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Federalism Theory and Neo-Functionalism: Elements for an analytical framework¹

by

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Abstract

The purpose of this article is to propose a draft for an analytical frame for analyzing regional integration consisting of federalism theory and neo-functionalism. It starts out discussing the concept of regional integration setting up a staged model for categorizing it. Then follows an analysis of federalism theory and neo-functionalism. One argument of this article is to understand federalism theory as a regional integration theory. Another is to look at federalism theory as complementary to neo-functionalism when trying to explain regional integration. Federalism theory, in an extended Riker-McKayian way, is able to explain the cases of 'big bang' integration (USA, Australia, Canada), but not an 'organic' integration process. Neo-functionalism, on the other hand, is not able to explain this relatively fast form of integration, but it is – in its new version - able to analyze and explain the 'organic' or slow integration processes like those happening in Europe, and other places in the world. Thus the two should be seen as complementary and they are, jointly, a frame catching most processes of regional integration.

Key-words:

Regional integration, federalism, neo-functionalism.



1.0 Introduction

This article's purpose is to suggest an analytical frame for analyzing regional integration consisting of federalism theory and neo-functionalism. It will investigate whether federalism theory and neo-functionalism could be fused into a useful analytical framework to be used when analyzing regional integration; why it happens or why it does not. The reason to do so is an apparent increase of economic and political activity taking place in the world's regions, but which we are not able to classify or explain, nor to predict whether it has the potential to promote state-building.^{II} One concrete example is the European Union, where the vast majority of scholarly activity today is focused on explaining decision-making processes, democratic deficit, policy analysis etc. but few dare to examine the nature of the European Union and to build a theory explaining it; seemingly the perceived defeat of neo-functionalism is still too discouraging^{III}. Thus the study of European integration is best seen as a number of bits and pieces lacking a frame. And when looking at the African Union and its high aspirations of African unity there is no theoretical framework to guide the statesmen embarking on it. Or concerning Asia, is there a potential for a new gigantic super-power comprising China, Japan and other states? There is a need for a general theory of regional integration, applicable when analyzing cases of regional integration, or the lack of it, in all regions.

In this article federalism theory has a prominent place. Federalism theory is often seen as either an ideological theory of action, to promote European Integration (Spinelli, de Rougemont) or as a theory to explain the organization and functioning of federations (Friedrich, Riker, Wheare), and it is often overlooked as a general theory of regional integration, as a quick glance through the most commonly used textbooks on international relation theory demonstrates (e.g. Baylis & Smith, 1999, Dougherty & Pfalzgraff, 2001, Jackson & Sørensen 1999, Viotti & Kauppi, 2001) or only looked at when the authors were referring directly to Europe^{IV}) - A point also made by Elasar (1987/13).



In spite of its clear advantages and potential, it is argued, that federalism theory is not ‘enough’ to catch all regional integration processes. To do so one has to add neo-functionalism, which is able to explain an ‘organic’ or slowly developing regional integration. But as federalism theory is often forgotten in textbook descriptions of regional integration theories, proportionally more space has been allocated to it here than to neo-functionalism.

The structure of this article is the following: It sets out trying to define what regional integration is, before it discusses federalism theory and neo-functionalism. It ends by proposing a model for analyzing regional integration combining the two theories which are considered complementary.

2.0 Regional Integration

The term “regional integration” is easy to understand at the abstract level, as “integration” simply means combining parts into a whole, according to the Oxford Advanced Learners Dictionary. As with many social science definitions, the term however is less clear cut when used more specifically; it is used both to describe a process and a state, and additionally there have been quite a number of attempts, more or less constructive, to define regional integration (e.g. Wallace 1999, Mattli 1999), so that no common understanding emerges. If we look at Ernst Haas, the founder of neo-functionalism (1958 / 16) he defined regional integration as:

“Political integration is the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities to a new centre, whose institutions possess or demand jurisdiction over pre-existing national states. The end result is a new political community, superimposed over the pre-existing ones.”

Accordingly, regional integration is a process transferring loyalty, expectations and political decision making power, or (with an outdated but still popular concept), ‘sovereignty’ to a new centre. Karl Deutsch, on the other hand defined regional integration as (1968/192): “[...] a relationship among units in which they are mutually interdependent



and jointly produce system properties which they would separately lack.” (1968/159). To him, integration does not necessarily include a new state-like entity. But if the aim is to construct a supranational unit, the strategy must consist of four elements: “[...] 1) maintaining peace, 2) attaining greater multipurpose capabilities, 3) accomplishing some specific tasks, and 4) gaining a new self-image and role identity.” This dualism was already captured by Bella Balassa, when he in 1961 defined economic regional integration as both (1961/1): “We propose to define economic integration as a process and as a state of affairs. Regarded as a process, it encompasses measures designed to abolish discrimination between economic units belonging to different national states; viewed as a state of affairs, it can be represented by the absence of various forms of discrimination between national economies.”^v

We will continue along the lines of these three definitions, in an attempt to clarify the stage and the process. Various authors have looked at regional integration as either a political process, or an economic process or both, thereby creating confusion. Thus it may be useful to introduce the concept ‘full regional integration’ as name of the end stage, in order to stress that regional integration can take place both within an economic and a political sphere but that the highest ‘stage’ of both economic and political integration includes the other one (see below). What distinguishes regional integration from cooperation is the presence of a supra-national decision-making body. The aim of the process does not have to be a state-like entity, but it *may* be one of either unitary (Italy in 1870s) or federal character (like the USA 1787).

