

Module 7

Inter-governmental relations

Introduction

Inter-governmental relations are an important set of activities or interactions that occur between governmental units of all types and levels, within a federal system of government.

Inter-governmental relations embrace not only federal and state relations, but also include interstate, federal-local, state-local or local to local government relations (Bardes, Mack & Schmidt, 2010; Nice, 1987). Federalism and inter-governmental relations is not the same thing. Federalism provides the structural framework within which inter-governmental relations are conducted (Stillman, 2010).

The federal form of government ensures that three (or at least two) order levels of government are present. In modern federal countries, these orders of government tend to be highly interdependent and interactive (Nathan, 2006; Henry, 2010). The approach of this module is to explore the type of administrative relations that exist among the levels of government, particularly the possibilities for co-operation and conflict among the various units of public institutions. In respect of jurisdiction issues in a federal system, national, state or local governments possess policy-making authority over specific, but sometimes overlapping territory, in order for them to address the needs of citizens.

The positive relationship between levels of governments is called co-operative federalism. Co-operative federalism demands positive interaction among governments at all levels (Shafritz, Russell & Borick, 2011). Whatever the short-term trend of federal-state-local relations, co-operative activities are constantly growing among the three levels of government in a number of countries, such as Canada, the United States, India, Nigeria and so on. In these nations many government units exist. These governments (including the national government, the state, and a bewildering variety of local units) do not function in isolation from one another (Bowman & Kearney, 2011). On the contrary, they interact frequently. The interaction of different levels of government forms the basis for the study of inter-governmental relations. The types of relations between these levels of government range from harmonious co-operation and assistance to bitter conflict (Nice, 1987). The relationship also ranges from activities as formal as a constitutional amendment or a court hearing to the informality of a cocktail party, a telephone call from one governor to another or from one governor to the president.

Inter-governmental relations also occur when the national government sends disaster relief to a state or province plagued by some form of natural disaster. It also occurs when a state government gives financial aid to a local school district. Most inter-governmental relations take place within a federal system of government such as in Canada, Brazil, the



United States, India or Nigeria. Federalism is something of a mid-point on a continuum of a political system. At one extreme is a unitary system such as the government of the United Kingdom, Israel or Egypt in which all decision-making power rests with the national government and sub-national units do not exist. The United Kingdom is a relatively unitary system. The workings of the federal system are sometimes called inter-governmental relations. This term refers to the entire set of interactions among national, state and local governments.

One important point to note is that many social issues facing communities have proved to be beyond the responsibility and capacity of a single level or single type of government, or of the private sector. In the twenty-first century, government and private sector organisations may have to try and work together to manage difficult problems in their communities. This module explains how agents representing governments work out problems. It explores inter-governmental administration, an emerging concept in the study of affairs between national, state and local governments. The module also examines the roles of public administrators who work at the margin between the different government levels.

Module outcomes



Outcomes

Upon completion of this module, you will be able to:

- *Explain* how national and regional (state and local) governments are directly involved in the daily lives of citizens.
- *Demonstrate* how regional governments' resurgence is exemplified in improved revenue systems, the expanded scope of local operations, faster diffusion of innovation, more inter-jurisdictional co-operation and increased national and regional government conflict.
- *Define* federal, unitary and confederation systems of governments as well as demonstrate an understanding of the advantages and disadvantages of federalism.
- *Describe* the power relationship among the three levels of government as stipulated in various models, including dual and co-operative federalism.
- *Demonstrate* an understanding of the implementation of fiscal federalism.
- *Explain* why a national financial situation in a federal system could result in the administering of formulas for the distribution of revenue to regional governments.
- *Demonstrate* an understanding of the key trends that characterise public administration in state and local governments.
- *Discuss* some of the public administration challenges facing state and local governments.

Federalism, confederation and unitary systems

There are about 200 independent countries around the world. Each of these countries has adopted its own system of government. In most cases though, there are three ways of fostering relations between the national government and regional political systems. According to Nice (1987) and Nagel (2002), the three popular systems of governments are:

1. **A unitary system:** This could be defined as a centralised governmental system in which local or sub-regional governments exercise only those powers given to them by the central government. Countries such as the United Kingdom, Chile, Israel, Ghana, Egypt, Sweden, the Philippines and Japan have a unitary system of government. In France there are departments and municipalities that only exercise those powers and responsibilities granted them by the national government. Within the departments and municipalities are separate government entities with elected and appointed officials. Under the unitary French system, the decisions of departments and municipalities can be overruled by the national government. According to Bowman and Kearney (2011), the national government can also cut off funding of many departmental and municipal government activities. Moreover, in a unitary system, all questions related to education, police, the use of land and welfare are handled by the national government.
2. **A confederation:** This is a system of government consisting of a league of independent states, each having (essentially) sovereign power. The central government created by such a league has only limited powers over the states. A confederation is the opposite of a unitary government system. It is a league of independent states in which a central government or administration handles only those matters of common concern expressly delegated to it by the member states (Bardes, et al., 2010). The central governmental unit has no ability to make laws directly applicable to individual states unless the member states explicitly support such laws (Nice, 1987; Nagel, 2002). There are very few, if any, confederations today that resemble those that existed in the United States under the article of confederation. Van Dyke (1996) contends that Switzerland is a confederation of 23 sovereign cantons. Some countries have also formed organisations with one another for limited purposes, such as the military or peacekeeping role of the North Atlantic Treaty Organisation (NATO), the European Union (EU) and the United Nations (UN). These organisations, however, are not true confederations. As in Canada, the balance of power in a confederation fluctuates over time, despite a constitution, due to judicial and legislative interpretations. Canada is federal in nature but a confederation when the national government is weaker. It should be noted that



the nature of confederations can be one of tension. These tensions can manifest themselves sometimes with the threat of separation.

