

Federal Dynamics in Canada, Switzerland and the US – How Sub-States' Internal Organization Affects Intergovernmental Cooperation

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Paper Prepared for the EUSA 9th Biennial Conference, March 31st -April 2nd 2005

Panel: Patterns of Interaction in Federal Systems: Comparing Multi-level Cooperation and Competition

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The paper argues that internal sub-state dynamics can systematically account for the variety of forms in which politicians organize cross-jurisdictional interaction in dual federal systems. Most generally, majoritarian executive-legislative relations tend to weaken the institutionalization of intergovernmental organizations (IGOs), while power-sharing executive-legislative relations tend to facilitate it. Moreover, depending on the type of power-sharing mechanisms in the single arenas - non-compulsory or compulsory- the mutual integration of IGOs is rendered more or less difficult.

The institutionalization of IGOs is affected by the following mechanisms: Firstly, given one-party majority cabinets, complete government alternations (which are much less likely given coalition or oversized governments) strongly alter actors' interest constellations over time, thereby increasing the costs of maintaining stable cross-boundary intergovernmental relations. Secondly, the heavy impact of a potential electoral loss induces politicians to shift the blame to the other governments in the system, thereby undermining the potential for cross-boundary cooperation. Thirdly, one-party governments (in contrast to coalitions) decrease the value of IGOs as instruments to save transaction costs because the number of involved actors is lower. Finally, autonomy losses caused by intergovernmental cooperation are higher for parties which govern alone.

Integration also suffers from these dynamic because strong IGOs often facilitate system integration. More importantly, however, it is weakened by compulsory power-sharing structures unbridged by party ties inside the sub-states because these internal divides considerably complicate coordination within the horizontal level.

To examine these theoretically derived hypotheses, Canada, the U.S. and Switzerland are selected as 'most different cases'. As a major result, in Switzerland internal dynamics support that IGOs are strongly institutionalized and intra-organizational linkages formally specified. In Canada internal dynamics are much less favorable: the organizational structure of the respective bodies and their mutual integration is much weaker. The U.S. takes a middle position. While intergovernmental arrangements are considerably institutionalized, the compulsory power-sharing structures within the states undermine mutual integration.

Introduction and Research Question

In the last decades, policy-interdependencies in federal systems have become more and more pronounced. They increasingly blur formally separate jurisdictions and create incentives for interaction across different spheres of authority. Europeanisation and globalization have been identified as major ‘external’ forces which motivate political actors to establish denser cooperation structures. Expanding state responsibilities, in contrast, are one major ‘internal’ force which intensifies boundary-crossing policy-interdependencies (Simeon 2001: 145-47; see also Börzel 2000; 2001; 2002; Hooghe 1996; Hooghe/Marks 2001; Kincaid 2003; Peters/Pierre 2000; 2001). Facing these general developments, the strengthening of intergovernmental channels in federal systems, a trend towards cooperative federalism, can be plausibly hypothesized. Looking at the rich literature on intergovernmental relations (IGR), one finds clear indications of growing activities of central and sub-state governments engaging in voluntary information exchange and policy-coordination across jurisdictional boundaries (i.e. Browne/Lazar 2003; Hrbek 2004; Lazar/Telford/Watts 2003).

This important finding can be specified through theoretically guided cross-country analysis. Compared across countries, the rich variety of institutional embeddings of intergovernmental exchanges within distinct types of polities is astonishing. For instance, in some countries cross-boundary exchanges are channeled directly by the respective ministries. In others, external bodies are established for this purpose. Organizational embeddings differ on two dimensions: first, regarding the *institutionalization* of the single intergovernmental organizations (IGOs); and second, regarding the *integration* of the system IGR, hence, the types of linkages between intergovernmental bodies within one federal system. Throughout the paper the concept of ‘institutionalization’ will therefore be used with reference to single intergovernmental bodies as entity of analysis. Integration, in contrast, will be used with reference to the ‘system’ defined by the existing inter-organizational linkages. To give one empirical example:

Confronted with the existing variety of structures, this paper proposes a theoretically developed account of the degree of institutionalization of single IGOs and their integration in Swiss, Canadian and U.S. federalism. It does so by referring to the dynamics within and across the respective sub-states. Based on the general idea that internal sub-state dynamics spill over to the states’ external relations, systematic hypotheses about the implications of internal processes for the organizational character of intergovernmental channels are developed.

The sub-states and the federal state are the core arenas in a federal state. They are defined as interaction contexts which are institutionally delimited and to which specific tasks and competencies are assigned. Quite evidently, the linkages between internal processes and external interaction - the linchpins between these arenas - are the positions that politicians occupy in them respectively (Benz 2003; 2004). The federal and sub-state units define and delimit the respective political actors’ home arenas where politicians have to succeed in elections in order to take over government. Simply

speaking, if intergovernmental interaction reduces politicians' chances to pursue internal goals, this should reflect in a weaker institutionalization and integration of IGR. Hence, it is not only important to consider the 'actorness' of sub-state governments (Hocking 1999) but to identify the forces which drive these actors' choices.

Note that it is not argued that politicians apply the same 'rules of appropriateness' (Olsen 1996: 89-92) internalized at home also in their external relations. Institutions constrain and regularize behavior and are set-up only if they facilitate actors to pursue their respective goals (Scharpf 1997; Scott 1995). Internal institutions and the resulting processes open windows of opportunity or sanction behavior (Héritier 1996; Farrell/Héritier 2004). Correspondingly, it is argued that strong IGOs are only established and maintained if the involved actors gain from it. In concrete, high competitive pressure and power-concentration in single government units undermines the institutionalization of IGOs. Low competitive pressure and internal power-sharing facilitate it. As an example, high electoral pressure in the inside easily motivates the actors to pursue a strategy of blame-shifting. Evidently, accusing other governments to improve own electoral fortunes easily undermines intergovernmental interaction.¹ In a more general way: actors have a weak tendency to engage in cross-boundary exchanges when they are more interested in struggling over internal distributional outcomes than in lowering external transaction costs through the institutionalization of IGOs.

The integration of IGR is also weakened by strong competitive pressure. Furthermore, it is harmed by the internal constitutional fragmentation of the government units. While power-sharing in the sub-states generally strengthens the institutionalization of single IGOs, it is argued that integration also depends on the type of power-sharing structure prevalent in the constitutive states. The micro-foundation of this rationalist approach - the single mechanisms assumed to steer actor behavior towards or against institutionalization and integration of IGR - will be laid out in detail in the following section.²

IGR which are defined as transactional activities and interactions between government units (Agranoff 2004: 29) are *voluntary*. Accordingly, intergovernmental structures are of particular interest in those areas in which each sub-state possesses considerable law-making authority, hence can withdraw from interaction and resort to unilateralism whenever it considers such a path as profitable. The presence of exit options is most likely in dual federal systems. In this regard Canada, the U.S. and Switzerland are crucial cases. These dual federal systems are characterized by a comparatively clear-cut distribution of competencies and considerable administrative and fiscal capacities of all constitutive governments. They contrast with systems characterized by 'cooperative federalism' such as Germany or Austria

¹ The party system's degree of centralisation and the disharmony between the levels of government that it can generate – do not suffice to explain strong or weak IGR as Riker's seminal work on federalism suggests (1964: 129-30): Multi-party systems can lead either to minimal-winning coalitions or to oversized coalitions. While minimal-winning coalitions still allow for cross-boundary competition, oversized coalitions most likely prevent it - independently of how strongly the party system is centralised. Accordingly, the congruence between governments will serve as only one indicator among several.

² The arguments focus on political actors who are directly subject to 'political pressure'. How far the hypotheses apply to bureaucrats and how far they are subject to the same pressures will not be assessed in this paper.

(Braun 2000; Wachendorfer-Schmidt 2000). The organizational character of IGR will be examined in dual federal systems because in these contexts one can trace back the different forms of intergovernmental interaction to internal sub-state dynamics while controlling as far as possible for fiscal and constitutional incentives.

