit" (356). I contend that *any* theoretical assumptions to the contrary are either motivated by conservative ideological bias and/or based on flawed analysis, or they operate at a purely superstructural level of institutional design.
 28. James O'Connor, *The Meaning of Crisis* (Oxford: Basil Blackwell, 1987), 131. Compare similarly, Lindblom, *Politics and Markets*, 169. *Without* this theoretical premise, the rampant involvement of corporate money into the political process can be described simply as "capital corruption." See Amitai Etzioni, *Capital Corruption* (New Brunswick: Transaction Books, 1988). *With* the premise, it appears as "part and parcel" of the political process.
 29. See O'Connor, *The Meaning of Crisis*, 152-53, and compare Lindblom, *Politics and Markets*, 204-6. Instructive is Robert L. Heilbroner, *The Nature and Logic of Capitalism* (New York: Norton, 1985), chapter 5. See also the classical study of Nicholas Abercrombie, Stephan Hill and Brian S. Turner, *The Dominant Ideology Thesis* (London: Allen and Unwin, 1980).
 30. Juergen Habermas, quoted in O'Connor, *The Meaning of Crisis*, 134. As O'Connor demonstrates impressively throughout his book, that is so far where the consensus ends as well. Some might also argue that there is little in this view which could not already have been extracted from a broader reading of Marx. I would argue, however, that there is a new *Gramscian* quality and dimension in the debate which signifies an important theoretical step forward, and which also has not gone unnoticed in the liberal camp. For a brief overview of Gramsci's concept of capitalist state, civil society and ideological hegemony, see Carnoy, *The State and Political Theory*, chapter 3.
 31. Robert Lane, "The Politics of Consensus in an Age of Affluence," *American Political Science Review* LIX (1959), 874-95; Samuel P. Huntington, "Postindustrial Politics: How Benign Will It Be?" *Comparative Politics* 6 (1974), 163-91; Michael Walzer, "Nervous Liberals," *New York Review of Books* (11 October 1979), 5-9. See my "The Politics of Fragmentation in a Age of Scarcity," 235-64.
 32. John Keane, *Democracy and Civil Society* (London: Verso, 1988), 226-27. Keane's discussion of the *return of ideology* is essentially a response to Daniel Bell, *The End of Ideology* (New York: Basic Books, 1962).
 33. The contradiction lies in the fact that public spending on behalf of the accumulation function increases rather than decreases the need for legitimizing social spending, e.g., the nexus between supply-side economics, economic restructuring and structural unemployment. See Offe, *Contradictions of the Welfare State*, 165.

34. This does not mean that the basic class character of capitalist societies no longer exists. Business and the large corporation continue to dominate, even though the political process of domination becomes more complex — and more contradictory. See Tom Bottomore, "The Capitalist Class," in Bottomore and Robert J. Brym (eds.), *The Capitalist Class* (New York: New York University Press, 1989), 11-15.
35. See Scott Lash and John Urry, *The End of Organized Capitalism* (Madison: The University of Wisconsin Press, 1987), esp. 5-7, and Claus Offe, *Disorganized Capitalism* (Cambridge: MIT, 1985).
36. Ralph Miliband, *Class Power and State Power* (London: Verso, 1983), 47 (author's italics). According to Miliband, the *relative autonomy of the state* can be read directly out of the Communist Manifesto, where Marx and Engels "are saying that the modern state is but a committee for managing the common affairs of the whole bourgeoisie: the notion of common affairs assumes the existence of particular ones; and the notion of the whole bourgeoisie implies the existence of separate elements which make up that whole. This being the case, there is an obvious need for... the state; and the state cannot meet this need without enjoying a certain degree of autonomy" (ibid.).
 Again it must be emphasized that although the theory of the relative autonomy of the state is neo-Marxist in origin (i.e., derived from Marx but essentially revised from the orthodox instrumentalist position), it is very similar to those reformed pluralist positions which recognize the "privileged position of business" in the capitalist state and assert that "conflict between business and government... is not evidence of lack of privilege." See Lindblom, *Politics and Markets*, 179.
37. Lindblom, *ibid.*, 173; see also 179-80, where the *symbiotic* relationship is defined as one in which government and business "do not dispute fundamentals."
38. Again, there are striking similarities in the statist turn of recent Marxist and liberal-pluralist theories. See Carnoy, *The State and Political Theory*, 217-23. Both views emphasize the self-interest of state managers. The state becomes an agent in its own right. But while Marxists see this agency as interfering in, and responding to, a system which is still shaped and conditioned by class struggle, liberal-pluralist theorists of the statist school assert the state's independence instead of relative autonomy, and "historically specific political institutions as key variables." This, as Carnoy asserts (with reference to Theda Skocpol), "makes political institutions themselves... so important that she courts the danger of falling into an ex post facto empiricism that is atheoretical and explains nothing." (ibid.)
39. The literature on economic globalization is currently the most important and fastest growing subfield in the discipline. For an overview, also with regard to the following arguments, see Robert O. Keohane, "The World Political Economy and the Crisis of Embedded Liberalism," in John H. Goldthorpe (ed.), *Order and Conflict in Contemporary Capitalism* (Oxford: Clarendon, 1984), 15-38.
