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“INEQUALITY INDUCING AND INEQUALITY REDUCING FEDERALISM:
WITH SPECIAL REFERENCE TO THE ‘CLASSIC OUTLIER’
— THE U.S.A.”

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Introduction*

One of the core values of democracy is liberty. Indeed, sufficient liberty to organize, argue, and vote is, as Robert Dahl has made clear, a necessary condition for a democracy.¹ In the French republican tradition the three key values of democratic citizenship in a republican polity are liberty, equality and fraternity. In this essay we will assume that a sufficient degree of liberty exists to have a democracy. Our analytic focus will be restricted to the world of democracies of relatively long standing, in advanced industrial countries, which were members of the OECD as of 1993.

Our primary focus will be on the range of equality and inequality *within* these advanced industrial democracies. We will not necessarily discuss fraternity in itself, but we will assume that a very high degree of inequality in a democracy is not supportive of robust feelings of fraternity or identity among the citizens of a democracy. We also assume that a strong commitment to fraternity among *all* the citizens of a polity will help legitimate and produce politically crafted policies that reduce inequalities.

In this exploratory essay we will address two fundamental tasks. First, we will attempt the descriptive task of mapping three different terrains of inequalities. What, if any, differences in equality can we detect (1) *between* democracies in unitary and federal states, (2) *within* the universe of the eight longstanding advanced industrial federal democracies, and (3) *in* the oldest federal democracy in the world, and the country that many observers see as the “classic” federal democracy, the United States of America.²

¹* This paper is part of our long term project that will produce a book, Juan J. Linz and Alfred Stepan, *Federalism, Democracy and Nation*. We would like to acknowledge the excellent research assistance for this paper carried out by Alex Segura and Matthew Atlas, Ph.D. candidates in Political Science at Columbia University.

Robert A. Dahl, *Polyarchy: Participation and Opposition* (New Haven: Yale University Press, 1971), Chapter 1.

² Henceforth, we will call these twenty-three democracies our OECD set. The unitary states in the set are: Japan, France, Italy, United Kingdom, Portugal, Iceland, Norway, Sweden, Denmark, Finland, Greece, Netherlands, New Zealand, Ireland, Luxembourg, and pre-May 1993 Belgium. There are actually twenty-four countries in our set if we count Belgium twice. In our analysis, we code Belgium as a federal state from May 1993 to the present. The other federal democracies in our OECD set are: The U.S.A., Germany, Canada, Switzerland, Australia, Austria, and Spain, which became federal in the democratic transition of 1975-1978. The only OECD country, as of 1993, that we will not include in our set is Turkey. We exclude Turkey because due to periodic military coups, it does not meet our criteria of a longstanding democracy. It is also not an advanced industrial country.

Our second major task is to attempt to identify and analyze *specifically political mechanisms and values* that produce, and often legitimate, some of the major patterns of inequality we have documented, rather than structural factors that may produce inequalities within a polity, such as very productive or unproductive land, or high or low raw material endowment.

I. Inequality *Between* Federal and Unitary Democracies

A. Two Definitional (and Acceptable) Sources of Inequality in Federal States

Any analyst of inequality should, of course, be prepared to acknowledge, and to accept, that the most widely used definitions of federal systems entail a necessary degree of difference and inequality in a democratic federal state not found in a democratic unitary state. Robert Dahl, for example, defines federalism as “a system in which some matters are exclusively *within* the competence of certain local units — cantons, states, provinces — and are constitutionally *beyond* the scope of the national government; and where certain other matters are constitutionally outside the scope of the authority of the smaller units.”³

Such a definition in essence asserts that a polity would not qualify as a federal system unless there is at least one policy area where the full member units of the federalism are constitutionally and politically guaranteed the freedom to legislate and to implement their own policies. If this freedom did not exist, the country might well be a democracy, but it would not be a federal democracy, it would be a unitary state.

Within the world of democracies, there is another definitional and operational area of inequality that is less understood, and more controversial, but in our judgment acceptable, and often necessary, for the creation and maintenance of democracy. As we have discussed elsewhere, *every* longstanding territorially based multinational (not merely multicultural) democracy in the world is not only federal, but asymmetrical. Such multinational longstanding federal democracies — there are only four; India,

³ Robert A. Dahl, “Federalism in the Democratic Process,” in his *Democracy, Identity and Equality* (Oslo, Norwegian University Press, 1986), pp. 114-126, citation from p. 114, emphasis in the original.

Spain, Belgium and Canada — in order to “hold together,” forged asymmetrical federal constitutions.⁴ Such asymmetrical arrangements constitutionally embed different capacities and rights to some — not necessarily all — full federal members, mainly in areas of language, and often in education, and sometimes in legal codes, and even in tax prerogatives. In sharp contrast, a unitary democracy such as France, that explicitly espouses a “nation-state” goal, normally has a single official language, a polity-wide educational curriculum approved and supervised by the center, a single legal code, and near homogeneity in social welfare policies for *all* citizens wherever they reside in the unitary state.

Having made clear that the definition of democratic federalism, especially of asymmetrical democratic federalism, necessarily entails differences, and to some degree constitutionally authorized inequalities not found in a unitary state, let us now explore possible advantages in terms of equality, participation, and fraternity of federal, as opposed to unitary, states.

B. Federalism’s Potential Advantage for Inducing Equality: Bringing Government “Closer to the People”

It seems particularly appropriate to examine this potential inequality inducing area now because one often hears that decentralization and federalism has the advantage of bringing government “closer to the people.” Some of the putative advantages of bringing the government closer to the people in federalism is that a higher percentage of

⁴ For a more extensive discussion of “holding together” versus “coming together” federalism and the fact that all of the “holding together” federations are multinational and chose asymmetrical federalism, see Alfred Stepan, “Toward a New Comparative Politics of Federalism, (Multi)Nationalism and Democracy: Beyond Rikerian Federalism” in Alfred Stepan, *Arguing Comparative Politics*, (Oxford: Oxford University Press, Fall 2000). Also to appear in Edward L. Gibson, ed., *Representing Regions: Federalism and Territorial Politics in Latin America* Also see Juan J. Linz, “Federalism, Multinationalism and Democracy,” paper prepared for the XVII World Congress of the International Political Science Association, Seoul, Korea, 1997. We consider Switzerland a “state nation” rather than a multinational state. Elsewhere we explain at length why we do not consider Switzerland to be multinational. In short, it is because all four political parties of the governing coalition that has ruled Switzerland for over forty years, contain French and German speakers, as well as Protestants and Catholics, and no political party inside or outside the coalition is secessionist. Despite the growing salience of German and French languages as separate sources of identification, cleavages in Switzerland are seldom compounding and are often crosscutting. That is, there are German speaking Protestant, as well as Catholic cantons, and French speaking Protestant as well as Catholic cantons.

total public expenditures will be spent by the lower level units of government. Another advantage of federalism that is often argued or assumed is that because the government is closer to the people, there will be more involvement in government per se and higher levels of participation. Greater involvement and greater participation, according to some, helps produce greater equality of results.

Let us first examine the government closer to the people assumption. One comparative indicator of bringing government “closer to the people” might be to explore the percentage of total public expenditures that is actually spent at that level of government that is physically closest to the people, i.e., municipal expenditures.

The evidence here is rather surprising. Using data from our OECD set for four different time periods, the evidence indicates that unitary countries spent about 60% more money at the municipal level than did federal countries.