To clarify another fundamental concept beforehand, I understand intergovernmental institutions or organizations as independent bodies which channel exchanges between politicians belonging to different jurisdictions. Although many scholars use a very broad understanding of institution as a set of rules (North 1992; Knight 1990), direct inter-ministerial exchanges are understood as an expression of weakly institutionalized IGR if no autonomous institution that channels these exchanges exist.³

I. Party Competition, Power-Concentration and the Institutionalization of IGOs

Majoritarian decision-making in the sub-states of a federal polity weakens the degree with which IGOs are institutionalized.⁴ Internal power-sharing structures set the opposite incentives. This reasoning draws on Lehbruch's work on German federalism. In Germany, the tight coupling of arenas in which majoritarian processes interact with an interlocking system of horizontal and vertical cooperation causes considerable tensions. Partisan competition has an immediate impact on the politicians' capacity to strike bargains in the federal arena (Lehbruch 1978). For dual federalism, one can turn the argument around and develop the following line of reasoning: if federal systems do not provide already strong constitutional predispositions to develop dense IGR, it should follow that majoritarian processes within single arenas set incentives against the establishment of a full-fledged system of IGR.

H1a: Given predominantly majoritarian decision-making dynamics in the sub-states and the centre the degree of institutionalization of IGOs will be weak.

H1b: Given predominantly multiple power-sharing in most of the sub-states and in the centre the degree of institutionalization of IGOs will be strong.

³ Institutions are distinct from organization with reference to their functions and their members. They are directed towards the formulation or implementation of collectively binding rules and involve public personal - politicians or administrators. Although organizations can be involved in these tasks like in private-public partnerships, these structures presuppose the prior delegation of public responsibilities to private actors.

⁴ Examining single intergovernmental arrangements, two aspects define the scope of these institutions: first, the number of participants taking part in intergovernmental arrangements, and second, the location of the respective participants (McRoberts 1985; Simeon 1972). Accordingly, it is crucial whether the respective channels are inclusive or not and whether they are located on the 'horizontal' level only or, alternatively, on the 'vertical' level (hence link the sub-state level with the federal level). Inclusiveness will be considered as high if half or more of the sub-states participate, while inclusiveness is low if the respective number is below. To keep the terminology simple, structures of high inclusiveness are denoted as '*multilateral*', while those of low inclusiveness are called '*restricted*'. Hence, we end up with four categories: *horizontal-multilateral*, *vertical-multilateral*, *horizontal-restricted*, *vertical-restricted*. Another crucial distinction is the one between IGOs which coordinate the sub-states on a general level and those which do so in particular policy fields. I refer to them as *generalist* and as *sectoral*.

But how exactly are the ‘systemic’ tensions between majoritarianism within the single governmental units (Lijphart 1999) and strong intergovernmentalism between them rooted in the behavior of the actors? Which causal mechanisms are at work?

(1) The first mechanism refers to the *(in)stability of the interest configuration* among the constitutive arenas. Given mostly 1-party majority cabinets in the constitutive states, government turnover strongly alters the interest configurations among the states. This raises the costs for actors to maintain strong IGOs. Ad hoc coordination, in contrast, allows politicians to adapt to these changing configurations. They participate in a profitable agreement when interest convergence is given with a certain group of partners. If this is not the case, they resort to unilateralism. A strongly institutionalized arrangement would delimit this flexibility. As soon as coalitions come into play, alternation is much weaker as a potential force of change because complete turnovers become less likely. Given mostly oversized coalitions, the interest configuration should be quite stable over time. Under these circumstances, ad hoc coordination has hardly advantages and this should reflect in the IGOs established in the system.

A second aspect that characterizes the interest configuration among sub-state governments is its ideological congruence (Downs 1998; Thorlakson 2004). If party systems are similar across the constitutive governments, congruence is most likely when oversized governments are formed. Then, many parties are likely to participate in coalitions within different sub-states and therefore sub-state coalitions are likely to overlap ideologically. In federal systems with mainly 1-party governments, the likelihood increases for ideologically non-overlapping governments to be in office.

(2) Given a high likelihood of alternation the immediate threat of electoral loss motivates regional politicians to *shift blame* to the other governments. The competitive pressure is strongest in two-party systems which constitute a ‘zero-sum-game’. Therein, mutual distrust is fostered because each actor knows of the other’s pressure to focus on the short-term goal of electoral victory at the cost of the long-term goal of fruitful intergovernmental exchanges. In such a two-level game (Putnam 1988) the intergovernmental game is clearly subordinated (Cameron/Simeon 2002). The threat of government alternation and the resulting tendency to shift blame is comparatively weaker if coalitions need to be formed. Then, vote losses do not necessarily mean that a party cannot achieve coalition participation.⁵

(3) The number of parties in the constitutive governments has an impact on the *transaction costs* that can be saved by IGOs (Opeskin 2001: 133; Scharpf 1997: 70).⁶ 1-party executives make ad hoc coordination profitable because transaction costs are comparatively low. Within multi-party governments a higher number of actors with genuine preferences is involved. Then, intergovernmental arrangements which lower transaction costs are much more valuable.

⁵ Based on this rationale, one can also conclude that the less visible and the less relevant policies are in the electoral arena the denser cooperation in these policy fields will be. This is because the described counter-incentives linked to high electoral saliency are less pronounced. However, for the sake of parsimony differences across policy fields cannot be examined in this paper.

⁶ The complexity of the horizontal configuration is also affected by the number of sub-states.

(4) When engaging in intergovernmental interaction, *autonomy losses* are bigger for parties which govern alone than for parties which govern in a coalition. If power-sharing is a part of daily decision-making in one's home arena the relative autonomy losses are comparatively minor.

All the mechanisms summed up in Table 1 affect the costs and benefits related to the establishment and the maintenance of institutionalized IGOs. They reduce or increase the willingness to carry the costs of institutionalization. Based on these structurally generated dispositions one can draw assumptions about the expected degree of institutionalization of IGOs in a federal system.

Table 1: The Impact of Cabinet Type on the Willingness of Political Actors to Set up Strong Intergovernmental Institutions

<i>Dominant Cabinet Type in Constitutive Arenas</i>	One-Party Majority Cabinets	One-Party Minority Cabinet	Minimal Winning Coalition	Minority Coalitions	Oversized Coalitions
Stability of Interest Configuration	- low stability of interest configuration	- low stability of interest configuration	- medium stability of interest configuration	- medium stability of interest configuration	- high stability of interest configuration
Transaction Cost Savings	- low	- low	- medium	- medium	- high
Blame-Avoidance	- high incentives for blame-shifting	- high incentives for blame-shifting	- medium incentives for blame-shifting	- medium incentives for blame-shifting	- low incentives for blame-shifting
Autonomy Loss	- high autonomy loss	- high autonomy loss	- medium autonomy loss	- low autonomy loss	- low autonomy loss
⇒ Overall Willingness to Set-Up strong IG Institutions	⇒ Low	⇒ Low	⇒ Medium	⇒ Medium	⇒ High

II. Majoritarianism, Types of Power-sharing, and the Integration of IGR

In this section I do not focus on single IGOs, but, rather, on the system of IGR and with it the linkages between different types of bodies. The distinction is important because the two do not always go together. A strong integration of the intergovernmental system is likely to presuppose at least a

medium degree of institutionalization of the organizations. However, a strong institutionalization of IGOs does not necessarily lead to strong integration; under certain conditions it might even conflict with it. Hence, it needs to be hypothesized under which conditions different intergovernmental bodies are mutually supportive and under which they tend to conflict with each other. The degree of integration of an IGR system is indicated by the types of linkages between the core IGOs.⁷

The dynamics inside the sub-states in particular affect the vertical integration of a system. With power-concentrating executives in the inside and high autonomy losses through intergovernmental interaction, bodies responsible for sub-state exchanges are likely to be directed towards autonomy protection and, with it, against central encroachment. In the same way, the tendency towards blame-shifting to the centre should weaken integrative efforts.

H2: Given majoritarian decision-making dynamics in the constitutive arenas of a federal system a strong vertical integration is unlikely.

In the reverse, hypothesis 2 implies that if there is power-sharing in the constitutive government units, inter-organizational linkages should be strong. However, this is only the case if non-compulsory power-sharing is predominant. To analyze incentives against or in favor of integration, the distinction between compulsory and non-compulsory power-sharing structures is crucial. Power-sharing structures denote decision-making arenas in which the agreement of each participant is necessary to make a decision. Yet it is crucial that not all power-sharing structures affect actor behavior in the same way (Birchfield/Crepaz 1998; Czada 2004; Kaiser 1997).