To be able to get an indication of the level of interaction in a region, to be used in a comparison, the economic and political development respectively will be formulated in a staged manner. And here, too, it goes without saying that the dividing line between one stage and the next in real life is not as neat as in the model. It is also here possible to argue for more or fewer stages (again a parallel to the discussions of how many phases are included in the policy cycle, with suggestions ranging from 4 to 14). The stages, as presented here, form a hierarchy and suggest a linear progression ... In the real world, the process may be less linear *e.g.* skipping a stage or two. So it is necessary to remark that a



division of the integration process into stages serves an analytical purpose and has a heuristic advantage.

2.1 Economic regional integration

Leaning on Bela Balassa's works on stages of economic integration Willem Molle (2006) and Michael Holden have (2006) sketched the stages of economic integration, moving from economic cooperation to supranational integration, beginning with the lowering and removal of trade barriers and ending with an economic union. Holden operates with four stages (2003) and Molle with 3, but for the sake of completeness I will suggest six stages:

- 1) Ad hoc cooperation. One example is Denmark and Norway's economic assistance to Iceland in 2008, which was supposed to help in the acute crisis.
- 2) Free trade agreements. Their main task is to lower or eliminate import tariffs as well as import quotas among the member states. The aim is trade liberalization, and the agreement may include a formal institution to solve trade disputes. Only few limitations are placed on the member states. One of many examples is the ASEAN Free Trade Area (AFTA) which was founded in 1992 and includes a preferential tariff system. The agreement includes a protocol on 'Enhanced Dispute Settlement' of strict inter-governmental nature, where even the state accused of breaking the rules must vote for the settlement.
- 3) Customs union extends the free trade agreement with the requirement of harmonization of the external trade policies of the member states as well as imposes a common external tariff on imports from non member states. It does not operate with a free movement of labor and capital among its members. Quoting Balassa (1961/21): "One of the basic forms of economic integration is the customs union. According to the definition given in the General Agreement on Tariffs and Trade, a customs union must meet the following requirements: (a) the elimination of substantially all tariffs and other forms of trade restrictions among the participating countries and (b) the establishment of uniform tariffs and other regulations on foreign trade with nonparticipating economies." This stage does not necessarily include supranational features. One example is the Southern African



Customs Union (SACU) consisting of the five most southern countries in Africa. The SACU operates a common external tariff which is collected by South Africa and shared according to a revenue-sharing formula. The SACU includes the free interchange of goods between the members, and its daily functioning is operated by a secretariat. Additionally the organization consists of a council of ministers, a commission and a tribunal which works on the basis of consensus, thus intergovernmentally. .

- 4) Common market. “A common market represents a major step towards significant economic integration.” (Holden 2003/2). Adding to the customs union, a common market includes the free movement of labor, capital and other resources. The increased interdependence expected leads to a pressure for policy harmonization. It imposes severe limitations on member states’ ability to follow independent economic policies. One of the few examples is the European Economic Area between the European Union and the EFTA-States (minus Switzerland) which was concluded in 1992. The EFTA-states are allowed to participate in the Single European Market without being members, and they have to adopt the same legislation as the EU-member states, thus restricting their ability to conduct an independent economic policy drastically.^{vi}
- 5) Partial integration or Economic Union: “An Economic Union adds to a common market the need to harmonize a number of key policy areas. Most notably, economic unions require formally coordinated monetary and fiscal policies as well as labor market, regional development, transportation and industrial policies. [...]. Supranational institutions would be required to regulate commerce within the union to ensure uniform application of the rules. These laws would still be administrated at the national level, but countries would abdicate individual control in this area.” (Holden: 2003/2). The European Union is an example of such a union where the ability to act in esp. monetary matters has been transferred to a supranational institution for the 16 members of the European Monetary Union, and where the internal market regulates inter alia regional development, transportation, industrial policies and parts of labor market.
- 6) Full integration, where the hitherto sovereign member-states formally hand over the major part of their decision making power ,their ‘sovereignty,’ to the new state,



and they stop being immediate subjects to public international law. One example is the United States of America which is organized as a federation (see below).

2.2 Political regional integration

The stages from political cooperation to political integration can be listed in a parallel fashion to the economic integration process, where one begins with a purely intergovernmental cooperation and ends with full integration. As it is possible with the model above, it is also here possible to argue for more or fewer stages.^{VII}

- 1) Ad hoc intergovernmental political cooperation, which could include e.g. Switzerland offering to facilitate and to mediate between conflicting powers ('good offices').
- 2) Institutionalized intergovernmental cooperation. Above the definition of cooperation told us of a voluntary endeavor and Robert O. Keohane in 1989 defined institutions as "[...] persistent and connected sets of rules (formal and informal) that prescribe behavioral roles, constrain activity and shape expectations". Thus we have a voluntary arrangement of persistent character which shapes behavior, limits the freedom of action and creates expectations about how the participants behave – very much like Stephan Krasner's 'regimes'. An example could be the Organization for Security and Co-operation in Europe (OSCE), an intergovernmental organization with sets norms and rules within fields like security, human rights and democracy in Europe. The organization has a small secretariat and a staff. The World Postal Union is another example.
- 3) Institutionalized intergovernmental coordination. Coordination adds synchronization of activities among the states to cooperation. A confederation is the highest development of the inter-governmental stage. The North Atlantic Treaty Organization is an example. To a high degree it coordinates its member states defense policies and undertakes joint military missions like the efforts in Afghanistan.



