Federalism and State-Building: Post-Communist and Post-Colonial Perspectives

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Introduction

Many observers have noted parallels between the collapse of the Communist system and earlier episodes of large-scale decolonization (see for example the collections by Barkey and Von Hagen (1997) and Dawisha and Parrott (1997)). One similarity has received relatively little attention, however. The largest post-Communist states, just as the largest post-imperial units in earlier epochs, faced the daunting challenge of using drastically weakened central government resources to create new institutions that could integrate territorially fragmented polities. In almost all such cases, the institutions of the successor states emerged in large part (though not exclusively) out of bargaining between central and regionally-based elites.

This paper examines the process of bargaining over the creation of new rules and institutions after radical regime transitions. The analysis addresses the limited but important class of cases where a weakened central authority—either constituted by the provinces or established as a legacy of imperial administration—must win the support or acquiescence of a minimal coalition of territorial actors in order to remain in power. In other words, the central government in these cases faces an acute challenge of statebuilding after transition.

While there are many mechanisms at work that together determine institutional design, this paper focuses on the relationship between two variables. On the one hand, the paper seeks to explain variation in the outcomes of the statebuilding process along a continuum from state disintegration through confederation, federation, to a unitary state. An important distinction will be drawn between two types of federal states: ones in which all provinces are subject to the same laws and rules (here labeled universal), and ones in
which certain provinces or provincial blocs enjoy special privileges, either *de jure* or *de facto* (here labeled “exploitative”).

The paper hypothesizes that these different outcomes can be explained in large part by the specific nature of the bargaining process, or more precisely by the *mode* of bargaining. In political systems in which the center is able to bargain bilaterally with provinces and can exploit information asymmetries, the center will be able to coopt pivotal provinces while exploiting the divisions among provinces. This would lead us to expect something resembling an asymmetric federation with a predatory center. On the other hand, systems in which groups of territories are able to bargain together effectively as blocs may see certain territories winning concessions from the center without offering central authorities much in the way of a *quid pro quo*. The analysis, therefore, traces the link between provincial coordination, modes of transitional bargaining, and the resulting configuration of state institutions.

The paper proceeds as follows. The next section develops a framework for analyzing the bargaining between central and provincial elites during the statebuilding period following a radical transition. It focuses on the structure of the bargaining interactions and the mode of bargaining, and develops hypotheses about how different bargaining dynamics should lead to different statebuilding outcomes. The third section discusses the status of these hypotheses in the context of theory building about institutional change, and presents a methodology for using multiple cases to “test” the bargaining model with data from specific cases. The fourth section looks at post-Communist statebuilding in Russia, and explores whether collective and bilateral bargaining by Russia’s regions helps explain the peculiar asymmetrical and unstable outcome we see after ten years of transition. The fifth section suggests how a
comparative approach might be put into practice by sketching the outlines of other cases that began in a situation similar to Russia’s but developed quite differently: post-colonial state-building in contemporary Ukraine, and the consolidation of the Indian state in the years surrounding 1947. This section also suggests other cases that could help validate the model, including the preservation of Brazil as a single state in the 19th century and the emergence of a strong central government in the United States. The paper concludes with a brief recapitulation of the main arguments and implications for further research.

**State-Building and Federal Institutions**

*Conceptual Preliminaries*

Before considering a simple model of center-provincial bargaining, some definitions are in order. *Transitional statebuilding*, as considered in this paper, is a distinct category from the cases of evolutionary statebuilding that are the focus of much of the classic statebuilding literature (Spruyt 1994; Tilly 1990). While many analyses of evolutionary statebuilding also consider negotiations between central and peripheral elites (Barkey 1994; Thomson 1994) over long periods of time, the challenge presented to central governments after transitions is more acute. In these cases, newly constituted central governments must simultaneously consolidate their power and establish the domestic and international legitimacy of the new states. (for a work that bridges these two literatures, see Spruyt 1998). Thus, in transitional statebuilding cases, new central governments must simultaneously exercise sovereignty in the international community while consolidating sovereignty on the domestic stage.¹

¹ For a discussion of different aspects of sovereignty see (Krasner 1999, pp. 9-25). The distinction I aim to draw here is between asserting the supremacy of domestic authority structures within the borders of the state claimed by the central government, and claiming the role of legal representative of the state in international arenas.
De-colonization represents the paradigmatic case of such transitional statebuilding, since new states are created that must simultaneously consolidate power domestically while asserting their sovereignty on the international stage. From this perspective, then, the formerly Soviet states also faced transitional statebuilding challenges, since the collapse of the Soviet Union represented, in very real terms, the end of an empire. Even Russia, though the former imperial metropole, confronted a similar challenge, since its political organization and institutions were fused with the imperial structures of the Communist Party and had little legitimacy outside that context. The post-Communist states of East Central Europe, by contrast, faced less acute challenges, since their international legal sovereignty had been accepted all along.

One final but critical feature of transitional statebuilding is that the successor government, by virtue of its incomplete domestic consolidation of power, cannot unilaterally impose its policies on provinces in the face of universal opposition. In other words, as least some consent must be secured from provincial leaders, though as I note below the nature of this consent and the size of a potential veto coalition may vary by issue area.

On most issues, however, the federal government can survive without the universal support of the constituent parts of the federal union. All it requires, minimally, is a tacit coalition of compliant provinces. As Hardin has noted with respect to constitutions more generally, once a sufficient number of constituents have accepted a set of institutional rules, these rules emerge as the most viable solution to the coordination problem of institutional design. In other words, the choice is no longer between these rules and other rules, but between these rules and no rules (Hardin 1989). Similarly, once the federal government has assembled a supportive coalition allowing it to collect
revenue and create public goods, regions not belonging to that coalition have little choice but to accept the emerging rules provided the benefits of belonging to the union continue to outweigh the costs of leaving it. This remains true even if provinces outside the dominant coalition pay a disproportionately high share of the costs of federal public goods, or enjoy a disproportionately low share of its benefits.

As an institutional configuration, federalism is defined here in the traditional sense used by political economists and comparativists (Riker 1964; Riker 1975; Weingast 1995): as a compound political system in which each level of government has at least one area of jurisdiction over which it is guaranteed a final say. In the context of such transitional statebuilding, federalism must be viewed not as an exogenously determined institutional parameter, but rather as an endogenous response to the challenge of integrating provincial units into the new state. In other words, for the bargaining situations considered here, federal structures might well be the institutional starting point (and therefore, from one perspective, could represent the “reversion point” of the bargaining process), but alternative paths of development are viable outcomes of the bargaining as well. Thus, the objective of the analysis is not simply to explain why a federal or other outcome emerged from the transitional situation, but why alternative institutional structures did not emerge.

