New Structuralism and Institutional Change

Federalism Between Centralization and Decentralization

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This article aims to contribute to the debate on institutional change by introducing social structure as the basis for theorizing about the direction of such change. The empirical context is the long-term trends of federal institutional change in the federations of the industrialized West (Australia, Austria, Belgium, Canada, Germany, Spain, Switzerland, and the United States). It is the authors’ contention that institutions change in order to reach a better fit with the underlying linguistic structure. The direction for institutional change in federal systems with territorially based linguistic heterogeneity is decentralizing, for homogeneous ones the direction is centralizing. The argument is based on the growing importance of language as the provider of democratic space. It is through the less formalized interest group politics that the underlying linguistic base finds its way into influencing the direction of institutional change.

**Keywords:** new structuralism; institutional change; decentralization; federalism; language

New institutionalism is getting kind of old. It is no longer a challenge to the mainstream from the margins. Most of its assumptions have been internalized into the various subfields of political science—particularly comparative politics (Rhodes, Binder, & Rockman, 2006). It seems that in the past two decades new institutionalism has become the big heterogeneous center, rendering the adjective *new* a little redundant. Various analytical

**Authors’ Note:** An earlier version of this paper was presented at the 4th European Consortium for Political Research General Conference, September 2007, Pisa, Italy. The authors would like to thank the participants at the conference, and Wilfried Swenden in particular. They also thank the anonymous reviewers of the journal.
traditions now acknowledge the importance of the institutional context as a filter between the deductive reasoning informed by their theoretical mind-map on one hand and outcomes on the other. Such emphasis on institutions however comes with an intrinsic tendency to highlight continuity. It is our aim to show that structuralist approaches that have been relegated to the peripheries of our discipline still provide us with useful insights to help explain institutional change. But our argument seeks to soften the determinism often associated with older structuralist approaches by proposing a probabilistic link between structures, political agents, and outcomes. It is thus structuralism of a “new” kind.

New institutionalism was originally driven by a desire to compensate for some of the shortcomings of behavioralism and structural-functionalism (Evans, Rueschemeyer, & Skocpol, 1985). But behavioralism itself had been a response to old institutionalism (Dahl, 1961). The new institutionalist wave that challenged some of the existing theoretical and methodological practices was not a simple return to the old ways of doing things. The behavioralist revolution left a lasting scientific outlook on the discipline. So our proposition to reintroduce structure to mainstream political science is similarly not a quest to turn the clock back. It is an attempt to contribute to theorizing about institutional change.

Explaining institutional change remains a challenge to contemporary social science. Inductively, a number of explanations have been proposed in case-specific terms (Fligstein, 1991). These explanations tend to have high internal validity but little transportability to cases elsewhere. This article aims to contribute to the debate by proposing a deductive macro theory of institutional change. Our empirical focus is on the federal systems of the industrialized West. In the past four decades, the institutions of these federations have changed. Some, like Austria for example, have gradually become more centralized, whereas others, like Belgium, have followed the decentralist path. In case-specific terms explanations have been proposed through post hoc reasoning: For example, the centralization of Austria has been explained by referring to the pressures modern liberal-democratic capitalist societies face to be effective and efficient. Citizens expect their states to respond to their pressing concerns. In this context, due to its division of responsibilities, federalism creates a barrier to nationwide solutions and creates a degree of diversity in public policies that are unacceptable to Austrian citizens. In Belgium in contrast, decentralization is explained through the same pressures modern liberal-democratic capitalism presents. Here, the argument goes that postindustrial democracy increasingly calls for bringing democracy closer to the citizens and empowering lower levels of government. In
due course, subnational collective identities find a voice for themselves in the new politics. The result has been decentralist institutional change.¹

These might very well be the sentiments expressed by Belgians and Austrians, yet there is a little risk of a post hoc rationalization if this is to be our only basis to theorize about institutional change. Explanation tends to come after institutional change itself as we reason backwards inductively. The question is whether we can deductively explain why and how federal institutions change.

In this article, we propose a structuralist explanation that can account for both the centralist and the decentralist direction of change in Western federal democracies. The cases under examination are Austria, Australia, Belgium, Canada, Germany, Switzerland, Spain, and the United States.² Some of these federal systems have gone through institutional changes that made them more central, some have gone through decentralizing institutional changes, and some have changed asymmetrically, namely, some of the subunits (provinces, states, cantons, Länder) have collectively worked to bring about institutional changes toward further centralization while other units have sought more autonomy than the rest.

Ours is an explanation that relies on the dichotomy between the social base and the institutional superstructure. In theoretical terms, we build on the dialectical base/superstructure dichotomy from Marxism. We hold the linguistic social base to be the key to understanding and explaining how institutions change. Put simply, it is our contention that institutions change to reach a better fit with the underlying structural base. The direction for institutional change in federal systems with territorially based linguistic heterogeneity is decentralizing, for homogeneous ones the direction is centralizing.