- 4) Partial or supra-nationalized integration: The states have passed over a part of their sovereignty to a supranational authority which has autonomy and may follow policies independently of the member state governments. The member states remain formally sovereign. The European Union is an example, where a large number of competencies have been handed over to supra-national institutions, and not only economic policy areas but also environment, parts of justice & home affairs, development aid etc.
- 5) Full integration. The member states have handed over the major part of their decision making power, their 'sovereignty,' to the supra-national entity and have stopped being direct subjects of international public law. As already mentioned under the head-line 'economic integration,' the USA is good example.

The difference between supra-national and national should be seen as processual. The supra-national stages *may* end in a national one, when a majority of the policy areas of the member states are placed under supranational control, where the association has obtained the attributes – legally and *de facto* – of a state. Supra-nationalism as a description of a way of making decisions stops making sense, when the state stops being independent in a public international law context. On the other hand, there is nothing, theoretically, hindering a group of countries delegating for instance their monetary policy to a supranational authority while remaining totally sovereign on all other policy-fields. The dividing line between 'kinds of cooperation' and 'kinds of integration' lies between the stages three and four, because the decision-makers are in the latter case no longer able to pursue independent political economies but are bound to the common markets.

It should be noted that neither for economic nor for political integration is it the writer's wish to indicate that the process is automatic or irreversible; integration processes are made by man, and can be destroyed or stopped by man.

2.3 Summing up

Regional integration is on the one hand a process transferring political and or economic decision making power ('sovereignty'^x) to a new supra-national entity. This



process may pass through all the stages mentioned above or begin at any one of them including the last. On the other hand, regional integration is a stage where former independent polities have handed parts or all of their sovereignty over to a supra-national body.

3. Federalism theory

3.1 Concepts

Before looking at federalism theory we should try to clarify the use of some key concepts^{XI}. The name *federation* is derived from Latin *foedus* meaning pact, alliance, covenant an arrangement entered into voluntarily and implying a degree of mutual trust and duration. A federation is one form of state among others in international relations. Daniel Elazar' says (1987/5): "Federal principles are concerned with the combination of self-rule and shared rule". Thus, what differentiates it from unitary states is that it consists of two or more levels of government: a number of (member-) states each with their government and the totality of the member states with its federal government. At least one policy area is assigned by constitution to the member states and can not be overruled by the central legislative power. King (1982/20) defines a *federation* as:

"[...] an institutional arrangement, taking the form of a sovereign state, and distinguished from other such states solely by the fact that its central government incorporates regional units in its decision procedure on some constitutionally entrenched basis".

Burgess (2000/25) agrees to this when stating: "[...] federation is a specific organizational form which includes structures, institutions, procedures and techniques. It is a tangible institutional reality. And it can be distinguished from other forms of state relatively clearly."

Federations may be organized very differently. Taking a power perspective, they may be peripheral, where the states are strong with many competencies, or they may be centralized, where the federal government has the predominant say (cf. Riker 1964). Looking at their internal structure Burgess (2000) distinguishes between the Westminster model^{XII} (e.g. Canada), the republican-presidential model^{XIII} (e.g. USA) and hybrids of the



two (e.g. Germany). Dosenrode (2007) distinguishes the political tradition and policy-making process in a European (cooperative) tradition and an Anglo-Saxon (dual, confrontative) tradition.

Federalism is the process leading or attempting to lead to a state of federation and is in this sense a normative, ideological approach, and Elazar (1987/67f.) points to the confusing fact that federalism is both a process and a structure, as we saw it when defining regional integration. Burgess (2000/27) describes the process of federalism as:

“It is ideological in the sense that it can take the form of an overtly prescriptive guide to action, and it is philosophical to the extent that it is a normative judgment upon the ideal organization of human relations and conduct.”

Federalism theory, on the contrary, attempts to explain, based on analysis, how federations emerge and how they are organized and are functioning and should not have a normative bend.^{XIV}

3.2 Schools of Federalist Theory

On the front of the *Bundesbrief Museum* in Schwyz in Switzerland one sees a fresco describing the foundation of the Swiss (con-) federation in 1291: three men swearing an oath of loyalty, each representing the original three cantons of the Swiss confederation and surrounded by a group of men, also swearing. Three free and equal men representing a voluntary decision to join forces against the expansionist Habsburgs (a Swiss noble family) - The two traditional alternatives to voluntary state founding are conquest or organic development. Genuine federations are founded on the free will of men either from the start (Switzerland, USA) or when the state has gained its independence (India, Nigeria).

The aim of this section is to present the two main schools of federalist theory, and discuss how they explain the emergence of federations. Analogously to international relation theorists, they will be divided into a liberal and a realist group, and they represent the mainstream and cover the heartlands of federalism theory^{XV}.



The Liberal School

The Liberal school, which is the larger of the two, is associated with 20th century authors like M. Burgess, D. J. Elazar, A. Spinelli and K. C. Wheare. I have chosen K. C. Wheare's classical liberal approach as starting point for this section.

In his important work "Federal Government" (first published in 1946) Wheare approaches the question of how federations are created, by reminding the reader that there has to be a desire to "be under a single independent government for some purposes at any rate" (1963/35) and at the same time a wish to have regional governments, responsible for some matters. In other words (1963/36): "[...] they must desire to be united, but not to be unitary". But this is not enough, there must also be a capacity to operate a general government as well as independent, regional governments, not submitted to the general or federal government. The next question is to ask which factors lead people to wish to unite in a federal manner. Wheare answers this question as follows (1963/37):

"Communities have been led to desire union for a variety of reasons. But in the modern federation some factors seem always to have been present. A sense of military insecurity and the consequent need for common defence; a desire to be independent of foreign powers, and a realization that only through union could independence be secured; a hope of economic advantage from union; some political association of the community concerned prior to their federal union either in a loose confederation [...], or as parts of the same Empire, [...]; geographical neighbourhood; and similarity of political institutions – these half-dozen factors all operated in the United States, Switzerland, Canada and Australia, to produce a desire for union among the communities concerned. They operated in varying degree in each case, but they were all present."