Institutions in this analysis refer not simply to formal structures of government, but also to the “compliance procedures, and standard operating practices” that structure the relationship between political actors. This distinction is particularly important in evaluating the different varieties of federal systems. In this discussion, I am primarily interested in two variations on the federal theme. In asymmetric federal systems, different

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2 This is consistent with Peter Hall’s use of the term (Hall 1986, p. 18).
rules apply to different constituent units of the federation. These differences may be constitutionally enshrined, such as the special status enjoyed by the historic regions in Spain, or they may depend on the discretion of the central government. By contrast, in symmetric federations, all constituent units face the same set of rules in their relations with the center and each other.\textsuperscript{3}

These asymmetries of outcomes are not to be confused with the heterogeneity of the territorial units. In all compound political systems constituent units will vary in population, resource endowments, geographical location (proximity to borders, etc.) and other parameters that can translate into bargaining power. One critical question to be considered here is whether this distribution of structural resources translates directly into institutional privileges in the transitional period and beyond.

In the simple bargaining framework presented here, the central government and provincial governments are modeled as single actors. Naturally, a more sophisticated framework would consider the impact of divisions within the central and provincial government, and how these factions at different levels might be inter-related. To a first order of approximation, however, presenting the central government as the “president” and the regional governments as “governors” permits some leverage on the bargaining dynamics. This stylization of the bargaining situation also corresponds with the empirical fact that in most transitional polities democratic processes that would produce divided representation at the center or regions is relatively underdeveloped.\textsuperscript{4}

\textsuperscript{3} This does not imply a formal equality of regions. That is, certain regions may receive far more from the center in fiscal transfers than others, which is inevitable in a redistributive federation (which most are). In addition, some regions may be overrepresented in political institutions (Stepan 1999).

\textsuperscript{4} To be more precise, in the cases considered here, neither Ukraine nor Russia had universally elected provincial leaders after independence, the Indian Princely States were non-democratic, and Brazil after independence was a monarchy.
Center-periphery dynamics can be portrayed as an ongoing and simultaneous bargaining problem between the president and each of the governors. Two primary **constitutional** issues are at stake in these negotiations:  

a) Which policy questions are to be decided at which level of government?  

b) How are inter-governmental disputes (center-region and region-region) to be resolved?  

For the purposes of this discussion, I will assume that a third key constitutional question—which territories are to join the federal union—has been provisionally resolved. In other words, the analysis focuses on institutional origins given an initial roster of constituent units, rather than on the creation of the federal union *per se*. In most cases, the initial roster of territorial units and the very existence of an administrative center is the legacy of the *ancien regime*. The analysis thus segregates the issue of *partition*—which played a crucial role in the evolution of both India and Russia (if we consider the Soviet breakup as a de facto partition)—as one to be treated separately.  

In addition to these constitutional issues, governors and the president bargain over the critical **distributional** question of any federation:  

c) Given an assignment of certain public goods to be provided by the center—see (a) above—how will the burden of paying for these public goods be divided among the territories?  

While certain regions will inevitably pay more into a federation than they receive in transfers, the distributional element of institutional origins is more fundamental. In an  

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5 Inman and Rubinfeld (1997) define federal constitutions with a different set of parameters: “assignment” of policy jurisdictions (analogous to (a) in this discussion) and “representation” of territorial units in the central government. In this analysis, I begin by treating the central government as autonomous. For a consideration of the consequences of allowing regional units to constitute the central government see Stepan (1997).  

6 The question of which units sit at the bargaining table—a function of history, geography, institutional legacies, resource endowments and pure contingency—is beyond the scope of this paper, but is considered separately in a monograph in preparation.
asymmetric federation, as defined above, the rules used to determine tax sharing rates or fiscal transfers are different for some provinces than for others. These differences introduce a hierarchy of criteria for distributing fiscal burdens. Universal rules for determining fiscal obligations may still result in an asymmetric distribution of fiscal resources—richer regions will likely be net donors to the federal budget while poorer regions will receive subsidies—but these asymmetries will not be a direct reflection of provincial bargaining power.

Bargaining Mechanisms

William Riker (1964) famously referred to federalism as a “bargain” between provincial and central elites to provide a defense against a perceived external or internal threat. Riker’s analysis of cases beyond the United States had relatively little to say about the process of bargaining, however, and almost nothing systematic to say about federal bargaining. More recently, certain scholars have attempted to explicitly model the bargaining that leads to the creation of federal institutions (Bednar 1998; de Figueiredo and Weingast 1997; Ordeshook and Shvetsova 1996; Treisman 1999b) but these models generally incorporate the assumption that differences among the provinces play little or no role in the bargaining outcome.\(^7\) In the framework presented here, by contrast, the heterogeneity of provincial units determines whether and how provinces bargain collectively with the center, and this, in turn, determines whether the center can exploit rivalries among provinces to recentralize power during the transition.

\(^7\) An important exception is Bednar (1999), who does model asymmetries among federation units. Weingast (1997) notes in passing that heterogeneity among subjects in a polity could be one factor that leads to exploitative, asymmetrical outcomes, but his analysis concentrates on homogenous actors and on the factors leading to symmetrical outcomes.
The bargaining game is straightforward; while I will not analyze it formally in this paper, it may clarify the exposition if I utilize some symbolic tools to describe the basic dynamics. Consider a president (P) bargaining with n provincial governors (G_i; i=1...n). We will assume that P and G_i are independent actors.\(^8\) For the purposes of this simple game we can present the division of power between the president and each governor by a single parameter x_i representing, in stylized form, a bundle of grants of jurisdictional control (tax collection, personnel appointment, judicial autonomy, control over specific policy areas etc.).\(^9\) For presentation purposes, we can think of x ranging from 1 (complete provincial autonomy) to 0 (complete hierarchical subordination to the center).\(^10\) Finally, while each governor certainly has different preferences over X (poorer regions, for instance, want a stronger central government with greater redistributive powers), it is important to recognize that the game does not assume that any value of x_i accepted by one governor will be applied to her neighbors. As a first approximation, we might assume that each governor seeks to maximize x_i while the president (in a statebuilding period) seeks to minimize it; a straightforward variant would be to assign each governor her own ideal point based on the structural characteristics of her province.\(^11\)

\(^8\) Naturally, a more refined model would recognize that presidents can designate governors in some prefectural systems, while most democratic federations employ mechanisms of territorial representation that makes the federal government, at least in part, a creature constituted by the provinces.

