

## 18. Social policymaking in federal systems: can equity and diversity coexist?

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### EXPLANATION OF SOCIAL POLICYMAKING IN FEDERAL SYSTEMS

Is federalism an obstacle to a strong and egalitarian welfare state? The answer to this deceptively simple question depends on factors, including policy design, that tend to be overlooked in comparative federalism research (Greer and Elliott 2019). Nevertheless, it is often presumed that adoption of generous social policies is incompatible with – or at least significantly more challenging in – federal systems. Prominent both in comparative research and in studies of individual countries, this presumption offers a fruitful starting point for studying social policymaking in federal systems.

Comparative analyses of social policymaking often begin with the apparent correlation between decentralization and lower expenditures on welfare programs (Huber, Ragin, and Stephens 1993). Countries are usually labeled as federal or unitary, centralized or decentralized. Even scholars who acknowledge that ‘centralization and decentralization are obviously matters of degree’ contend that ‘it is not difficult in practice to classify most countries according to the simple centralized–decentralized dichotomy’ (Lijphart 2012, 177). This tradition characterizes federalism as a component of a decentralized political system, one in which the division of political authority makes it challenging to amend the status quo and establish expansive social programs. In sum, it asserts that federal systems – by dispersing political authority across orders of government – will be associated with less expansive welfare.

Similarly, theories focusing on the internal dynamics of federal systems often posit that constituent units are constrained in their ability to adopt generous social policies. One prominent framework suggests that the mobility of businesses and individuals fosters competition between constituent governments. Like firms, constituent governments strive to offer a desirable

level of taxes and benefits as they ‘sell’ their locations to businesses and individuals. This competition involves efforts to entice desirable actors to locate within a constituent unit while repelling those viewed as undesirable. Its logic suggests that constituent governments will not offer generous social policies. Instead, they will ‘race to the bottom’ to avoid becoming ‘welfare magnets’ that draw low-income families to their jurisdictions (Peterson and Rom 1990). This market-driven framework suggests that constituent governments will focus on economic development rather than redistribution (Peterson 1995).

The presumption that federalism is incompatible with robust social policies might be a fruitful starting point for the study of social policymaking in federal systems, but it is certainly not a satisfying place to end the discussion. Empirical studies complicate this tidy narrative in at least two ways. First, federal countries vary widely in their approaches to welfare-state spending. A recent study of education, healthcare, unemployment benefits, disability policies, active labor market measures, and pensions in eleven democratic countries with federal systems identifies extensive variation in welfare programs (Greer and Elliott 2019). Countries with similar constitutional structures, at least along the federal dimension, have adopted robust and diverse approaches to such policy objectives as redistribution and poverty alleviation. This policy variation calls for investigation and explanation.

Second, constituent governments in federal systems exhibit striking differences in their social policies. These differences are more pronounced in some federal systems than in others. In Canada, for example, Québec tends to take a stronger and more independent stand on general government policies, producing social policies distinct from other provinces. Analogous variation exists among the U.S. states and has been traced to factors such as partisan control, ideological context, demographic characteristics like race, and institutional features such as legislative professionalism. The structural constraints under which constituent governments operate do not foreclose the possibility of social policy activity. In fact, the possibility of policy variation among constituent units is often portrayed as one advantage of federalism.

## REASONS TO STUDY SOCIAL POLICYMAKING IN FEDERAL SYSTEMS

Lasswell (1936) famously defined politics as who gets what, when, and how. Social policymaking – with its impact on the distribution of societal resources, health outcomes, and other critical phenomena – can lift individuals out of poverty, facilitate or hinder equality of opportunity, and provide a variety of services. Its importance does not depend on the existence of federalism, but the preceding section suggests that the dynamics of social policymaking in federal

systems bring a distinctive set of questions to the fore. These questions invoke broader debates about the general benefits and drawbacks of federalism.

The study of social policymaking touches on several issues of institutional design that have normative consequences. First, it allows us to assess one purported benefit of a federal system: the ability of constituent governments to customize policy templates. Sometimes they can adjust a policy template to local political conditions, responding to local constituencies in ways that national officials presumably cannot. Social policy variation might be normatively desirable if it reflects the distinctive views of different constituent units. It may suggest that these units are robust democracies. In addition, social policies adapted to fit conditions in individual jurisdictions might be more effective. Thus, the study of social policymaking invokes themes of responsiveness and efficiency, especially when the focus is on different policy approaches within a federal system. Second, the study of social policymaking showcases how constituent units can serve as laboratories of social experimentation. The ability to devise, implement, and assess novel public policies is an oft-cited benefit of federalism. Innovative programs that achieve their substantive or political objectives can diffuse to other constituent jurisdictions or even percolate upward to the federal government (Karch 2007).