3. **A federal system:** Federalism is a system of government whereby a nations' power is divided among two or more levels of government. Each level of such divided governments will have formal authority over the same area (land) and people (Nagel, 2002; Shafritz et al., 2011). Federalism can also be defined as a system of shared power between units of government (Rosenbloom, Kravchuk & Clerkin, 2009). In the United States, for example, the 50 states have formal authority over their citizens and inhabitants, but the national government can also pass laws and establish policies that affect them all. In respect of the two main levels of government that exist in a federal system, each level is independent of the will of the other. Neither are they free to destroy the other unit of government. The formal distribution of legislative power to the two levels cannot be altered or amended at the unilateral discretion of either one.

In the United States federal system, the citizens are subject to the formal authority of both state and the national government (Bardes et al., 2010; Bowman & Kearney 2011). According to Coulter (1994), only 18 of more than 200 nations have federal systems. Some of these countries include:

- Argentina,
- Australia,
- Brazil,
- Germany,
- India,
- Mexico,
- the United States, and
- Nigeria.

In the United States the federal government has only those powers assigned to it in the constitution. All other powers (or residual powers) belong to the states (Bardes et al., 2010). Legislation adopted by the federal government within the limits of its constitutional authority supersedes any conflicting state legislation. For example, in 2010 the federal government of the United States filed a lawsuit challenging the State of Arizona for adopting an immigration law.

The unitary system is the most popular form of government in the history of mankind. The important point to note is that there are various ways of fostering relations between national governments and regional units. Federalism is one of these. Understanding federalism and how it differs from other forms of government is important in analysing federal systems of government including those in the United States, Canada, Brazil, Mexico and so on.

In the twenty-first century, whereas about 18 countries have claimed to be federal in their political system, very few actually practice shared governance. Only four seem to meet the pre-conditions discussed in this module. These are:

- Australia,
- Germany,
- Switzerland, and
- Canada.

Each of the four countries listed differs in some respect from the United States in its application of the federal principles.

In Canada, the rules are different from those of the United States. The powers of the provinces are enumerated with residual powers left to the central government. The government at each level is denied the authority to take away any power assigned to the other level (Nagel 2002). A federation is also a union but clearly sets the national governments above the subordinate governments. In Canada, there is the tendency for some laws to be carried out by local (provincial) agencies of government. For example, provincial courts are even used to apply national laws (Van Dyke, 1996). In Australia, the division of power is such that the national government may legislate in many of the traditional areas of local government concurrently with the state governments (Coulter, 1994). When there is a conflict between the two levels of government, the national law takes precedence.

In Germany, the national government places local authorities in charge of the enforcement and administration of nearly all national laws and the division of powers is more thoroughly spelt out in the German constitution than in that of the United States. In Switzerland, most government employees are local employees and the national government is quite small. According to Henry 2010 ; Shafritz et al. (2011) and Bardes et al. (2010), Australia, Canada, Germany and Switzerland are considered federal because:

- The division of powers between the national government and the local units is a real division of power that cannot be changed without constitutional amendment, requiring the consent of the governed citizens.
- The boundaries of the national and regional governments cannot be significantly changed without the consent of the citizens (inhabitants) therein.

Several other countries tend to claim to be federal system but have not been able to fulfil the above criteria. Such countries include:

- Argentina,
- Brazil,
- India,
- Mexico, and
- Nigeria.

Research reveals that these countries have failed to meet at least one of the two criteria (Nagel, 2002). In other words, some



governments are only quasi-federal; neither completely unitary nor federal in nature.

Why should a country practice federalism?

There are several arguments why a nation would adopt a federal system. One reason may be the complex set of diversity factors that some nations have faced (or continue to face). Despite modern methods of telecommunication and transportation, the diversity of the population (and the geographic size of some countries) makes it impracticable to locate all political authority in one place.

The federal system of government brings government closer to the people. It allows direct access to, and influence on, government agencies and policies, rather than leaving the populations restive and dissatisfied with a remote, faceless, all-powerful national (central authority). Table 7.1 shows the profile of some countries that practice federalism

Nations	Population	Area sq miles (in thousands)	Ethnic diversity
Argentina	37,812,817	1,068	Low
Australia	19,546,792	2,968	Low
Austria	8,169,929	32	Low
Brazil	176,029,560	3,286	Medium
Canada	31,902,268	3,852	High
Germany	83,251,851	138	Low
India	1,045,845,226	1,269	High
Malaysia	22,662,365	127	High
Mexico	103,400,165	762	Low
Switzerland	7,301,994	16	Medium
United States	300,562,489	3,718	Medium
Nigeria	150,700,120	1,235	High

Table 7.1 Profile of nations that practice federalism

Source: Central Intelligence Agency, The World Factbook (2000)

Federalism allows large countries (such as Canada, India and the United States) to function diligently as well as delegate authority to the states or provinces (Edward et al., 2004, Bardes et al., 2010). The argument is that the lower levels of government that accept these delegated responsibilities become the focus of political dissatisfaction rather than the national authority. The advantages of federalism are linked to certain values promoted by this formal arrangement of power that became more apparent as several federal nations grew in size, complexity and diversity.