We use a number of additional assumptions to soften the determinism that often characterizes structural approaches. Our argument is as follows: Starting with the 1970s, language has become an increasingly important vehicle in Western democracies as the main provider of democratic space. That is, in federations with linguistically homogeneous populations, language creates a common public space for all citizens regardless of internal subunit boundaries. In heterogeneous federations on the other hand, language divisions divide the democratic space along linguistic lines.

The growing importance of language is due to a number of interrelated factors that define the postindustrial phase in modern liberal-democratic capitalist societies. These factors include the resolution of the old battles that defined political fault lines such as the right to strike, social rights, universal health care, and public education; decline in traditional cleavages like class, religion, ethnicity, and region that both influenced voter behavior
and gave meaning to a citizen’s sense of belonging (Dalton, 1996; Inglehart, 1990; Lane & Ersson, 1991); decline in party membership and the consequent lessening of dependence on party leaders and party-affiliated media as information gatekeepers (Dalton, 1996; Schmitt & Holmberg, 1995); the consequent centrist accumulation of votes and shifting voter preferences from election to election (Franklin, Mackie, Valen, & Bean, 1992); the growing reach and visibility of mass media (Semetko, Blumler, Gurevitch, & Weaver, 1991).

As voters make their minds up with a degree of volatility that was unknown in the days of high party membership and as political parties campaign to convince voters whose support they can no longer take for granted, language has assumed an increased role as the medium for political communication.\(^3\) Increasingly, politics rests on campaigning for the swing vote, political communication and disseminating information, and public exchange of arguments and opinions. As the vehicle for providing democratic space, language has come to matter more for Western democracies in the past four decades.

The social base finds expression in day-to-day politics through interest group politics, which tend to be less formalized than federal institutions and constitutions. Due to the growing importance of language since the 1970s, organizations of collective interest have come to reflect the underlying linguistic base as well. Trade unions, professional associations, citizens’ initiatives, nongovernmental organizations, and most important, political parties play a vital role in translating underlying structural factors into the political space. That is, organizations of collective interest in linguistically heterogeneous federations increasingly reflect the social base and come to follow linguistic lines. Nationwide political parties in Belgium have split along linguistic lines in the 1970s; there are now even French and English separate Mothers Against Drunk Driving associations in Canada (see Cameron & Simeon, in press; Meisel & Lemieux, 1972). Miriam Smith (2004) has labeled the linguistic bifurcation within Canadian organizations of collective interest as segmented networks. The parallel process in linguistically homogeneous federations has been toward nationwide organizations of collective interest (see e.g., Koja, 1975; Obinger, 2005). The Austrian and German Länder have even formed nationwide entities to voice their collective interests (Abromeit, 1992; Katzenstein, 1987). Due to the lower sunk-costs in forming groups of collective interest, this is the first area where the role of the social base can be observed.

At this point, it is imperative to spell the argument out a little further to avoid misrepresentation. We neither claim that language has become a more salient focus of group demands nor that language rights have become the primary political issue—although these might be nonetheless true for some
of our cases. Such claims would imply that the target of social mobilization was institutional redesign. Although the outcome might very well be the redesign of federal institutions to reflect the underlying linguistic basis of the society, the purposive action of organizations of collective interest need not be directed to this end. From older interest groups like trade unions and farmers associations to newer social movements like gay and lesbian advocacy groups, popular politics is increasingly conducted beyond the confines of traditional politics. In the era of new social movements and citizen’s initiatives, interest groups mobilize on linguistic bases. This is not because Francophone mothers in Canada have different interests than their Anglophone counterparts who campaign against drunk driving; it is because mobilizing in your own language is the default option for such postelitist initiatives. In Will Kymlicka’s (2001) terms, politics is now the “politics of the vernacular” (p. 121). In spite of Länder competences in health care policy, the fact that German doctors’ associations mobilize in nationwide terms is a reflection of the same phenomenon in the opposite direction (Padgett, 2000).

Whereas the democratic frames of reference defined by language divides interest group mobilization in Belgium, Canada, Spain, and Switzerland, the linguistically unified public space allows for nationwide mobilization in Austria, Australia, Germany, and the United States. Here language does not represent a symbol of shared cultural identity, but it is merely the medium for political communication. Language determines and demarcates the public space for campaigning, debating, and decision making. A linguistically demarcated civil society is the basis on which modern interest group politics is conducted. Formal institutions on the other hand tend to be constitutionally entrenched and thus go through a more gradual process of change due to the tenacity existing institutions display in self-preservation.