\(^9\) A simpler representation, consistent with some models of the political economy of federalism, might be to interpret x simply as the per capita tax rate for each province.

\(^10\) In a more sophisticated rendering, x_i could be represented explicitly as a bundle of k separate positions on specific policy areas.

\(^11\) In a more elaborate game in which k policy areas are treated separately rather than aggregated into a single parameter x, we might assign each governor a weighting w(k) representing the priorities accorded to specific policy areas. A governor of an ethnic region might assign greater weight to cultural autonomy, for instance, than to fiscal control. Alternatively, we might introduce two “types” of governors, with different preferences for autonomy, based on the structural characteristics of their states. It is important to note, however, that those governors most eager to weaken central control are likely to be the ones most strategically situated (i.e., coastal, on trade routes, etc.) or enjoying the greatest resource endowments.
Each “move” of the game proceeds as follows. The president proposes a division of authority between the national and subnational levels, represented as \( X_t \), where \( t=1 \) for the initial move (\( t=0 \) represents the status quo at the moment of transition) and \( X_t \) is a vector consisting of \( x_{i,t} \), for \( i=1...n \). Each governor \( G_i \) then responds to the presidential “offer” by accepting it or rejecting it. Communication among the governors is permitted, but as noted below, perfect information cannot always be assumed (i.e., \( G_j \) may not necessarily know the content of offers \( x_i \) for \( i \neq j \)). The president then examines the responses of governors, and the game repeats with a new presidential offer. In equilibrium, \( X_t = X_{t-1} \). The scheme is depicted in Figure 1.

The significance of a “rejection” of \( x_i \) by governor \( G_i \) requires a bit of clarification. As noted above, in a transitional statebuilding situation, the central government cannot impose its will on a united front of governors. But in almost all cases, opposition by isolated governors will not threaten the survival of the larger state. Faced with defiance by a single governor, the president has three choices for the subsequent round: make a more attractive offer (\( x_{i,t+1} > x_{i,t} \)); ignore the provincial response entirely (\( x_{i,t+1} = x_{i,t} \)); or attempt to punish the defiant region (\( x_{i,t+1} = 0 \)). Provided the sanction attempt does not trigger broader defiance by other provinces reacting in solidarity (see below), we can assume that even a weakened center retains the capacity to punish a single defiant province.

For the purposes of the bargaining analysis, particular provinces have two structural characteristics that combine to determine the outcome. First, we can think of

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These are precisely the ones over which the center should be most eager to retain control. The simplifying assumption used here, therefore, is not so unrealistic if we observe that the gap between central and provincial ideal points for autonomy should be fairly uniform across provinces.

\(^{12}\) Conceptually, the game could also be presented as beginning with \( n \) simultaneous offers of \( x_{i,t} \) initiated by the governors, and responded to by the president.
bargaining “strength”, i.e., as the capacity to hold out longest without agreement. In the context of this game, this quality—which we might call “tenacity”—can be interpreted as the capacity to receive $x_i = 0$ for a protracted period. In addition to this classical bargaining conception of “strength,” there is also a conception of an actor’s “strength” that derives from its indispensability to a minimum winning coalition.\footnote{This operationalization of power is implicit in many of the “power indices” developed in coalition analysis. For a discussion see Brams (1990), Chapter 8.} This notion—which we might label “indispensibility”—manifests itself here as the cost to $P$ of governing without the cooperation of a particular governor, $G_i$. A governor has \textit{veto power} if her rejection of $X_t$ makes it impossible for $P$ to govern in $t+1$.\footnote{We might formally capture the notions of “indispensability” and “tenacity” by introducing the discount rates of $P$ and $G_i$.}

In any bargaining situation, actors who manage to bargain collectively increase their bargaining power. We can, therefore, usefully distinguish between bargaining situations in which a coalition of governors acts as a single bargaining unit with an effective veto over the president, and other situations in which no single provincial bargaining unit (governor or binding coalition of governors) can exercise such a veto.\footnote{Treisman (1999b) captures a similar dynamic by modeling the “assurance game” between subnational leaders seeking to withhold taxes from the central government.} In the context of the game outlined above, coordination among governors is represented as $G_1$ through $G_m$ responding jointly and identically to any presidential offer of $X$. For $m=1$, which we might classify as “atomized” provinces, the president can bargain bilaterally with all governors simultaneously, ultimately tailoring $x_i$ individually for each region to secure adequate support to govern. For $m>1$, which we might classify as “unionized” provinces,\footnote{The analogy with labor bargaining is quite suggestive for capturing the dynamics of bargaining among non-homogenous units that may or may not act collectively. For an extended discussions see Elster (1989, Chapter 4)} the president may be forced to accede to the demands of a bloc of governors,
especially if $m$ is sufficiently large that the president is unable to successfully govern in the face of $m$ defiant regions.\footnote{There may be one or more “unionized” bloc of governors. In the ante-bellum United States, for instance, both the North and South could be portrayed as coordinated blocs with veto power over the center.}

A special case of unionized bargaining occurs when all governors belong to the same bargaining “union” ($m=n$) and negotiate simultaneously and as a group with the center. This approximates the idealized situation portrayed in models of symmetrical, democratic federations in which all provinces abide by the same rules and therefore collectively police transgressions by the central government (Weingast 1997). Under the bargaining scenario outlined here, however, collective action among governors is not an all or nothing proposition, but could conceivably link just a subset of provinces.