For the sake of clarity, these prerequisites, or pressures for integration, can be grouped in four groups:

- a) Security - A wish for independence combined with a perceived (military) threat
- b) Prosperity - A hope for economic advantages



c) Commonness / familiarity – A beforehand knowledge of the other parties and the same understanding of political institutions

d) Geographic proximity

Wheare rightly mentions that certain ‘expected’ factors encouraging political union are seen to be lacking in federal systems: "It is clear that, strong as these forces of language, race, religion and nationality are in producing a desire for union [...] it has proven possible none the less to produce a desire for union among peoples who differ in all these important particulars" (1963/39). Wheare seems to forget, that in the cases he looks into, apart from India, all corresponds to what Samuel P. Huntington some decades later termed ‘civilizations’.^{xvi} So whether you are a catholic from Italy or Lutheran from Germany is of course important, but not as important as the question whether you are a Muslim from Morocco or a Hindu from India, when considering regional integration projects. Wheare’s cases all share a common cultural background. But later Wheare seem to realise his mistake and corrects it writing that “It will be obvious also that community of race, language, religion and nationality would produce a capacity for union.” (1963/44). In other words he acknowledges the importance of culture.

The factors leading to federation, mentioned above, do not create integration by themselves. What is needed is a decisive elite which demonstrates leadership, to push forward: “This factor of leadership, of skill in negotiation and propaganda, can make all the difference between stagnation and an active desire for union” (1963/40). This is an obvious parallel to neo-functional theory, but Wheare’s federalism does not include the concept of ‘spill-over,’ thus making an organic development less ‘automatic’.

Wheare goes on to discuss the importance of similarity of social and political institutions, a discussion which he ends concluding (1963/45):

“[...] the one which at the same time produces best the capacity for union is similarity of social, and particularly political institutions. It has been remarked already that the desire for union has practically never been aroused unless similarity of political institutions was



present either actually or potentially among those who envisaged the union. This factor is one of the strongest of the forces which help states to work together.”

Here Wheare is on the same line as Claude de Saint-Simon, who in 1814 insisted that units wishing to integrate had to be alike and that they had to be democratic (1952 (1814)/50). States wanting to integrate should share the same basic values, be organised in the same way, and adhere to the same economic model, to a higher or lower degree, depending on the ambitions of the integration plan. This leads us on to Daniel Elezar (*inter alia* 1998) Michael Burgess (2003), who both stress the moral aspect of federalism. Elazar (1998/359):

“in order to build a world whose character is of a higher order, however, people must return to covenant in its original meaning; that is to say, as the voluntary commitment to a moral order freely chosen by those within it who accept the obligations of decency, individual and social justice, and piety embodied in the covenant ideal and the tradition spawned from that idea.”

Burgess approvingly refers to Elazar and Ostrom who both discuss the concept of conventional federalism, according to which the parties are bound together by a moral pact (Burgess 2003/5):

“The act of coming together remains a ‘political bargain’ but it is much more than just this; it is also based upon mutual recognition, tolerance, respect, obligation and responsibility. “

And Burgess refers also to the Swiss reformed theologian Bullinger, who regarded the covenant as a divine framework for man’s life, politically and religiously, an idea which can then be traced onward till the foundation of the U.S.A. But the same influence is also visible with the ‘personalists’ in France in the 1930s (2003/ 6 - 11). Adding to this, Burgess (2003/11-12) reminds us of the strong Roman Catholic influence on European federalist thought, through its social doctrine as developed especially between the 1880s and 1930s. Catholic ideas which have been used by some of the founding fathers of the EU, such as Robert Schuman. Alcide de Gaspari and Konrad Adenauer.



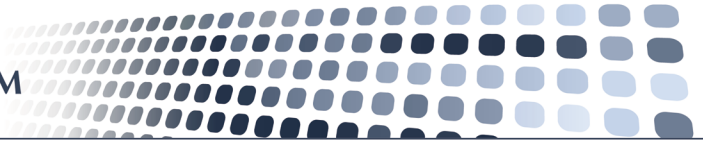
Wheare has been criticized benevolently by Burgess for his approach's static nature (2000/24), and rather harshly by Riker for the same^{XVII}. Riker additionally criticises the liberal branch of federalism theory for its moral bent, which he sees as unscientific, and he convincingly criticizes it for its belief in economic incentives as important for concluding the federal bargain, which he has found no trace of (1964/15).

Elazar's and Burgess' newer liberal version of federalism theory, in Wheare's tradition, emphasises the voluntary aspect of forming a federation as well as a federation's moral virtues. They are both very explicit on the latter aspect. Additionally they argue the usability of federalism theory in an international system under transformation. The liberal school has not been explicit on the use of federalism theory as a regional theory of integration, but its focus on the creation of new states and new international actors, as a consequence of a voluntary decision to merger one or more previously 'sovereign' states into one new one, does make it seem logical to treat it as such.

The Realist School^{XVIII}

The realist school of federalism includes *inter alios* William H. Riker and David McKay. I have chosen Riker's rational choice approach as developed in his seminal book 'Federalism – origin, operation, significance' from 1964. In his preface he clearly states that he intends to write a scientific book, not one on moral (1964/xii p.)^{XIX}. His starting point is clearly that of realism, in the IR sense (1964/2):

“[...] federalism is one way to solve the problem of enlarging governments [...]. Each advance in the technology of transportation makes it possible to rule a larger geographic area from one center, to fill a treasury more abundantly, to maintain a larger bureaucracy and police, and, most important of all, to assemble a larger army. [...]. And, once one government enlarges itself, then its neighbours and competitors feel compelled to do likewise in order, supposedly, to forestall anticipated aggression.”