Issues of responsiveness, efficiency, and experimentation implicitly highlight differences within individual countries. Bestowing policy autonomy on constituent governments therefore seems to require accepting the variation and accompanying diversity that might result. In other words, the study of social policymaking highlights a potential trade-off between decentralization and equal treatment under a single national law. This trade-off raises a fundamental normative question: What kinds of diversity are desirable in a federal system, and what kinds of diversity might be viewed as inequalities or inequities? In federal systems, individuals' geographic locations often shape both their access to and experience of healthcare, education, welfare, and other social policies. Who is eligible for these programs? How generous are they? The answers can vary dramatically for individuals living in different constituent units of the same country. As a result, the study of social policymaking illuminates foundational questions about the meaning of community membership (Mettler 1998). T. H. Marshall developed the notion of social citizenship, which requires society to abate unmerited inequalities, provide a basic level of social well-being and economic security, and offer access to healthcare and basic education. Concerns about inequality are especially salient in federal countries characterized by religious, linguistic, racial, or other forms of diversity. Students who examine the dynamics of social policymaking in federal systems will therefore be exposed to issues of representation, government performance, and citizenship that are central to many scholarly disciplines.

## HOW SOCIAL POLICYMAKING FITS INTO FEDERALISM RESEARCH AND STUDY

The study of social policymaking also invokes a key theme long central to federalism research. The preceding section emphasized variation within individual federal systems, but cross-national comparisons among federal systems are also revealing (Greer and Elliott 2019). Federalism is a broad term that encompasses tremendous institutional variation. As previous chapters of this volume have shown, federal systems vary in their degree of legislative, administrative, and fiscal decentralization, the manner through which constituent governments achieve representation, and the number of constituent jurisdictions. Canadian federalism, for example, is highly decentralized and permits extensive policy variation among provinces. In contrast, German federalism is distinguished by its ‘administrative’ approach in which the federal government assumes most lawmaking authority and the *Länder* are responsible for most implementation (Fenna 2020). German federalism is also characterized by a ‘uniformity of living conditions’ principle that promotes policy uniformity. Provisions for fiscal equalization, which provide poorer constituent units with sufficient revenue to provide at least a national average level of public services for their citizens, exist in virtually all federations except the United States and are especially important. The ultimate impact of social policies reflects these and other institutional differences. Thus, the study of social policy demonstrates the limitations of drawing a binary distinction between unitary and federal systems and highlights the necessity of acknowledging the ways in which federal systems differ from one another.

The dynamics of social policymaking also illustrate the significance of intergovernmental relations, especially the interactions between the federal and constituent governments. In a federal system, the administrative and political success of national policy initiatives often depends on their reception among constituent unit officials. Recalcitrant constituent governments can hinder implementation, preventing national social programs from achieving their objectives. In addition, they represent a potential political constituency or stakeholder group. Whether their position is one of support, indifference, or opposition, their political engagement affects whether national policies will endure or wither on the vine (Karch and Rose 2019). These post-enactment developments also highlight the political impact of institutional design. Whereas venues for collective action among constituent governments are institutionalized in Switzerland (Wasserfallen 2015), the Council of Australian Governments has no formal basis in statute and is not an institution ‘in any meaningful sense’ (Phillimore and Fenna 2017, 602). Thus, the nature of federal institutions has both an administrative and a political effect.

## LEARNING OBJECTIVES

The study of social policymaking in federal systems allows instructors to pursue various general and specific learning objectives. It invokes long-standing debates about the benefits and drawbacks of federalism and decentralization. By gaining familiarity with, and participating in, these debates, undergraduate students can develop their general academic and critical thinking skills. Instructors can press them to articulate arguments, identify the observable implications of those arguments, and use relevant evidence to assess their validity and those of opposing views. These skills can be developed through oral presentations and in writing assignments. Exposure to canonical theories of federalism and social policymaking, such as the market-driven framework described earlier, provide another opportunity to apply these skills.