How are collective bargaining units--or unions--formed, and how do we know whether they have veto power? The formation of such units depends on a number of factors:\footnote{The basic intuition of collective action among “subjects” of a federation is entirely consistent with Weingast’s discussion of the factors conducive to deterring transgression by a predatory sovereign through coordinated resistance among citizens, even when transgressions would favor one citizen at the expense of another (Weingast 1993; Weingast 1995; Weingast 1997). Weingast’s analysis stresses the importance of coordination mechanisms to ensure that all citizens agree on what constitutes a transgression. The analysis presented here goes beyond Weingast’s (which is relatively silent on the bargaining process) by introducing the possibility of heterogeneity among citizens.} a) coordination mechanisms (trigger strategies) to ensure that all governors in a bloc will aid each other in the event of a presidential transgression against their rights and privileges and also to ensure that no governor seeks his own bilateral deal with the center; b) the nature of collective goods produced and distributed by the center (collective action is easier to enforce when these goods are club goods rather than purely private or purely public); c) relative bargaining strength among provinces, defined as ability to withstand a presidential sanction (which may depend greatly on a common provincial feature, such as natural resource endowments, or degree of industrialization, or simply geographic...
proximity); and d) information symmetries and asymmetries among the governors, which makes a coordination mechanism more or less feasible to implement.\(^{19}\) Beyond listing them, I will not dwell here on a theoretical discussion of factors conducive to or obstructive collective action among provincial leaders.\(^{20}\) For the purposes of this paper, it is relatively straightforward to recognize collective versus bilateral bargaining, and to trace the rise and fall of efforts at collective bargaining by all or some governors.

Determining whether a governors’ bloc or even a single governor may have veto power over the president poses a thornier challenge. Given the fluid nature of political institutions during periods of transitional statebuilding, it is not always obvious how coalitions are formed and how they “vote.” For different issues, blocs and “votes” may be manifested differently. For states in which a parliamentary tradition and rule of law is fairly strong—as was the case in most of the former British colonies—we might look at debates and voting behavior in national (and constitutional) assemblies to provide a roadmap of provincial collective action. However, in some transitional states, the very heart of the constitutional debate is the scope of issues to be decided by the national legislature. In these cases, we must look not only at whether certain blocs prevailed in a vote in parliament or a constitutional assembly, but also whether the outcome of this vote actually affected the behavior of the president and governors.\(^{21}\)

\(^{19}\) In a more refined version of the game, coordination among governors would also depend critically on preference compatibility, defined as their weightings \(w\) across \(k\) separate policy areas that constitute the presidential offer of \(X_t\).

\(^{20}\) For a more detailed discussion of the sources of collective action among provinces, see (Solnick 1998).

\(^{21}\) To complicate matters even further, some provinces or provincial blocs may only exert veto power over a limited domain of issues. Coastal regions, for instance, may be able to interrupt the collection of tariff revenues and threaten a key source of federal revenues. If these revenues flow largely to provincial rather than central coffers, however, the leverage of the “coastal” bloc over the central government on non-tariff matters will be minimal (since any revenue interruption would merely be self-defeating). Similarly, more populous regions may enjoy greater bargaining power if the national president is to be popularly elected and if governors command effective political machines. If the national president is to be indirectly elected however (say, by a parliament incorporating political as well as popular representation, or by a
Such outcomes also convey important information to the president about the viability and significance of coordinated action among governors. We may incorporate this directly into the framework of the game. At the beginning of the game, the president has certain prior assumptions about the likelihood that certain regions will bargain collectively, whether the coordination among them will survive any attempts by the president to drive wedges between governors’ blocs (by coopting pivotal governors with grants of special privileges), and whether any coordination that does manifest itself will produce a veto bloc that could threaten presidential control of the state. After the governors respond to the presidential offer $X_t$, the president can use the new information conveyed by the response to revise these assumptions before making the next offer, $X_{t+1}$.22 Thus, if an attempt to limit the autonomy of a single region does not provoke a uniform response by other provinces, the president may be more willing to curtail the autonomy of other provinces in subsequent moves. Conversely, if province $j$ rejects a presidential offer of $x_{j,t}$, and the president subsequently sanctions province $j$ ($x_{j,t+1}=0$), the sanction may provoke a coordinated response at $t+1$ by other provinces even if province $j$ found itself alone at time $t$. The president might then be forced to revise her initial autonomy offer ($x_{j,t+2} > x_{j,t}$).

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22 Readers familiar with Bayesian models will recognize this as a straightforward case of Bayesian updating.
As noted above, collective bargaining among governors is easier to sustain in an open information environment.\textsuperscript{23} An open, or symmetrical information environment is defined here as one in which each governor knows the terms of all other governors’ deals with the center; in other words, $G_j$ knows $x_i$ for all $i$. A closed, or asymmetrical, information environment is one in which $G_j$ knows $x_i$ only for $i=j$. The president, naturally, knows all $x_i$ in either case (but, as noted above, is unsure about the durability of collective action among governors).

We can expect members of a bargaining coalition to successfully punish “union-busting” provinces only if they have common information on suspected defections from the bargaining bloc. Absent assurances that such information will be readily obtained, the bargaining unit may fail to form in the first place.\textsuperscript{24} Conversely, any bilateral deals with individual governors (i.e., $x_j > x_i$ for all $i \neq j$) risk catalyzing an opposing coalition of governors demanding symmetrical treatment unless the details remain obscure. It would certainly seem that any universal coalition of governors—i.e., a binding commitment by all governors to demand symmetrical treatment for all provinces—is unsustainable in an environment of asymmetric information.

The informational symmetry of the transitional bargaining environment is determined in large part by the characteristics of transitional political institutions. Bargaining within legislatures or a constitutional assembly, for instance, is relatively transparent, as all provincial leaders will at least be aware of the terms being offered to

\textsuperscript{23} The models developed by Bednar (Bednar 1998; Bednar 1999) also incorporates information asymmetries, where incomplete information about compliance rates across subjects of the federations complicates the construction of a trigger strategy to punish shirking.

\textsuperscript{24} The ex ante failure of institutions as a result of a lack of guarantees of ex post contracts enforcement is a central theme of the new institutional economics (Williamson 1985)
other provinces. Bilateral negotiations conducted seriatim behind closed doors represent the other extreme, in which the president can offer ad hoc deals with individual governors whose terms are not known to the remaining governors. Such secret deals are more difficult to enforce, of course, but this is largely because, as noted above, individual provinces bargaining on their own are usually powerless to overturn central transgressions without the assistance of other provincial leaders. Somewhere in the middle of the spectrum lies coalition talks with political parties that are regionally based. In these cases, the fact of a special deal may be impossible to conceal, but the terms of that deal may not be revealed in full.

I will not attempt in this paper to formally specify and solve the game outlined above. Instead, I will use the basic insights that emerge from the bargaining framework to suggest how different combinations of provincial coordination and symmetry of information combine to shape the outcome of transitional statebuilding. The basic scheme is presented in Figure 2. The vertical dimension represents the degree of collective action among the provincial actors (governors), and whether any binding coalitions have formed that could act as veto blocs. When provinces are atomized, the bargaining mode is essentially bilateral; when provinces are “unionized,” there is collective action among at least one group of governors (or, as a special case, among all of them) that the president cannot safely ignore.