**Institutionalism**

In the past 20 years, new institutionalism has become the leading approach in comparative politics, drawing scholarly attention to institutional arrangements that shape political strategies and distribute political power (Koelble, 1995; Pontusson, 1995; Steinmo, Thelen, & Longstreth, 1992; Weaver & Rockman, 1993). The institutionalist logic suggests that political actors take advantage of the available channels for political activity. Actors are gradually socialized into the institutions as they form their preferences within these rule-bound settings (North, 1990). Interests thus come to be nested in prevailing institutional arrangements. This in turn means that established institutions are reproduced over time.
Institutionalist approaches are particularly dominant in the subfield of comparative federalism (Erk, 2007). Focus tends to be on federal constitutions and how political authority is divided, shared, or dispersed among two or more levels of government. Institutionalism had in fact become the dominant perspective in the study of federalism before its current popularity in comparative politics. At a time when institutionalism was still on the margins of mainstream political science, students of federalism had been promoting its merits. More than 30 years ago, Richard Simeon (1977) argued:

Institutions are not simply the outgrowth or products of the environment and they are not just dependent variables in the political system. They can be seen as independent forces, which have some effects of their own: once established they themselves come to shape and influence the environment. (p. 297)

Comparative federalism’s early conversion to the institutionalist camp is largely due to the origins of the subfield. In fact, the very origins of comparative federalism lie in comparative constitutional studies. The division of competences between the center and the substate units (provinces, states, cantons, Länder) had always been the main focus of comparative federalism (see Wheare, 1946). Bolstered by its overall popularity, institutionalism continues to dominate the study of federalism.

As one of its main accomplishments, new institutionalist literature has provided convincing explanations for why apparently suboptimal systems continue to persist even though they are not actively endorsed or even explicitly opposed by political elites (DiMaggio & Powell, 1991). The other side of the coin is that institutionalist approaches tend to have problems with explaining institutional change (Rothstein, 1998; Scott, 2001). This is partly due to the emphasis on institutional setup, which brings with it an intrinsic tendency to emphasize continuity. Leading new institutionalists themselves have recently tackled what they call “the impoverished state of theorizing on issues of institutional change” (Streeck & Thelen, 2005, p. 1). Limits to the institutionalist perspective are also acknowledged by some of its practitioners in federalism scholarship. A little more than a decade after advocating institutionalist approaches in comparative federalism, Simeon (1989) concluded that:

We have not done a very good job theorizing about change in the federal system. . . . Clearly institutional models alone are insufficient, since these changes have occurred . . . within an essentially unchanged institutional framework. . . . But to fully explain change we are driven to revive our interest in societal forces and in political economy. (pp. 418-419)
Apparently paying heed to Simeon’s critique, newer works in comparative federalism have come to acknowledge the limits of the institutionalist lens in explaining change. Instead of taking institutions as given and investigating their consequences, Erik Wibbels (2005) calls for approaching institutions as dependent variables to account for the ways in which the institutions of federalism evolve. Elsewhere, he has highlighted the need to “understand how and why institutions emerge and evolve as they have across federations” (Wibbels, 2006, p. 167). According to Jonas Pontusson (1995), to understand change, “we need to analyze the process whereby ‘extra-institutional’ forces reshape the interests of powerful actors” (p. 142).

Although some theorizing about institutional redesign during times of crisis exists, what is particularly vexing is the question of gradual change.5 One way to deal with institutional change is conceptually stretching the very concept of institution itself. Some have gone as far as to call everything that has any recurrent nature an institution.6 The intellectual risk with this approach to change is that once everything and anything is an institution, it is no longer clear what institutionalism means (Meadwell, 2005). It is our contention that gradual institutional change is best explained through use of the dialectical relationship between the underlying social structure and the overarching institutional configuration. However, in the recent decades such structural approaches have largely been pushed to the peripheries of contemporary scholarship.

Structuralism

As explanatory tools, structural approaches give primacy to macro-social factors (Laitin, 1998). There is however little consensus on what these social structures are. For some, it is economic production patterns, for others it is the linguistic makeup of the society, for yet others it is political culture. What is shared however is a separation between structure and institutions.

In their influential book The Civic Culture, Gabriel Almond and Sidney Verba (1963) explored the relationship between political culture and political institutions: “Political cultures may or may not be congruent with the structures of the political system” (p. 21). Their view was based on an understanding that held the social structure, in this case defined in cultural terms, separate from the institutional setup. Harry Eckstein (1961) also explored a similar relationship between societal factors and political institutions. Eckstein proposed to look at democracies through the lens of congruence between state and society; or more precisely, between the authority patterns in society and political institutions. He believed that the
relationship between the two carried the answers to what made certain democracies stable and others not. According to Colin Crouch (2001), structuralists share an interest in the “deeper, less accessible structures within society which impart differential kind and levels of power to different social interests” (p. 197).

Despite the institutionalist hegemony, the study of federalism has not been completely devoid of structural approaches. The most important voice of this persuasion has been a French thinker more widely known for his anarchist ideas: Pierre-Joseph Proudhon. In his *Du principe fédératif*, Proudhon (1863) examined the influence social structure has on federal institutions. He concluded that it is because of socioeconomic diversity that federal political institutions were adopted, rather than the opposite explanation holding these institutions to be the very cause of diversity. William Livingston’s (1952) work follows this structuralist tradition in comparative federalism. According to Livingston, scholarly focus should be on the social structure and its impact on formal federal institutions. Accordingly, it was the notion of a “federal society,” namely, a social structure with territorially based diversity, that carried the answers to the workings of federalism.

