

The Many Advantages of Federalism: Flexibility, Growth and Democracy

*By Prof. Kathryn Stoner-Weiss
Stanford University, USA*

My presentation will look at the many distinct advantages of federal systems in the areas of economic growth and enhanced democracy. I will begin first defining federalism and providing various examples of ethno-federal systems. I will then discuss the variety of institutional arrangements available as models for Russia in existing federal systems. Many of these allow for both formal and informal rules to govern the federal system such that heads of supreme or constitutional courts are rotated on the basis of ethnicity (eg. Canada). I will also note that institutional arrangements within many federal systems evolve over time and often function best not because of what is written down in a constitution, but due to informal norms that keep the system up to date and flexible given shifting balances of power and populations.

My presentation will then shift to some of the economic advantages of federal systems. In particular, I will outline “race to the top” policies that promote competition for investment among provincial governments in federal systems. When provincial governments are able to set their own tax policies for business (at least in some areas), then they are in a better position to compete for investment. This is both good for business – both domestic and international investors, who enjoy lower rates of taxation – but also for provinces where investment increases, bringing with it jobs and higher skilled labor. In this sense, federalism can be “market preserving” or market enhancing since it improves investment prospects for both business and local government. Here, I will draw lessons from various federal and quasi-federal systems, like China’s.

In the third section of my presentation, I will look at some of the political advantages and pitfalls of federal systems, while noting concerns that, depending on how it is constructed institutionally, federalism can promote inequality rather than acting as an equalizing force among provincial units. In multi-ethnic states, however, flexible federalism is often the most practical and politically desirable governing solution.

Finally, in section four of my presentation, I will turn more specifically to Russia. I will draw from some of the comparative examples I use in earlier sections of the presentation to make recommendations for constructing a flexible form of federalism for Russia.