Riker then discusses former day's successful creation of empires. Empire as a form of state is utterly outdated in the 20th century. So what does newly independent subunits of former empires do when liberated? Standing alone renders them vulnerable, but some kind of federal agreement allows these states both to keep some kind of political self control and to make use of the larger unit's resources to compete with neighbours (1964/4p.). Here Riker wrote on former colonies but he does not exclude federal solutions for other groups of states, too.

The central question relating to the topic of this article is what Riker calls 'the federal bargain' which constitutes the integration point. This concept of bargain implies an element of voluntary action, as noted above. Riker isolates two circumstances which make politicians willing to engage in federal bargaining (1964/14):

1. "The politicians who offer the bargain desire to expand their territorial control by peaceful means, usually either to meet an external military or diplomatic threat or to prepare for military or diplomatic aggression and aggrandizement. [...] The predisposition for those who offer the bargain is, then, that federalism is the only feasible means to accomplish a desired expansion without the use of force.
2. The politicians who accept the bargain, giving up some independence for the sake of union, are willing to do so, because of some external military-diplomatic threat or opportunity.[...]. And furthermore the desire for either protection or participation outweighs any desire they may have for independence. [...]."

Riker writes on these conditions (1964/13):

"In order to prove this hypothesis, I have examined all the instances of the creation of a federation since 1786, giving most detailed attention to the invention of centralized federalism in the United States. [...] For those federalisms which have survived, I am able to show that the two conditions existed at the origin; and, for those which failed, I am able to show that either the conditions never existed or they existed only momentarily. Though such evidence does not constitute absolute proof of the hypothesis, it comes as close to a proof as a non-experimental science can offer."^{XX}



Later Riker did accept the comment of A. H. Birch, who insisted that the perceived threat also could be caused by factors inside the state (Riker 1975 / 114). In spite of Riker's insistence that the threat should be military or diplomatic, whether imposed by internal or external factors, one may add that there is nothing in Riker's model suggesting that one cannot expand the concept of threat to a broader field than the military and diplomatic fields. The main concern must be that the threat is serious. In such a case the threat could also be of economic, social or political nature (McKay 1999/29 & 32; McKay 2004/171, Dosenrode 2007/31). The important point in the political calculation is that the statesman *believes* that the threat he *perceives* can be countered by joining or founding a federation.

Riker is very explicit on the political conditions mentioned above; they clearly rule out what he calls Deutsch's 'social conditions'. According to Riker it is not possible to find empirical evidence for federal bargains being made due to a wish to further democracy, culture or economy (1964/15 p.).

To Riker federations fail when the two original conditions are not met, either at the foundation of the federation or during the formative years. He does not investigate explicitly the factors keeping a federation alive. But he does mention the possibility of the desire for independence outweighing the advantages of protection or participation^{XXI}.

There are several advantages in Riker's model. For instance, unlike some liberal integration theories like the early neo-functionalists., he envisages no built-in automaticity in the founding of a federation. Another advantage in Riker's model is that it delivers an explanation as to how integration can happen under 'realistic' premises and not just under 'liberal' ones. The explanatory power Riker attaches to the statesmen's perception of a given situation is also important; but the analysis should be expanded to include the statesmen's frequent lack of ability to foresee the consequences of actions taken. The analysis should take more account of the subjectivity and limited rationality of decision-makers^{XXII}.



But Riker and McKay, too, have problems. McKay dismisses preconditions, like Wheare's mentioned above, but basically it is reasonable to try to identify the conditions for an integration process to succeed and to remain in place. Riker and McKay are more definite than the ambiguous Wheare in leaving out the cultural variable from their considerations, thus leaving the analysis incomplete. Had Riker analysed a specific federal project which failed, his picture would have been different (India's separation from Pakistan, to name one). As already mentioned, one cannot expect a number of polities to form an entity and to *stay together* if they do not share the same basic culture, a basic culture which is the foundation of future laws and rules which have to be accepted by the ruled. And not only that – a common culture is necessary to ensure a common understanding of key concepts like democracy, the rule of law, human rights. A common core culture is the glue which makes the federation stick together and make the process possible in the first place (See Deutsch (1968 / 192) and, as already mentioned, Wheare(1963 / 44).

Another problem in his analysis is that Riker *only* focuses on the states, on the decision-maker, the statesman. In this sense Riker's realist point of departure is obvious. Statesmen *are* important. The progress of the European Union in the 1980 and 1990s owed much to Francois Mitterand, Jacques Delors and Helmut Kohl, and the stagnation in the 1960s to de Gaulle. Equally the problems of ratifying the Constitutional Treaty owed a lot to the lack of committed European statesmen. But it is not enough to look at the statesmen. McKay also includes in his analysis the relationship elite-population, which is equally important, as the French 'Non' and the Dutch 'Nee' of 2005 clearly showed.