In many respects, these works all share the dialectic logic Marxism employs between the base and superstructure (Cohen, 1989). According to Marx, the economic mode of production at the base of the society coexists with the legal and political setup that sits above it. Although the base and the superstructure are in a dialectical relationship, they are ontologically separate. When the economic production patterns at the substructure of the society change, the legal and political superstructure adjusts accordingly. The source of politics thus lies in the socioeconomic structure. This structure determines the workings of the political system and pressures political institutions to reflect the underlying socioeconomic factors. In other words, politics is about the dialectical relationship between the “determining base and a determined superstructure” (Williams, 1973).

By putting society before the state, structural approaches place themselves closer to the political sociology tradition. According to Reinhard Bendix and Seymour Martin Lipset (1957), “political science starts with the state and examines how it affects society, while political sociology starts with society and examines how it affects the state” (p. 87). Giovanni Sartori (1969) has also drawn attention to the different approaches political sociology and political science employ: “The independent variables—causes, determinants, or factors—of the sociologist are, basically, *social* structures, while the independent variables—causes, determinants, or factors—of the political scientist are, basically, *political* structures” (p. 67).
One of the reasons behind the relegation of structuralism to the peripher-
ies of comparative politics is its intrinsic determinism. Whereas institution-
alism has an intrinsic bias toward continuity, structuralism suffers from a
bias expecting automatic change. According to Mark Lichbach (1997),

Given structure, outcomes follow. Structural causes are so powerful that
everything becomes predictable: There are imperatives and not possibilities,
dictates and not contingencies. To structuralists, in sum, structure is fate. This
perspective leads to historical fatalism, an iron-cage determinism, and the
absence of voluntarism. (p. 258)

Our intention is to avoid both extremes. While we acknowledge the risk of
determinism, social structures carry the deductive potential that helps us theo-
rize about institutional change. Focus on organizations of collective interest as
political agents allows us to formulate probabilistic statements linking struc-
ture, agency, and outcome (Hay & Wincott, 1998). Linguistic structure—as
reflected in interest group politics— influences the direction of institutional
change in Western federal democracies notwithstanding the formal differences
between them. This follows William Riker’s (1969) point that “in the study of
federal governments, therefore, it is always appropriate to go behind the [con-
stitutional legal] fiction to study the real forces in a federal system” (p. 146).
But it is Carl Friedrich (1968) who best summarizes the benefits structural
perspectives have in explaining the processes of federal change:

The study of social structure in relation to federalism has, therefore, helped
us to understand better the dynamic nature of federal orders, to look upon a
federal system as subject to continual change, rather than a static design fixed
forever in an immutable distribution of factors. (p. 54)

**Empirical Analysis**

The cross-national investigation we undertake is based on the long-term
trends in decentralization levels in Australia, Austria, Belgium, Canada,
Germany, Spain, Switzerland, and the United States. Due to its built-in bias
toward continuity, an institutionalist perspective would lead us to expect no
gradual change in the degree of decentralization. The structuralist logic on
the other hand would hold federal institutions as dependent rather than
independent variables. So, not the de jure institutional setup, but rather
the linguistic composition of a society should explain the direction of the
long-term trends in decentralization.
Our investigation follows two hypotheses: First, we expect that linguistically heterogeneous societies are likely to be more decentralized than homogeneous societies. Second, we hypothesize that if a country has a different level of decentralization than we expect on the basis of the linguistic structure, this level will change over time in such a way that it comes to reflect its linguistic composition (see Figure 1 for a graphic representation of the hypotheses).

For the independent variable in this research, namely, linguistic fractionalization, we use the index by Alesina, Devleesschauwer, Easterly, Kurlat, and Wacziarg (2003), which measures the probability that two randomly selected persons from one country do not belong to the same linguistic group. The most important advantage of this measure over other indexes of fractionalization (e.g., O’Leary, 2001; Taylor & Hudson, 1972) is that it explicitly distinguishes linguistic fractionalization from other forms of diversity, such as religious or ethnic fractionalization. At the same time, given the longitudinal nature of our research it would probably have been best to use separate data for each time point in our analysis. However, there is no reason to believe that any of the countries in our data set had a significantly different linguistic composition in the 1970s from what it was when Alesina and his colleagues collected their data. In other words, using a constant for this variable does not seem to bias our findings in any way.

The dependent variable, namely, de facto decentralization, is more difficult to operationalize. After all, our argument is that institutions do not capture the real workings of federalism, and for that reason, otherwise
useful indicators that measure formal governmental structure (e.g., Lijphart, 1999), the decentralized nature of a party system (e.g., Mayer, 1970; Rodden & Wibbels, 2002), or the degree of regional authority (Marks, Hooghe, & Schakel, 2008) are unsuited for this research. Although still imperfect, we believe that a measure of fiscal decentralization provides a better approximation of actual decentralization.