According to Shafritz et al. (2011), Bowman and Kearney (2011), the values of federalism include:

- a sharing of authority that limits the power of government and better avoids autocracy or tyranny,
- government policy-making that is decentralised and often closer to the people,
- greater scope for diversity,
- a greater ability to experiment and create innovative policy approaches to public problems,
- a greater ability to protect the needs and interests of minority population groups,
- helps manage social and political conflict,
- encourages innovation among government levels,
- promotes administrative efficiency,
- helps maximise the political participation of citizens in the political process, and
- helps protect individual freedom.

As stated earlier, only about 18 countries have federal systems. In trying to determine why these 18 chose to adopt a federal system, the author of this module discovered several factors.

The three North American countries (Canada, United States and Mexico) tend to a trend that somewhat spills over to South America, where Argentina and Brazil have federal systems. According to Van Dyke (1996), countries with large size (such as Canada and Australia) or both size and population (such as India, the United States, Brazil and Mexico) tend to have federal systems. This is because the system enables them to decentralise administration of their governmental services. Exceptions to these principles are China and Indonesia: two large and heavily populated countries that practise the unitary system (Coulter, 1994; Goldstein, 2003). The irony, however, is that a mid-sized country such as Switzerland has a federal system.

According to Wright (1988) and Nice (1987), a country's diversity in respect of ethnicity and religion may play a major role in the development of a federal system. Examples of countries that have been influenced by their diversity are:

- Canada,
- Brazil,
- Nigeria,
- India,
- Malaysia,
- Switzerland, and
- the United States.

These countries have large minority ethnic groups that often speak different languages and practice different religions (Nagel, 2002). Several



countries with unitary systems, however (ranging from Belgium to most African countries), are also replete with ethnic diversity. It is interesting to note that most federal systems are democracies, although most democracies are not federal systems. Authoritarian regimes generally do not wish to disperse power from the central government (Weatherby et al., 2009).

As democracy swept through the former Soviet Union and Yugoslavia, the national governments dissolved and several smaller nations were formed. It should be noted that under a federal system of government, the national government affects citizens severely at the point of the payment of national income tax. All other relationships with the national government tend to involve a co-operative arrangement with business and state agencies involving the use of federal money on a voluntary basis or the control of business through national regulations for the public benefit.

Activity 7.1



Activity

1. Why do some nations choose to adopt a federal system of government?
2. What are inter-governmental relations? Is inter-governmental relations and federalism the same concept?
3. State the main differences between a confederation and a federal system of government.
4. What are the principles that a nation will have to fulfil in order to be classified as a federal system?

Models of inter-governmental administrative interaction

This section will explore the various relationships among the national, state and local governments and the issues that both reflect and give rise to those relationships. It will also present the leading models that have been developed to explain those relationships and issues.

Three distinct but complementary models may be used to explain the role and power of officials in the processes and outcomes of inter-governmental relations. The three models are:

1. co-operation,
2. bargaining, and
3. bureaucratic politics.

The co-operation model

This refers to inter-governmental relationships involving (to a large extent) public administrators or programme specialists from national,

state and local governments working together in a harmonious manner (Nice, 1987; Shafritz et al., 2011). Co-operation, harmonious relationships and productive interactions are facilitated because these public administrators would share a body of knowledge and skills as well as a set of professional attitudes. They will also share values that may relate to their particular policy field (Nathan, 2006). The values of this model for explaining policy development and implementation in certain areas of federal-state relations has been demonstrated well in respect of the United States and Canadian governments' welfare and health policy programmes. Most developing nations' education policies have been implemented by both the national and regional governments. In the United States, the growth of industrial and other types of corporations that grew beyond the capacity of state and local government control led to the creation of national independent regulatory agencies (Henry, 2010; Stillman, 2010; Nagel, 2002). The national government had to expand its area of policy concern and programmes with co-operation from regional governments.

The bargaining model

This model stipulates that inter-governmental relations mostly involve senior public administrators from the national state and local governments (Nice, 1987). Interaction takes place in the form of a bargaining process in which these public administrators present (and defend) their government's position on specific public policy issues (Shafritz et al., 2011; Nagel, 2002). The focus of the model is on the policy, strategies and tactics used by participants in the process. In respect of the bargaining model, the bone of contention is that participants in the national and regional governments are not scattered throughout the system, rather they are concentrated and limited to areas of mutual interests (Nice, 1987; Radin, 2011).

The bureaucratic model

This model refers to negotiations over inter-governmental matters among ministers and senior public administrators in the departments and agencies within each level of government. It involves intra-governmental rather than inter-governmental bargaining. According to Schultz (1980), the bureaucratic model could be used as a complement to what he described as the "government-as-unitary-actors" model. Rosenbloom et al. (2009) contend that the model might be productive in considering each government as a loose coalition of organisations and the negotiating position of the governments as an outcome of an internal negotiating process. This means that governments are often treated as single actors because they normally present a united front in negotiations with other levels of government (Henry, 2010). It is important to note that public administrators who are not significantly engaged in inter-governmental relations indirectly affect the success of these relations by influencing the resources devoted to inter-governmental activities (Nathan, 2006; Nagel, 2002). The model has been used most often to study foreign policy and has also been applied recently to the study of inter-governmental relations in Canada and the United States (Goldstein, 2009).