Riker's work also lacks discussion of the role of institutions in the integration process^{XXIII}. The federal institutions, here understood in the classical, narrow sense of formalized organisation like the Court of Justice of the European Union, have two especially important tasks: A) They have to prevent the federation from dissolving - and here it is important to find the right balance of strength between the two (or more) levels of government in the federation. The federal institutions need to be strong enough to prevent the federation from dissolving, but also too weak to hollow out the power of the member-states - B) The institutions need to be guardians of the federal idea. This role is often ascribed to the US-Federal Court of Justice^{XXIV}, and it also applies to the federal



government and bureaucracy, and naturally to the head of state. It is often the small daily decisions which deepen the integration process, and pave the way to new decisions. But it is important to remember that although the federal institutions try to advance integration, they are not able to direct the development of a federation only by themselves. There are no automatic steps in the integration process, and it is dependent upon the member states supporting it. But federal institutions are important as the guardians of the integration project.

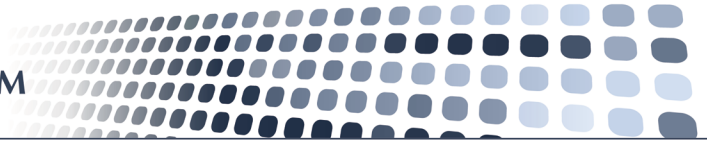
Additionally Riker - as well as the liberals – have a hard time explaining ‘organic’ or growing integration *i.e.* when there is not an ‘all out’ decision of states to form a federation by this or that date. A theory explaining e.g. the move from a free trade area to a customs union, in other words a incremental process, seems lacking, a point to which we will return in the next section. .

3.3 Federalism Theories as Regional Integration Theories

In the above, two major traditions of federalism theory have been presented. In this section it will be attempted to modify the Riker-McKayian approach, to lay the basis for a comprehensive model for regional integration.

As a rule, federations rest on a voluntary decision to integrate. as in the case of USA and Australia (or the European federations like Austria, Germany and Switzerland), and thus to form a new state, a new international actor. As federations are the final result of regional integration processes, it is a mistake not to treat federalism theory as regional integration theory proper

It is hard not to agree with McKay in his positive evaluation of Riker’s theory of federal bargaining in a modified version, extending the perceived threat from that on external and internal diplomatic or military threats to include economic and thus social threat too. But Riker’s theory lacks an explanation as to the intervening variables or factors



which facilitate the integration process and help keeping the federation together, such as a) a common culture and b) an institution upholding the federal idea / the integration project.

With an eye to the basis for creating the new federation, it is suggested to add one intervening or facilitating variable namely a common cultural basis.

Sharing the same basic culture ensures, as argued previously, that there is a common understanding of the central concepts like ‘democracy’, ‘human rights’ and ‘rule of law’. But what is culture? Hans Gullestrup defines culture as (2003/55, my translation):

“Culture is the worldview and the values, rules, moral norms and actual conduct – as well as the material and immaterial products and symbols related thereto - as human beings (in a given context and over a given time span) take over from the previous ‘generation’; which they – eventually in a changed form) try to pass over to the next ‘generation’ and which in one or the other form differentiates them from human beings belonging to another culture.”

Culture is not static; it develops over time, among other reasons, due to socialization. Common beliefs are built over the years as to how ‘things are done’. This variable has been present in all federations entered into on a voluntary basis. The dissolution of India into India and Pakistan, and the breakdown of the Soviet Union into a very fragile Commonwealth of Independent States including a fragile Russia may – *inter alia* – be attributed to the lack of a common cultural basis.

Thus it seems reasonable to use a model with three elements, when looking at why federations arise. The two first elements are the most important, concerning the concrete large decisions, the third is important for the preparation of the grand decisions. The last is important for facilitating the decision or the federal bargaining itself.

1) The wish to counter a perceived threat (be that military, economic, societal etc) by expanding one's territory by peaceful means;



- 2) The wish to join a federation or territorial entity, to counter a perceived threat, and thus secure the survival of one's own state, and
- 3) A common cultural basis

What Riker's and Wheare's theories, and indeed most federal theories, are trying to explain is the 'all out' situation, where sovereign states within a shorter period strike a federal bargain and create or join a federation. It is harder for Riker and Wheare to explain an 'organic' or stepwise creation of a federation. But the point is that federal theory ignores, or is not interested in the organic development, where a slow or piecemeal transfer of autonomy, 'sovereignty', from the constituent entities to a political center is taking place. Thus the federal theories are able to explain one kind of regional integration process, but not another. We are talking of two processes possibly leading to the same goal, a new state. An obvious choice of complementary theory for explaining the organic integration process would be newest version of neo-functionalism, as proposed by Tranholm Mikkelsen (1991) and by Schmitter (2005). And federalism and neo-functionalism share several assumptions, such as *inter alia*:

- Integration is an attempt to create a stronger unit than the individual member states before the integration.
- Interests drive the process, not ideology.
- An external 'kick' (threat, crisis) may be necessary to ignite a higher stage of integration.
- The attitude of the elites is important.
- The participating states are democratic.

We will look at neo-functionalism in the next section

4.0 Neo-Functionalism

Ernst Haas, founder of neo-functionalism, took as his starting-point a criticism of David Mitrany's functionalism from the 1940s. Haas combined functionalism with



inspiration from Jean Monnet's pragmatic approach to European integration. Contrary to the functionalists, Haas and his followers looked at regional integration, not universal, and they understood the integration process as political, not merely functional or technocratic.

Haas' original background conditions for regional integration were that the entities should possess pluralistic social structures, be substantially economic and industrial developed, and there should be a common ideological pattern among participating units. In other words Haas' approach was limited to explaining integration in pluralistic democracies. Again we are reminded of Saint-Simon

In his cooperation with Philippe Schmitter, Haas tried to loosen the theory's close binding to the European integration-project and give neo-functionalism a general applicability (1964). The result was a model with background conditions (size of unit, rate of transactions, degree of pluralism, elite complementarity); conditions at the time of economic union (governmental purpose, powers and functions of the new institutions), and process conditions (style of decision making, growth rate of transactions, actors adaptability). Thus cultural considerations are part of the framework, especially in the concepts of 'pluralism' and 'style of decision making'. Culture also plays a part in Haas and Schmitter's analysis of possibilities of Latin American unity (1964 pages 726, 732, 733), but as a less important factor.