This article uses a composite index that takes both government expenditure decentralization and the degree of fiscal autonomy of subnational governments into account. In a recent article, Jonathan Rodden (2004) compares a large number of potential measures of fiscal decentralization. He finds that virtually all these measures are flawed, either for being so crude that they raise validity concerns or so sophisticated that they cannot be compared across time and countries. We choose to combine two measures. In the first place, we take the indicator in Rodden’s overview that correlates most strongly with most indicators: the expenditure of federal subunits as a share of the overall government expenditure. The most pressing problem with this indicator is that it fails to take into account to what extent the central government exerts control over lower governments’ expenses. As a second indicator, we therefore take a look at the percentage of subnational governments’ revenues consisting of grants of the central government. By combining these two indicators into one index, we intend to counter both the problems of validity and of limited data availability. A reliability analysis yields a Cronbach’s alpha of .741, suggesting that these two indicators can safely be combined into one measure. Table 1 shows descriptive statistics of the dependent and independent variable for the eight cases under study.8

To test the two hypotheses, we conduct two different analyses. First, a regression analysis measures the overall relationship between expenditure decentralization and linguistic homogeneity. To assess whether this relationship becomes stronger over time, we repeat the regression analysis for each year under observation and calculate the difference between the observed decentralization score of each country and the score we would predict on the basis of the linguistic composition (that is, the point on the regression line of that particular year). By this method, it is possible to say whether in fact the degree of decentralization over time changes in such a way that it reflects the underlying linguistic structure better.9

To start with the first analysis, a first glance at Figure 2 suggests that there is no relationship between linguistic heterogeneity and our decentralization index for the time period and countries under consideration. In fact, a regression analysis reports a negative but insignificant relationship between these two variables ($b = -.066$, significance = .165). However, if
Table 1
Descriptive Statistics of Variables

<table>
<thead>
<tr>
<th>Country</th>
<th>Years (N)</th>
<th>Years N</th>
<th>Linguistic Fractionalization</th>
<th>Fiscal Decentralization Index</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1974–2005</td>
<td>32</td>
<td>.3349</td>
<td>.4773</td>
<td>.0373</td>
</tr>
<tr>
<td>Austria</td>
<td>1973–2005</td>
<td>33</td>
<td>.1522</td>
<td>.5076</td>
<td>.0210</td>
</tr>
<tr>
<td>Belgium</td>
<td>1978–2005</td>
<td>28</td>
<td>.5409</td>
<td>.2849</td>
<td>.0315</td>
</tr>
<tr>
<td>Canada</td>
<td>1974–2005</td>
<td>32</td>
<td>.5772</td>
<td>.6584</td>
<td>.0197</td>
</tr>
<tr>
<td>Germany</td>
<td>1972–2005</td>
<td>34</td>
<td>.1642</td>
<td>.5912</td>
<td>.0138</td>
</tr>
<tr>
<td>Spain</td>
<td>1973–2005</td>
<td>33</td>
<td>.4132</td>
<td>.3910</td>
<td>.0551</td>
</tr>
<tr>
<td>United States</td>
<td>1973–2001</td>
<td>29</td>
<td>.2514</td>
<td>.5726</td>
<td>.0197</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>246</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 2
Linguistic Fractionalization and Fiscal Decentralization in Eight Democratic Federations, 1972-2005

we exclude the outlying cases of Belgium and Spain (which are, as we will see, the cases in our sample that experienced most change in their decentralization rates), we find a strong and significant relationship in the
expected direction \((b = .245, \text{significance} = .000)\). The explained variance of this relationship is .359, which suggests that looking at linguistic fractionalization helps us to explain close to 36% of the variance between decentralized and centralized countries.\(^{10}\)

In sum, we find only modest support for our first hypothesis. To be better able to assess the historical development of this relationship, we now take a closer look at the changes in decentralization scores in the individual countries. Figure 3 illustrates residual scores (i.e., the difference between the observed and the predicted decentralization score on the basis of a regression analysis for each year) for each country and for the time period from 1971 to 2005. In other words, the graphs in Figure 3 give an idea of how much the decentralization score in every country corresponds to the score we would predict on the basis of its linguistic composition. If the score is 0, we are dealing with a perfect correspondence. If the score is negative, the country is more centralized than expected, which means we predict it to decentralize over time. Needless to say, a positive score means the country is more decentralized than expected, leading us to predict a process of centralization.\(^{11}\)

As far as the first country in our analysis is concerned, we have to note that the Commonwealth of Australia that came into being in 1901 has no territorially based diversity that corresponds to the demarcations of the six constituent states. The most important politically salient social cleavage is class, which is a nationwide phenomenon. As representatives of class interests, Australian political parties have been instrumental in bringing about nationwide politics. According to Riker (1964), “The divisions in Australian culture seem to be economic and religious with hardly any geographic base. . . . One wonders, indeed, why they bother with federalism in Australia” (p. 113). In this context, the workings of the federation are more unitary than what the constitution suggests. This is reflected in Figure 3. Already in 1971 Australia was de facto almost as centralized as we would expect it to be. In the period under consideration, it has only drawn closer to the level of decentralization we would expect on the basis of its homogeneous linguistic structure.