40. See in particular Stephen S. Cohen and John Zysman, *Manufacturing Matters* (New York: Basic Books, 1987).
41. See John H. Goldthorpe, "The End of Convergence: Corporatist and Dualist Tendencies in Modern Western Societies," in Goldthorpe (ed.), *Order and Conflict in Contemporary Capitalism*, 329-35.

42. Ralph Milliband, quoted in Bottomore, "The Capitalist Class," 13.
43. It must be noted that the various strands of these theories do not make for a "universal theory of the State." Rather, they point out that the development of such a theory may be impossible. See Carnoy, *The State and Political Theory*, 255 (author's italics). Combining the retention of a class struggle perspective with structural and cultural-ideological elements of politics, these theories reflect the complexity of modern life. Only a quest for linear theoretical simplicity can come to the conclusion that it is their "very ambivalence" which accounts for their "popularity." Andrew Vincent, *Theories of the State* (Oxford: Basil Blackwell, 1987), 180.
44. See O'Connor, *The Meaning of Crisis*, 146-47.
45. See Offe, *Contradictions of the Welfare State*, 284-86.
46. Compare Carnoy, *The State and Political Theory*, chapter 4.
47. Stein Rokkan and Derck W. Urwin, *Economy Territory Identity* (London: Sage, 1983).
48. That was the basic argument in my *Federalism and Fragmentation* (Kingston: Institute of Intergovernmental Relations, Queen's University, 1984).
49. Ronald Rogowski, "Conclusion," in Edward A. Tiryakian and Ronald Rogowski (eds.), *New Nationalisms of the Developed West* (Boston: Allen and Unwin, 1985), 384 (author's italics).
50. David J. Elkins and Richard Simcon, *Small Worlds* (Toronto: Methuen, 1980), 287-90.
51. See Charles S. Maier, *Changing Boundaries of the Political* (Cambridge: Cambridge University Press, 1987), esp. chapters 2, 9 and 11.
52. Jean Gottmann, quoted in Rokkan and Urwin, *Economy Territory Identity*, 123.
53. Alan C. Cairns, "The Governments and Societies of Canadian Federalism," *Canadian Journal of Political Science* X (1977), 695-96.
54. Alan C. Cairns, "The Other Crisis of Canadian Federalism," *Canadian Public Administration* (Summer 1979), 177.
55. See Samuel Beer, "The Modernization of American Federalism," in Elazar (ed.), *The Federal Polity*, 56-58.
56. The distinction of *intra-* and *interstate* federalism was first coined by Donald V. Smiley. See Smiley and Watts, *Intrastate Federalism in Canada*.
57. Compare Samuel H. Beer, "Federalism: Lessons of the Past; Choices for the Future," in *Federalism: Making the System Work* (Washington, D.C.: Center for National Policy, 1982), 17-22.
58. Lash and Urry, *The End of Organized Capitalism*, 10 and 307.
59. This is so because the *scattering* increasingly takes place *within* corporations. See Lash and Urry, *ibid.*, 10.
60. Compare Rokkan and Urwin, *Economy Territory Identity*, 8.
61. On this famous debate between William H. Riker and Vincent Ostrom, see Ostrom, "Can Federalism Make a Difference," 197-237.

62. Thus the classical assumption of Harold J. Laski, "The Obsolescence of Federalism," *The New Republic* (3 May 1939), esp. 367.
63. To repeat: The qualities of liberal plurality and natural diversity which social philosophers such as Elazar and Ostrom attribute to *federalism*, are not rejected here. My argument is that under conditions of capitalism as the dominant mode of social reproduction, these qualities can either be strengthened or weakened by federal forms of political organization. The same argument can also be extended to a criticism of pluralist analyses of capitalist and/or federal societies such as the one provided by Pross.
64. John Porter, *The Vertical Mosaic* (Toronto: University of Toronto Press, 1965), 382.
65. See my "Better Small and Beautiful Than Big and Ugly? Regionalism, Capitalism and the Postindustrial State," *International Political Science Review* 10,3 (1989), 209-21.
66. This conclusion seems to have been drawn, unfortunately, by Donald V. Smiley, the one scholar of federalism who might have been uniquely equipped in pursuing such an intellectual endeavour. Contrary to the intentions of his earlier and agenda-setting book on *Canada in Question: Federalism in the Eighties* (Toronto: McGraw-Hill Ryerson, 1972/1980), he admits in his more recent monograph on *The Federal Condition in Canada* (Toronto: McGraw-Hill Ryerson, 1987) that he has "backed away" from all "matters as complex and diverse" as a "political economy of Canadian federalism" and the "crucial matter of fiscal federalism" in particular (xi).
67. Karl Marx, *The Communist Manifesto*, ed. by Frederic L. Bender (New York: Norton, 1988), 58. See Marshall Berman, *All That Is Solid Melts into Air* (New York: Simon and Schuster, 1982).