Compulsory power-sharing structures (e.g. bicameralism, presidentialism) are constitutionally entrenched and can be considered as exogenous to the strategic choices of the actors which are embedded in them. In contrast, *non-compulsory power-sharing structures* (e.g. coalition governments, corporatism) are deliberatively established by the actors. They are endogenous. Hence, they can only be maintained when they are sufficiently effective. For instance, if a coalition partner blocks intra-coalitional decisions too frequently he brings down the coalition. By doing so, he risks losing its veto position. Consequently, actors in non-compulsory structures are assumed to make a more restrictive use of their vetoes than actors in compulsory structures in order to stabilize the decision-making structure. Actors in compulsory structures share power only because it is constitutionally imposed on them. Since externally imposed power-sharing is more difficult to overcome than self-established structures are maintained, compulsory power-sharing in the constitutive arenas of a federal state considerably complicates the aggregation of single state positions. In such a context, the capacity of the constitutive governments to link IGOs is easily undermined. This is the case even if competitive pressure within the arenas is low.

⁷ If there is only one horizontal-multilateral IGO in place that is highly institutionalized, also horizontal integration is necessarily high.

H3: Given dominant constitutional power-sharing structures in the constitutive government units, strong integration is unlikely.

III. The Empirical Analysis of Intergovernmental Relation

III. How to Operationalize the Degree of Institutionalization – The Boundedness and Internal Differentiation of IGOs

As already mentioned, intergovernmental interaction denotes a negotiated, non-hierarchic exchange not only between institutions on different governmental levels but also between the actors of different sub-states (Peters/Pierre 2001: 131; Agranoff 2004).⁸ It can be realized in the *coordination* of policy-making or in *co-decision*. Coordination captures mutual adjustment of policies on an ad-hoc basis while co-decision denotes regular decision-making (Cameron 2001: 125; Elazar 1991: 76; Scharpf 1997). Each form of interaction tends to go hand in hand with a different organizational embedding of the respective interaction patterns.

These embeddings need to be empirically specified: Voluntary mutual adjustment, hence ‘ad hoc coordination’, does not necessitate the regularity of meetings, a bureaucratically supported and internally differentiated body, a formal decision-making rule, the legally binding status of agreements (Opeskin 2001: 130; Arnold/Plant 1994; Cameron 2001; Simmons 2002). To the contrary, these are empirical features of a highly institutionalized embedding which should facilitate co-decision. Ad hoc coordination tends to lack these features and allows for maximal flexibility and the autonomy of the participating parties. It does so for the price of decreased reliability by which strong institutionalization is usually accompanied.

Empirically, the institutionalization of IGOs becomes visible in a process of *internal organizational development*. This development is directed towards a more complex functional distribution of tasks to different offices or even sub-units. Moreover, it shows in a process of *external differentiation (boundedness)*: the institution develops boundaries towards other institutions in terms of own functions as well as material resources (Judge 2003: 500-1). The ‘strength’ or ‘weakness’ of the institutionalization of IGR is indicated by a set of features which express these two aspects empirically as summed up in the following table.⁹ The listed indicators are assumed to be mutually related and their order signifies the increasing degree of institutionalization that is supposed to be linked to their presence. Hence, the elements are assumed to cluster, without one element being a necessary condition for the other.

⁸ This definition also includes administrative actors. Yet due to the relative independence of bureaucrats from democratic competition in general, the mode according to which technocrats cooperate should be less affected by the internal organization of the arenas. In this first assessment, the focus rests on political and partisan actors.

⁹ It is important to note that neither all of the elements need to be present in order to speak of a highly institutionalized system in which regular co-decision is practiced. Nor does ad hoc coordination imply the complete absence of them.

Table 2: Indicators for the Degrees of Institutionalization of IGOs

Density of contacts	⇒ Weak ⇒ Institutionalization
Regularity of meetings	
Autonomous organization - Own Secretariat - Clearly defined functions - Formal basis (e.g. formal statutes)	⇒ Medium ⇒ Institutionalization
Majority Rule	⇒ Strong ⇒ Institutionalization
Internal functional differentiation - specification of offices - specification of sub-units/bodies	
Legal status of agreements	
Specificity of agreements	

Even if the density of exchanges is quite high at times or regular meetings are set up between the prime ministers and the ministers responsible for particular sectors, institutionalization is considered as weak if it is organized directly by the governmental departments without a separate intergovernmental body in place. A medium institutionalization demands the ‘boundedness’ of an arrangement. This does not mean that boundaries are de facto closed. Neither is exit extremely costly nor entry extremely difficult. Instead, ‘boundedness’ is visible through the assignment of specific competencies, resources and personal. It indicates that intergovernmental transactions do not exclusively express a momentary interest convergence of a group of individual actors anymore. The higher the degree of institutionalization is the more likely an organization is capable to affect the behavior of the involved actors independently of their isolated interests.

Accordingly, the most crucial sign of strong institutionalization is a formal decision-making rule which deviates from unanimity. The capacity to bind the sub-states to positions or agreements they did not agree to most strikingly indicates that the IGO represents more than the sum of its parts. Another feature is the internal differentiation into offices or organs that have own formally assigned tasks. Moreover, a strong degree of formalization and specification is also likely to affect the kind of agreements struck within the IGO. With increasing formalization and differentiation, the capacity of the body increases to produce proposals of high specificity.¹⁰ And the higher their specificity, the more useful is a legal foundation to increase the likelihood of their transfer in sub-state legislation.¹¹ Hence, the specificity and the legal status of the agreements provide additional indicators (Poirier 2002: 430-34; Simeon 2001: 148; Simmons 2002). Based on this list, if more than half of the criteria are fulfilled, an IGO is classified as strongly institutionalized.

¹⁰ Specificity can be measured according to the following four categories denoting low to high specification of agreements: 1) very general, abstract goals only (economic prosperity; equal treatment of citizens across federation) without direct implication for legislative action of the participating governments, 2) general goals specifying the direction of certain measures (balanced budget implying a reduction of government spending yet without specifying the area), 3) provisions indicating measures in particular policy fields (cutting health care spending) and 4) provisions defining concrete measures (see Poirier 2002).

¹¹ Note that no conclusions are drawn to outcomes in terms of the likelihood and effectiveness of agreements’ final implementation, since this dimension leaves the (even widely defined) ‘political sphere’. It would demand a detailed analysis of administrative processes. And these again are difficult to link back to the major hypotheses on the effects of political dynamics in the sub-states on intergovernmental relations.

III.2 Specifying the System – How to Measure the Degree of Integration

I now move over to the empirical assessment of the ‘linkages’ between IGOs. Just to mention two crucial indications for weak system integration: first, the vertical channel is only weakly developed. And second, several institutions located on the horizontal level compete as channels for intergovernmental exchange because their respective responsibilities are not clarified. If, instead, one body monopolizes this function, fragmentation on the horizontal level is rather low and feeds back to the integration of the system in a positive manner. This reasoning draws on arguments developed in research on party organization and its impact to federal decentralization. Analyzing the integration of a federal system, one can distinguish between ‘confederal’ and ‘integrated’ parties. The distinction refers to the weak or strong organizational and programmatic linkages between federal and regional party organizations (Smiley 1987; Grande 2001).

Accordingly, one can capture the degrees of inter-organizational linkages through the following indicators: A weak integration presupposes that contacts between the core IGOs can be identified. If IGOs meet regularly a medium integration is assumed. Integration is considered as strong when the relationship between different bodies and the respective responsibilities are specified by statutes. Such statutes stabilize their mutual cooperation and reduce conflicts since they clarify each body’s sphere of authority. Moreover, integration is strong when there are no IGOs with similar or equal scope directed towards channeling the same type of exchanges without task being clearly distributed.¹²

Table 3: Degrees of Integration between IGOs

Contacts with other IGOs	⇒ Weak Integration
Regularised Meetings with other IGOs	⇒ Medium Integration
No Co-existence of IGOs with Similar Scope	⇒ Strong
Formal Statutes about respective Responsibilities and Meetings	⇒ Integration

IV. The Empirical Analysis of Sub-State Dynamics

IV. 1 Case Selection

As already pointed out, to identify the effects of internal sub-state dynamics on IGR, it is reasonable to look at dual federal systems in which both levels of government possess considerable fiscal and jurisdictional powers. Canada, Switzerland and the U.S. are chosen as cases because they widely correspond with this model with regard to their federal constitutions. The indicator used to assess the sub-states’ financial strength is the revenue share.¹³ It is a crucial measure for the sub-states’ capacity to act independently in their own spheres of competence. In 1995, the revenue share in all three countries was higher than in any other OECD country: 46.72% in Switzerland, 41.65% in the

¹² Type of exchanges refers to the distinction general vs. sectoral coordination.