Austria shows a similar picture. The decentralization scores are initially very close to what we would expect on the basis of the country’s ethnolinguistic composition. These scores remain relatively stable over time. Just as in the case of Australia, Austria is being governed in a much more unitary way than the federal constitution would suggest. These empirical findings can be traced back in Austrian history. At the end of the First World War, the crown lands of the Habsburg Empire had reinvented themselves as the Länder of the Austrian federation. After the Second World War, the Austrian Länder were recreated along their 1938 borders. In the following decades,
Figure 3
Observed Minus Predicted Decentralization Scores in Eight Countries
the unitary social structure exerted a strong centralizing pressure on the workings of the federal system. According to its constitution Austria is a federation, but in practice the country works as a unitary state. Politicians, bureaucrats, interest groups, professional associations, trade unions, and most important, voters see politics in nationwide terms and act accordingly (Erk, 2004). The Austrian federal constitution establishes nine Länder, but there is no corresponding societal distinctiveness along federal demarcations. The absence of territorially based ethnolinguistic heterogeneity generates broad centralizing pressures on the federal system. As Figure 3 shows, ever since a match has been found between structure and institutions, the decentralization scores of the country have remained relatively stable.

Belgium officially became a federation in 1993, but the process of federalization had started earlier. The 1962-1963 state reform demarcated three Dutch, French, and German unilingual linguistic regions and a bilingual Brussels region. In 1970 two nonterritorial cultural communities were set up. With the 1980 reform, the cultural competences of the Flemish and French communities were expanded. The “regionalized” issues on the other hand were left to the newly created “Regions.” In time, the Flemings effectively merged into one as the Flemish Community took on the responsibilities of the Flemish Region with one legislative council. The divisions between the Walloon Region and Brussels prevented a similar solution.12 The 1993 constitution tries to keep things relatively simple by establishing three Regions (Flanders, Wallonia, and Brussels-Capital) and three Communities (Flemish, French, German). But the way the system functions in practice is not that symmetrical; Flemish Community and Region are one entity, the Francophone side is composed of Brussels and Wallonia. The Belgian federation that resulted from successive reforms is not a neat symmetrical federation with clearly defined responsibilities for its orders of government. Its institutional complexity reflects the societal complexity that underlies it. This match between social structure and decentralization can be traced back in the empirical findings. As Figure 3 shows, Belgium was initially much more centralized than we would predict, but over time the difference between observed and predicted values is gradually decreasing.

The case of Canada does not seem to support our hypotheses. After all, on the basis of the overwhelming majority English speakers in the country, we would expect Canada to centralize over time, whereas the data on fiscal decentralization suggest that the country has been relatively stable in this regard (Figure 3). We suspect most of this is due to French-speaking Québec’s role as an outlier, which prevents further centralization that would correspond to the degree of linguistic homogeneity that the nine other English-speaking
provinces represent. After all, the French–English axis has been the most important fault line of Canadian federalism (Gagnon & Erk, 2001). Québec enjoys a unique status within the federation while there appears to be a stronger degree of common identity among the nine English-speaking provinces. According to a recent polling survey, “Canadians outside Québec have little attachment to particular divisions of powers in the *BNA Act* [British North America Act]. . . . They have little respect for the classical federal principle and little interest in attempting to implement ‘watertight jurisdictions’” (Cutler & Mendelsohn, 2001, p. 29). In Québec on the other hand, issues of jurisdictional control still dominate the politics of the province and its relationship with the rest of the country. According to Kymlicka (2001),

> While most Québécois want an even more decentralized division of powers, most English-speaking Canadians favor retaining a strong central government. . . . One way to describe the problem is to say that there is a disjunction between the legal form of multination federalism and its underlying political foundations. (pp. 103, 113)

The case of Germany more clearly supports our argument. Despite its decentralized institutions set up by the 1949 constitution, the unitary characteristics of the German society led to demands for uniform nationwide policies. Gradually, a federal system based on exclusive competences was replaced by an interlocking system of federalism (Scharpf, Reissert, & Schnabel, 1976). The trend toward centralization has led some observers to suggest the label of a *unitary federal state* (Hesse, 1962). Another observer has described Germany as “a decentralized state and centralized society” (Katzenstein, 1987, p. 15). The institutions designed for the Federal Republic of Germany in 1949 were organized according to a political logic that ran against the grain of its unitary ethnolinguistic structure. In the following 60 years, the political system moved toward a closer match with the underlying social structure as political actors mobilized in all–German terms rather than following the federal demarcations. This can also be seen in Figure 3. In the period under consideration, we see that Germany is gradually centralizing, reaching more and more a fit with the homogeneous societal structure.

This process of institutional change is even more pronounced in Spain. Following the death of General Franco, a new constitution was adopted in 1978 that provided the “historical nationalities” the right of autonomy. Catalonia, the Basque provinces, and Galicia had passed autonomy statutes during the Second Spanish Republic (1931-1936), hence their “historical” claim for autonomy. However, the constitutional right to autonomy led all the
Spanish regions to follow the path of the “historical nationalities” and adopt statutes of autonomy. Currently there are 17 Autonomous Communities, but their powers are widely different. The asymmetrical character of Spanish federalism has emerged in a piecemeal fashion rather than as a product of a grand constitutional design. In other words, federalism has emerged through an “inductive allocation of resources” (Agranoff & Ramos Gallarín, 1997, p. 38). Since 1978, the Spanish federalization process has continued in the direction of devising institutions to correspond to the underlying ethnolinguistic structure. This is clearly shown in Figure 3. Whereas under Franco Spain was being governed in a much more centralized way than its societal structure demands, from 1985 onward the country has gradually decentralized. In the new millennium, the decentralization score is almost exactly what we predicted on the basis of our new structuralist argument.