When a some or all of the governors bargains collectively and information is asymmetric, we would expect to see the central government appeasing the strong

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25 Note that this conception of symmetric information during the bargaining process is distinct from the concept of transparency of the process to non-participants. The latter sense of transparency can also have a dramatic impact on constitutional negotiations (Schiemann)—and open negotiations are certainly more likely to produce symmetric information among participants than closed negotiations—but my use of the concept here is more limited.
governor’s block at the expense of the weaker, non-organized provinces. In effect, the sectional bloc in this case “captures” the federal center. The resulting X in equilibrium would have $x_i = x_j$ for all $i$ and $j$ from 1 through $m$ (where provinces 1 through $m$ for the veto bloc), and $x_i > x_j$ for all $i$ between 1 and $m$, and all $j > m$. I label this “exploitative asymmetry,” to suggest the exploitation of uncoordinated provinces by the privileged bloc.

If information is symmetric, however, the “non-unionized” regions will be forced to either ratify the privileges accorded to the sectional bloc (i.e., by accepting $x_i < x_m$), or else seek to join the privileged bloc, making it universal. In either event, the result will resemble a federal system in which provincial leaders collectively police the central government, ensuring that any attempt by the center to renege on its earlier offer (i.e., to predate) will trigger a coordinated response from all provincial elites. I label this “constitutional norms,” to suggest the coordination among regions enforces a symmetric or asymmetric (constitutional or quasi-constitutional) equilibrium that is ratified by all.

When governors bargain independently and bilaterally, however, the center has much greater room for manipulation and predation. Where information is asymmetric, the center can select different provinces against which to transgress on different turns, counting on the lack of coordination among provinces to make resistance manageable. While this may at times resemble exploitative asymmetry noted above, I label it here a case of a “predatory center” to connote the added discretion in the hands of the president. While this system may retain the institutional trappings of federalism, that federalism

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26 Such a system might be an asymmetric federation, or it may be a hybrid, with the “exploited” provinces under central rule and the “privileged” provinces essentially enjoying federated status.

27 This outcome of universal coordination is similar to the Pareto optimal outcome of Weingast’s transgression game (Weingast 1997).
would essentially be degenerate, as it offers no guarantees of areas of protected jurisdictional autonomy. The result is a bargaining analog of cycling in a legislature in which an agenda setter can propose a series of measures that disadvantage particular minority coalitions in turn, never reaching an equilibrium.

Finally, in cases where bargaining is bilateral but information is open, it is difficult to perceive what a stable outcome might look like. Any offer $X_t$ that privileges a minority group of regions will produce the coordinated resistance of the exploited minority, for whom the asymmetric offer serves as a trigger. Any $X$ that privileges a majority of provinces is likely to trigger threats of withdrawal from non-privileged regions, who will see no assurance of winning such privileges for themselves in the future. Most likely, the privileged provinces will recognize their common interest and organize to lock in the privileges won bilaterally, transforming the situation into one of exploitative asymmetry.

As this last example suggests, much of the dynamics of transitional bargaining over statebuilding can be interpreted as efforts by provincial or national elites to determine which quadrant of Figure 2 will represent the actual bargaining environment. Geographical, structural or historical differences among provinces, for instance, may make collective action and transparency among sets of provinces more or less likely. Different institutional innovations introduced by the federal center may also facilitate or impede sub-national coordination. The framework therefore offers a lens for understanding how the struggle to shape the transitional environment can translate directly into different outcomes of the process of statebuilding after radical transitions. To illustrate the utility of this framework, I turn now to actual cases.
Comparative Cases: Why, How, and Which?

The analysis presented in this paper does not aspire to be a general theory of federal bargaining. It does, however, aspire to provide insights that extend beyond a single case. The class of transitions considered here—statebuilding after radical transitions in states with territorially-defined polities—is fairly small and each instance represents an event of world-historical significance. There can be no theory applying to all these cases that can claim to encompass all the causal forces at work shaping final outcomes. Instead, the objective here is more modest. Rather than claiming, for instance, that ethno-federalism always leads to disintegration or that closed constitutional assemblies will always produce more durable institutions, the framework instead seeks to identify the mechanisms linking the provincial heterogeneity to bargaining modes and bargaining modes to institutional outcomes.

This approach is broadly consistent with recent work on “social mechanisms” (Hedström and Swedberg 1998). In Elster’s terms, the move from covering law to social mechanisms is akin to the shift from claiming that “If A, then always B” to “If A, then sometimes B.” (Elster 1998). In the present context, the objective is not to claim that any set of bargaining conditions will always produce either symmetric federalism or state disintegration, but rather to suggest how greater atomization among provincial actors comes to be associated with strengthening of the central government. As Schelling puts it, “A social mechanism is an interpretation, in terms of individual behavior, of a model that abstractly reproduces the phenomenon that needs explaining.” (Schelling 1998, emphasis in original)

The “test” of such models is whether they are useful in explaining the outcomes of specific cases. But here, the very concept of “explanation” needs elaboration. For a
model of social mechanisms, as opposed to causal theory, an explanation is compelling if it a) suggests linkages between aspects of the empirical record not previously seen as connected, and therefore suggests new areas of empirical investigation, and b) convincingly explains why, at critical junctions, certain paths were chosen over others and certain outcomes consequently prevailed.

The challenge of explaining the outcome of a historically-grounded narrative is not merely to account for the institutions that were chosen, but also for those that were not chosen. In other words, a complete explanation must not only be consistent with the observed paths of institutional choice, but must also explain why the same circumstances did not lead to other available options being chosen by actors in the narrative, and suggest the alternative circumstances under which those options would have been chosen.

Conventionally, the analysis of “off the path” behavior in game theoretic terms can be accomplished through the use of counterfactuals. However, the use of counterfactual analysis is fraught with conceptual pitfalls at best, and runs the risk of “just so” story-telling at worst (Fearon 1996). One way to strengthen the credibility of the counterfactual analysis is to utilize evidence from other cases. In other words, if actors in another empirical situation confronted a similar strategic environment, the outcome of that new case might serve as a proxy counterfactual. This comparative method requires the narratives of the actual cases to be sufficiently “stylized” that the parallels across cases are revealed, but used carefully the method offers a more convincing basis for considering “off the path” behavior that mere speculation about historical contingencies in a single case.