68. In *Exploring Federalism* (234-35), Elazar counts 20 formally constituted federations, 4 confederations, 9 federacies, 7 associated state systems, 14 cases of regional/national union, 1 condominium and 4 consociations.
69. See Joan Botella, "The Spanish 'New' Regions: Territorial and Political Pluralism," *International Political Science Review* 10,3 (1989), 263-71.
70. See, for example, *Federalism and Decentralization*, ed. by the International Association of Constitutional Law (Boulder: Westview, 1987) which includes case studies on devolution in the United Kingdom, provincial administration in Turkey, or regional administrative decentralization under central party supervision in China.
71. See the articles by Arend Lijphart and Daniel J. Elazar in "Federalism and Consociationalism," special issue, *Publius: The Journal of Federalism* 15 (1985); compare recently: "Can the Confederatio Helvetica be Imitated?" special issue, *Government and Opposition* 23,1 (Winter 1988).
72. See Lehmbruch, *Parteienwettbewerb im Bundesstaat*.
73. Still one of the best analyses along these lines is Henner Ehringhaus, *Der kooperative Foederalismus in den Vereinigten Staaten von Amerika* (Frankfurt: Athenacum, 1971).

74. The main contributions to this debate have been, among others, John Richards and Larry Pratt, *Prairie Capitalism* (Toronto: McClelland and Stewart, 1979), Garth Stevenson, *Unfulfilled Union* (Toronto: Gage, 1982); in terms of centralization/decentralization, see Richard Simcon, "Consideration on Centralization and Decentralization," in R.D. Olling and M.W. Westmacott, *Perspectives on Canadian Federalism* (Scarborough: Prentice-Hall, 1988), 367-79.
75. See, for example, Richard Mayne, *Western Europe: A Handbook* (New York: Facts on File Publications, 1986), 195-97.
76. See Arnold J. Heidenheimer, Hugh Hecló and Carolyn Teich Adams, *Comparative Public Policy* (New York: St. Martin's, 1983), 19, 158.
77. Hanspeter Kriesi, "The Structure of the Swiss Political System," in Gerhard Lehmbuch and Philippe C. Schmitter (eds.), *Patterns of Corporatist Policy-Making* (London: Sage, 1982), 155-57.
78. Peter J. Katzenstein, *Small States in World Markets* (Ithaca: Cornell University Press, 1985), 90.
79. Franz Lehner, "Consociational Democracy in Switzerland: A Political-Economic Explanation and Some Empirical Evidence," *European Journal of Political Research* 12 (1984), 28-29.
80. Rokkan and Urwin, *Economy Territory Identity*, 84.
81. For a detailed economic and sociogeographic overview, see Hans Elsasser, "Die Schweiz," in Landeszentrale fuer Poliitsche Bildung Baden-Wuerttemberg (ed.), *Die Schweiz* (Stuttgart: Kohlhammer, 1988), 13-44.
82. My PhD supervisor at the University of St. Gall is a classic example. His eventual ascent to university principal was accompanied by a parallel and ceaseless effort to upgrade his military ranking at the same time.
83. Leonhard Neidhart, "Die Schweizer Konkordanzdemokratie," in *Die Schweiz*, 136 (author's italics).
84. This evidence stems primarily from regional voting differentials in national referenda (see below): Rolf Nef, "Die Schweizer Referendumsdemokratie," in *Die Schweiz*, 167.
85. See the thorough study by Kenneth D. McRae, *Conflict and Compromise in Multilingual Societies: Switzerland* (Waterloo: Wilfrid Laurier University Press, 1983).
86. See my *Tyranny der Mehrheit* (Bern: Haupt, 1977); and "Yet the Age of Anarchism?" *Publius: the Journal of Federalism* 15 (1985), 102-104.
87. The following assessment is based on Leonhard Neidhart, "Die Schweizer Konkordanzdemokratie," 144-55.
88. A collection of 100,000 signatures is sufficient and can easily be mobilized in a small and homogeneous country, especially given the close interconnections between economic and media power.
89. Lehner, "Consociational Democracy in Switzerland," 30.
90. Kriesi, "The Structure of the Swiss Political System," 154-55.
91. Neidhart, "Die Schweizer Konkordanzdemokratie," 149.
92. Lehner, "Consociational Democracy in Switzerland," 35.

93. Katzenstein, *Small States in World Markets*, 90.
94. *Ibid.*, 71-72.
95. *The Globe and Mail*, Toronto, 5 January (1967), W4.
96. A revision of family law was initiated in 1968. The political science literature is silent about results and implications. That nothing much has changed in substance can be concluded from the fact that ten years later the Swiss employers' associations could still make it an explicit goal in their unemployment *Deconstruction Code* to eliminate women as *second earning marriage partners* from the pay roll, thus "decreasing female participation in the labour force to an unparalleled degree." See Gocran Therborn, *Why Some Peoples Are More Unemployed Than Others* (London: Verso, 1986), 125.