Throughout its long history, religion remained the predominant social cleavage in the Swiss confederation dividing the country fairly evenly into Protestants and Catholics. Starting with the end of the Second World War however, language emerged as a more prominent marker of collective identity. Swiss federalism has since come to reflect the underlying ethnolinguistic divide between the French Swiss and German Swiss despite a formal federal system based on 26 cantons. Around 75% of Swiss are German speakers; French speakers constitute 20% of the population inhabiting the six western cantons. Italian speakers are only 4% of the population and are concentrated in the southern canton of Ticino (Tessin in German and French). Finally a tiny group of Rhaeto-Romansche speakers live in the isolated alpine canton of Grisons forming less than 1% of the Swiss. The formal federal structure is not based on linguistic constituent communities but cantons, however the salient political division in Switzerland is between the ethnolinguistic communities. Cantonal decentralization has gradually been replaced by a system where the large majority of German speakers and the minority Swiss Romand have acquired institutions that increasingly match the asymmetry in the societal makeup. This is backed up by the findings presented in Figure 3. Since the 1970s, Switzerland has witnessed a process of gradual centralization. Over time the decentralization scores draw closer to the ones we would expect on the basis of the linguistic composition of Swiss society.

The final country we examine in this research is the United States. The data for this country, presented in Figure 3, do not seem to support our argument. The expenditure decentralization scores indicate that the United States has been decentralizing since the 1980s, whereas we would expect the scores to remain stable after that period. This “deviant” time period corresponds of course to Ronald Reagan’s presidency. As a champion of
state rights and neoliberal retrenchment, Reagan presided over a major
decentralist realignment of federal-state responsibilities. The institutional
change brought about by this Republican administration however is perhaps
better viewed as a partisan attempt to cut down social spending rather than a
genuine realignment of federal-state responsibilities (Beer, 1988; Hawkins,
1982). Our hypotheses are unable to account for this contingent factor.

Conclusion and Discussion

This article was driven by the quest to explain federal institutional change in
a theoretically coherent form. The cases under focus (Australia, Austria,
Belgium, Canada, Germany, Spain, Switzerland, and the United States) have all
gone through processes of change in the past 40 years. In some, institutional
change has been in the centralizing direction, in others decentralizing. Existing
new institutionalist approaches fail to provide a deductive logic to explain the
direction of change. Contrary to the teachings of institutionalism, in all eight
cases federal institutions failed to ensure their long-term continuity.

To explain federal institutional change, we proposed an explanation that
relies on the dichotomy between the social base and the institutional super-
structure. The argument we wanted to test was as follows: The best indicator
for the direction of gradual institutional change in a federal democracy is the
underlying linguistic base. This is due to the growing importance of language
in postindustrial democracies. Structural pressures toward change find their
first outlet in interest group politics. Formal institutions gradually change in
response. What makes this “new” structuralism is the role organizations of
collective interest play as political agents translating structure into outcome.
This intermediate layer of interest group politics—and the choices and con-
straints they face—soften the iron-cage determinism of old structuralism.

Our investigation aimed to test if this argument holds in face of empirical
investigation. As is summarized in Table 2, by and large the findings support our
hypotheses. Federal institutions in countries with linguistically homogeneous
bases have become more central while the institutional structure in federations
with linguistically heterogeneous bases has moved in the decentralizing
direction. As expected, Australia, Belgium, and Spain have witnessed a grad-
ual process of decentralization while Germany and Switzerland have had the
opposite experience. Austria and the United States initially had a level of
decentralization that seemed to fit their linguistic structure, but over time these
countries started to deviate somewhat more from their predicted levels of
decentralization. In comparison with the other cases, these differences remain
relatively low in the entire time period. The case of Canada, finally, is the only case that seems to defy our logic. While we expected the country to centralize due to the growing majority of English speakers, it has actually experienced a gradual process of decentralization. This highlights the need to better integrate the notion of institutional veto points into theories about change. The existence of one French-speaking province seeking autonomy has prevented the course toward further centralization that would have reflected the linguistic base of nine English-speaking provinces. The remaining challenge is therefore to reach a satisfactory degree of internal validity by incorporating the logic of veto points without losing the deductive power of external validity. Despite this outlier, the evidence suggests that searching beyond the formal setup is a promising strategy to understand more about institutional change.