Administrative machinery for inter-governmental relations

One of the most important administrative machineries of inter-governmental relations can be seen in the financial and human resources that are devoted to conduct the relationship between national and regional governments (Rosenbloom et al., 2009). It is interesting to notice the expansion of public administrators' roles in the past three decades in the inter-governmental machinery. Further, the number and quality of public administrators operating these inter-governmental relations has been striking.

In some countries, the development of administrative structures geared specifically to the management of inter-governmental relations was a response to the large and growing number of meetings and the desire of the governments to co-ordinate and rationalise the efforts of their departments in various policy issues (Bowman & Kearney, 2011). It is difficult to find a country where there is virtually no relationship between the national and regional governments in some policy field.

In recent decades, the number of public administrators attending inter-governmental meetings varies greatly from one meeting to another. It is notable; however, that one of the frequent inter-governmental meetings comprises secretaries to departments or ministers of ministries or directors of government agencies. To some observers, the term inter-governmental public administrators also refer to those officials whose formally designated responsibilities require them to spend the majority of working hours on inter-governmental matters. Some countries' public administrators are normally described as inter-governmental affairs experts (Kernaghan & Siegel, 1987; Nathan, 2006). Nice (1987) and Weatherby et al., (2009) contend that public administrators hold notably senior positions, and devote relatively little time to inter-governmental issues, but whose occasional involvement may have a major influence on the outcome of inter-governmental negotiations.

The organisational structure and the network of inter-governmental relationships include separate ministries, departments, public agencies and other administrative units in government. The network also involves individual departments, inter-governmental secretariats and a large number of committees. Radin (2011) argued that the creation of these structures had both resulted from, and proliferated into, inter-governmental conferences and meetings.

According to Bowman and Kearney (2011) and Rosenbloom et al. (2009), the reason for the development of this complicated web of inter-governmental contacts is the expansion of the activities of all governments. The increased inter-dependence of national and regional responsibilities and the consequent need to design and operate modern machinery to manage these contacts is likely to positively influence the delivery of goods and services to the citizens. The theory of public finance indicates that taxation and delivery of service should be at the

lowest level possible. That is, local governments or municipalities should raise funding for the collection and disposal of garbage.

Activity 7.2



Activity

1. Describe the major components of inter-governmental relations.
2. Explain the three models of inter-governmental relations. Which of the three models do you consider best and why?
3. How are public administrators in your country involved in inter-governmental relations?
4. Describe the types of federal or unitary system of government in your country. How is the system in your country different from the examples of Canada and the United States as discussed in this module?

Why the role of regional governments has expanded

Economic and social development of the citizens of a nation involves interaction with other people and the mixed economy of the world. This practice of inter-dependency may spill over to cultural, economic, political, technological and environmental trends in their lives (Goldstein, 2009). At the same time, a nation's sustainable development processes may be influenced by the economic and technological trends in other countries. This globalisation trend may also have an important implication for national and regional governments. Federalism is but one aspect of decentralisation.

The federal system of the United States allows important functions to be performed at local and state levels. Most states and their local governments are now responsible for many public policies issues, such as:

- education,
- public health,
- fire protection,
- police protection,
- highway maintenance,
- public welfare, and
- rubbish collection.

The states and their local governments are a diverse group, but each has a government that makes, enforces and interprets laws for its citizens (Nagel, 2002). In the past three decades, governments at national, state and local levels have expanded their roles in response to three historical developments:



1. Technology
2. Urbanisation
3. A growing dependent population

These three factors have forced state and local governments to adopt programmes that are:

- regulatory,
- distributive, and
- redistributive in nature.

The expansion of state and local responsibilities did not come automatically (Rosenbloom et al., 2009); it resulted from thousands of conscious decisions to establish hundreds of programmes. The establishment of these state and local government programmes was based on incremental conscious decisions. The expansion of government has fundamentally altered the national structure of government in several countries.

According to Bardes et al. (2010), most of the programmes and public policies get established by the national government, while the state and local governments serve primarily as deliverers of services created by the national government. Despite state and local government having prime roles as service deliverers that set policies, determine the level of services to be provided and the extent to which they will be redistributed, such as zoning, health care and emergency management services, they continue to depend on the national government for some form of funding. Bowman & Kearney (2009) noted that state and local governments have been pressured to reform themselves so that they can produce their public goods and services as efficiently and politically neutrally as possible.

State and local governments in most countries operate the public school system and local roads. They also operate most of the judicial, welfare, police, health care, correctional and recreational facilities. In addition, most regulation of industry, banking, commerce, utilities, labour and protection of public safety is managed by state and local governments. Regional governments are also responsible for programmes in conservation, sanitation, social work, housing and urban planning. These programmes are vital to the day-to-day lives of all citizens (Bowman & Kearney, 2011). In some countries where the national government may be involved in these programmes, state or local governments must decide whether to participate as partners in these national programmes (Kincaid & Cole, 2003). If they choose to participate they must administer the programmes within their jurisdictions.