See Table 1 and 2

The explanation for this probably lies in a closer appreciation of decentralization. There can be relatively decentralized unitary states (such as Denmark on virtually all indicators) and relatively centralized federal states (such as Australia on some indicators and Austria on others). However, all federal constitutions mandate an intermediary level of government. Often how much is spent at the municipal level in a federal system is left to the discretion of the constituent members (states, cantons or provinces) and these constituent members frequently allocate monies to the municipal levels only after they have allocated monies to themselves.

Those arguing that federalism is “closer to the people” might assume a certain similarity of size and political criteria in all the constituent members. However, precisely because of the historical development of what are seen as classical federations, such as Switzerland, there are immense differences in population size that are accepted as historically given, legitimate, and not easily altered. Thus, in Switzerland, Zurich has a population of 1,200,000, which makes it more than 80 times more populous than the

canton of Appenzell, which has a population of only 14,500. In Switzerland, there are five cantons, or half cantons, with a population under 50,000, which occasionally hold open air, direct democratic meetings. For these constituent members of the federation, government can indeed be “closer to the people.” But in Zurich, with its population of over 1 million, direct participatory democracy is impossible.

If relative homogeneity of size is a desired value, there is, of course, the democratic possibility of politically designing a system of regional governments with similar sizes, and not too divergent characteristics. A unitary state, such as France, did just this with their departments. However, in a classic “coming together” federal state, with its historically evolved identities and structures, such a center imposed, homogenizing effort is virtually precluded.

When we look at the most populous democratic federations in the world, the idea that the member units of the federation are close to the people strains rhetoric. In the U.S.A., the most populous state in 1991 was California, with 31 million people. If California were a country, it would have a larger population than Canada. The most populous state in India is Uttar Pradesh, with 130 million people. If Uttar Pradesh were a country, it would be the 8th most populous country in the world, and substantially larger than any European Union country. Also, for decades, no meaningful elections were held in Uttar Pradesh below the level of the state.

In the United States, the New Federalism initiated by President Nixon and accelerated by President Reagan is often described as “decentralization.” But, as one analyst correctly noted, this New Federalism, did shift discretionary authority for “block grants” away from federal authority. However, “the locus of central block grants became state governments, not cities or local community organizations.”⁵

The high local government to central government expenditure ratio of unitary states is not purchased at the cost of their control by the central government. The four highest ratios of local government revenue as a percentage of total government revenue for

⁵ See, the preface to John D. Donahue, *Hazardous Crosscurrents: Confronting Inequality in an Era of Devolution* (New York: The Century Foundation Press, 1999), p. viii.

which we have data in our OECD set, are *all* in unitary states. Likewise, the four highest “control ratios” (local government revenue as a percentage of total government expenditures) are *all* in unitary states. Conversely, four of the five *lowest* ratios on both these indications are in federal states.⁶

C. Higher Levels of Participation in Federal Systems as a Force for Equality Inducing Policies?

The argument is occasionally made that more intensive participation in politics by citizens in federations, precisely because they are closer to the government, might be a force for less “faceless,” less elitist, and more equality producing, public policies.

One important measure of participation in a democracy, not of course the only one, is voter turnout. However, if we look at voter turnout in all elections of the lower and upper chamber of our OECD set, the average turnout for 1945-1995 for legislative elections is actually lower in federal states than in unitary states; 70.4% to 79.4%.

Furthermore, by far the two lowest turnouts (historically and now) in our OECD set are in what many people think of as the most classic, close to the people, federal systems, the U.S.A. (48.3%) and Switzerland (49.3%).⁷ Indeed, if we used a broader historical framework, Switzerland and the United States would fare substantially worse. Switzerland did not give women the vote until 1973. The IDEA data on voter turnout in Switzerland only refers to male voter turnout. If we included women, Switzerland voter turnout would be halved between 1945-1973. In the United States, African-Americans did not approach equality of voting rights in many states until the 1960s. Both of these historic disenfranchisements were a product of the high level of continuing political autonomy of the constituent units that “came together” to form the Swiss and U.S. federations.

⁶ *Regional and Local Government in European Union Member States*, Table 5.3, <http://cadmos.carlbro.be/Library/SubNat/RLGinEU/RLGinEU3.htm>

⁷ See International Institute for Democracy and Electoral Assistance (IDEA), *Voter Turnout from 1945-1997. A Global Report* (Stockholm: 1997), pp. 20-21.

U.S.A. average voter turnout in all congressional elections was 48.3%, the lowest in our 23 country OECD set. Even if we only included presidential elections, the U.S. turnout of 55.6%, would only move the U.S.A. into 21st place. Governors in federations may be physically “closer to the people” than the President, but voter turnout for all gubernatorial elections between 1994 and 1997 was 43.9%, lower than any countries voting for parliament or congress in our set. Finally, in non-presidential election years, voting turnout for gubernatorial elections is almost 15% lower than in presidential years.⁸

Recently, voter turnout of the voting age population (VAP) in parliamentary elections in Switzerland have declined to some of the lowest levels ever recorded in our OECD set; 39.9% in 1987, 39.7% in 1991, and 35.7% in 1995. This was so notwithstanding the fact that, in theory, voting is compulsory in a number of cantons in Switzerland.

Some observers might think that Switzerland’s low turnout for parliamentary elections is not that significant because of Switzerland’s famously high use of direct democracy via votes in referendums. Maybe participatory intensity in Switzerland is best measured not in indirect democratic elections for representatives, but in the direct election arena of referendums? What do the data say about this hypothesis?

Between 1848-1978 the Swiss people voted in 212 compulsory referendums. The highest voter turnout was in 1914-1944, 61%. However, for 1960-1978, voter turnout averaged less than 43%.⁹ Thus, if referendum turnout were to be the measure of participation, Switzerland would have the lowest turnout in our set.

A final note on voter turnout concerning registration. Many unitary states make it procedurally easy for citizens to vote; either there is no special registration required

⁸ See John F. Bibby and Thomas M. Holbrook, “Parties and Elections,” in Virginia Grey, Russell L. Hanson and Herbert Jacob, eds, *Politics in the American States: A Comparative Analysis*, seventh edition (Washington: Congressional Quarterly Books, 1999), pp. 100-101, Tables 3.4 and 3.5.

⁹ See Jean-François Aubert, “Switzerland” in David Butler and Austin Ranney, eds., *Referendums: A Comparative Study of Practice and Theory* (Washington, D.C.: American Enterprise Institute for Public Policy Research, 1978), pp. 43-45.

(only proof of citizenship), or a citizen can register on the day of the election by turning up anywhere in the county and showing proof of citizenship. Many unitary states make it so easy for citizens living outside of the country to register, and stay registered, that Finland, Greece, Iceland, Ireland, Italy, Japan, Portugal, and Spain have more citizens registered than they have voting age population actually living in the country.

In contrast, in the United States, and even in Switzerland, registration is very closely controlled by local authorities. Indeed, in Switzerland, one cannot be a citizen and thus vote in a federal election unless one has proof of citizenship in a canton. In the United States, if a citizen permanently relocates to a new state, they lose their registration and have to reregister in their new place of residence. There is great variation in the U.S.A. as to how near to a voting day a citizen can register — it goes from registration deadlines closing five weeks before moving day in some locations, to, in other locations, citizens being able to register and vote on the same day. Because of the high geographical mobility of U.S. citizens, combined with the diverse and stringent locally controlled registration procedures that is a part of the U.S. “coming together,” states’ rights oriented federalism, and other factors, the United States has the lowest registration rate (67.2% in 1994) of voting age population in our OECD set. Switzerland (84.4%) has the third lowest.¹⁰ Difficult, politically structured registration procedures, explain part of the variance, but by no means all, of the turnout percentage of the total voting age population in low turnout countries, such as Switzerland and the United States, and high turnout countries, such as Sweden and Denmark. See Table 3.