28 For a detailed discussion of counterfactuals and “off the path” behavior, see the chapters by Bueno de Besquita and Weingast in Tetlock and Belkin (1996).
This approach differs in an important way from standard research designs in which cases are selected to achieve variance on independent variables and hypotheses are tested with comparative statics. The putative objective of such research designs is to produce a "covering law" about the "causes" of a particular outcome. As outlined here, the comparative cases are introduced to deepen understanding of the original case by testing the robustness of the explanation in ways not normally feasible with a single event in a single case. At the same time, as the bargaining game is increasingly refined, it becomes more effective at "explaining" outcomes of other cases by highlighting a set of mechanisms at work in all cases of transitional statebuilding.

This is the approach taken here. Russia is the primary focus of the remainder of this paper. The framework developed in the preceding section leads us to ask a series of questions about the nature of central-provincial bargaining in Russia between 1990 and 2000, as the newly constituted Russian government sought to take over from the Soviet government and simultaneously halt the disintegrative momentum that had produced the Soviet collapse. Specifically, I will examine the evidence of Russian federal bargaining to see whether the ebb and flow of provincial autonomy on the whole, and the patterns of privileged regions in particular, are linked with the emergence or failure of collective action among Russian regions. Does bilateralism help the center and more powerful regions, and do weaker regions seek coalitions? In addition, I will explore how the institutions that structured center-periphery bargaining in Russia affected the flow of information about specific bilateral deals, and whether they in turn favored the emergence of certain forms of provincial coordination.

To further test the robustness of this explanation, two other cases will be more briefly interrogated in a subsequent section. Since both of these cases feature weakened
central governments bargaining with territorially organized elites, these cases can be utilized as proxy counterfactuals for “off the path” behavior in the Russian case. Both represent transitional statebuilding after a radical transition, and each offers a slight twist on the Russian situation. In the case of Ukraine, the challenge is to explain why a state that began with a similar internal structure to Russia’s and sharply drawn territorial identities rejected a federal organization of the state. In the case of India, the challenge is to explain why over 550 Princely States—which enjoyed far greater autonomy from the new Indian government than did Russia’s “autonomous republics”—were so readily absorbed into the new Indian state by the end of the 1940s.

I turn first to Russia.

**Russia: From Collective Bargaining to Bilateralism, and Back Again**

Since the late Gorbachev era, relations between Yeltsin’s administration and Russia’s 89 regional administrations have been characterized by extensive and protracted negotiations. Central and provincial leaders have bargained over division of budgetary funds, natural resources, policy jurisdictions, personnel appointments, and other questions of fiscal and policy competence. This period can be divided into three distinct phases, marked by degrees of subnational coordination:

**1990-1994: Collective Bargaining**

The Soviet Union was a multi-ethnic federation in which major ethnic groups were associated with particular national “homelands.” The federal structure of the Soviet state was based upon a detailed hierarchy of federal sub-units. At the top of this hierarchy were the 15 Union Republics, like Ukraine, Kazakhstan or the Russian Federation (RSFSR); each of these became independent after 1991. The Union
Republics were themselves composed of some 20 autonomous republics, 18 autonomous oblasts/kais and 120 territorial-administrative oblasts or krais. The autonomous territories, conceived of as “homelands” for specific ethnic groups, were subordinate to the territories of higher status, but they did have certain privileges in the area of cultural autonomy and home rule.

In June 1990, the Russian Federation’s newly elected legislature followed the lead of the Caucasian and Baltic republics and declared Russia to be “sovereign.” The most important implication of this declaration was that Russia’s laws were to take precedence over Soviet laws, and that Russia was to control the disposition of natural resources on her territory.

This action was quickly mimicked by the 16 autonomous republics within the borders of the Russian Federation, eager to seize the opportunity to gain greater control over their own affairs. Yeltsin encouraged them, reluctant to provide Gorbachev with any precedent for recentralization; in August 1990, he famously told the leaders of the republics to “take as much autonomy as you can swallow.”29 By early 1991, all sixteen republics had passed their own “sovereignty declarations.”

The sovereignty declarations of the autonomous republics represented an attempt to upgrade their status within a federal structure rather than any bid to leave a federal structure. 30 We should not, therefore, interpret subsequent conflict between regions and the center as threatening the territorial integrity of Russia. Instead the struggle was over

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29 TASS, 7 August 1990. Yeltsin initially directed the comment to oil-rich Tatarstan, whose sovereignty declaration did not acknowledge its membership in the Russian Federation. Yeltsin’s remark was repeated, and more widely cited, in an interview with Komsomol’skaia pravda, 14 March 1991.

30 This paragraph draws on the interpretations of the 1990-91 period offered in Filippov and Shvetsova (1999).
the distribution of powers between the federal and regional governments, and especially
the distribution of resources.

In the waning months of the Soviet Union, the autonomous republics were able to
goad the Russian and Soviet governments into a high stakes bidding war. In 1990, for
instance, Yeltsin promised the government of Sakha/Yakutia, home to most of the Soviet
Union’s diamonds, that it could keep a share of its diamonds for independent sale. In
addition, eleven regions sought and received “free enterprise zone” status, offering tax
and regulatory concessions (Filippov and Shvetsova 1999). Tatarstan, for its part, began
negotiating a bilateral “treaty” to clarify its powers with the Russian Federation.

The abortive coup of August 1991 put an abrupt end to the bidding free-for-all.
The December 1991 agreements establishing the Commonwealth of Independent States
effectively ended any hope for a confederation retaining a Soviet center. From this point
on, the Russian government bargained directly with provincial leaders.

Beginning with the declarations of sovereignty of the Russia’s ethnic republics in
1990, the federal government in Moscow pursued a strategy that amounted to bargaining
collectively with groups of regions. In 1992, it signed three “Federation Treaties” to serve
as the basis for a new Russian constitution. Similar but distinct documents were signed
with Russia’s ethnic republics, predominantly Russian oblast/krais, and sparsely
populated autonomous okrugs. In doing this, federal authorities effectively defined three
major groupings of regions which it would recognize in subsequent collective bargaining.