It could, therefore, be argued that regional governments are very busy public institutions. Bardes et al. (2010) argued that state and local governments exist largely to make policy for (and provide services to) the public. This is no easy task. These regional governments must perform efficiently, effectively, equitably and they must do so with limited financial resources. Despite the glamour of national politics, state and local governments in some countries carry on the greatest volume of public business, settle the greatest number of political conflicts, make the majority of policy decisions and direct the bulk of public programmes (Nagel, 2002; Nathan, 2006; Radin, 2011; Stillman, 2010). On one hand,

most states have trial courts, intermediate courts of appeal and a court of last resort. All these courts have jurisdiction over both civil and criminal cases (Stillman, 2010; Rosenbloom et al., 2009). On the other hand, local (county, city and township) governments help states perform many regional functions, such as record-keeping and the administration of justice.

In summary, regional (state and local) governments in several countries have the major responsibility for:

- maintaining domestic law and order,
- educating children in primary and secondary public schools,
- providing and maintaining local roads for easy transportation,
- caring for the poor and the ill (welfare),
- regulating the provision of water, gas, electricity and other public utilities,
- sharing in the regulation of insurance and banking,
- regulating the use of land and supervising the sales and ownership of property, and
- settling the greatest number of civil and criminal cases.

One can argue, therefore, that regional (state and local) governments are very important elements of the political system of several countries. With the greater responsibilities thrust upon regional governments by the national government and the demands of their citizens, state and local governments respond by enhancing their capacity to provide services to their citizens.

Activity 7.3



Activity

1. In what ways has the role of regional governments expanded over the past three decades?
2. What are the reasons for the expansion of the role of regional governments?
3. Why is it important for the regional government to help the national government in your country in the implementation of some public policies?



Fiscal federalism and inter-governmental management

The growth in regional government has proceeded at a pace exceeding those of the national government in most countries (Weatherby et al., 2009). This growth has been driven by citizen demand for more government services. Although voters in Canada, the United Kingdom and the United States want their elected representatives to control the size of government, voters also want government to provide more and better programmes. In most countries the second largest source of regional revenue comes from inter-governmental sources (Goldstein, 2009). As stated earlier, governments also get money from other governments. The national government provides funds to state and local governments and states provide money to local governments. These funds are called inter-governmental revenue. Almost all state and local governments' revenue comes as grants from the national government.

Fiscal federalism could be defined as financial relations that exist between (and among) units of government in a federal system (Shafritz et al., 2011; Henry, 2010). Fiscal federalism also refers to the granting of funds by one government to another for the purpose of achieving specific policy goals (Henry, 2010). According to Stillman (2010), the theory of fiscal federalism addresses the optimal design of government in a multilevel (or federal) system. The theory of fiscal federalism postulates that a federal form of government can be especially effective in solving the following problems:

- the establishment of an efficient pattern of resource allocation,
- the attainment of the most equitable distribution of income, and
- the maintenance of high employment with stable prices.

(Shafritz et al., 2011)

The government is able to use its fiscal policies to achieve these goals because of the flexibility it has in dealing with some problems at the national, local or regional governments' level respectively.

Table 7.2 shows the level of United States national government aid to state and local governments between 1980 and 2008.

Year	Total dollars (in millions)	As a percentage of federal outlays
1980	91,385	15.5%
1985	105,852	11.2%
1990	135,325	10.8%
1995	224,991	14.8%
2000	284,659	15.9%
2001	317,250	17.0%
2002	351,550	16.9%
2003	387,281	17.9%
2004	406,330	17.7%
2005	426,243	17.2%
2006	434,099	16.3%
2007	443,797	16.3%
2008	466,568	15.9%

Table 7.2 United States national government aid to state and local governments

Source: United States Bureau of the Census 2008

According to the United States Bureau of the Census statistics data (2008), local government dominated public finance between 1999 and 2009 and this accounts for 58 per cent of all government expenditure. The national government spent 34 per cent of all public outlay and the state a nominal 8 per cent. In 2010, the national government spent 57 per cent of its budget on governments' expenditure. The 50 states spend 22 per cent, and the nation's local governments' account for 21 per cent (United States Census Bureau 2008; Henry, 2010).

In the past (and currently), grants-in-aid from the national government to the local levels may be needed to stimulate regional spending for national purposes. The national government also provides for uniform or minimum services level, such as in education, or in compensation to citizens of one area for the benefit from services they finance that spill over to residents of another area.

In the United States, fiscal federalism emerged as the cornerstone of the grant-in-aid, (or a conditional gift) from the federal government to the state and local government in order to subsidise an existing programme or encourage new ones (Henry, 2010). Forty-seven per cent of all federal grant money sent to state and local governments is for health programmes. Fourteen per cent pertains to education, training, employment and social services. Eleven per cent of federal aid supports transportation projects, two-thirds of which is funnelled to highways, and four per cent is used for community and regional development. Other



forms of federal grants to state and local governments in the United States include:

- federal categorical grants, and
- federal block grants.

Fiscal federalism also flourishes within the states and local governments in the United States (Henry, 2010; Shafritz et al., 2011). States' grants to local government on education are about 62 per cent and 12 per cent goes to county governments. States' general local government support is about eight per cent of total revenue. States also spend about four per cent of revenue on local governments' roads. Another four to eight per cent of state revenue is given to local governments for health, transit subsidies, corrections and housing (Cox, 2011; Starling, 2011). State grant-in-aid has also accounted for no less than 30 per cent of all local outlay in the past 30 years in the United States.