Table 3 goes here.

D. Five Direct Measures of Inequality *Between* Federal and Unitary OECD Democracies

Let us now review some more direct measures of comparative equality and inequality between federal democracies and unitary

¹⁰ Our calculations are based on the data contained in IDEA’s, *Voter Turnout from 1945-1997*, p. 11.

There are, of course, a number of possible indicators of inequality. However, we think a case can be made that five indicators are of particular salience, because all have three crucial characteristics. One, they affect an area of citizens' life that is of great importance and where there can be high degrees of variation in citizen equality. Two, the signs of the five indicators are all strongly influenced by explicitly political, as opposed to market, or social factors. And, three, comparable data exists for the indicator that has been compiled by leading scholars or international organizations so as to make rigorous comparative analysis possible.

The first indicator we will use is probably the most widely employed measure of inequality, the Gini Index. A country's Gini Index is politically produced because it reflects a country's post-tax, post-transfer, and post-government income, support and equalization schemes. Democracies can, and should, be measured by how much inequality they produce and tolerate. The World Bank's *World Development Indicators: 2000* gives Gini indices of inequality for 22 countries in our OECD set. Unitary countries have a slightly better index; .291 to .314.¹¹

The second indicator we will use concerns health. All citizens, young, working age, and the elderly, can be directly affected by a country's national health delivery and health insurance systems. If the poorest deciles of the total population receive less from their nation's public health system than they put into it in tax contributions, we will consider them more unequal than a national health system where the poorest deciles of the population receive more benefits from the health system than they put into it in tax contributions.

Fortunately, the World Health Organization recently published its first ever attempt to evaluate the quality, efficiency, and fairness of the 191 member countries. A key variable that the WHO attempted to measure was "fairness of financial contribution" to the country's health system in terms of how much citizens in the poorest and wealthiest deciles gave to and received from the country's public health system. Such a result is

¹¹ (Washington, D.C.: 2000), pp. 67-68. The same pattern emerges in the more rigorous Luxembourg Income Study (LIS) that we discuss later. The LIS study contains a smaller set of countries than the World Bank Study.

not “market produced,” or “society produced,” as much as “government produced.” The average rank for federal countries was 23.8, while the average rank for unitary states was 19.7.¹²

Probably the most rigorous long term project to monitor and measure income inequality and rates of poverty for different sectors of the population is the OECD’s “Luxembourg Income Study” led by three distinguished social scientists, Anthony B. Atkinson, Lee Rainwater and Timothy M. Smeeding. We will use two indicators from the Luxembourg Income Study. In most advanced industrial democracies, two groups of citizens are particularly dependent on the income maintenance formulas produced, or not produced, by the political system. The largest group of such dependent citizens are children in solo mother households. Our indicator of inequality will be the country’s percentage of such children below the poverty threshold after all government transfers. In our OECD set, such a “post-government child poverty rate” for unitary states was 17.6, while that of federal democracies was over twice as high, 38.5.¹³

The other group of citizens is the over-sixty age population. Part of the over-sixty’s net income comes from savings from their previous market related earnings. However, to a significant extent, government structured social security schemes and a variety of special services for the elderly will determine the percentage of the over-sixty population who live in poverty. According to the Atkinson, Rainwater and Smeeding study, 14.8 percent of the over-sixty population live in poverty in federal OECD democracies, but only 9.3 percent in OECD unitary states.¹⁴

A somewhat more complicated, and possibly more controversial, measure of inequality between federal and unitary systems might be the amount of deviation from the principle of one person, one vote. We will call this malapportionment. Constructing

¹² See World Health Organization (WHO), *The World Health Report: 2000* (Geneva, 2000), Annex, Table 7, p. 188.

¹³ Poverty in the Luxembourg Study is defined as the percentage of children living in households with adjustable, disposable income that is less than 50 percent of medium adjusted disposable income for all persons. Income includes all transfers and tax benefits. See Lee Rainwater, “Inequality and Poverty in Comparative Perspective,” *Estudio/Working Paper 1997/110* Institute Juan March, Madrid, p. 14.

¹⁴ See their OECD Report, *Income Distribution in OECD Countries* (Paris: 1995), Table 7.2.

such a measure might be considered unfair because many unitary systems are unicameral, but all federal systems have an upper chamber and are thus bicameral. It is well known that upper chambers are more malapportioned than lower chambers. Indeed, the degree of malapportionment of the upper chamber in some countries, e.g., the U.S.A. Senate, would be intolerable for a democratic lower chamber. Nevertheless, a deviation from the principle of one person, one vote in either chamber, is a deviation from political equality and is measurable.

Fortunately, there has recently been an excellent study by David Samuels and Richard Snyder that makes this effort more manageable.¹⁵ Their study discusses levels of malapportionment in seventy-eight countries covering both upper chambers and lower chambers. We will only analyze the 18 countries in our OECD set that are also in this study.

Samuels and Snyder discuss upper chambers and lower chambers separately. For most analytic purposes this is absolutely correct. For our comparative purposes, we will also initially present the Samuels and Snyder data separately for both chambers. In the upper chambers, federal systems have a malapportionment index of .2607.¹⁶ In our OECD set, those unitary states that are bicameral have a malapportionment index in their upper chambers that is substantially lower, .0505. In the lower chamber, the averages are quite similar, .0469 for federal states and a slightly better .0411 for unitary states.

For our comparative purposes, we feel it might also be useful to attempt to get a single aggregate measure of malapportionment per country. We will do this by

¹⁵ David Samuels and Richard Snyder, "The Value of a Vote: Malapportionment in Comparative Perspective," *British Journal of Political Science*, forthcoming. However, of the unitary states with upper houses in our OECD set, Japan, Italy, the Netherlands, France, and the United Kingdom, the Samuels and Snyder study only includes Japan, Italy and the Netherlands. The appointed, non-territorial nature of the British House of Lords, makes it impossible to measure in terms of malapportionment. The French upper house presents less, but nonetheless important, problems of measuring malapportionment.

¹⁶ Malapportionment of the upper federal chamber increases in political significance if the upper chamber has considerable constitutionally imbedded powers (e.g., United States and Brazil) and there is no disciplined polity wide party in the political system (e.g., United States and especially Brazil). See Stepan's previously cited "Toward a New Comparative Politics of Federalism, (Multi)nationalism and Democracy," and his "Brazil's Decentralized Federalism: Bringing Government Closer to the Citizens?" *Daedalus*, 129 (Spring 2000), pp. 145-169.

averaging the sum of malapportionment for the two houses in bicameral systems, and by using the figure for the lower chamber for unicameral systems. Given the greater tendency for upper chambers to be malapportioned, and the fact that all modern federal democracies are bicameral, this means that the greatest degree of inequality among our five indicators is the malapportionment measure. Federal systems have an aggregate malapportionment index almost four times more acute than unitary systems; .174 to .043.