97. The surprisingly high percentage of positive votes (although still a minority) in a recent national referendum on the abolishment of the Swiss military system can be interpreted as a first serious stirring of a changing political culture. While triggered by the decline of east-west tensions, the outcome of the referendum surely reflects not only the inclusion of female voters, but also the impact of their concerns on the political climate in general. See *Bundesblatt* 24 (Berne: Bundeskanzlei, 1988).
98. The late German historian Waldemar Besson, *Die Aussenpolitik der Bundesrepublik: Erfahrungen und Masstaebe* (Muenchen, 1970), advanced the controversial but nevertheless well documented thesis that Konrad Adenauer, principal architect of the Federal Republic and its first Federal Chancellor, from the very beginning favoured the formation of a predominantly Catholic West German state separated from the Prussian/Protestant eastern part of the former Empire. It remains to be seen, in light of recent events, if the eventual reunification of the two German states on a federal or confederal basis in the future will once again increase the regional conflict potential within the German nation.
99. Under close supervision of the Allied occupational forces and especially the Americans; see Thomas Ellwein and Jens Joachim Hesse, *Das Regierungssystem der Bundesrepublik Deutschland* (Opladen: Westdeutscher Verlag, 1987), 11-12.
100. Konrad Hesse, *Der unitarische Bundesstaat* (Karlsruhe, 1962).
101. See my "The Politics of Limited Pluralism: West Germany as a Paradigmatic Case," *Studies in Political Economy* 28 (1989), 111-36.
102. See Lehbruch, *Parteienwettbewerb im Bundesstaat*, 44.
103. This also means that there is no federal/provincial duplication of administration in West Germany; with few exceptions its citizens deal with only *one* string of administration.
104. As opposed to a vertical division of legislative powers between two levels of government; see Gordon Smith, *Democracy in West Germany* (Aldershot: Gower, 1986), 51.
105. This council principle of provincial representation differs from the *senate* principle where representatives are popularly elected. In the *Bundesrat* it is government interests which are represented, not regional populations.
106. See Klaus von Beyme, "West Germany: Federalism," *International Political Science Review* 5 (1984), 384-91.

107. See Ellwein and Hesse, *Das Regierungssystem der Bundesrepublik Deutschland*, 80-86.
108. See Klaus von Beyme, *Das politische System der Bundesrepublik Deutschland* (Muenchen: Piper, 1987), 205-13.
109. See Fritz W. Scharpf, Bernd Reissert and Fritz Schnabel, *Politikverflechtung* (Kronberg: Scriptor, 1976); and Scharpf, Reissert, Schnabel (eds.) *Politikverflechtung II* (Kronberg: Athenaeum, 1977)
110. Fritz W. Scharpf, "The Puzzle of the West German Consensus," *Government and Opposition* 16 (1981), 388.
111. See Ellwein and Hesse, *Das Regierungssystem der Bundesrepublik Deutschland*, 293-99.
112. Three of the last four Federal Chancellors had previously been Prime Ministers or, in the case of Willy Brandt, Governing Mayor, of a *Land*. The fourth, Helmut Schmidt, likewise had begun his political career at the *Land* level of politics. For a good summary of the role and status of the West German *Bundesrat*, see Hans-Georg Wehling, "The *Bundesrat*," *Publius: The Journal of Federalism* 19,4 (1989), 53-64.
113. See Lehmbuch, *Parteienwettbewerb im Bundesstaat*, esp. 16. A good English summary of this view by the same author is "Party and Federation in Germany: A Developmental Dilemma," *Government and Opposition* 13 (1978), 151-77.
114. Ellwein, *Das Regierungssystem der Bundesrepublik Deutschland*, 297-98.
115. von Beyme, *Das politische System der Bundesrepublik Deutschland*, 211-12. A good summary of recent developments in this policy field is Heinrich Maeding, "Federalism and Education Planning in the Federal Republic of Germany," *Publius: The Journal of Federalism* 19,4 (1989), 115-31.
116. See my "The Politics of Limited Pluralism: West Germany as a Paradigmatic Case," and especially Carl F. Lankowski, "Modell Deutschland and the International Regionalization of the West German State in the 1970s," in Andrei S. Markovits (ed.), *The Political Economy of West Germany* (New York: Praeger, 1982), 94-114.
117. See classically Andrew Shonfield, *Modern Capitalism* (London: Oxford University Press, 1969), 286-89.
118. See John Zysman, *Governments, Markets and Growth* (Ithaca: Cornell University Press, 1983), 256-57.
119. von Beyme, "West Germany: Federalism," 395.
120. Ellwein, *Das Regierungssystem der Bundesrepublik Deutschland*, 297-99.
121. Katzenstein, *Small States in World Markets*, 68.
122. See Peter A. Hall, "Patterns of Economic Policy: An Organizational Approach," in Stephen Bornstein, David Held and Joel Krieger (eds.), *The State in Capitalist Europe* (London: Allen and Unwin, 1984), 25; and Joachim Hirsch, "Developments in the Political System of West Germany Since 1945," in Richard Sease (ed.), *The State in Western Europe* (London: Croom Helm, 1980), 117.