Additionally, advanced undergraduate students and graduate students will gain specific knowledge about federalism and its implications. They will develop an appreciation of the many ways in which social policy objectives can be pursued and how federalism makes certain policy approaches more or less likely. Students in comparative courses will gain a better understanding of the importance of institutional design by comparing federal systems to unitary systems and to one another. This comparative exercise can also be extended to different policy areas, as students learn about different components of the welfare state such as pensions, education, and active labor market policies. It can also be extended over time, especially in courses that focus on a single federal system and its evolution. Policymaking is an iterative process; in federal systems, that means that the proper balance of authority between the federal and constituent governments can be subject to constant debate and renegotiation. In-depth examinations of specific policy areas will highlight this theme.

## HOW TO STRUCTURE AND TEACH SOCIAL POLICYMAKING IN FEDERAL SYSTEMS

There are many ways to structure and teach social policymaking in federal systems. The most appropriate strategy may depend on the content of the course in which the topic will be addressed. Instructors teaching courses on social policy, public administration, or the politics of the welfare state are likely to embrace a different approach than their peers who teach courses on comparative federalism. Similarly, instructors whose courses focus on the dynamics of a single federal system – such as Australia or the United States – or on a single domain – such as income support or healthcare policy – may emphasize slightly different themes. These divergent emphases are unavoid-

able. However, all instructors can and should introduce social policymaking by referring to the conventional assumption that federalism is an obstacle to the creation of a strong and egalitarian welfare state. This discussion can begin by highlighting both the purported correlation between federalism and lower spending on social policy programs and the structural constraints under which constituent units operate in federal systems. The work of Tiebout (1956) provides an accessible introduction to the market-based logic behind the structural constraints. Subsequent class discussions can probe the strengths and limitations of this conventional assumption. For example, interjurisdictional mobility might be limited for poor individuals in multinational federations because of language barriers or other institutional hurdles.

In courses on comparative federalism or individual federal systems, social policymaking offers an opportunity to discuss the potential benefits and drawbacks of federalism. These long-standing debates can be addressed in several ways. A course with a unit on social policymaking in federal systems can devote class sessions to different policy domains. It is essential for instructors to provide concrete information about historical and contemporary developments in each domain, partly because these details can establish the necessary foundation to conduct small-group discussions that turn to broader, perennial questions. Are national mandates, or more provocatively ‘one size fits all’ solutions, desirable in this policy domain? Why or why not? What are the potential benefits of allowing constituent units to develop their own solutions to this societal problem? If the devolution of policymaking authority to constituent units produces major differences based on geography, would such diversity raise equity concerns? These types of questions are an especially good fit for undergraduate courses, where students are less likely to be familiar with these issues and potential trade-offs.

In courses on individual federal systems, the preceding questions can be linked to policy tools like intergovernmental grants. Conditional intergovernmental grants play a prominent role in Australia and the United States, for example, and there is a long-standing debate in American politics about the relative benefits of block and categorical grants. Small-group discussions can introduce students to this debate, as can comparisons of prominent social policies such as Temporary Assistance for Needy Families (TANF) and Medicaid in the United States. In small-group discussions, students can be asked to imagine themselves as members of Congress who are weighing the merits of block and categorical grants. Different groups can surreptitiously be assigned different subject areas, generating a broader discussion about the conditions under which devolution is most desirable.

Broader debates about federalism remain relevant in graduate seminars, but they can play a less prominent role. Instead, the study of social policymaking can illustrate emerging themes in contemporary federalism research. Recent

cross-national analyses suggest that the specifics of federal arrangements, not the mere existence of federalism, shape the impact of the welfare state (Greer and Elliott 2019). In other words, institutional design matters. Treating all federal systems as equivalent to one another obscures critical variation that affects the policy outcomes of interest to scholars and students. Additionally, constituent units are not only the site of social policymaking. Constituent unit officials are also important stakeholders whose political mobilization can reinforce or undermine national programs. Specific programmatic provisions, such as those related to financial generosity and constituent unit autonomy, shape their responses to national social policy initiatives (Karch and Rose 2019). However, institutional design might shape their ability to engage in collective action. Differences in legislative organization and the powers of second chambers, fiscal arrangements, and other institutional factors might shape both how policies are designed and their political reception. Graduate seminars offer a good venue in which to assess whether and how differences in institutional design affect social policymaking, intergovernmental relations, political dynamics, and programmatic outcomes.