II Inequality *Within* Federal Systems

Many general observers and specialists on federalism alike see the United States and Switzerland as the classic federal countries. They, and Australia, are certainly the three federal democracies in the world that most closely conform to Riker's idea of federalism, whereby polities with independence or a great deal of autonomy agree in a bargain to pool their sovereignty, normally in return for greater security. However, they only pool as much of their sovereignty as necessary. They retain substantial autonomy and in all three cases, each full member (state, canton, or province) of the federation has an equal number of representatives in the upper federal chamber. These "coming together" federations of historically autonomous members with strong, constitutionally symmetrical capacities, with substantial authority to constrain the demos at the center, are what captures many people's imagination as part and parcel of a classic federal system.¹⁷ The other federations are frequently charged with deviating from this classic norm. Canada, Belgium, Spain and India are seen as violating the "equality of member" norms by their constitutionally asymmetrical federations, which allocate different

¹⁷ See William H. Riker, *Federalism: Origin, Operation, and Significance* (Boston: Little Brown, 1996). Standard Australian political science textbooks depict the Australian federation formation process as similar to that of the United States and Switzerland in that historic units with a great deal of sovereignty came together to create a federation in which the constituent states retained great powers. See, for example, the articles on federalism, parliament and the legal system in Dennis Woodward, Andrew Parker, and John Summers, *Government, Politics and Power in Australia* (Melbourne: Long & Cheshire, 1985). Alfred Stepan, in his "Toward a New Comparative Politics of Federalism" argues that of the eleven relatively longstanding democratic federations in the world, (our OECD set plus India, Brazil and Argentina) the only three federations that are, in fact, very close to Riker's "coming together" model — which he argues fits all cases — are the U.S.A., Switzerland and Australia.

capacities to different members.¹⁸ Some nominalists argue that Spain's "estado de las autonomías" is not even a federation. Germany and Austria are constitutionally symmetrical, but the federal government is seen having so much power over the members (the *länder*), and the lower house is so much more powerful than the upper house that Germany and Austria are accused of violating the classic federal model.¹⁹

Let us do a simple exercise. Let us make a dichotomy between the three historically classic "coming together" federations of the U.S.A., Switzerland, and Australia, and the five other democratic federations in our OECD set. Let us then go back and reanalyze our aggregate data concerning unitary and federal states. Let us compare (1) classic "coming together" federal states, (2) non-classic federal states, and (3) unitary states for the five direct measures of inequality we discussed in the last section. A very different picture emerges. Two of our five indicators undergo a sign change. "Non-classic" federal systems have a better Gini coefficient of economic inequality, and a slightly fairer health system than unitary states. The child poverty rate in solo mother households, the percentage of population over-sixty living in poverty, and the malapportionment index, still favors the unitary states, but the non-classic federal states are much closer in terms of equality to unitary states than to the classic federal states.

Tables 4-8 speak unequivocally. On all five indicators, classic federal systems (United States, Switzerland and Australia) produced greater inequality than did the non-classic federal systems (Belgium, Austria, Spain, Germany and Canada). Indeed, inequality is so much more severe in the classic federal systems than in the non-classic federal systems, that the variance in equality between federal and unitary systems (except for malapportionment) almost disappears

¹⁸ In sharp contrast to the "coming together" federations of the U.S.A., Switzerland and Australia, there is a set of once unitary states, Belgium, Spain, India, and to some extent even Canada, that in order to manage multinational pressures in a democratic context, devolved power to a federation. We call such countries "holding together" federations. For a discussion of the distinctions between "coming together" vs. "holding together" federations, "demos-constraining" vs. "demos-enabling" federations and "constitutional "symmetrical" vs. "asymmetrical" federations, see Alfred Stepan, "Federalism and Democracy: Beyond the U.S. Model," *Journal of Democracy* 10 (October, 1999), pp. 19-34.

¹⁹ For a prominent critique of Germany as an inauthentic (*unechter*) federation, as opposed to the authentic (*echter*) federations of the United States and Switzerland, see Heidrun Abromeit *Der Verkaptete Einheitsstaat* (Opladen, Germany: Leske und Budrich, 1992), see esp. chapters two and three.

if we eliminate the three “classic federal” systems from our eight country advanced industrial democratic federal set. The distinction that emerges as most prominent is the distinction in inequality between classic federal systems and non-classic federal systems. The more classically federal — the more unequal.

See Tables 4-8

If we create a Gini index of overrepresentation of the upper federal chambers in our OECD set, and compare it to the Gini index of economic inequality in our OECD set, we see that there is an extremely high Pearson correlation coefficient of .9136 between the two variables. Even if we control for purchasing power parity values, the partial correlation is still .9048. See table 9.²⁰

Table 9 goes here.

What are some of the mechanisms that produce the surprisingly high correlations of table 9? This brings us to our subtitle — “The Classic Outlier – The U.S.A.” The most classic federal country, the U.S.A., is the most radically extreme outlier of inequality in our set. It is important to note that we are not only talking about relative inequality, but also absolute inequality, in the United States. Often one hears that because the United States is so rich, it is better off to be very poor in the United States than in most other developed countries. This is seldom true. As Timothy M. Smeeding, one of the directors of the Luxembourg Income Study, has argued, “We find that the wider degree of income inequality found in America offsets its overall wealth to such a degree that low income Americans have standard of living below those found in almost all other rich nations . . . The United States, which had the most unequal income distribution in 1979, also had the most unequal distribution in 1993, with inequality

²⁰ The Gini coefficient for territorial overrepresentation in federal upper chambers in table 9 uses slightly different data and a different formula than that found in Samuels and Snyder, so that the results differ slightly, even though the direction of malapportionment and rank order of countries is the same.

growing rapidly through the mid-1990s. We find that both low wages and low social spending help to explain the relative and absolute poor living standards of low income Americans.’²¹

See Table 10

III. Politically Induced Inequality *In* U.S. Federalism

Our major political, methodological, and intellectual task now is to attempt to explain the political processes (if so there are) that produce the terrain of inequality mapped from a great height in Table 9. Let us try to get closer to the ground. Can we identify a politically produced (or tolerated) inequality, and trace the political processes that produced this inequality. Let us try.

First, a result. Of the sixteen OECD countries analyzed in the Luxembourg Income Study, the U.S.A. has by far the highest child poverty rate; 21.5%. Indeed, seven of the 16 countries in the set had a poverty rate less than 5%.²²

But in what sense is such a poverty rate politically induced by U.S. federalism? Germany, which has embedded in its constitution a commitment to insure “uniformity of living conditions in the federal territory,” and which has a complex battery of legally enforceable mechanisms to reduce inequality, had a pre-government transfer child poverty rate of solo mother households of 43.9%.²³ But Germany’s “post-government” child poverty rate of solo mother households was reduced to 4.2%.²⁴ In sharp contrast, the U.S.A. pre-government child poverty rate for solo mother households was 69.9%, but the post-government poverty rate only

²¹ Timothy M. Smeeding, “American Income Inequality in a Cross-National Perspective: Why Are We So Different?” Working Paper No. 157, Maxwell School of Citizenship and Public Affairs, Syracuse University (April 1997), quotation from pp. 29-30. Also see Peter Gottschalk and Timothy M. Smeeding, “Cross-National Comparisons of Earnings and Income Inequality,” *Journal of Economic Literature*, XXXV (June 1997), pp. 633-687.

²² See the previously cited Rainwater, *Inequality and Poverty in Comparative Perspective*.

²³ The commitment to insure “uniformity of living conditions in the federal territory” is found in Article 106, paragraph 3.2 of the Basic Law (German Constitution). Article 104a and Article 107 discuss compulsory financial equalization mechanisms.

²⁴ Rainwater, *Ibid*, Table 7, p. 6. “Post-government” means after government programs that “include income and payroll taxes and all types of government cash and near cash transfers,” *Ibid*, p. 16.

reduced it to 59.5%.²⁵ In this case we can clearly say that Germany was demonstrating a form of “inequality reducing” federalism.