123. Michael Kreile, "West Germany: The Dynamics of Expansion," in Peter J. Katzenstein (ed.), *Between Power and Plenty* (Madison: The University of Wisconsin Press, 1978), 200-202.
124. Compare von Beyme, *Das politische System der Bundesrepublik Deutschland*, 212; Ellwein, *Das Regierungssystem der Bundesrepublik Deutschland*, 298.
125. See Hans-Georg Wehling (ed.), *Nord-Sued in Deutschland?* (Stuttgart: Kohlhammer, 1987), and *Endogene Entwicklungsstrategien? Informationen zur Raumentwicklung* (Bonn: Bundesforschungsanstalt fuer Landeskunde und Raumordnung, 1984).
126. See Gerhard Lehbruch, "Wandlungen der liberalen Interessenpolitik im liberalen Korporatismus," in Ulrich von Alemann and Rolf G. Heinze (eds.), *Verbaende und Staat* (Opladen: Westdeutscher Verlag, 1981), 63; and more recently Katzenstein, *Small States in World Markets*, 30-31.
127. See again Gerhard Lehbruch, "Concluding Remarks," in Philippe C. Schmitter and Gerhard Lehbruch (eds.), *Trends Toward Corporatist Intermediation* (Beverly Hills: Sage, 1979), 304-5.
128. On this whole question, see my "The Politics of Limited Pluralism: West Germany as a Paradigmatic Case," 123-25.
129. See Christopher S. Allen, "Corporatism and Regional Economic Policies in the Federal Republic of Germany: The Meso Politics of Industrial Adjustment," *Publius: The Journal of Federalism*, 19,4 (1989), 147-64.
130. *Ibid.*, 161.
131. See again my "The Politics of Limited Pluralism: West Germany as a Paradigmatic Case," 129-31, and the cited literature there.
132. See Elazar, *Exploring Federalism*, 34-38.
133. See *Studies in Comparative Federalism: Australia, Canada, the United States and West Germany* (Washington D.C.: Advisory Commission on Intergovernmental Relations, 1981), 16-17. The comparative figures for Switzerland are 26 cantons and about 3,000 communes, and for West Germany about 12,000 communes within the 10 *Laender*. The main difference between subnational governments in federal systems and forms of administrative decentralization in unitary states is the degree of constitutionally guaranteed self-government. It is more appropriate to speak of regional/local governments in federal states as *noncentralized*. See Elazar, *Exploring Federalism*, 34.
134. See Arthur B. Gunlicks, *Local Government in the German Federal System* (Durham: Duke University Press, 1986), 191-97.
135. Kestnbaum-Report (1955), quoted in Henner Ehringhaus, *Der kooperative Foederalismus in den Vereinigten Staaten von Amerika* (Frankfurt: Athenaeum, 1971), 66.
136. Between 1960 and 1980, the number of federal *grants-in-aid* rose from 132 to over 500; 80 percent of the 80,000 government units received some federal aid; the percentage of grants bypassing the states rose from 11-12 to 25-30; regulations in the *Federal Register* grew from 14,479 to 71,191 pages (by 1979); about 12 million state and local administrators became responsible for the implementation

- of some 43 percent of all federal programs. See Gunlicks, *Local Government in the German Federal System*, 192-95.
137. *Studies in Comparative Federalism: Australia, Canada, the United States and West Germany*, 64-65.
 138. See Deil S. Wright and Harvey L. White (eds.), *Federalism and Intergovernmental Relations* (Washington D.C.: The American Society for Public Administration, 1984), 1-27; J. Edwin Benton, "Economic Considerations and Reagan's New Federalism Swap Proposals," *Publius: The Journal of Federalism* 16,2 (Spring 1986), 17-32; and recently Timothy Conlan, *New Federalism: Intergovernmental Reform from Nixon to Reagan* (Washington D.C.: The Brookings Institution, 1988).
 139. Reagan and Sanzone, *The New Federalism*, 175.
 140. Ehringhaus, *Der kooperative Foederalismus in den Vereinigten Staaten von America*, 55.
 141. See Kay Lehman Schlozman and John T. Tierney, *Organized Interests and American Democracy* (New York: Harper and Row, 1986), 55-6.
 142. This in contrast to the West German system where federal competences are essentially connected to *Laender* consent; see Fritz F. Scharpf, "Die Politikverflechtungs-Falle: Europaeische Integration und deutscher Foederalismus im Vergleich," *Politische Vierteljahresschrift* 28,4 (1985), 324-50.
 143. See Lawrence A. Hunter and Ronald J. Oakerson, "An Intellectual Crisis in American Federalism: The Meaning of *Garcia*," *Publius: The Journal of Federalism* 16,3 (1986), 33-50.