¹³ Calculated as the sum of revenues of the local and regional level as percentage of the total revenues (Braun 2000: 53).

US and 52.21% in Canada. A similar picture emerges concerning the share of sub-national expenditure in total expenditures (Braun 2000: 39; 52-53).¹⁴

In addition to holding financial dependence constant, one needs to control for constitutional incentives that favor intergovernmental interaction. The more that powers are assigned to closed ‘watertight compartments’ the weaker the incentives for cross-boundary interaction. The more the constitution provides for wide areas of concurrent powers, the stronger they are (Simeon 2001: 148). Hence, it is useful to look at the areas of concurrent legislation which are supposed to foster cooperative behavior in federal systems. On the basis of Watt’s overview of the competence distribution in federal systems one gets to the following result: Switzerland ends up with 17.8% of concurrent legislation based on the range of policy areas classified, while Canada has only 2.5% and the US 13.6% (Watts 1999: 126-30). While the differing amounts of concurrent legislation supports stronger IGOs in Switzerland, they cannot account for the respective degrees of integration. Moreover, in comparison to Germany with 62% of concurrent legislation (Watts 1999: 126-30) the three countries can be regarded as sufficiently similar to examine the impact of intra-governmental dynamics on the embeddings of intergovernmental exchanges.

IV.2 Measuring Sub-State Dynamics

Before examining the hypotheses presented in Section I. empirically, the four explanatory features which result from sub-state dynamics need to be operationalized.

In order to measure the internally generated ‘competitive pressure’ which affects the *stability of the interest configuration* and the tendency towards *blame-shifting*, the average *alternation rate* is used as first indicator. With regard to government turn-over, one can distinguish between partial and complete alternations. A partial alternation, in contrast to a complete one, is given when some government parties are replaced while others stay in office (Strøm 1990). Complete alternations are most likely given 1-party cabinets and become less likely the more fragmented the parliamentary party system is and the more parties participate in coalitions. Evidently, complete alternations generate more competitive pressure than partial ones. Since it is crucial to capture the pressure of elections I count only those governments that have been formed after an election without considering alternations during the term. The alternation rate will be assessed in relation to the maximal number of times an alternation could have occurred, that is, to the absolute number of elections. Regarding the presidential system of the U.S., I qualify as complete alternation a complete shift from one unified government configuration¹⁵ dominated by

¹⁴ Moreover, the role of conditioned grants deserves attention since it can create considerable dependence on the centre. The share of grants (the sum of grants received by the local or regional level from the central government as percentage of the revenue of the local and regional level) is the following: Switzerland 46.72%, Canada 61.9%, USA 58.9% (Braun 2000: 52-53). In the US and in Canada, the federal government uses this instrument very frequently to steer policy making in areas in which it has no jurisdictional powers but in which nation-wide harmonization is desirable (Braun 2000: 40). In Switzerland grants are much less important. However, this difference is unlikely to create a bias since the institutionalization of IGOs as well as their mutual integration are expected to be stronger in the Swiss than in the Canadian and the U.S. case.

¹⁵ Unified government is defined as a configuration when the majorities of both chambers and the executive belongs to the same party.

Democrats to one unified configuration dominated by Republicans and vice versa.¹⁶ Also in Switzerland executive and legislative elections are separate but in contrast to the U.S. divided government configurations are unusual¹⁷, hence the legislative composition will not be taken into consideration. Besides the rate of complete alternations, I will also look at the number of partial alternations to get a more detailed picture.

To capture the substantial make-up of the *interest configuration*, the average ideological *congruence* between the governments in office is specified. A measure of congruence does not primarily tell us how frequently actors have to adapt to changes such as the alternation rate. Instead, it qualifies the ideological complexity of the respective configurations. Congruence is assumed if parties in different governments belong to the same party family even if the party system is decentralized. All in all, the conflict potential between these parties should be lower than between completely different ones.¹⁸

To measure congruence, one has to assess to which degree the same type of parties have been in office across the different constitutive arenas at one point in time. As proposed in the literature, the congruence between the two levels of government is assessed by the average percentage of sub-state governments that deviate in their composition from the national government in office (Downs 1998: 138-39; Thorlakson 2004). What is crucial for this study, however, is the *congruence on the horizontal level*. It will be operationalized in two steps. The more different government configurations overlap in composition because ideologically close parties participate in different coalitions, the more moderate the governments are likely to behave towards each other. Accordingly, one proxy for the conflict potential is the percentages of non-overlapping governments. The lower this percentage is the lower the conflict potential, the higher it is the more likely intra-horizontal conflict becomes.¹⁹

In a second step the relative weight of non-overlapping governments will be assessed according to the Laasko-Taagepera-index (Laakso/Taagepera 1979).²⁰ The more even the distribution of the government configurations' representation in the sub-states at a given point (indicated by 2,0 or 3,0...instead of 2,4 or 3,6), the more conflict potential exists because the ideological profiles are represented with about equal strength in the sub-state cabinets. The higher the figure (5 instead of 2), the more difficult agreement becomes. Taken together, an average of 5 in one country as compared to 3,5 in another country indicates that in the first country 5 equally

¹⁶ One might argue that this is more demanding than the measure for parliamentary systems since three different elections need to favour one party to lead to unified government. However, a similar problem occurs when comparing a two-party system with a multi-party system.

¹⁷ See for a detailed analysis of cantonal executives Vatter (2002), Ch. 2.

¹⁸ When using means one has to pay attention to the changes over time. If they are too considerable, it is necessary to look whether these changes affected intergovernmental relations in the expected way.

¹⁹ The relative size of parties which participate in different sub-state coalitions also makes a difference. However, even if only a small coalition partners 'links' one sub-state with the other, a moderating effect can be expected.

²⁰ The formula is the following: The number $N = 1/\sum s_i^2$ in which s_i is the proportion of sub-states governed by the i -th government configuration.

represented configurations have to find agreement compared to 4 non-equally distributed in the second. In the latter configuration the conflict potential is assumed to be lower.²¹

The measurement of *transaction-costs savings* generated by intergovernmental interaction is quite straightforward. One simply counts the average number of decision-makers, namely the number of government parties plus the number of constitutionally defined veto players such as second chambers.²² The more decision-making units are involved, the higher the costs of free coordination and the higher the incentives to institutionalize IGOs.

The relative *autonomy loss* of a sub-state when engaging in intergovernmental interaction can be measured by the average number of one-party cabinets with and without a majority in the constitutive governments.²³ With regard to the U.S., I consider the average number of united government configurations.

IV.3 Sub-State Dynamics in Canada, the U.S. and Switzerland

In this section the measures are used to assess the intra-regional dynamics in favor or against the institutionalizations of IGOs and their mutual integration in Canada, the U.S. and Switzerland. Table 4 sums up the results. The data used covers the governments formed after the regional elections taking place after 1980.²⁴

Table 4: Measures of Sub-State Dynamics²⁵

	Percentage of 1-Party Governments	Percentage of Complete Alternations	Percentage of Partial Alternations	Average Number of Decision-makers	Percentage of Non-Overlapping Governments	Average Effective Number of Non-Overlapping Governments
Canada	100%	28.7% ²⁶	0	1	100%	2.735
U.S.	43% ²⁷	0	61.5% ²⁸	3	43%	1.651
Switzerland	3%	0	29%	3,34	4% ²⁹	-

²¹ Note that the percentage of non-overlapping governments and the effective number of non-overlapping governments need to be considered together. Obviously, the more overlap, the less relevant is the relative weight of the non-overlapping governments. If the overlapping governments are over 80%, the effective number of non-overlapping governments is not very telling and need not be referred to.