Germany’s constitutional commitment concerning equality is such that all levels of governments (central, regional and local) have obligations to all the citizens of Germany, wherever they live in the federation, and to each other, to reduce inequality so as to produce “uniformity of living” conditions. Germany has a broad repertoire of obligatory, inequality reducing equalization schemes in which richer sub-units of the federation, in order to advance the common constitutional and social goal of “uniformity of living” conditions must make transfer payments to the poorer sub-units of the federation.²⁶ For example, after unification, the ratio between the richest state and the poorest state in Germany in terms of real GDP per capita, soared from 1.982 in 1990 to 6.063 in 1991. However, due to the massive transfers from the richer West German länder, and the German federal government, of almost 100 billion dollars per year, this ratio by 1998 had already been reduced to 3.9.²⁷ In sharp contrast to the German example of inequality reducing federalism, the U.S. Constitution has commitments to individual liberty but none to inequality reduction per se.²⁸

There are various sources of inequality for any variable; however, we suggest that it is analytically and politically useful to make a broad three-part distinction; “market produced inequality,” “socially produced inequality” (such as sharp rises of children born out of wedlock, even holding migration and education levels constant), and what we shall call the “net government produced poverty reduction rate,” which is the rate of pre-government poverty reduced by government actions.

Of the sixteen Luxembourg Income Study countries for which we can calculate the “net government produced poverty reduction rate” for children in solo mother households, the

²⁵ *Ibid*, p. 16.

²⁶ See, for example, Heinz Laufer, “The Financial Constitution of the German Federal State” in Konrad Adenauer Stiftung, *The Example of Federalism in the Federal Republic of Germany: A Reader*(1994), pp. 127-146.

²⁷ Statistics provided to the authors by Statistisches Landesamt Baden-Württemberg.

²⁸ See Ronald Watts, *Comparing Federal Systems in the 1990s* (Kingston, Ontario: Queens University, 1996), p. 46.

U.S.A. figure of 14.9 is the lowest. The average “net government produced poverty reduction rate” for the other fifteen countries in our OECD set is over four times higher; 61.8.

See Tables 11 and 12

Note that in table 11 four countries; Australia, Ireland, Netherlands, and United Kingdom, began with a pre-government transfer child poverty rate for solo mother households of over 70 percent. However, as table 11 makes clear, all of them arrived at a post-government transfer rate below the United States. Most notably the United Kingdom went from a pre-government poverty rate of 76.2 to a post-government poverty rate of 18.7, for a net government poverty reduction rate of 75.4. Our point is that even if market forces, and social practices produce a child poverty rate that is quite high, much of the variation in net inequality is produced by government practices.

The 90.4 percent government produced poverty reduction rate in Germany is almost certainly related to the constitutionally embedded commitments to achieve “uniformity of living conditions in the federal territory” for all citizens that we have discussed.²⁹ In the U.S. “coming together” states’ rights style of federalism, there is absolutely no constitutional commitment or obligation on the part of the federal government, and certainly not for the states, to help create equality of living conditions for all the citizens of the United States. The ethos of U.S. federalism gives much more stress on the equality of the rights of states, than on the equality of citizens’ living conditions. Let us examine the ethos and structures that induce (or at least fail to reduce) the developed democratic world’s worst rates of inequality.

The U.S. legislation that first extended support for deprived children, the Aid to Families with Dependent Children program of 1935 (AFDC), was drafted by the Roosevelt New Deal.³⁰ The Roosevelt administration’s draft program was initially meant to be applied

²⁹ For example, Heinz Laufer, in the previously cited work on the German financial constitution, asserts that the federal center and the rich länder are constitutionally obliged to make sufficient transfers to poorer länder because citizens in the poorer länder “have the same claims to public service as the citizens of the well to do länder.” He also notes that the “Act on Fiscal Equalization among the Federation and the Länder, in the version of September 23, 1990, ensures that the revenue capacity of those Länder that are entitled to equalization payments is raised at a minimum to 95% of the average revenue capacity, the so-called equalization index,” pp. 140-141.

³⁰ The program initials were initially ADC and the program was part of the overall Social Security Act of 1935.

fairly homogeneously to all states under the strong supervision of the federal government. The draft law contained an explicit commitment to make payments to all citizens sufficient to provide “a reasonable subsistence compatible with decency and health.”³¹ This commitment was less strong and universal than Germany’s famous Article 106, which mandates “uniformity of living conditions.” Nonetheless, congressmen in both chambers, especially from the South, viewed such mandatory provisions as “an unprecedented and dangerous intrusion into states’ rights and particularly into the South’s distinctive racially structured political economy.”³² In the end, the clause was removed from the bill and states were given the right to individually craft their own structures in order to implement the AFDC

In the 1930s, when the U.S. national welfare regime was first being crafted (often into decentralized structures that are still significant today), the impact of federalism on congressional bill making was especially strong. Not only was the senate as malapportioned as it is today, but the tradition of chairmanship based on seniority was still in its heyday, a single senator’s ability to obstruct a bill by a filibuster was extremely strong, and the senate democratic “majority,” on issues that related to state’s rights or race, was strongly divided between north and south. The Speakers of both houses in 1935 were from the south, as were the chairs in both houses of the tax, appropriations, agricultural and banking committees.

Federalism as a political system has more veto points than a unitary system.³³ However, in the 1930s, U.S. federal legislative structures, combined with federal polities in a weak and often regionally divided party system, gave opponents of any federally designed and federally implemented proposal of welfare that affected states’ rights and/or race, an arsenal of veto points in the house, and especially in the senate.³⁴

³¹ See the excellent discussion in Robert C. Lieberman, *Shifting the Color Line: Race and the American Welfare State* (Cambridge: Harvard University Press, 1998), p. 51.

³² ??? – Find citation. Katznelson, or Lieberman.

³³ On this point see George Tsebelis and Jeanette Money, *Bicameralism* (Cambridge: Cambridge University Press, 1997).

³⁴ For example, some of the strongest, and most explicit state’s rights arguments against a unified welfare policy, supervised by the federal center, were voiced in the Senate Finance Committee. This committee played an important role in structuring the Social Security Act so as to make possible its actual (but highly watered down) passage. The Chairman of the Senate Finance Committee was from Mississippi, five of the fifteen other democrats

This arsenal of potential veto points, especially on issues that challenged states' rights, or attempted to alter racial relationships, meant that "southern representatives possessed a structural veto over Democratic party policy aims . . . President Roosevelt and congressional leaders tailored New Deal legislation to southerners' preferences. Sponsors fashioned key bills to avoid disturbing the regions racial civilization by employing two main policy instruments: the exclusion of agricultural and domestic labor, . . . and decentralized administration."³⁵

Decentralized administration of AFDC meant that the United States' most important law for income maintenance was profoundly shaped in a non-universal direction by the politics of U.S. federalism. "State legislators established upper and lower bounds on benefit levels, eligibility criteria, and rules and regulations for state administrators and caseworkers."³⁶ Thirty-four years after the AFDC program began, a Department of Health, Education and Welfare study argued that the program was implemented in such manner that "AFDC recipients were, in fact, better off than ineligibles."³⁷ The decentralized, locally supervised AFDC program had resulted in significant, politically produced, inequality and, indeed, poverty.