During 1992 and 1993, the heads of Russia’s ethnic republics met regularly and
defined a coherent bargaining bloc in their relations with the federal center. Oblasts and
krais were unable to match their coherence, despite abortive efforts to define analogous
oblast-centered “republics” (like the Urals Republic led by Sverdlovsk oblast or the Far
Eastern Republic led by Primorskii krai). Unlike these ad hoc collaborations based on geographic proximity, the collective bloc formed by the ethnic republics had readily-identifiable markers of membership: regions defined constitutionally as “republics” could easily recognize their stake in the success of the bargaining unit. Their leaders met regularly in a formal “Council of the Heads of the Republics,” and when Moscow granted a concession to one “republic,” all other republics could and did claim it as their constitutional entitlement as well.

As a consequence of this coordination, ethnic republics retained a disproportionate share of both fiscal subsidies and policy autonomy through 1993. Per capita government expenditures for the 20 republics of the Russian Federation taken as a whole exceeded per capita expenditures in the oblasts and krais by 37% in 1992.  

Officials from the republics also reported that their regional administrations had greater influence over the appointment of federal officials at the branch level than that enjoyed by the governors of oblasts and krais.

This catalogue of privileges enjoyed by the republics can be misleading, however. Fiscal data were often ambiguous or misleading, especially when annualized figures failed to distinguish between transfer payments made in January and identical payments made in December, despite the corrosive effect of the high inflation rates being experienced at the time. Many of the jurisdictional privileges enjoyed by republics were

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31 This calculation is based on data compiled by the World Bank.

32 This finding emerged from a survey of regional officials conducted jointly by the author and Profs. William Smirnov of the Institute for State and Law of the Russian Academy of Sciences and Vladimir Komarovskii of the Russian Academy of State Service. They are not responsible for the conclusions presented here. The surveys of 229 officials from 70 “subjects” of the federation were taken in the spring of 1996 and 1997. Officials were asked to respond retrospectively about relations between their province and the federal government.

33 There are other problems with a focus on inter-budgetary transfers, which remained the most widely analyzed indicator of center-periphery bargaining. Among other things, the measure fails to distinguish between, say, an oil rich region that gets to market all of its oil independently on the world market, and a
based on the discretion of the central government, and the lion’s share of those benefits went to three republics: Tatarstan, Bashkortostan and Sakha. Nevertheless, governors of the 58 non-ethnic regions (which comprised 85% of the population of Russia) complained publicly and consistently that they were short-changed as a group in the federal bargain. As one observer wrote in 1992, “Twenty three million Russian subjects will live in a federation and another 124 will live in a unitary state.”

1994-1998: Bilateralism

After the ethnic republics failed to collectively support Yeltsin in his showdown with the Russian parliament in 1993, the center moved to dismantle the structural advantages enjoyed by ethnic republics. It did so by attacking the unifying principle of their bargaining unit—their common stake in securing collective privileges.

Beginning with the 1994 bilateral “treaty” with Tatarstan, the Kremlin began distributing resources and autonomy to regions based on individual rather than collective deals. Beginning first with selected republics, and then extending the practice in 1996 to selected oblasts and krais, the federal government began defining its relations with specific regions through direct bilateral negotiations. As a consequence, it was able to restrict the privileges enjoyed by some republics without incurring the ire of other republics fearing their privileges were also at stake. Thus, in 1997, the Kremlin was able to restructure Sakha’s highly lucrative diamond marketing concession without encountering any protests of solidarity from other resource-rich regions. Similarly, the

neighboring poor region whose social welfare programs are being underfunded by the federal center. The most sophisticated analyses of these data (Treisman 1999a) attempt to control for such indicators of need and tax capacity, but such distinctions are generally lost in the governors’ own tallies of “donor” and “dependent” regions (Lavrov 1996; Lavrov 1997).

Kremlin was able to prosecute its bloody war against Chechnya without encountering united protests from other Islamic republics. In instances like these, it was clear than regions were conceiving and structuring their relations with federal officials bilaterally rather than collectively. By June 1998, more than half of the 89 subjects of the Russian federations had signed bilateral “treaties” with the federal government.

As more provinces structured their relations with the center bilaterally, however, the center gradually gained greater latitude to roll back certain privileges granted in earlier bargaining rounds. Bilateral treaties were accompanied by packets of agreements between federal and provincial “ministries,” key provisions of which were published only after long delays, if at all.\(^{35}\) Consistent with the expectations generated by a model of a predatory center, outlined above, given non-transparent, atomized bargaining, the center faced few effective constraints on its opportunism. Thus, by mid-1998, the republic of Tatarstan was complaining that federal authorities were refusing to renew an agreement on inter-budgetary relations that had accompanied its 1994 bilateral treaty, and were seeking to renegotiate terms more favorable to the center. At the same time, Tatar leaders complained, federal compliance with provisions of the treaty ceding policy autonomy to the Tatar government was erratic at best.

Yeltsin also practiced bilateral, ad hoc distribution of fiscal benefits, though these were much more difficult to track. During the 1996 presidential campaign, Yeltsin’s trips to regional capitals were occasionally accompanied by the conclusion of a bilateral treaty, but were almost always accompanied by new federal investments and a rush to retire the federal governments debts to workers, pensioners, and enterprises in the province (Treisman 1998; Treisman 1999a). While inter-governmental transfers after 1994 were

\(^{35}\) In particular, key appendices to agreements on interbudgetary relations outlining specific tax sharing rates were generally unpublished.
determined by a transparent formula intended to equalize economic conditions across the federation, fiscal flows within the federal budget were not regionally tallied (Lavrov 1996). Furthermore, the federal budget itself was of little use in tracking actual fiscal flows because most budget articles were only partially funded by the deficit-strapped federal government, and the final decisions on which regions would receive the money owed to them were made on an ad hoc basis.36

While Yeltsin increasingly relied on bilateral contacts after 1994 to structure bargaining with Russia’s provincial leaders, his December 1993 constitution created an institution that undermined this strategy by facilitating greater transparency about federal relations and providing a mechanism for universal coordination among provincial leaders. The Yeltsin constitution created a bicameral legislature, with an upper house (the Federation Council) composed of two representatives from each of Russia’s 89 regions. While these representatives were elected in dual-mandate districts in 1993, from 1996 the heads of the regional legislative and executive branches were simply appointed ex officio. Thus, after 1996, the Federation Council became the ideal incubator for a “governors’ union.”