²² Since in the U.S. parties are very weak and the effect of divided government contested in research, I count the governor and the 2 chambers, hence 3 decision-makers per government unit. The ideological composition will find consideration in the congruence measure.

²³ Also a one-party minority cabinet is likely to dominate the legislative process. In particular when it is located in the centre and has a bilateral opposition to assure legislative majority support should be fairly unproblematic (Green-Pedersen 2001; Tsebelis 2002). As a rule of thumb, one-party minority governments are assumed to generate similar effects like one party majority governments. The dynamics of minority coalitions should resemble majority coalition cabinets.

²⁴ The Swiss data covers only the period 1983-2000.

²⁵ Results based on Dyck (1986), and data set by Vatter/Freitag/Müller/Bühlmann (2005) and own data.

²⁶ Range 0% Alberta to 50% Québec.

²⁷ Range 37%-49%.

²⁸ On average 8 partial alternations per state over 13 elections (range 7-9). Own calculations based on data of the National Council of State Legislatures.

As Table 4 indicates, Canada has the highest percentage of 1-party governments, the highest rate of complete alterations, the lowest average number of decision-makers and the lowest rate of overlapping governments. Starting with the dominant cabinet type, all sub-state governments since 1980 were formed by one party alone and most of them had a majority of seats. Autonomy losses generated by intergovernmental interaction are therefore high and weaken the provincial actors' willingness to invest in IGOs. In addition, the number of complete alternations indicates a comparatively high competitive pressure within the provinces which favors blame-shifting and thereby undermines cross-boundary exchanges. Moreover, the interest configuration is likely to change rapidly which makes flexible ad hoc coordination profitable. Since there is only one decision-maker per province³⁰, the transaction costs caused by ad hoc coordination are low and with it the incentive to invest in bodies which could lower these costs even further. This effect is further strengthened by the noticeable ideological incongruence of the average horizontal interest configurations. There are no government coalitions, hence none of the ideological configurations have overlapped compared to an average of 43% non-overlapping governments in the U.S. and an average of 4% in Switzerland. The effective number of non-overlapping governments of 2.735 on average points out that there has not been one dominant government type which could have unified the horizontal level ideologically. Instead, two to three configurations continuously have been competing for influence.

All in all, intra-provincial and with it intra-horizontal dynamics in Canada render the institutionalization of IGOs and their mutual integration fairly difficult.

The American case takes a middle position between Canadian and Swiss sub-state dynamics: Starting with the 3 constitutionally defined decision-makers per state, IGOs should be valuable instruments to save transaction costs. The effective number of non-overlapping governments (1.651) shows that one party has usually ruled in most of the sub-states. Hence, the horizontal conflict potential due to ideological incongruence has been fairly moderate. The percentage of non-overlapping governments is on average only 43% which means that in a majority of states each party occupies at least one branch of government and this also moderates inter-state relations. At the same time it also complicates *intra*-state relations: the separation of branches as constitutional power-sharing structure characterizes the internal political process to a wider extent than party dynamics do because parties are comparatively weak (Katz 1994). And this dominance of constitutional structures has evident implications for the interpretation of the effective number of non-overlapping governments: although there has been an overweight of Republican or Democratic unified state governments over the years, this rather indicates a limited conflict potential than a unifying effect on the horizontal level. The alternation rates indicate a limited competitive pressure which favors the institutionalization of IGOs. There have

²⁹ For the Swiss case the percentage of governments formed by parties which belong only to one ideological block (centre, left or right) is used as a proxy for the percentage of non-overlapping governments.

³⁰ The territories have improved their position within the federation over time. However, they are not independent from the central government, hence are in a weaker position than the provinces.

been no complete alternations yet partial alternations have occurred after 61.5% of the elections. Due to the two-party system each time a partial alternation occurs at least one government branch with veto power changes its partisan make-up. Since parties are weaker than in Canada and Switzerland, the implications for the actual conflict potential may again not be overestimated. Nevertheless, frequent partial alternations increase the internal complexity, complicate the aggregation of one state interest and with it one intra-horizontal interest profile which disfavors integration.

In sum, the rather low competitive pressure, the low autonomy losses and the rather high transaction costs involved in horizontal interaction make IGOs a useful tool to facilitate inter-state interaction. They should be considerably institutionalized. At the same time, the constitutional fragmentation within the states should weaken their mutual integration.

In Switzerland, intra-cantonal dynamics set very favorable incentives for the institutionalization of IGOs and their mutual integration. The competitive pressure is very low since there have been no complete alternations. Moreover, only 3% of the cantonal executives have been 1-party governments and the number of non-overlapping governments is only 4%.³¹ Incentives for blame-shifting strategies are hardly given. Due to the high number of oversized governments a party easily blames executives in which own ideological pendants participate. Furthermore, due to the oversized cabinet formats, the stability of the horizontal interest configuration over time is rather high. Since the cantonal party systems mainly differ in the weight of the single parties not in the composition of the party systems (Grande 2001; Ladner 2001) similar executive compositions across cantons moderate inter-cantonal relations. The number of partial alternations in Swiss cantons is with 29% quite high although still considerably lower than in the American states. However, one needs to consider that with an average 4-5 effective parties³² (Ladner 2001: 127; see also Vatter 2003) the Swiss party system is considerably more fragmented on the sub-state level than its Canadian and American pendants. For reasons of logic, partial alternations are much more likely. Even more importantly, Vatter's analysis of changes in partisan compositions of cantonal executives between 1945 and 1995 confirms that most partial alternations are minor because they change less than half of the executives' composition (2002: 69).³³ Finally, the average number of decision-makers clearly supports strong IGOs. With 3.34 it is more than three times as high as in Canada and slightly higher than in the U.S.. Accordingly, transaction costs savings through the institutionalization of IGOs are rather extensive.

In sum, the overall incentive profiles of the three federal countries with regard to IGR look the following: in Canada neither the institutionalization of single IGOs nor their mutual integration should be high, in the U.S. the institutionalization of single IGOs should be considerable. Their mutual

³¹ The percentage of non-overlapping governments is only 4%, the effective number of non-overlapping governments needs not be assessed since it cannot tell something substantial about the nature of the configuration.

³² Effective number of parties computed according to the Laasko-Taagepera-index (1979).

³³ Only one time four executive mandates changed after one election. The same is true regarding changes of 3 mandates (Vatter 2002: 69). Executives are composed of 5-7 mandates.

integration should however suffer from the internal constitutional fragmentation of the American states. In Switzerland, the internally generated incentives favor both: institutionalization as well as integration.

IV.4 Multilateral IGOs in Canada, U.S. and Switzerland: Institutionalization and Integration

After having examined the intra-regional incentive structures to set up and link IGOs in the three federal countries, this final section assesses the basic aspects of the respective multilateral-horizontal and multilateral-vertical IGOs. Due to the limited scope of the paper, this view is deliberately restricted in several respects. It only accounts for organizations which represent the states, hence, channel inter-state or federal-state exchanges.³⁴ Moreover, it leaves out regionally-based state associations which exist in all three federations.

With regard to this restricted set of arrangements two questions will be addressed in the following: to what degree do the sub-states in a federal state form one level of government expressed through the organizational make-up of single horizontal IGOs and through the presence of particular inter-organizational linkages? Integration can be examined referring to three kinds of linkages: first, the linkages between different generalist horizontal-multilateral IGOs (if several of them are in place), second, the linkages between general and sectoral horizontal-multilateral bodies and third, their linkages to the federal government.³⁵ Table 5 sums up the respective features of the core IGOs in Canada, Switzerland and the U.S. assessed according to the criteria presented in sections III.³⁶

Taking a closer look at the generalist IGOs, what we find immediately is that Canadian intergovernmental bodies are less institutionalized than American or Swiss ones. The establishment of the *Council of the Federation* (FoC) in 2003 as the successor of the Annual Premiers' Conference (APC) has been a crucial step in re-organizing inter-provincial relations. The frequency of meetings has been increased compared to the former APC to a minimum of 2 per year. The Council rests on a codified founding agreement and has the mandate to exchange information and to develop shared positions. It has its own secretariat and is internally differentiated.³⁷ Despite the growing institutionalization of this horizontal arrangement, one crucial criterion is not fulfilled to speak of a highly institutionalized IGO: the decision-making rule is still unanimity. Each government insists in its veto to delimit autonomy losses ex ante since no decision against the will of a single government can be made.