## QUESTIONS FOR CLASS DISCUSSIONS OR ESSAYS

1. What does the term ‘welfare magnet’ mean in the United States? What are the implications of this idea for social policymaking?
2. Some scholars of federalism categorize public policies as developmental or redistributive. Which category is most appropriate for education policy? Why?
3. How might economic competition constrain social policymaking by constituent units? Provide an illustrative example.
4. Pensions are a central component of the welfare state. In federal systems, the delivery and finance of pensions tends to be centralized (in contrast to the patterns for education). Why do you think that is the case?
5. The *Cambridge Dictionary* defines citizenship as ‘the state of being a member of a particular country and having rights because of it’. What are some of the political, civil, and social rights that you associate with citizenship? Is a federal system conducive to the protection of these rights?
6. Some observers contend that constituent governments are ‘closer to the people’ than the federation government. What sort of evidence could you use to evaluate this claim? In other words, what will constituent unit social policies ‘look like’ if this argument is valid?
7. Can constituent governments effectively serve as laboratories of social policy experimentation? Provide an example of an innovative constituent unit program that achieved its substantive or political objectives.

8. Identify at least three ways in which federal systems differ from one another in terms of institutional design and explain how these differences affect social policymaking.
9. When national lawmakers consider social policy reform, constituent unit officials actively monitor these discussions and attempt to influence them. Provide an illustration of this dynamic, identifying the factors that explain constituent unit officials' support, indifference, or opposition to the proposed change.

## READINGS FOR STUDENTS

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## TEST/EXAMINATION QUESTIONS

1. Why is federalism usually portrayed as incompatible with a strong and egalitarian welfare state? Do you agree with this conventional portrayal?
2. Choose a federal system. Describe how federalism affects social policymaking in two of the following areas: education, healthcare, or income support. Be sure to discuss both the vertical relationship between the constituent units and the federal government and the horizontal relationships constituent units have with each other.
3. According to political scientist Paul E. Peterson, one 'price of federalism' is inequality. What does he mean? Drawing on examples from at least



- three policy areas, explain how the rights and privileges associated with community membership depend on geography. Is this geographic variation problematic? Why or why not?
4. Choose one of the following policy areas: education, healthcare, or income support. Imagine that you are a member of the national assembly who is considering a new program in that area and must decide on how much discretion to provide constituent governments in its implementation. What would you recommend? Why? Would your recommendation change if you were working on a different policy area?
  5. In 1932, Supreme Court Justice Louis Brandeis referred to the U.S. states as ‘laboratories of democracy’. What does this metaphor mean? In your opinion, are constituent governments well-suited to serve as policy laboratories in the twenty-first century? Your answer should describe the institutional capabilities of constituent governments, recent innovations in at least three policy areas, and the advantages and disadvantages of shifting policymaking responsibility to the federal government.

## POINTS FOR EVALUATION

Instructors’ evaluative criteria will depend on the level and content of their courses. Both undergraduate and graduate students can be expected to have mastered the basic concepts and arguments outlined in this chapter. They should be able to articulate why scholars theorize that federalism will be associated with less generous and egalitarian welfare states; they should also be able to identify and explain the competitive pressures that purportedly constrain constituent units from adopting expansive social policies. After studying social policymaking in federal systems, all students should be able to evaluate these theoretical frameworks, explaining whether and why they find them compelling. Moreover, they should also be able to link their assessments of these frameworks to broader issues of representation, government performance, and citizenship in federal systems.

Students in different types of courses will bring different forms of evidence to bear on the issues outlined in the preceding paragraph. Courses on comparative federalism, especially graduate courses, facilitate analyses of institutional design that emphasize whether and how specific federal arrangements influence both social policymaking and the political dynamics surrounding existing programs. Courses on individual policy areas, such as education or healthcare, facilitate similar comparisons across different federal systems. Finally, courses on specific countries with federal systems facilitate comparisons across time and policy areas. Welfare state programs can and do evolve, and sometimes these changes have profound implications for the distribution of responsibilities among governments. In the United States, the 1996 creation of TANF is

one prominent example. Whatever the specific focus of their course, students should be able to explain how the institution of federalism shapes the politics of social policymaking in a variety of contexts.

## SUGGESTIONS FOR FURTHER READING

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