Fiscal federalism in Canada is based on four factors:

1. Shared cost programmes or conditional grants
2. Tax collection agreements
3. Established programme financing
4. Equalisation

(Bird, 1978)

According to Kernaghan & Siegel (1987), shared cost programmes or conditional grants involve payments by the federal government to provincial governments that choose to undertake programmes according to conditions specified by the federal government (Schultz, 1980). The tax collection agreement between the federal government of Canada and the nation's nine provinces allows the federal government to collect both federal and provincial personal taxes (except for Quebec), and corporate taxes (except for Alberta, Ontario and Quebec), and to remit the provincial portion of the taxes to the provinces. Kernaghan and Siegel (1987) contend that the purpose of this agreement is to provide an administrative convenience to provincial governments and limit tax competition between provinces by establishing uniformity in the method of calculation.

Another method of fiscal federalism in Canada is the established programmes financing. This method of innovative transfer payment began in 1977 (Bird, 1978). The established programme financing is the mechanism that the federal government used to pass the Canada Health Act, which reduces the cash payments to any province that allows physicians to extra-bill (Schultz, 1980). One provision of the established programme financing is that the provincial governments were not obliged to spend the money on medical, hospital care or tertiary education. The nine provinces could use the funds generated for purposes of their own choosing (Kernaghan & Siegel, 1987).

Unlike the other three methods of fiscal federalism in Canada, the equalisation approach is a programme through which the federal government makes unconditional grants to those provinces that have a weak tax base (Courchene, 1984). Unconditional grants from the

Canadian perspective are a payment which can be used for any purpose that the province desires. One reason why the federal government introduced the equalisation programme was to allow the poorer provinces to provide adequate public services to their citizens without imposing excessively high taxes. Recipient provincial governments tend to favour unconditional grants because it maximises their freedom.

In Canada the federal government has the largest taxing authority. As a result, the federal government has a tendency to create programmes which it can mandate for the provinces. This has caused some tension, particularly with respect to the French-speaking province of Quebec. In the past three decades several countries have adopted extensive regional development and adjustment programmes. Canada has an extensive network of regional support and equalisation programmes that are embedded in the constitution.

Fiscal federalism in Nigeria is a bit different from that of the United States. Since 1992, the share of the national government revenue has remained at 48.5 per cent. State governments are allocated 24 per cent. The 774 local governments receive an annual allocation of 20 per cent. The remaining 7.5 per cent belongs to special funds. Out of the 7.5 per cent earmarked for special funds, 6.5 per cent is set aside for development of oil-producing areas. The remaining one per cent is shared among mineral producing states on the basis of derivation (Mbanefor & Egwaikhide, 1999). According to the National Revenue Mobilisation Commission (NRMAFC) recommendation made to the former Armed Forces Ruling Council (ARC), the sharing of revenue to state governments in Nigeria is based on the following five principles:

- | | |
|--------------------------------|-----|
| 1. Population with a weight of | 30% |
| 2. Equity of state | 40% |
| 3. Social development factor | 10% |
| 4. Internal revenue efforts | 10% |
| 5. Land mass and terrain | 10% |

Source: Mbanefor & Egwaikhide (1999)

It is important to note that Nigeria has a quasi-federal political system that is characterised by federal government domination of the state governments. The 36 state governments also dominate the local governments. In the Nigerian federal system the president tends to be the head of the state governors. At the state level, the governor has often been the chief executive and assumed the responsibility of hand-picking local government chairpersons. Although the constitution of Nigeria vividly prescribes a true federal system, in practice the nation's political leaders tend to practise an advanced unitary system or quasi-federalism. This practice has also affected the nature of fiscal federalism in the country.

In regard to fiscal federalism, the national government of Nigeria is viewed as more efficient in raising revenues, whereas regional governments are seen as closer to the people and thereby better at spending revenues in ways that are more responsive and accountable to the taxpayers (Bowman & Kearney, 2011). Rosenbloom et al. (2009)



argue that under a federal system the national government may confront problems and be able to finance programmes that benefit economies of scale. Several scholars contend that federalism tends to cope with fundamental economic problems well because it is more flexible (Coulter, 1994; Nagel, 2002; Nathan, 2006; Stillman, 2010). The national government is better able to provide answers to the question of equitable distribution of income and maintaining high employment while avoiding excessive inflation. Regional governments are, theoretically, better in distributing resources efficiently.

Generally, revenue in the form of grant-in-aid programmes could enable the national government, whose resources are stronger and more resilient to economic upswings and downswings, to assist regional governments in stimulating spending to support national policies and goals (Radin, 2011). Such co-operative gestures could help set nationwide standards for uniform or minimal service purposes or to compensate for problems of externalities (Lehne, 2006). The cost and benefit of one thing affects another. This is because the cost and benefit are not accounted for by the free-market exchange (Dye, 2011). Externalities and government services cut across jurisdictional boundary lines, particularly in programme areas such as air-pollution control, clean water, health, education and public safety. These services are most often provided by local government agencies, frequently in compliance with policy standards set at the regional government level.