A central concept of the analysis was 'spill-over', the claim that agreement on integration in one economic area would or could over time cause other economic policy-areas to integrate too, in order to secure the full benefit of the integration in the first policy-area. Over time, the integration would become political. But, according to Tranholm-Mikkelsen (1991/5) Haas recognised that a political impetus in the right direction might be necessary, and that a high authority, looking after the integration project's common interest – not that of the individual member states – would be needed. The motives, the driving forces of integration would be the pursuit of the politicians' interests.



The transfer of loyalty towards the new ‘unit’ was another key-question for Haas, who . Haas defined integration, as already quoted above, as (1958 / 16):

“Political integration is the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities to a new centre, whose institutions possess or demand jurisdiction over pre-existing national states. The result is a new political community, superimposed over the pre-existing ones.”

Schmitter sums Haas’ approach up in the following way (2005/257):

“He [Haas; SD] hypothesized that, with the help of an active and resourceful secretariat and support from the organized interests affected by such externalities, national governments might (fitfully) learn and (reluctantly) agree to change their original positions. According to this approach, integration is an intrinsically sporadic and conflictual process, but one in which, under conditions of democracy and pluralistic representation, national governments will find themselves increasingly entangled in regional pressure and end up resolving their conflicts by conceding a wider scope and developing more authority to the regional organizations they have created. Eventually, their citizens will begin shifting more and more of their expectations to the region and satisfying them will increase the likelihood that economic-social integration will ‘spill-over’ into political integration”

The spill-over could happen if certain changes occurred (again Schmitter: 2005/258):

- increased interdependence between member-states
- a crisis of a certain size
- development of a powerful regional bureaucracy
- development of independent, regional interest organizations capable of acting in the region

Haas and Schmitter did their main work on European integration and the EC / EU. Schmitter’s interpretation of neo-functionalisms most distinctive maxims is paradigmatic,

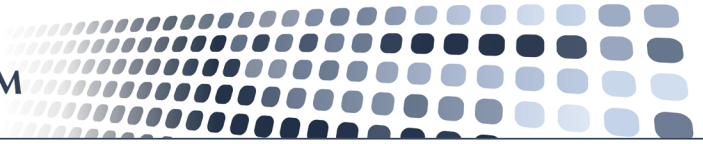


and it is a central contribution from the ‘new generation’ of neo-functionalists (2005 / 258 – 260):

1. “*States* are not exclusive and may no longer be the predominant actors in the regional/international system”
2. “*Interests*, rather than common ideals or identity, are the driving force behind the integration process,” [but actors may learn and develop common ideals and identities].
3. “Decisions about integration are normally taken with very imperfect knowledge of their consequences and frequently under the pressure of deadlines or impending crisis”
4. “*Functions or issue areas* provide the usual foci for the integration process (at least in Western Europe), beginning with those that are initially considered the least controversial and, hence, easiest to deal with.”
5. “Since *actors* in the integration process cannot be confined to existing national states or their interest groups and social movements [...], a theory of it should explicitly include a role for supranational persons, secretariats, and associations whose careers, resources and expectations become increasingly dependent upon the further expansion of integrative tasks”.
6. “[Actors] *Strategies* with regard to integration are convergent, not identical”
7. “*Outcomes* of international integration are neither fixed in advance by the founding treaty, nor are they likely to be expressed exclusively through subsequent formal agreements”

In other words, Schmitter recognizes the importance of the national politicians as well as the supranational environment..

One can not help getting the impression, that Schmitter is moving towards a more realist interpretation of integration.^{XXV}



5.0 A Frame of Analysis for Regional Integration: Combining Federalism and Neo-Functionalism

This article is basically the beginning of a research design, which needs to be developed and falsified against ‘the real world’. Still it contains a number of, hopefully, relevant suggestions.

An important point of this article is to understand federalism theory as a regional integration theory, as the building federations of out of democratic states and on a voluntary basis can hardly be denied this label. Thus it is important to bring back federalism theory to international relations theory and not leave it to comparative government only. Federalism theory constitutes an academically rich and fruitful discipline which can contribute to international relation theory. The understanding of federations as successful regional integration projects expands this field of study considerably.

The Riker – McKayan version of federalism theory was analyzed and developed, by adding two variables explaining how federations could be created and also be sustained (shared basic culture and the role of one or more federal institutions). It has been argued, that federalism theory is able to explain the cases of ‘big bang’ integration (USA, Australia, Canada), but not the slow, ‘organic’ integration process. Here neo-functionalism is an interesting supplement. Neo-functionalism is not able to explain the relatively fast form of integration, but it is – in its new version - able to analyze and explain the ‘organic’ or slow integration processes like those happening in Europe, and other places in the world. Thus the two should be seen as complementary and they are, jointly, a frame catching most processes of regional integration. The model also explains why some regional processes do lead to full regional integration and why some do not.

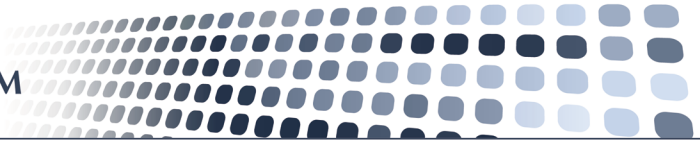
The suggestion is, that to explain and understand regional integration, one will have to determine first, which kind of situation one is in: threat scenario or enforced co-operation, and then, second, apply a federal theory or neo-functionalism to be able to analyze a given regional integration process. Applying one of the two theories might also give a hint at the



future scenarios related to regional integration, and it might give decision makers guidance as to the possibilities of regional integration that might exist should they want that – and which path to follow.