In 1997 Congress replaced AFDC with a new program, Temporary Assistance to Needy Families (TANF), which gave states even greater discretionary authority to set maximum grant levels. Afraid of being "welfare magnets," only one of the states giving the largest monthly grants (\$-554 - \$804) increased their 1997 grant over the 1990 level. But, of the seven states giving the lowest grants in 1990 (\$131 - \$222), only two gave increases above that level in 1997, Texas a \$4 increase and Tennessee a \$1 increase!³⁸ Table 13 documents the extraordinarily wide variation among average TANF benefits in the fifty states of the U.S.

on the Senate Finance Committee were from the deep South, and three were from border states. *Ibid*, p. 36, and endnote 52, p. 260.

³⁵ Ira Katznelson, Kim Geiger, and Daniel Kryder, "Limiting Liberalism: The Southern Veto in Congress, 1933-1950," *Political Science Quarterly*, 108 (Summer, 1993), pp. 383-306, quotes from pp.296-297.

³⁶ Lieberman, *Shifting the Color Line*, p. 135.

³⁷ *Ibid*, p. 129.

³⁸ U.S. House Ways and Means Committee, *Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means*, (Washington: U.S. G.P.O., 1998), pp. 416-418. This is commonly called the "Green Book" and will be so called henceforth.

federation, in what is probably the basic income maintenance welfare grant program in the country.

Table 13 goes here.

One of the leading U.S. scholars on state and federal relations and the “welfare magnet” debate Paul E. Peterson, Director of Harvard’s Center for American Political Studies, estimates that from 1975 to 1990 the federal government increased their overall welfare expenditures per person by 34.4 percent³⁹ However, he asserts that “since 1970, states have tried to avoid becoming welfare magnets. Cash benefits [for AFDC] fell by 42 percent between 1970 and 1993.”⁴⁰

Paul Pierson (not Paul E. Peterson) makes a similar point “far and away the most significant retrenchment in AFDC occurred at the state level, where individual benefits are determined . . . Advocates for the poor were even less well organized at the state level than in national politics. Benefits were not indexed, which made it easy for states to let inflation erode their real value . . . Probably most important, concerns about interstate economic competition (both the need to keep taxes low and fear of becoming a “welfare magnet”) served as an effective brake on state generosity.”⁴¹ Pierson goes on to argue that income support programs, to the extent they are funded by the 50 states and not the federal center, are “highly vulnerable to fiscal competition between states; local jurisdictions are reluctant to raise benefits, fearing that this will produce an influx of the impoverished and an exit by business seeking lower tax rates.”⁴²

There is an extensive literature on “market enhancing” federalism. However, given the fact that in the United States, state governments, not the federal government, are responsible for

³⁹ Paul E. Peterson, *The Price of Federalism* (Washington, D.C.: The Brookings Institution, 1995), p. 120.

⁴⁰ *Ibid*, p. 127.

⁴¹ Paul Pierson, *Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment*(Cambridge: Cambridge University Press, 1994), pp. 118-119.

⁴² *Ibid*, p. 121.

many welfare programs such as the AFDC program we have been analyzing, the fear of being a welfare magnet means that U.S. market federalism has increasingly been driven by a “inequality enhancing” political dynamic. In fact, Paul Peterson concludes his discussion of welfare mechanisms in the United States with the warning that “the race to the bottom could become quite deadly . . . In a society where both people and business are highly mobile, it makes little sense to leave the marginal cost of welfare provisions to lower tiers of government. To recommend that the provision of welfare should be locally controlled and its marginal cost borne by state and local taxpayers is to recommend that the poor be all but abandoned.”⁴³

III. U.S. Style “Inequality Enhancing” Federalism: Additional Research Areas

It is beyond the bounds of this IPSA paper to go into much more detail about the U.S.A. However, let us conclude by indicating three areas which are potential areas for the political reduction of inequality, but, given the particular combination of U.S. federal values and U.S. federal institutions, are clear examples of inequality enhancing federalism. All of these areas are part of our ongoing research for the Linz and Stepan book in progress, *Federalism, Democracy and Nation*.⁴⁴

A. State Taxes

In the U.S. federal system, tax revenue set, raised and spent by the state between 1920-1990 has been in the vicinity of 20 to 35 percent of total taxes set, raised, and spent in the country. (Double check & cite) If such state taxes are progressive, they can decrease inequality in the U.S.A. If such taxes are regressive, they enhance inequality in the United States. Whether they are regressive or progressive, they fall into our category of government induced (more than market or society induced).

⁴³ Peterson, *The Price of Federalism*, p. 128.

⁴⁴ Other policy areas we will discuss will be education, environment, and death sentences.

The evidence is overwhelming that state taxes are a flagrant case of “inequality inducing” federalism.

A comparative study of five different indexes of tax regressivity in the United States, as of the late 1980s, concluded that, “with the exception of the Suits Index for Delaware, *all* of the indexes indicate that *all* of the state tax systems are regressive.”⁴⁵ To the extent there is tax progressivity in the United States, it comes from the federal level.

Richard F. Winters has constructed a somewhat different state index that measures the overall regressivity of each state tax structure, as of the mid-1990s. His scale goes from under 100 for progressivity. Three states qualify; Delaware and Vermont (87), and Hawaii (94). The other 47 states are over 100 and thus regressive, according to Winters’ index. The range of state induced variations in inequality is immense. The most regressive tax systems are in six states that have an overall regressivity index of over 300; Texas (339), Florida (328), Nevada (327), Washington (326), South Dakota (308), and Tennessee (307).⁴⁶

See Table 14 (not yet completed)

Taxes with virtually no potential for progressivity are sales taxes because they apply equally to all buyers — millionaires and poverty line citizens alike. As table 14 makes clear, the number one source of revenue for the vast majority of states are sales taxes. Personal income tax is the state tax with the greatest potential for progressivity. However, eight states have no state income tax, seven have flat taxes (the same income

⁴⁵ Donald W. Kiefer, “A Comparative Analysis of Tax Progressivity in the United States: A Reexamination,” *Public Finance Quarterly*, 19 (January 1991): 94-108, quotation from p. 99, emphasis added.

⁴⁶ Richard F. Winters, “The Politics of Taxing and Spending,” in Virginia Gray, Russell L. Hanson, and Herbert Jacob, eds., *Politics in the American States: A Comparative Analysis*, seventh edition (Washington, D.C.: Congressional Quarterly Press, 1999), pp. 316-317.

rate tax for all), and in only eight of the states does income tax account for 40% or more of a state's revenue.⁴⁷

B. State Minimum Wages

The U.S. federal government established its first minimum wage bill in 1938. Due to the fear of Supreme Court challenges and federal voting politics, the law initially covered less than 20% of the total work force.⁴⁸ However, the minimum wage in the year 1999 was \$5.15 per hour and covered about 93% of full time workers. But 9.4 million workers were still not covered in 1999 by the federal minimum wage law, but only by state minimum wage laws, which had a great range. In seven states there is, in fact, no state minimum wage law at all. In states that do have minimum wage laws, the wage ranges from \$1.60 in Wyoming to \$6.75 in Massachusetts.⁴⁹

See Table 15 (not yet completed)

C. Gini Index of Economic Inequality: The European Union versus 200 "Observations" from the 50 U.S. States

The average Gini index of inequality for the 15 European Union member countries, taken as a whole is .296. The Gini index for the U.S.A., taken as a whole, is .408.

Observers occasionally attribute U.S. inequality to the assumption that the overall U.S. average on Gini economic inequality is brought down because some states have especially high migrant (especially Hispanic) or minority (especially African-American) populations with above average poverty rates. This is an empirically testable proposition.