The good news is that inter-governmental programmes that provide goods and services may separate responsibility from accountability for policy decision-making. Both national and regional governments may spend monies not collected from taxpayers in their jurisdiction. Most federal systems would have national and regional governments that have legal jurisdiction over the same geographic area. Sometimes this raises problems with voters, who fail to see the need to pay taxes to two or more authorities, and it may not persuade taxpayers of the fairness of taxing them for some benefit that largely assists some other jurisdiction. At the same time, it is good to know that some regional governments are not all equal in their capability to raise revenue, in part because they rely on different sources of revenue and in part because other levels of government may be able to legally constrain the type (or rate) of revenue the regional governments might be able to acquire.

Some federal systems have developed grants-in-aid programmes as one method to address their fiscal federalism problems.

Activity 7.4



Activity

1. Who benefits and loses when the growing centralisation of powers shifts from the national to regional governments in a federal system?
2. Describe the major premises of fiscal federalism? To what extent do you think fiscal federalism has been successful in your country?
3. What are the major principles of fiscal federalism? Can regional governments completely achieve the provisions of these principles? Why?
4. What are the fiscal and non-fiscal aspects of federalism? In what ways has fiscal federalism helped to enhance inter-governmental relations?

The future of inter-governmental relations

The future of inter-governmental relations is quite bright in several federal and unitary systems of government around the world. One of the main areas of growth comes from the increasing impact of public administration. This goes far beyond the financial issues to other significant public policy areas. In the future, more policy and the administrators of that policy will help shape the values of societies and nations. It is likely that value conflict would continue to affect public administrators in some countries. Inter-governmental relationship will continue to reflect, and sometimes structurally establish, certain values in administrative politics more than it does now.

One other aspect that will be affected in the future is that the national governments will continue to provoke growing criticism from the regional governments for trying to hand out mandates, pre-emptions, and confused and conflicting policy directives. Most regional governments want to become more creative, but may be forced (in the future) to figure out how to implement and pay for federally mandated requirements.

The question of balance of power and responsibility between regional and national governments in Canada, Brazil, India, Switzerland, Nigeria and the United States will continue to be very important issues. The focus of the debate will be geared to a pragmatic interest in how the responsibility of governing should be structured.

One aspect of inter-governmental relations that may benefit from the future complexity of fiscal federalism is the expansion of inter-governmental units and regional governments. This might create more employment opportunities at the regional level. Local governments will have to recognise that there are many services that they can or should charge for. One option for regional governments afflicted with fiscal



problems is to try to shift the burden of providing service to another government in the near future.

In the future, inter-governmental relations, like reinventing government, will have to pay special attention to the entrepreneurial model of public management that the new public management encourages. Regional governments should consider the implications of the new public management for democratic governance. Furthermore, the impact of global reforms will affect inter-governmental relations in Australia, Brazil, Canada, the United Kingdom, Korea, China and several other countries (Danziger, 2003). Future inter-governmental relations might be able to adopt the use of administrative technologies such as customer service, performance-based contracting, competition, market incentives and deregulation. Improving the performance of public administrators in inter-governmental relations will demand that public managers be freed from the pervasive red-tape mentality.

Module summary



Summary

This module has examined inter-governmental relations among various levels of government. It argues that inter-governmental relations affect virtually every policy filed, and have significant political, economic, social and cultural consequences. Furthermore, it contends that inter-governmental relations affect the day-to-day lives of citizens by helping to determine such things as the cost of the quality of hospital care, the availability of television programmes, fuel and oil.

This module also defined federalism as a political system in which the powers of a country are formally divided between central and regional (state and local) governments by a written constitution (Rosenbloom et al., 2009). Under a federal system, the national and regional governments are linked in a mutually inter-dependent political relationship (Nice, 1987; Bardes et al., 2010). The public administrators and political leaders of state and local government are directly involved in the day-to-day lives of citizens. Health care, education, crime and welfare are among the many concerns of state and local governments. And these issues affect all citizens.

Inter-governmental relations between levels of government in several federal systems affect public administration. One very important point covered in this unit is that inter-governmental relations also embraces not only national and state relations but also inter-state (national and local), state and local governments relations. The inter-governmental relation system in several countries has changed considerably since pre-independence eras. Co-operative national-state-local relationships that had been nurtured in previous years were disrupted by either:

- political conflict,
- conflict over economic development policies,
- neglect of some regions,
- ethnic conflict,
- religious conflict, or
- diversity problems.

According to Stillman (2010), there is no quick and easy recipe for returning to more co-operative inter-governmental relations in most commonwealth countries. It will definitely take hard work, experienced public administrators and political leaders to build and nurture trust between different levels of government.

In all inter-governmental relationships, public managers are challenged to be fiscally prudent. Public managers who are responsible for revenue collection and appropriation must frequently juggle with what is a fair and efficient tax. Taxes should be fair and collectable. The process of local governments receiving revenue from national government is not always constant. National fiscal policy could change and fiscal federalism

revenue may not be forthcoming. When this happens, state and local governments must go through a painful withdrawal as they learn to live within their reduced financial means. When the inter-governmental fiscal trough begins to run dry, state and local governments are forced to search for other revenue-producing alternatives.

Finally, in order to effectively build smoother inter-governmental relations in most countries, there will be the need for a sincere commitment of resources and the political will to resist opportunistic politics. There is also the need to rebuild a culture of inter-governmental relations. Adamolekun (1999) and Shafritz et al. (2011) contend that elements of positive development of inter-governmental relations are beginning to emerge in public management. However, institutional support in the form of the allocation of an appropriate budget is needed.