³⁴ In the U.S. there exists a multitude of organizations on lower levels which need to be taken into account in a more detailed analysis. However, due to the limitations of the paper they are left out.

³⁵ Note that the analysis focuses on the organizational make-up of IGOs. If IGOs are weak federal-state and inter-state interaction might be nevertheless intense. However, given a weak organizational embedding, it is argued that the patterns of IGR are likely to be ad hoc and less stable.

³⁶ What could not be sufficiently analyzed for the current paper is the nature and specificity of intergovernmental agreements. However, since the classification of the single IGOs was quite obvious, this did not create any further problems.

³⁷ For instance a steering committee of deputy ministers prepares the council meetings and ad hoc committees of the ministers responsible for IGR can be called on an ad hoc basis. Moreover, the Premiers' Council of Health Awareness is under the responsibility of the Council of the Federation as well as the Secretariat for Information and Co-operation on Fiscal Imbalance, Council of the Federation Founding Agreement, December 5, 2003.

Table 5: Intergovernmental Bodies in Canada, U.S. and Switzerland

	Institutionalization	Vertical Integration	Generalist Inter-Horizontal Integration	Generalist-Sectoral Horizontal Integration
Canada	<p>Council of the Federation (CoF) (multilateral-horizontal): Medium</p> <p>First Ministers Conference (FMC) (multilateral-vertical): Low</p>	<p>CoF-centre: Weak</p> <p>CoF-FMC: Weak</p> <p>FMC-centre: Weak³⁸</p>	<p>Coexistence of CoF-FMC for horizontal representation: Low</p>	<p>CoF-sectoral organizations: depending on policy field weak-high</p>
U.S.	<p>National Governors' Association (NGA) (multilateral-horizontal): High</p> <p>National Conference of State Legislatures (NCSL) (multilateral-horizontal): High</p> <p>Council of State Governments (CSG) (multilateral-horizontal): High</p>	<p>NGA-centre: Medium</p> <p>NCSL-centre: Medium</p> <p>CSG-centre: Medium</p>	<p>Coexistence of NGA-NCSL-CSG for horizontal generalist representation: Low</p>	<p>NGA/NCSL/CSG – sectoral organizations: depending on policy field weak to high</p>
Switzerland	<p>Conference of Cantonal Executives (KdK): High</p>	<p>KdK-centre: High</p>	<p>Only KdK: High</p>	<p>KdK-Sectoral Conferences of Cantonal Directors: High</p>

While the CoF is institutionalized on a medium level, the *First Ministers' Conferences* as the vertical-horizontal linkage is only weak. The FMC has long been the pinnacle of the intergovernmental system. It resolves conflicts on the highest level and gives direction to a network of lower level meetings. However, all these linkages are informal and cannot generate reliable patterns of interaction. Frequently, it has been suggested that FMCs be held annually and sometimes to be given even constitutional status, suggestions which have not been realised (Cameron/Simeon 2002: 62).

Meetings are organized by the Canadian Intergovernmental Conference Secretariat which has been established by the First Ministers in 1973. In fact, this secretariat has own personal and own resources contributed by the constitutive governments. However, it is responsible for organizing First Ministers' Meetings, the Eastern Canadian Premiers' and the New England Governors' Conference, etc.. Due to this multitude of services, the secretariat does not function as the 'arm' of one particular group with a particular interest profile. 'Organizational boundedness' is only present in formal terms since substantially, there is no 'organizationally bounded' configuration of actors the secretariat stands for.

All in all it is typical for Canadian federalism that actors avoid being obliged to enter into intergovernmental exchanges. This is particularly true for the federal government. Especially the convening of an FMC is the prerogative of the Prime Minister, hence FMCs are called only when it is

³⁸ Since the FMC as multilateral-vertical IGO is weakly institutionalized the linkage between horizontal and federal level is weak.

advantageous from the centre's point of view. Typically, federal officials claim that these conferences are used by the provinces to attack federal policies, usually for electoral purposes, rather than to confront seriously the challenges facing the Canadian society (McRoberts 1985: 95). This strategy of blame-shifting has a clearly negative impact on the effectiveness of cross-boundary exchanges. Accordingly, despite its almost 100 years of age, the FMC has therefore remained an ad hoc event (Meekinson/Telford/Lazar 2003: 16). From a comparative point of view, IGR in Canada has no constitutional or legislative basis and little backup by bureaucrats (Cameron/Simeon 2002: 64; Forget 2001: 133). The respective arrangements are much too weak to change actors' preferences and to generate patterns of intergovernmental interaction which are more than a mere reflection of given intra-provincial, inter-provincial and federal constraints. Therefore bilateralism and *ad hoc coordination* of low inclusiveness remain the dominant forms of interaction (McRoberts 1993; Cameron/Simeon 2002).

As pointed out the success of inter-provincialism measured on the basis of the *institutionalization of IGOs* is fairly limited. Correspondingly, commitments are as good as the good will of the participating governments (Lazar/McLean 2000: 168). In particular the scope of IGR is heavily dependent on whether the first ministers, in particular the prime minister, find it advantageous or not (Cameron/Simeon 2002: 64; Lazar/McLean 2000: 166; Smiley/Watts 1985) which means that shifting alliances are the rule. Under such circumstances, agreements necessarily represent smallest common denominator solutions between the respective partners (McRoberts 1993: 157).

Since the FMC as the multilateral-vertical IGO in the system is only called irregularly by the federal government, the degree of *vertical integration* is also very limited. The creation of the CoF as *exclusively horizontal* body evidently cannot compensate for this. This is because the CoF needs the centre to achieve its more far-fetching goals such as annual First Ministers' Meetings or the establishment of federal-provincial-territorial protocols of conduct. And the central government should have a very limited interest to set up more formalized vertical linkages since it rather profits from bilateral interaction on an ad hoc basis in which it usually plays the role of the stronger part. In particular when dealing with financially weak provinces it can minimize concessions without the involvement of stronger provinces which tend to raise the concessions the centre has to make to reach provincial agreement. Having this in mind, it is a plausible interpretation that a medium institutionalization of the CoF could only be achieved *because* the centre was excluded from this process. In particular Québec, as the province which pushed for its foundation, has a strong interest to strengthen the horizontal level in order to counterbalance the federal government and to maintain provincial autonomy. Especially due to this objective, the autonomy loss arising from the stronger organizational back-up of the Council could be reconciled with the intra-provincial competitive pressure favouring autonomy protection.

With regard to *horizontal integration*, there is no formal clarification about the respective tasks of the two multilateral IGOs – the FMC and the FoC - which both are located on the horizontal level. They co-exist but – beyond the provinces' overlapping membership in both – there is no

indication of regularized interaction patterns. The linkages between the *generalist multilateral* IGOs and the *sectoral* councils vary as greatly as the organizational make-up of the single sectoral arrangements do. In some policy areas formalized linkages to the generalist IGOs are in place, for instance in the case of the Premiers' Council of Canadian Health Awareness which is under the responsibility of the CoF.³⁹

With reference to sectoral interaction itself, there is a wide range of committees of ministers and officials that are now held more regularly and partially carry out mandates assigned by the first ministers. The regularity of their meetings vary across policy fields from several meetings per year to one every three years (Cameron/Simeon 2002: 62; Meekison/Telford/Lazar 2003: 22; Simmons 2002). However, note that - despite the partially considerable frequency of interaction - the informal character of the councils weakens the bodies' capacity to achieve relations that extend the exchange of opinions (Meekison/Telford/Lazar 2003: 21-2). Hence, also in less visible structures which are more protected from political dynamics co-decision could not be achieved. In this context, an interesting development since the late 1980s is the general trend of the decentralization of intergovernmental management to line departments (Johns/O'Reilly/Inwood 2004: 8; 11). Instead of strengthening 'externalized' IGOs organizationally, there is a trend that policy-specific exchanges are concentrated and intensified *intra*-governmentally. This strengthening of intra-ministerial bodies corresponds with the logic of this composite polity since it maintains the constitutive boundaries within the system to a much higher degree. Therefore internal units conflict much less with the logic of competition generated within provincial boundaries than 'externalized' IGO.