⁴⁷ <http://www.taxadmin.org/FTA/rate/ind>, and the previously cited "Green Book," p. 4.

⁴⁸ Jonathan Grossman, "Fair Labor Standards Act of 1938: Maximum Struggle for a Minimum Wage," *Monthly Labor Review* (June 1978).

⁴⁹ The previously cited "Green Book," p. 4.

The U.S. Census Bureau has a document “State Gini Coefficients” that provides data for each of the 50 states in 1959, 1969, 1979, 1989. That is we have 200 observations of Gini coefficients. The U.S. Census Bureau also provides data for each of the 50 states concerning their percentage of African-Americans and Hispanics. These are by far the two largest relatively poor minority groups in the U.S. We can aggregate the percentage of Hispanics and African-Americans into one combined figure and compare this figure with the Gini indexes of that state. The central important point that emerges from this exercise is that no state in the quintal with the lowest aggregate minority population has a Gini index as good as the European Union.

See Table 16 (not yet complete)

We can go much further. The best and worst Gini coefficients produced by the four census years are: 1959 (best Utah .394, worst Louisiana .510), 1969 (best Indiana .322, worst, Mississippi .427), 1979 (best Wyoming .330, worst, Mississippi .401), 1989 (best New Hampshire .344, worst Louisiana .446). The point is, not one of the 200 observations, over a 40 year period of Gini index of economic equality measurement in the 50 U.S. states, produces a single observation as good as the European Union average.⁵⁰

The argument is often heard that, in effect, “True U.S. federalism has inequalities, but U.S. federalism also creates 50 laboratories for social experiment.” There is a grain of truth to this argument; however, analysts and political activists must also ask themselves why not one of the 50 “laboratories,” in one of the wealthiest countries in the world, ever arrived at the European average of equality even once?⁵¹

⁵⁰ The U.S. Census Bureau lists the African-American percentage and the Hispanic percentage for each state. The seven states which had combined African-American and Hispanic populations of less than 4 percent are Maine 1.2, Vermont 1.4, North Dakota 1.7, South Dakota 1.9, New Hampshire 2.2, Montana 2.2, and West Virginia 3.8. In 1989, the average Gini of economic inequality for these seven states was 3.91.

⁵¹ We need to study more the values and disincentives in U.S. federalism that produce a result that when a welfare bill is signed that allows states to give welfare above the federally mandated norm, or below it, sometimes not one state opts to be above the federally mandated norm. For example, although the Aid for Dependent Children (AFDC) program that we have discussed, “seemed in principle to allow for experimentation in either a more liberal or more restrictive direction, the proposals for waiver of federal requirements approved by the Department of Health and Human Services has almost always had a conservative cast . . . No state requested permission to liberalize its welfare policies.” Peterson, *The Price of Federalism*, p. 109.

Table 1: Public Spending at the Municipal Level as a Percentage of Total Public Spending for all the Continuously Democratic OECD Member States as of 1993.

	1972-1976	1977-1981	1982-1986	1987-1991	1992-1996
EUROPEAN UNION (15)					
Austria	19.6	18	17.2	16.4	17
Belgium	n.d	13.2	11.8	11.2	11
Denmark	47	47.6	43.6	44.6	44
France	16.8	16	16.6	18	18
Finland	38.6	38.4	39.2	39.4	37.4
Germany	19	17.8	16	16.8	17.2
Greece	n.d (*)	n.d.	n.d.	n.d.	20 (**)
Ireland	27.8	27	25	23.6	24
Italy	18.3	n.d.	23	21.7	20
Luxembourg	15.4	14.4	13	16	16
Netherlands	26.6	25.8	25.8	23.8	24.6
Portugal	n.d.	6	n.d.	7.5	8
Spain	10	10	12	12.2	12
Sweden	43	40.4	37.8	36.8	34.6
U.K.	31	27.4	24.8	25.2	23.6

EU + OECD (23)					
Australia	6.2	5	5.4	5.5	5.6
Canada	19.5	18.6	16.6	16	16.6
Iceland	19.2	24	23.6	22	23.5
Japan	n.d.	n.d.	n.d.	n.d.	27.8 (***)
New Zealand	n.d.	n.d.	n.d.	n.d.	10.31 (****)
Norway	39	35.2	33	33	32
Switzerland	23.6	22.6	22.6	21	20.8
United States	23	21	20	20.6	20.8

Sources: Created with data from *Government Finance Statistics* (Washington DC: International Monetary Fund), Various Issues.

* n.d. indicates data was not available.

** Data for Greece comes from Regional and Local Government in the European Union, *Report from the Committee on the Regions: 1996*, at <http://cadmos.carlbro.be/Library/SubNat/RLGinEU/RLGinEU1.htm#Contents>, accessed July 11th 2000.

*** Data for Japan comes from the website of the Economic and Social Commission for Asia and the Pacific, at <http://www.unescap.org/huset/lgstudy/country/japan/japan.html>, accessed July 11th, 2000.

**** Spending at the municipal level in New Zealand corresponds to 1994

Source: Table 1.

* Parenthesis indicates number of countries in each subset.

** Belgium has been counted as a federal state only in the 1992-1996 period (an average of the 1993-1996 period was calculated to take into account the fact that the Belgian federal constitution was approved in 1993).

Table 2: Public Spending at the Municipal Level as a Percentage of Total Public Spending in the OECD and EU sets.

	1972-1976	1977-1981	1982-1986	1987-1991	1992-1996
OECD					
Federal	17.27 (7)	16.14 (7)	15.68 (7)	15.5 (7)	15.12 (8)
Unitary	29.33 (11)	26.28 (12)	26.43 (12)	24.83 (13)	24.25 (15)
EU					
Federal	16.20 (3)	15.26 (3)	15.06 (3)	15.13 (3)	14.3 (4)
Unitary	29.38 (9)	25.62 (10)	26.06 (10)	24.34 (11)	24.56 (11)

Statistical Notes

* Pearson's correlation coefficient between public spending at the municipal level and federalism (1992-1996 average) is .4695 ($p=.0295$). If we were to use this coefficient for statistical inference, the chances of this coefficient being produced by chance (i.e. incorrectly rejecting the null hypothesis that the coefficient is zero) are about 3 in a hundred.

** Partial Correlation Coefficients are as follows: (1) Controlling for GNP per capita⁵²= .5099 ($p=.015$); (2) Controlling for population levels⁵³= .4812 ($p=.023$); and (3) Controlling for territory⁵⁴= .4069 (.060).

*** The difference in means between public spending at the municipal level between federal and unitary states for the 1992-1996 period is 9.1 points. This means that unitary states spend at the municipal level about 60% more of the total public budget than federal states. A t-test⁵⁵ of the difference in means yields an absolute t-value of 2.437 and a p-value of .024. Thus for a 95% confidence level we reject the null hypothesis that the difference in means regarding public spending at the municipal level between federal and unitary state is the same.

⁵² Gross National Product per Capita at 1998 Purchasing Parity Values. Data comes from *World Development Indicators 2000* (Washington DC: World Bank).

⁵³ Population levels correspond to 1997. Source: *World Development Indicators*, op. cit.

⁵⁴ Territory is measured in squared kilometers. Source: *World Development Indicators*, op. cit.

⁵⁵ The t-test tests the null hypothesis that the means in each sub-group is the same.

Table 3: Average Voter Turnout for all Democratic Elections to the Upper and Lower Houses for the Continuously Democratic OECD Federal and Unitary State Members as of 1993.