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^I I would like to thank: Steen Fryba Christensen, Gorm Winther, Li Xing, Wolfgang Zank as well Jiuan Zhang and Elijah Munyi for their useful comments.

^{II} Elazar in his 1995 article analyses what he sees as a transformation of the international system, away from state-centrism towards con-federal arrangements.

^{III} But there are exceptions: David McKay's important contributions (1999, 2001, 2004), as well as a number of articles compiled in *Journal of European Public Policy*, vol. 12, no. 3, June 2005 and in the electronic anthology by C. Joerges, Y. Mény and J.H.H. Weiler (eds.): *What Kind of Constitution for What Kind of Polity? -Responses to Joschka Fischer*. Their common problem is that they are all focused on explaining European integration and not regional integration in general.

^{IV} Michael Burgess (2003/65) stresses the same, albeit focusing on Europe: "When studying theories of European integration, it has been customary for both students and academics either to downgrade or completely overlook the significance of federalism."

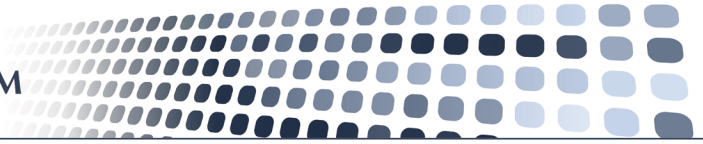
^V Ballasa's definition has been criticized i.a. by Jovanovic (1992/4) for "its restriction in concentrating only on the process or state of affairs among the countries that integrate. [...] Ballasa's definition does not say if economic integration is the objective or a point on the way towards some target."

^{VI} TASEAN has announced the intentions to create an ASEAN Economic Community (AEC) by 2015.

^{VII} It is obvious that it would have looked 'nicer' had both models had the same number of stages but unfortunately this is not so.

^X It is important, already now, to remember that 'sovereignty' apart from being an elusive concept is not a either or, but that sovereignty can be divided, as in federations, where the 'sovereignty' is the sum of the member-states' and the federal state's 'sovereignty'.

^{XI} I refer to Burgess 2000, to King 1982 and to Elazar 1987 for good but very different discussions of 'federalism' and 'federation'. A short introduction to federalism is also to be found in Dosenrode (2007) chapter 2 and also in Möller's article in this issue.



- XII A form of government, where one party has the majority, the members of parliament are chosen in constituencies by the 'winner takes it all' system and the prime minister is responsible to the majority in the parliament.
- XIII A form of government, where the president is elected directly and is not responsible to a majority in the parliament.
- XIV Forsyth (1996/33-35) distinguishes three traditions of federalist writing: one similar to federalism theory (a scholarly approach), one focusing on expansion of federations as means of peace and one more concerned with organizing the federation in a efficient and democratic way.
- XV Naturally there are other approaches like a more post-modernist, social constructivist (Kawalski & Zolkos, 2008), utopian federalists (Denis de Rougemont), fiscal federalism (Dietmar Braun) and so forth.
- XVI Huntington (1993/ 24): "A civilization is thus the highest cultural grouping of people and the broadest level of cultural identity people have short of that which distinguishes humans from other species. It is defined both by common objective elements, such as language, history, religion, customs, institutions, and by the subjective self-identification of people. People have levels of identity: a resident of Rome may define himself with varying degrees of intensity as a Roman, an Italian, a Catholic, a Christian, a European, a Westerner. The civilization to which he belongs is the broadest level of identification with which he intensely identifies. People can and do redefine their identities and, as a result, the composition and boundaries of civilizations change."
- XVII Riker is rather critical of Wheare's contribution (1964/157): "The survey that has dominated the study of this subject for many years is K. C. Wheare, *Federal Government* [...]. It is highly legalistic in tone and displays very little understanding of political realities."
- XVIII This section is a development of a part of chapter 2 in Dosenrode 2007.
- XIX As McKay rightly states, Wheare is a rare exception, not being 'moral' in its approach (McKay 2004/183)
- XX In spite of this rather pompous statement McKay (2004/169) tends to agree with Riker, and remind us that until now no one has come up with a theory of the same quality and ambition as Riker.
- XXI McKay devotes a part of his 2004 article exactly to this question.
- XXII Riker has been discussed and criticized. McKay has delivered a thorough discussion of Riker's critics, and has himself developed the theory further (2004). Another interesting contribution is Benjamin Kleinerman (2009) discussing Riker's use of rational choice theory,
- XXIII One reason is probably that it is the coming into being of the federation which interests Riker; sustainability is not his focus. McKay, in his discussion of federation's sustainability, approaches this question, too, and discusses three questions: the role of the upper house, liberalism vs. populism, and the structure and functioning of the party system (2004/ 176-182).
- XXIV Wheare 1963 / 62 ff: "The courts, and especially the supreme courts, have a function which extends beyond the mere question of determining disputes about the division of powers between general and regional governments. Through their interpretation of the whole constitution of the federation and of the ordinary law, so far as they are permitted to do so, they may exercise an integrating influence which, because it is gradual and imperceptible, is of the greatest importance"
- XXV Schmitter also analyses the strengths and weaknesses of neo-functionalism, and lists 6 points which may be seen as a corollary to the points listed above (2005/266-67).