 144. *Ibid.*
 145. Compare Elazar, *Exploring Federalism*, 214-17.
 146. See Reagan and Sanzone, *The New Federalism*, 20-25 and 178.
 147. See Etzioni, *Capital Corruption*.
 148. Criticisms of this kind have been raised again and again by thoughtful scholars such as Schattschneider, Lowi, Olson and Dahl; see Etzioni, *Capital Corruption*, 175. The point is that it has always been accepted as a critique of American pluralism, but that it has hardly ever been systematically incorporated into the analysis of American government and American federalism in particular. On the contrary, even Etzioni has so much faith in the *healing powers* of American federal institutions that his thoughtful reformist suggestions cannot but reiterate constitutional business as usual: because capital corruption focuses on special interests, he pleads for greater unity and institutional changes in order "to keep the parts from dominating the whole — without abolishing the autonomy of parts." (281)
 149. Schlozman and Tierney, *Organized Interests and American Democracy*, 58-87 and 388.
 150. See Theodore J. Eismeier and Philip H. Pollock III, *Business, Money, and the Rise of Corporate PACs in American Elections* (New York: Quorum Books, 1988).
 151. See Mark A. Peterson and Jack L. Walker, "Interest Group Responses to Partisan Change: The Impact of the Reagan Administration upon the National Interest

- Group System," in Allan J. Cigler and Burdett A. Loomis (eds.), *Interest Group Politics* (Washington D.C.: CQ Press, 1986), 162-82.
152. Sidney Blumenthal, *The Rise of the Counter-Establishment* (New York: Harper and Row, 1988), 297.
 153. Schlozman and Tierney, *Organized Interests and American Democracy*, 358-85.
 154. One of the best studies has been John L. Palmer and Isabel V. Sawhill (eds.), *The Reagan Record* (Cambridge: Ballinger, 1984), especially chapters 9 and 10.
 155. See Etzioni, *Capital Corruption*, 102-130; Eismeier and Pollock, *Business, Money, and the Rise of PACs in American Elections*, 66; Blumenthal, *The Rise of the Counter-Establishment*, 61-62.
 156. See Gerd Junne, "Das amerikanische Ruestungsprogramm: Ein Substitut fuer Industriepolitik," *Leviathan* 1 (1985), 28-36.
 157. What these analyses are meant to demonstrate is not a conspiracy of business and conservatism against the American people. Neither do I endorse fully the concerns of those who think that the conservative revolution under Ronald Reagan has irrevocably changed the fabric of the American polity. Some day a liberal president will ride on a wave of public social conscience again and fill the Supreme Court benches with different judges. Moreover, the fortunes of the *military-industrial complex* are already in decline at a moment in history when the Cold War is presumably coming to an end. However, more than during liberal periods of administration, the structural and especially ideological incompatibilities of capitalism and federalism have become more pronounced.
 158. Theodore J. Lowi, "Why Is There No Socialism in the United States? A Federal Analysis," *International Political Science Review* 5,4 (1984), 379.
 159. See Palmer and Sawhill, *The Reagan Record*, 259.
 160. See *Studies in Comparative Federalism: Australia, Canada, the United States and West Germany*, 97.
 161. Compare Elazar, *Exploring Federalism*, 91-98.
 162. Compare Lowi, "Why Is There No Socialism in the United States?" 369-74, and the references to Hartz, Sombart, Lipset, etc., there.
 163. See Peter Woll, *Congress* (Boston: Little, Brown and Company, 1985), 170-71; William J. Keeffe, *Congress and the American People* (Englewood Cliffs: Prentice-Hall, 1984), 126-29; David Schuman, *American Government* (New York: Random House, 1984), 72-73.
 164. Compare George McKenna, *The Drama of Democracy* (New York: Dushkin, 1990), and *Report of the Chief Electoral Officer* (Ottawa, 1988); percentage calculations were provided (on the basis of the 1988 elections in both countries) by Barry Kay at Wilfrid Laurier University.
 165. See above, notes 30 and 47.
 166. Compare Gunlicks, *Local Government in the German Federal System*, 203-5.
 167. See in particular Donald V. Smiley, "An Outsider's Observations of Federal-Provincial Relations Among Consenting Adults," in Olling and Westmacott (eds.), *Perspectives on Canadian Federalism*, 282-83.
 168. *Ibid.*, 283.

169. For a recent overview, see Olling and Westmacott, *Perspectives on Canadian Federalism*, section 5.
170. A classical source for this well known debate is Cairns, "The Governments and Societies of Canadian Federalism," 695-725; a succinct review of the debate, albeit somewhat downplaying the issue, is R.A. Young, Philippe Foucher and André Blais, "The Concept of Province-Building: A Critique," in Olling and Westmacott (eds.), *Perspectives on Canadian Federalism*, 136-62; compare Elkins and Simeon, *Small Worlds*, which had in fact provided evidence and similar conclusions much earlier.
171. Richard Simeon, *Intergovernmental Relations and the Challenges to Canadian Federalism* (Kingston: Institute of Intergovernmental Relations, Queen's University, 1979), 1.
172. *Ibid.*, 10.
173. For an overview, see Garth Stevenson, "The Division of Powers," in Olling and Westmacott (eds.), *Perspectives on Canadian Federalism*, 35-60.
174. See recently Robert M. Campbell and Leslie A. Pal, *The Real Worlds of Canadian Politics* (Peterborough: Broadview, 1989), 227-314.