In sum, the competitive pressure within the Canadian sub-states affects the intergovernmental arena in a negative way. Actors try to maintain maximal flexibility to be able to react to internal demands and prioritize autonomy protection over stable IGR. Since the Canadian horizontal configuration is not very complex, ad hoc coordination is feasible because not overly costly and the formation and re-formation of momentary alliances as well as the exit from alliances quite common. Both the internal dynamics and processes in the single sub-states and the horizontal configuration which results from the former have contributed to the weak institutionalization and integration of Canadian IGR.

In the U.S. the sub-state dynamics are much more in favor of the institutionalization of IGOs than in Canada: First, the competitive pressure is not very high because the constitutional power-sharing structures within the states prevent the dynamics of a zero-sum-game. The incentives for blame-shifting are consequently limited and sub-state actors do not have much autonomy to loose when they engage in intergovernmental exchanges. Moreover, due to the high complexity of the configuration, IGOs are valuable to save transaction costs. The major difference between the U.S. and the Swiss situation is the dominance of constitutional power-sharing structures over partisan linkages in the

³⁹ Council of the Federation Founding Agreement, December 5, 2003.

American context. Especially the executive-legislative divides in the states establish a barrier against strong system integration as will be shown in the next paragraph. Moreover, while the interest configurations are complex in both countries, they show more continuity and a lower conflict potential in Switzerland. In sum, on the process level, co-decision and with it cross-boundary harmonization is more difficult to achieve in the American context.

On the organizational level, the most crucial feature of American IGR is the co-existence of IGOs which represent the interests of the state executives and the state legislatures separately: core associations are the National Governors' Association (NGA), the National Conference of State Legislatures (NCSL) and the Council of State Governments (CSG). Obviously, they directly reflect the constitutional power-sharing mechanisms within the states. Yet inter-organizational division does not only show in the co-existence of IGOs with a similar scope but also in organizational splits of IGOs which represent the same branches: As a counterweight to the NCSL which was perceived as too liberal, the more conservative American Legislative Exchange Council (ALEC) was founded. On top of this, 'lower level' associations are numerous and some of them - such as the United States Conference of Mayors - are very powerful (Cigler 1995; Haider 1974). In short, constitutional fragmentation and partisan divides structure the landscape of IGOs while jurisdictional fragmentation seems to be the stronger force. The multitude of IGOs clearly devalues the state level's status as a major organizational layer in the system because it renders the formation of one coherent interest profile of a single state and, more so, of the horizontal level virtually impossible.

Ironically, under these circumstances, the *high institutionalization* of IGOs rather stabilizes inter-organizational divisions than it contributes to system integration. The three major state organizations, the NGA, the CSG and the NCSL are externally and internally differentiated, meet regularly and are run by an executive supported by a permanent secretariat. Internal decisions are taken by majority rule. In terms of functions, the NGA and the NCSL are lobbying groups while the CSG is a service association functioning as an umbrella organization (Arnold/Plant 1994: 102). To improve *intra-horizontal linkages*, the three IGOs have moved to the same building in D.C. and have tried to increase mutual cooperation. However, since they represent only a sub-group of IGOs which are located on the horizontal level, the effect on the overall degree of integration is necessarily limited. Moreover, the pressure to cooperate in order to gain more weight in the system conflicts with the IGOs' organizational autonomy which led to their philosophy of "cooperate not merge" (Arnold/Plant 1994: 105).

As private interest groups do, American IGOs try to make sure that their members' views are channelled into the process of shaping federal policy. Most crucially, the patterns of American IGR evolve around the *vertical dimension*. Therefore they pursue regular contacts with federal officials and their internal differentiation is strongly structured along policy lines. The NGA, for instance, runs several standing committees on core policy areas and issues policy positions on federal

plans. Correspondingly, the strength of linkages of the generalist IGOs to sectoral associations also differ considerably along policy lines.

All in all, the central government plays the role of the dominant part in federal-state interactions, while the states remain reactive (Cigler 1995: 131; Kincaid 1990; Zimmerman 1990: 58-9). Any decline to participate in nationally prescribed regulatory regimes or grant-in-aid programs is virtually non-existent, even though non-participation is technically available.⁴⁰ Moreover, usually states do not try to take refuge by referring to the unconstitutional status of mandates which hurt the prerogatives of the states. Instead, they try to maximise their receiving of national funds and consider the national government as financial supplier (Derthick 2001: 51; 54). The fact that states have been much less critical of national funding priorities than local actors (Cigler 1995: 144) adds to this picture. This naturally affects the functional orientation of IGOs.

Pro-federal Supreme Court rulings alone cannot be considered as the major determinant for the states' reluctance to insist in their own spheres of authority when confronted with Congressional intrusion.⁴¹ It is argued in the literature is that sub-state actors accepted the 'realism of the administrative state' and therefore cared less about competence distribution than about the 'realities' of funding, implementation and coalition-building around concrete programs (Arnold/Plant 1994: 106). However, one crucial reality which feeds this acceptance is the unequal capacity of the two governmental levels to coordinate internally. For the states to act as one 'order of government' against the central government and to successfully defend own authorities, successful inter-state coordination is a precondition. If the latter is not feasible, state resistance is of limited use. As a consequence of this intra-horizontal coordination dilemma, from the state executives over the legislatures to single cities lobby separately in Washington for their genuine interests. This draws an impressive picture of how the internal constitutional power-sharing structures have been projected outside state boundaries and heightens the pressure on state and local actors to compete for national funding (Kenyon/Kincaid 1991: 91; 111). This *intra-horizontal competition* again feeds back to and undermines new efforts of *horizontal integration* right from the beginning. Moreover, this disunity among the states serves Congress to legitimise own action since it can point to the failure of the states to do the job on their own (Derthick 2001: 38-39) which again reinforces central intrusion.

In a nutshell, the co-existence of considerably institutionalized but loosely linked IGOs are fed by two parallel sources. On the one hand, the constitutional executive-legislative divide motivates the foundation of IGOs representing executive and legislative state interests separately. The

⁴⁰ The observed weakness refers only to the decision-making phase, not to policy-implementation, where the states might possess considerable leeway how and if to realise central standards.

⁴¹ Albeit the Supreme Court had supported centralisation for several decades, rulings after the mid-80s preserved state prerogatives in 50% of the times (Elazar 1990: 15). Later in the 1990s, the Supreme Court adopted a much more protective position towards state sovereignty (Conlan 2000: 140). And most importantly, only a small part of legal disputes reach the Court in the first place and state courts have – with reference to state constitutions – shown the willingness to extend the protection of states beyond the Supreme Court's interpretation (Hickok 1990: 84). Facing this picture, it is not convincing that the states hardly refrain from suing just because they anticipate a final defeat in front of the Supreme Court albeit it certainly has been one major centralising force. In contrast, they seem to involve the judiciary only when unable to extract sufficient concessions in exchange for central intervention.

internal dynamics and the overall interest configuration make IGOs valuable instruments to save transaction costs and to facilitate the aggregation of interests. Nevertheless, ad hoc coordination is the best to achieve. This is because the linkages between the horizontal IGOs and the centre remain fragmented because the dynamics just described motivate the associations to compete for influence on federal policy-making on their own. This situation also prevents that despite their strong organizational make-ups the IGOs provide the basis for co-decision processes and cross-jurisdictional policy-harmonization. Each of them can represent the 'state interest' only partially most visible in the split between NGA and NCSL. On a more general level, the case study also shows that centralization may not be equated with integration, since weak intra-horizontal linkages rather supported centralization in the U.S.. Interestingly, in Swiss federalism it is the other way around. Integration is considerable while the polity remains nevertheless comparatively decentralized.

In Switzerland both the institutionalization of the core IGOs and their mutual linkages are strong. The core horizontal-multilateral IGOs in Swiss federalism are first, the generalist Conference of Cantonal Executives (KdK) and second, the Conferences of Cantonal Directors responsible for the exchanges in particular policy fields (DKs). Most crucially, in contrast to the U.S. Swiss IGR are dominated by executives despite the presidential-like structure of the cantons. This first reduces the number of IGOs which are located on the horizontal level and second facilitates the formation and the representation of one position per canton.