The next module will discuss some of the premises of development administration. It will define development administration as the process of guiding an organisation towards the achievement of development objectives. The module rightly demonstrated that there must be sufficient political and administrative leadership to co-ordinate both government and private sector efforts, assigning to each those tasks which are most appropriate.

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Further reading



Reading

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Activity feedback



Feedback

Activity 7.1

1. First, despite the modern methods of telecommunication and transportation, the diversity of the population and the geographic size of some countries make it impracticable to locate all political authority in one place. Second, the federal system of government brings government closer to the people. Federalism allows big countries such as Canada, India and the United States to function diligently as well as delegate authority to the states or provinces.
2. Inter-governmental relations are an important body of activities or interactions that occur between governmental units of all types, and levels, within a federal system of government. Inter-governmental relations embrace not only federal, state relations but also include inter-state, federal-local, state-local or local to local government relations. Federalism and inter-governmental relations are not the same thing. Federalism provides the structural framework within which inter-governmental relations are conducted.
3. A confederation is a system of government consisting of a league of independent states, each having essentially sovereign power. The central government created by such a league has only limited powers over the states. Federalism is a system of government whereby a nation's power is divided among two or more levels of government. Each level of such divided governments will have formal authority over the same area (land) and people (Bowman & Kearney, 2011; Shafritz et al., 2011). Federalism can also be defined as a system of shared power between units of government.
4. The division of powers between the national government and the local units is a real division of power that cannot be changed without constitutional amendment, requiring the consent of the governed citizens. The boundaries of the national and regional governments cannot be significantly changed without the consent of the citizens (inhabitants).

Activity 7.2

1. One of the most important administrative machineries of inter-governmental relations can be seen in the financial and human resources devoted to conduct the relationship between national and regional governments.
2. The co-operation model refers to inter-governmental relationships involving, to a large extent, public administrators or programme specialists from national, state and local governments working together in a harmonious manner.

The bargaining model stipulates that inter-governmental relations

mostly involve senior public administrators from the national, state and local governments. The bureaucratic model refers to negotiations over inter-governmental matters among ministers and senior public administrators in the departments and agencies within each level of government.

3. This answer will be student-specific, however an example answer is provided.

Example: Public administrators in my country are involved in inter-governmental relations in the co-operation model, the bargaining model and the bureaucratic model.

4. This answer will be student-specific, however an example answer is provided.

Example: In the federal system of my country, all the relationships with the national government tend to involve a co-operative arrangement with business and state agencies involving the use of federal money on a voluntary basis or the control of business through national regulations for the public benefit.

Activity 7.3

1. Globalisation trends may have very important implications for national and regional governments. Federalism is but one aspect of decentralisation. The federal system of the United States allows important functions to be performed at local and state levels. Most states and their local governments are now responsible for many public policy issues such as education, public health, fire protection, police protection, highway maintenance, public welfare, rubbish collection and so on. The states and their local governments are a diverse group, but each has a government that makes, enforces and interprets laws for its citizens. In the past three decades, governments at national, state and local levels have expanded their roles in response to three historical developments: technology, urbanisation and a growing dependent population.
2. In the past three decades, governments at national, state and local levels have expanded their roles in response to three historical developments: technology, urbanisation and a growing dependent population. These three factors have forced state and local governments to adopt programmes that are: (a) regulatory; (b) distributive; (c) redistributive in nature. The expansion of state and local responsibilities did not come automatically. It resulted from thousands of conscious decisions to establish hundreds of programmes.
3. This answer will be student-specific, however an example answer is provided.

Example: Without regional government help the national government cannot effectively meet the needs of all the citizens in rural areas. Regional (state and local) governments in several countries have the major responsibility for:

- maintaining domestic law and order;
- educating children in primary and secondary public schools;
- providing and maintaining local roads for easy transportation;
- caring for the poor and the ill (welfare);
- regulating the provision of water, gas, electricity and other public utilities;
- sharing in regulation of insurance and banking; and
- regulating the use of land and supervising the sale and ownership of property — regional governments' courts settle the greatest number of civil and criminal cases.

Therefore, one can argue that regional (state and local) governments are very important elements of the political system of several countries. With the greater responsibilities thrust upon regional governments by the national government and the demands of their citizens, state and local governments have responded by enhancing their capacity to provide services to their citizens.

Activity 7.4

1. The citizens are the winners. In respect of fiscal federalism, the national government is viewed as more efficient in raising revenues, whereas regional governments are seen as closer to the people and thereby better at spending revenues in ways that are more responsive and accountable to the taxpayers.
2. Fiscal federalism could be defined as financial relations that exist between and among units of government in a federal system. The national government provides funds to states and local governments, and states provide money to local governments of cities, counties, townships and school districts. These funds are called inter-governmental revenue.
3. Fiscal federalism also refers to the granting of funds by one government to another for the purpose of achieving specific policy goals. The theory of fiscal federalism addresses the question of the optimal design of government in a multilevel or federal system. The theory of fiscal federalism postulates that a federal form of government can be especially effective in solving the following problems: (1) the establishment of an efficient pattern of resource allocation; (2) the attainment of the most equitable distribution of income; and (3) the maintenance of high employment with stable prices. No, regional government cannot achieve the goals of fiscal federalism.
4. The fiscal aspect involves inter-governmental revenue. The non-fiscal aspect of federalism involves the interaction of public administrators in the various levels of government.