175. For an overview of this perspective, see Frederick C. Engelmann, "A Prologue to Structural Reform of the Government of Canada," in Olling and Westmacott, *Perspectives on Canadian Federalism*, 389-97. Compare Tom Kent, "True Representation," *Policy Options* 10,5 (1989), 13-17.
176. See in particular Smiley and Watts, *Intrastate Federalism in Canada*, chapter 7. The latest attempt to create a linkage between *Meech Lake* and senate reform has come from the Premier of British Columbia, Bill Vander Zalm, in January 1990.
177. Compare Smiley and Watts, *Intrastate Federalism in Canada*, 52-59.
178. Compare William M. Chandler, "Federalism and Political Parties," in Bakvis and Chandler, *Federalism and the Role of the State*, 155.
179. See Cairns, "The Other Crisis of Canadian Federalism."
180. See my *Federalism and Fragmentation*, 29-30, and Richard Simeon, quoted *ibid.*, 22-23.
181. Compare again my *Federalism and Fragmentation*, 20-21.
182. See the critical review of recent literature provided by Ralph Matthews and J. Campbell Davis, "The Comparative Influence of Region, Status, Class, and Ethnicity on Canadian Attitudes and Values," in Robert J. Brym (ed.), *Regionalism in Canada* (Toronto: Irwin Publishing, 1986), 91-98, and Ralph Matthews, "The Nature and Explanation of Regionalism: Some Critiques and Conclusions," *ibid.*, 198-205.
183. See Robert J. Brym, "An Introduction to the Regional Question in Canada," in Brym (ed.), *Regionalism in Canada*, 14-15.
184. See the critical examination of this view in Janine Brodie, "The Political Economy of Regionalism," in Wallace Clement and Glen Williams (eds.), *The New Canadian Political Economy* (Kingston: McGill-Queen's University Press, 1989), 151-52.

185. This discussion abstracts from the conflict between Ontario and Quebec *within* central Canada. Quebec is only in a position of *relative deprivation* vis-à-vis Ontario, whereas it appears in a position of political and economic privilege when seen from much of the rest of the country.
186. Brym, "An Introduction to the Regional Question in Canada," 12.
187. Compare my *Federalism and Fragmentation*, 22.
188. For this and the following see Gregory Albo and Jane Jensen, "A Contested Concept: The Relative Autonomy of the State," in Clement and Williams (eds.), *The New Canadian Political Economy*, 189-205.
189. "With *self-critical* intent throughout," I cannot but quote Simone Weil who said that [intellectual] "culture is an instrument wielded by professors to manufacture professors, who when their turn comes, will manufacture professors." In Abby Adams, *An Uncommon Scold* (New York: Simon and Schuster, 1989), 49.
190. See Wallace Clement, "Debates and Directions: A Political Economy of Resources," in Clement and Williams (eds.), *The New Canadian Political Economy*, 48-50.
191. For an overview of the issue see "The Meech Lake Accord," special issue of *Canadian Public Policy*, XIV supplement (1988). Two opposing views are presented in "The Meech Lake Accord," *Policy Options* 10,9 (1989), 3-8.
192. The best study on Quebec in the English language still is Kenneth McRoberts, *Quebec: Social Change and Political Crisis* (Toronto: McClelland and Stewart, 1988); see especially 394-404.
193. Compare the West German case, for example, where constitutional changes have to be ratified by two-thirds majorities in both houses of parliament (Article 79 of the Basic Law).
194. Compare the similar argument by Alan C. Cairns, "Citizens (Outsiders) and Governments (Insiders) in Constitution-Making: The Case of Meech Lake," *Canadian Public Policy* XIV supplement (1988), S121-45.
195. The point is not so much that groups like women and native peoples can certainly point to a history as well as a presence of discrimination that lends credibility to their fears. Rather, it is that any serious discussion of federalism remains incomplete as long as it only includes in its agenda what the constitutional bias of federalism *organizes into* it. In other words, to say that *Meech* does not really affect the status of women and native peoples because it only talks about governmental spending powers, regionally distinct societies, etc., is simply missing the point. Hence what was discussed as institutionalized gender discrimination in the case of Switzerland, for example, becomes a much more general and comparable pattern when including the institutional omissions in other cases. As a starting point for a general assessment, see Isabella Bakker, "The Political Economy of Gender," and Frances Abele and Daiva Stasiulis, "Canada as a White Settler Colony: What About Natives and Immigrants?" both in Clement and Williams (eds.), *The New Canadian Political Economy*, 99-115 and 240-77.
196. Keith Banting, "Federalism, Social Reform and the Spending Power," *Canadian Public Policy* XIV supplement (1988), S91.

197. As widely reported in the press, a group of leading businessmen, including the president of the Business Council on National Issues, advocated the adoption of *Meech* for the sake of politically undisturbed economic well-being.
198. Richard Simcon, "National Reconciliation: The Mulroney Government and Federalism," in Andrew B. Gollner and Daniel Salee (eds.), *Canada under Mulroney* (Montreal: Vehicule, 1988), 45-46.