Table 2
Summary of Findings

<table>
<thead>
<tr>
<th>Country</th>
<th>Initial Match</th>
<th>Expected Change</th>
<th>Residual Change (b Value)</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>No</td>
<td>Decentralization (+)</td>
<td>.0029*</td>
<td>Confirms</td>
</tr>
<tr>
<td>Austria</td>
<td>Yes</td>
<td>No change (0)</td>
<td>−.0014*</td>
<td>Mixed</td>
</tr>
<tr>
<td>Belgium</td>
<td>No</td>
<td>Decentralization (+)</td>
<td>.0034*</td>
<td>Confirms</td>
</tr>
<tr>
<td>Canada</td>
<td>No</td>
<td>Centralization (−)</td>
<td>.0019*</td>
<td>Rejects</td>
</tr>
<tr>
<td>Germany</td>
<td>No</td>
<td>Centralization (−)</td>
<td>−.0011*</td>
<td>Confirms</td>
</tr>
<tr>
<td>Spain</td>
<td>No</td>
<td>Decentralization (+)</td>
<td>.0027*</td>
<td>Confirms</td>
</tr>
<tr>
<td>Switzerland</td>
<td>No</td>
<td>Centralization (−)</td>
<td>−.0017*</td>
<td>Confirms</td>
</tr>
<tr>
<td>United States</td>
<td>Yes</td>
<td>No change (0)</td>
<td>.0019*</td>
<td>Mixed</td>
</tr>
</tbody>
</table>

*p < .01.

Notes

1. For an example of the former argument (that globalization leads to centralization), see Fleiner (2002). An example of the latter argument (that globalization leads to decentralization) can be found in Tomaney and Pike (2006).

2. We selected all Western federations that have been democratic for at least 20 years (with the exception of Germany, the Eastern part of which has been governed democratically only since 1989). These eight countries are the standard case studies for comparative analyses of Western federal democracies. Even though Spain is not formally a federal state, it is usually included in comparative studies of federations, such as Rodden and Wibbels (2002).

3. In this respect, our conceptualization of the role of language for democratic politics is an instrumental one. For a discussion of the close relationship between language, identity, and culture, see Kymlicka and Patten (2003).
4. For a detailed review of the relationship between organizations of collective interest and federalism in Germany, see Mayntz (1990).

5. Recently, an increasing number of new institutionalist scholars have theorized about institutional change. For example, Kathleen Thelen (2003) has proposed the notions of “institutional layering” and “institutional conversion” as ways to deal with institutional change. An older approach is that of “punctuated equilibrium,” which aims to explain formative moments of change during times of crisis; see Krasner (1984).

6. For instance, Robert Goodin (1996) refers to an institution as a “stable, recurring pattern of behavior” (p. 22) and James March and Johan Olsen (2005) stick to the even more encompassing definition of a “relatively enduring collection of rules and organized practices, embedded in structures of meaning and resources that are relatively invariant in the face of turnover of individuals and relatively resilient to the idiosyncratic preferences and expectations of individuals” (p. 4).

7. However, neo–Marxist Louis Althusser (1935/1977) talked about the relative autonomy of the superstructure and its reciprocal ability to influence the base, namely, institutions’ influence over structure.

8. All data on fiscal decentralization were retrieved from various volumes of the International Monetary Fund’s Government Finance Statistics Yearbooks. It is unlikely that using any of the other measures Rodden (2004) identifies would significantly alter our findings. In fact, to cross-validate our findings we collected data for yet another measure, the share of the autonomous revenues of lower governments in overall government revenues, and this indicator correlated with our decentralization index very strongly and significantly (Pearson’s $R = .962$, significance $= .000$). Unsurprisingly, when we run the analysis with this indicator instead of with our decentralization index, the findings were almost identical. These results are not shown but can be made available at request.

9. One might object that this method is unsuited to analyze only eight independent cases as one outlying case could easily bias the regression analysis and therewith the residual scores. This however does not seem to be the case here: The leverage and Cook’s distance values (which measure the influence of one particular case on the regression coefficient) are all reasonably low. No leverage value is higher than .231 and no Cook’s distance value higher than .607, which indicates that it is safe to proceed with the regression analysis. For more information on leverage and Cook’s distance values, see Norušis (2005).

10. All available data points were included in these regression analyses. Analyses that use average scores instead (controlling for the autocorrelation involved in including multiple data points for one independent case) yield similar results: an explained variance of .007 and a $b$ value of $- .063$ (significance .842) for all eight cases and an explained variance of .429 and a $b$ value of .251 (significance .158) when Belgium and Spain are excluded.

11. As was reported in Table 1, no data are available for Switzerland in the period from 1985 to 1989. For reasons of presentation, interpolated data have been used for the construction of Figure 3. In the empirical analysis of course, these missing values have been excluded.

12. The differences between Dutch-speaking Flanders and French-speaking Wallonia were exacerbated by the socioeconomic transformation of Belgium in the past few decades as Wallonia’s traditional industries faced decline while Flanders experienced rapid economic growth (Erk, 2005).

13. The division of French speakers into six cantons—two of which are bilingual with German-speaking minorities—and two religious denominations brings in a slightly different dynamic from Canada where Roman Catholic French speakers are concentrated in the only francophone province of Québec.
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