% Voter Turnout	FEDERAL		UNITARY	
	Classic "Coming Together"		Without Classic "Coming Together"	
45	UNITED STATES (*) SWITZERLAND	48.3 49.3		
65		CANADA	68.4	FRANCE 67.3 JAPAN 69.0
75		SPAIN	77.0	U.K and IRELAND 74.9
		GERMANY	80.6	FINLAND 79.0 NORWAY 79.8 GREECE 80.3
	AUSTRALIA	84.4	BELGIUM 83.2 1946-1993 (***)	PORTUGAL 82.4 DENMARK 83.6 NETHERLANDS 84.8
85		AUSTRIA	85.1	NEW ZELAND 86.2 BELGIUM – 87.9 1993- (***) 89.5
95				ICELAND 92.5 ITALY
Average	60.6		78.86	81.32

Source: International Institute For Democracy and Electoral Assistance, *Voter Turnout from 1945 to 1997: A Global Report* (Stockholm: 1997), pp. 20-21.

* The average turnout in all US presidential elections for the period is 55.56 percent

** The average turnout in all French presidential elections for the period is 73.2 percent

*** Belgium is listed twice because it was a unitary state until it ratified a federal constitution in May 1993. Pre 1993 elections are thus coded in the unitary box and post 1993 elections in the federal box.

Table 4: Gini Index of Economic Inequality in the mid 90's of all the Continuous Democratic OECD Federal and Unitary State Members as of 1993 (Henceforth "OECD set")*

Gini Scale	FEDERAL		UNITARY
	Classic "Coming Together"	Without Classic "Coming Together"	
Worst			
.44			NEW ZEALAND .439
.42			
.40	UNITED STATES (*) .408		
.38			
.36	AUSTRALIA .356		U.K. .361 IRELAND .359 PORTUGAL .356
.34	SWITZERLAND .331		
.32		SPAIN .325	GREECE/FRANCE .327 NETHERLANDS .326
		CANADA .315	
.30		GERMANY .300	
.28			
.26			ITALY .273 LUXEMBOURG .269 NORWAY .258 FINLAND .256
.24		BELGIUM .250	SWEDEN .250 JAPAN .249 DENMARK .247
Best		AUSTRIA .231	
Average	.363	.284	.305

Source: *World Development Indicators: 2000* (Washington DC: World Bank 2000), pp. 67-68.

*On the Gini index, .000 represents perfect equality – every citizen would have exactly the same income – and 1.000 represents absolute inequality – i.e. one citizen would have all the income in the country.

Table 5: World Health Organization Ranking of Fairness of Financial Contribution to Health System of 23 OECD Countries (out of 191 WHO member states).

Scale	FEDERAL		UNITARY	
	Classic "Coming Together"		Without Classic "Coming Together"	
Most Unfair				
60				PORTUGAL 59
	UNITED STATES	54.5		
50				ITALY 46.0
				GREECE 41.0
40	SWITZERLAND	39.0		
30	AUSTRALIA	27.5	SPAIN	27.5
				FRANCE 27.5
				NEW ZEALAND 24.0
				NETHERLANDS 21.0
20			CANADA	18.0
			AUSTRIA	13.5
				SWEDEN / ICELAND 13.5
10				
				U.K. / FINLAND / JAPAN / NORWAY 9.5
			GERMANY	6.5
				IRELAND 6.5
			BELGIUM	4.0
				DENMARK 4.0
Least Unfair				LUXEMBOURG 2.0
AVERAGE	40.3		13.9	19.7

Source: World Health Organization (WHO), *The World Health Report: 2000*, Annex Table 7, p.1

Table 6: Post Government Child Poverty Rate in Solo Mother Households

Highest	Federal		Unitary States
	Classic Coming Together	Non-Classic	
60			
55	U.S.A. 59.5 Australia 56.2		
50		Canada 50.2	
45			
40			Ireland 40.5
35			Netherlands 39.5
30			
25	Switzerland 25.6		
20			France 22.6
15			United Kingdom 18.7 Norway 18.4
10			Italy 13.9 Belgium 10.0 Luxembourg 10.0
5			Finland 7.5 Denmark 7.3
0		West Germany 4.2	Sweden 5.2
Average	47.1	27.2	17.6

Source: Luxembourg Income Study, as discussed in Rainwater "Legality and Poverty in Comparative Perspective," p.16.

Table 7: Percentage of Population Over 60 Years Old Living With Poor or Near Poor Income for Their Countries Cost Structure from the OECD Set.

Scale in Percentages	FEDERAL		UNITARY	
	Classic "Coming Together"	Without Classic "Coming Together"		
Highest				
21	UNITED STATES 20.7			
19	AUSTRALIA 18.7			
17				
15	SWITZERLAND 15.7		NORWAY 15.6	
		AUSTRIA 14.2	ITALY 15.5	
13				
		CANADA 11.5	LUXEMBOURG 11.7	
11				
09			FINLAND 9.8	
			IRELAND 9.0	
		GERMANY 8.5	BELGIUM (*) 8.9	
07			FRANCE 7.2	
			U.K. 6.7	
05			SWEDEN 6.5	
03				
01			NETHERLANDS 2.5	
Lowest				
Average	18.4	11.4	9.3	

Source: Anthony Atkinson, Lee Rainwater and Timothy Smeeding, *Income Distribution in OECD Countries* (Paris:OECD, 1995), p. 104.

* The data for Belgium is for 1988 when Belgium was still a unitary state therefore it is included in the unitary column.

Table 8: Malapportionment: Aggregate Score of OECD Set

Most	Federal		Unitary
	Classic “Coming Together”	“Non-Classic”	
.200			
.190		Spain .191	
.180	U.S.A. .189		
	Switzerland .182		
.170			
.160	Australia .160		Iceland .168
.150			
.140			
.130		Germany .139	
.120			
.110			
.090			
.080			Japan .084
.070			
.060			Norway .066
.050			Denmark .052
.040		Austria .047	Greece .041
.030			
.020			Ireland .025
.010			Italy .019
			Portugal .017
			New Zealand .016
			Sweden .011
.000			Finland .009
			Netherlands .000
Least			
Average	.177	.126	.042

Source: Samuels and Snyder “The Value of a Vote: Malapportionment in Comparative Perspective,” *British Journal of Political Science*, forthcoming.

TABLE 9: Overrepresentation and Economic Inequality in Eight Advanced Federal Democracies

Gini index of Upper House Overrepresentation ⁵⁶	Belgium .015	Austria .050	Spain .310	Germany .320	Canada .340	Australia .360	Switzerland .450	U.S.A. .490
Gini Index of Economic Inequality ⁵⁷	Austria .231	Belgium .250	Germany .300	Canada .315	Spain .325	Switzerland 0.331	Australia 0.356	U.S.A. .408

(1) Pearson's correlation coefficient: .9136 [Significant at a .999 level of confidence⁵⁸]

(2) Partial correlation coefficient⁵⁹: .9048 [Significant at a .997 level of confidence]

⁵⁶ Source: Alfred Stepan, *Arguing Comparative Politics* (Oxford and New York: Oxford University Press, Fall 2000).

⁵⁷ Source: *World Development Indicators: 2000* (Washington DC: World Bank, 2000).

⁵⁸ The odds of this correlation being produced by chance is about 1/1000. In statistical language, the probability of incorrectly rejecting the null hypothesis that this correlation is zero is about .001.

⁵⁹ Controlling for Gross National Product per Capita.