Since the sectoral DKs have existed much longer than the KdK it is useful to take a first look at these bodies although sectoral IGOs are no major focus of this paper. Moreover, Swiss sectoral bodies vary much less in their organizational make-up than Canadian and American sectoral bodies do. Hence, they define the system of IGR to much wider extent. They are *highly institutionalized*⁴² and as a crucial *vertical linkage*, a delegate of the respective federal ministry takes either part in the executive or the plenary sessions of each DK.⁴³ Meetings can result in guidelines, benchmarks or inter-cantonal contracts, so-called Concordats. The Concordat is the most formal instrument and in the 1980s 311 of these treaties existed. Since they aim at solving concrete policy problems, their specificity is rather high. Although cantonal non-compliance cannot be effectively sanctioned most of these provisions become cantonal law (Armingeon 2000: 115).⁴⁴ In sum, the structural embedding and the results of inter-cantonal interaction indicate that *co-decision* prevails in sectoral interaction.

⁴² They usually have a permanent secretariat that represents the respective conference in committees and working groups on the inter-cantonal and national level during the year. Besides the plenum which embraces representatives from all cantons responsible for the respective policy field, each conference has an executive which runs the respective bodies. Partially they are further subdivided in commissions consisting of policy experts out of the cantonal administrations dealing with more specific policy problems.

⁴³ Note that the federal representatives do not have formal voting rights.

⁴⁴ With regard to inter-cantonal treaties, the procedures highly differ from canton to canton of how involved the legislature and/or the cantonal peoples are when it comes to ratifications. As an illustration, fifteen of the cantons either allow for a facultative referendum or apply the normal legislative procedure. Executive and administrative agreements can also be struck without demanding ratification by the legislatures in the first place (Freiburghaus/Zehnder 2003: 6-7).

Despite the organizational strength of the DKs, the cantons considered the general representation of cantonal interests in the federation as insufficient. In 1993, this critical attitude found its expression in the foundation of the Conference of Cantonal Executives (KdK). Its most initial function was to assure the consideration of cantonal interests in the Europeanization process. In the last 12 years, however, it has become the core IGO channelling general inter-cantonal and inter-organizational transactions.⁴⁵ Its organizational structure is very similar to the DKs. It is also *highly institutionalized*, hence is externally and internally differentiated. The KdK plenum meets four times a year. In these sessions political decisions are made which mostly boils down to ‘common positions’ on certain issues or plans of the central government that concerns the cantons’ authority. Decisions are taken by majority rule. The plenary session is accompanied by four meetings of a smaller executive committee.⁴⁶ It makes strategic decisions and prepares the plenary sessions. Most importantly, the decision-making rule and the composition of the executive both show that the participating cantons do neither insist in equal representation nor in equal veto positions.

Regarding *inter-organizational integration*, at the beginning, the central institutions and the other intergovernmental arrangements in the system considered the newly found conference as potential competitor (Minger 2004: 10). However, nowadays the KdK as well as the DKs evaluate the relationship to the other federal peak institutions as productive. Looking at formal indicators for inter-organizational integration, in December 2001 the KdK and the DKs agreed upon a general framework which clarifies the respective responsibilities and attempts to facilitate cooperation between the IGOs and the federal government.⁴⁷ Among else, the KdK was assigned the task of conflict resolution in case that different DKs disagree on which of the sectoral conferences is responsible for a particular issue (Jahresbericht CH Stiftung 2001: 9-11).⁴⁸ The newest endeavour to strengthen the integration between the KdK and the DK is to merge the two organizationally in one ‘House of Cantons’.⁴⁹

Instead of being solely a platform to form a front against the federal government, the KdK provides an intra-horizontal generalist channel for exchange as well as for conflict resolution. Moreover, it has made active effort to integrate the Bundesrat in its meetings which should strengthen the *vertical linkage*. Over the years, the federal executive has been regularly invited to the plenary sessions, invitations which have been accepted on several occasions in the last two years. More crucially, KdK-federal contacts take place on a regular basis through the ‘federalism-dialogue’

⁴⁵ For instance, the KdK has established a number of committees and working groups on issues of particular cantonal interest like on redistributive policy (Jahresbericht CH Stiftung 2000: 21).

⁴⁶ It is composed of nine members selected through a regional distributive scheme.

⁴⁷ Zusammenarbeit der Kantone mit dem Bund: Rahmenordnung über die Arbeitsweise der KdK und der Direktorenkonferenzen bezüglich der Kooperation mit dem Bund, Konferenz der Kantonsregierungen, Fassung vom 3. Oktober 2003.

⁴⁸ The establishment of a tripartite conference of central government, cantons and towns (TAK) dealing with urbanisation policy is an initiative of the KdK which bridges all three levels in the Swiss system. Besides, in 1991 the KdK met with the Ständerat in order to discuss about the possibilities to include representatives of the KdK and the ministerial conferences in the second chamber’s committee work.

⁴⁹ Up to now there has been set up a shared secretary in Bern. However, the organizations are still clearly separate and there are voices in the DKs which fear that a real organizational fusion of the two could undermine the DKs’ role in channelling policy-specific exchanges.

(‘Föderalismus-Dialog’), a committee composed of Bundesrat delegates and a delegation of 4-5 KdK delegates which deals with specific policy areas and issues common papers.

Obviously, the internal dynamics generated by the power-sharing executives in the cantons are very favourable towards the institutionalization and integration of IGR which has been confirmed by the given analysis of Swiss horizontal-multilateral IGOs. The connection between intra-cantonal processes and external relations has already found attention in research on Swiss federalism. According to Armingeon, cooperative behaviour is stabilized by the surrounding fora of decision-making. He argues that conflictual strategies in the federalist arena are in sharp contrast to the style of decision-making in the remaining arenas which are corporatism on the one hand and consociationalism on the other (Armingeon 2000: 124). Some of the mechanisms on the micro-level which allow Swiss regional elites to adapt to demands for cross-boundary cooperation rather easily are the following: cantonal political elites are widely protected from electoral punishment since oversized coalitions are the most frequent cabinet type. Under these circumstances, the incentives for blame-shifting strategies are weak. Moreover, the interest configuration is very complex with 26 cantons and over 3 decision-makers per cantons on average. This makes ad hoc coordination is costly. Thus to invest in the establishment and maintenance of IGOs is a rational strategy to lower transaction-costs. And finally, in contrast to U.S., Swiss parties manage to bridge the executive-legislative divides within the cantons which reduces the fragmenting effect of internal compulsory power-sharing.

Conclusion and Further Outlook

In the given paper it has been argued that it is fruitful to consider the internal structures and dynamics of federal sub-states to account for the institutionalization of intergovernmental arrangements and their mutual integration. To strengthen the given results, three further steps are necessary which could not be made within the limited scope of the paper: First, thorough comparative process-tracing would be desirable to arrive at a more detailed empirical specification of the causal mechanisms which drive the actors’ choices. Second, the role of the judiciary needs to be taken into consideration to a much wider extent. And third, the structural analysis needs to be extended to IGOs of different scope⁵⁰ to arrive at a fuller picture of the patterns of sub-state and federal-state interaction.

What the paper already provided is the following: The theoretical approach tried to supplement a perspective on federal dynamics à la Lehbruch (1978) which refers to structural logics and tensions through a micro-foundation. This micro-foundation attempts to specify some of the motives of sub-state actors to invest or not to invest in strong intergovernmental arrangements. On this basis, a set of testable hypotheses and a corresponding set of indicators could be presented. They help to account for and to compare the variety of embeddings and the dynamics that shape these embeddings’ organizational features in a systematic way. Furthermore, the paper tried to show

⁵⁰ Examples are regionally-restricted IGOs which exist in most federal systems.

empirically how the internal lives of constitutive government units affect the patterns of IGR in the three federal systems Canada, U.S. and Switzerland. All in all, the preliminary evidence supports the theoretically developed argument that in order to assess the dynamics of composite polities, the connection between internal sub-state dynamics and their external relations provides an insightful starting-point for further research.

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