199. See the recent overview in Mel Watkins, "The Political Economy of Growth," in Clement and Williams (eds.), *The New Canadian Political Economy*, 21-31, and the references to the basic studies of Clement, Naylor, Laxer, Mahon, etc., there.
200. See for example Clement, "Debates and Directions," 47.
201. See Neil Bradford and Glen Williams, "What Went Wrong: Explaining Canadian Industrialization," in Clement and Williams, *The New Canadian Political Economy*, 64-68.
202. *Ibid.*, 67.
203. See Patricia Marchak, "The Rise and Fall of the Peripheral State: The Case of British Columbia," in Brym (ed.), *Regionalism in Canada*, 123-59.
204. What makes this turnabout a neo-conservative rather than a neo-liberal one, is that it not only constitutes a deregulatory attack upon the Keynesian interventionist state and return to the free-market positions of classical liberalism, but also a significant and deliberate distortion of the market mechanism through active intervention on behalf of dominant business interests. Welfare and regional development, on the other hand, are demoted to the status of "paternalistic concern" within a system of "Tory democracy" and "feudal federalism." See Agar Adamson, "Atlantic Canada: The Tories Help Those Who Help Themselves," in Gollner and Salee, *Canada Under Mulroney*, 85.
205. Alberta's Premier Don Getty endorsed it because "anything that Mr. Trudeau opposed was bound to be good for Alberta." Roger Gibbins, "National Reconciliation and the Canadian West: Political Management in the Mulroney Era," in Gollner and Salee (eds.), *Canada Under Mulroney*, 87.
206. See my forthcoming "The Free Trade Agreement and the European Community: A Comparative Perspective," prepared for the Annual Meeting of the Canadian Political Science Association, Victoria, British Columbia, May 1990.
207. See Langille, "The Business Council on National Issues and the Canadian State," 41-85.
208. See W.T. Stanbury, "Corporate Power and Political Influence," in R.S. Khemani, D.M. Shapiro and W.T. Stanbury (eds.), *Mergers, Corporate Concentration and Power in Canada* (Halifax: The Institute for Research on Public Policy, 1988), 405-6.
209. See Christian Marfels, "Aggregate Concentration in International Perspective: Canada, Federal Republic of Germany, Japan, and the United States," in Khemani et al. (eds.), *Mergers, Corporate Concentration and Power in Canada*, 63.
210. Stanbury, "Corporate Power and Political Influence," 393.
211. *Ibid.*, 408.

212. *Ibid.*, quoting Stanley M. Beck, "Corporate Power and Public Policy," in *Consumer Protection and Environmental Law, and Corporate Power* (Toronto: University of Toronto Press, 1985), 200-201. Pross, in *Group Politics and Public Policy*, also recognizes the privileged position of business as compared to consumer groups, for example. (92) But then he cites the sectoral and spatial fragmentation of business interests as evidence for the absence of corporative cohesion. His misunderstanding of the situation becomes evident when he denies the existence of corporatist patterns of interest intermediation in Canada with the argument that the "representative capacity of most groups is limited" and therefore does not allow for more than pluralist rounds of consultation. (224-26) While his conclusion — the relative absence of corporatist arrangements — is correct, his explanation is not. It is flawed by the assumption that successful corporatism requires more than the concentration of the interests of dominant elites which need not be representative at all of society at large. As has been pointed out again and again, the existence of corporatist arrangements is primarily a matter of labour strength, not business cohesion. In Canada, the privileged access of the Business Council on National Issues to economic policy-making indeed may not require such arrangements. See Leo Panitch, "The Tripartite Experience," in Keith Banting (ed.), *The State and Economic Interests* (Toronto: University of Toronto Press, 1986), 37-119.
213. Mulroney's Progressive Conservative Party won a clear majority of seats, but not of the national vote, a typical result in *winner-take-all* electoral systems. Both the Liberal and New Democratic Parties of Canada campaigned against free trade, but splitting the anti-free-trade vote resulted in the obvious outcome. Of course, other issues than the Free Trade Agreement may have played a part in the voters' decision, but the 1988 election was certainly an election as much dominated by the single issue of free trade, as it was dominated by "the unprecedented unity and overt involvement of the capitalist class." The outcome led one observer to the conclusion that "the party is over and the fat capitalists have sung." See Janine Brodie, "The Free Trade Election," *Studies in Political Economy* 28 (1989), 175-82. While this outcome was largely a result of an ideologically heated debate (rather than one based on factual information), of the majoritarian electoral process, and the Westminster style political system which inhibits coalition building, I am suggesting that the party may not yet be over, at least not in terms of federal-provincial conflict (see below).
214. O.F.G. Sitwell and N.R.M. Scifried, *The Regional Structure of the Canadian Economy* (Toronto: Methuen, 1984), 176.
215. Everything else would constitute a significant break with capitalism itself. In none of the countries examined has there ever been an electoral majority pressing for such a break. There really has not been such a majority in any of the western capitalist societies since it can be plausibly argued that British, Swedish or French socialists can also only govern *with*, but not *against* the consent of capitalist interests.

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