The Federation Council has played a peripheral role since 1996, however. Upon closer examination, the reasons for this appear entirely consistent with the bargaining analysis presented above. As the Council’s members all hold full-time elected positions in their home provinces, sessions are relatively brief (one or two days) and infrequent (monthly on average). Voting in the Council is generally done by closed ballot, and the

36 In November 1999, a St. Petersburg assemblyman successfully sued the federal government for allowing the Ministry of Finance to be guided by a “secret budget” that bore little relationship to the annual budget law. As one analysts described it, “There is always a shortage of money and the Finance Ministry often decides who will get priority and who will not get anything...This is really a major factor in political games.” (Borisova 1999)
votes are not recorded. Between 1996 and 1999 only six roll call votes were taken in the Federation Council.\textsuperscript{37} These indicators offered little indication of which regions might be colluding with the center at the expense of others.

Furthermore, some of the most powerful regional leaders tend to keep strikingly low profiles during debates within the Council.\textsuperscript{38} In particular, governors from some of the regions that received the earliest bilateral treaties almost never speak on the floor of the Russian “senate.”\textsuperscript{39} The evidence suggests that at least some of the governors of regions enjoying privileged access to federal resources have little incentive to invest in institutions designed to distribute those public goods more equitably.

\textit{Center-Periphery Relations after 1998}

Beginning in 1998, the Kremlin’s reliance on bilateral bargaining with the regions became increasingly costly. At the same time, a new and more threatening model of regional collaboration emerged, raising anew the possibility that a bloc of regions could emerge to constrain the opportunism and predation of the center. By the spring of 1998, the central government was already losing access to the policy levers it needed to maintain a strategy of bilateral bargaining with regions.

\textsuperscript{37} Of these six, only one was central to Yeltsin’s economic or political reform package: the February 1998 vote narrowly upholding Yeltsin’s veto of a new land code that prohibited the purchase and sale of real estate. The other votes, on such topics as the indexing pensions, the “trophy art” law, an all-Union protest action, and Ukrainian Friendship Treaty were either more symbolic than substantive, or lopsided votes.

\textsuperscript{38} A study of Federation Council debates is being undertaken by the author jointly with Nikolai Petrov of the Carnegie Moscow Center. For some preliminary observations on patterns of participation in Council debates, see (Petrov 1999).

\textsuperscript{39} This list of low-participation members includes the leaders of Bashkortostan, Saratov, Sverdlovsk, and Primorski krais. The president of Tatarstan and the mayor of Moscow, on the other hand, are reasonably active speakers.
One important element of the bilateral treaty packages signed with regions was a separate protocol of federal properties transferred to regional control. By early 1998, the federal government had already divested the most valuable properties in its portfolio. In addition, regions were accepting share in regional enterprises to settle regional tax debts, and were using this mechanism to accumulate far more valuable enterprises than the center could offer.

In addition, the fiscal crunch already created by the debt crisis of early 1998 limited the center’s capacity of offer fiscal benefits through bilateral deals. As the debt crisis deepened, the center increasingly lost the option of allowing regions and regional enterprises to settle debts through mutual offsets, non-cash payments, or wechsel schemes. With growing pressure from international institutions to re-monetarize the tax and budget system, central discretion over doling out fiscal benefits shrunk dramatically.

Finally, the Treasury system (kaznacheistvo) put in place by 1998 further standardized the budgetary system across the federation and curtailed the center’s opportunities to offer rewards through bilateral horse-trading. The impact of these reforms should not be overstated, however, as a large share (as great as 50% by Russian estimates) of federal expenditures continued to flow through extra-budgetary channels.

As the federal center was losing its ability to reward bilateral bargaining partners, it was also watching regional leaders grow more assertive in their willingness to defy the Kremlin. In early 1999, the Federation Council resisted Yeltsin’s pressure to accept the resignation of Prosecutor General Yurii Skuratov. This act of defiance, while immaterial to Skuratov’s fate, represented a rare instance of regional defiance uniting regional leaders across the political and territorial map.
More troubling to the Kremlin has been the emergence of “governors’ blocs” as players in the 1999 parliamentary election. While still just loose alliances with overlapping memberships, parties like “Golos Rossiia” and “Vsia Rossiia” amount to regional blocs defined not by inherited constitutional status (like the heads of republics) or accidents of contiguity (like Urals or Far Eastern associations). Instead, these new unions of governors represent political alliances specifically aimed at influencing the post-Yeltsin succession. Indeed, the most durable of these, Vsia Rossiia, was the co-founded by Tatarstan’s president, still bitter over federal intransigence in renewing budgetary provisions of its 1994 agreement.40

A regional alliance fashioned as a political party, united by a common political goal rather than mercenary self-interest, could prove less susceptible to manipulation by the Kremlin that earlier provincial coalitions. Yeltsin’s response to this new regional threat has been dramatic, as consolidation of Vsia-Rossiia’s alliance with Moscow Mayor Yurii Luzhkov precipitated the dismissal of Prime Minister Sergei Stepashin. In the wake of his dismissal, federal officials moved swiftly to organize their own “counter-movement”, labeled Yedinstvo (Unity). Previous efforts to create a provincial bloc from above—the party-building effort surrounding Viktor Chernomyrdin’s Nash Dom Rossiia (Our Home Is Russia) revealed the difficulties in sustaining such a center-forged bloc for longer than a single electoral cycle.

At the end of 1999, then, Russia appears poised to once again shift the parameters of the center-provincial bargaining environment. For the first time since the Soviet collapse, a grass roots provincial “union” stands a chance of gaining power, after which

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40 Vsia Rossiia has forged an electoral alliance with Moscow mayor Yurii Luzhkov and former Prime Minister Yevgenii Primakov and seems poised to win a sizeable share of the party list vote in the December Duma elections.
we might expect to see a realignment of patterns of regional exploitation, but a return to
the earlier contours of exploitative asymmetry. On the other hand, the deep divisions
within contending “unions” may splinter them before the end of the current electoral
cycle, leaving the Kremlin able to resume its recent practice of bilateralism.

**Alternative Post-Colonial Perspectives: Ukraine, India, and Others**

The account of Russian federal evolution presented above uses a simple
bargaining model to reveal several insights into the Russian case: the importance of inter-
provincial coordination in establishing constraints on federal autonomy; strategies
employed by the center to promote bilateralism, or at least to combat the emergence of
“like-minded” unions of provinces; and the importance of the structure of federal
institutions for promoting or impeding inter-regional coordination.

The stylized narrative presented above cannot tell us much about “off the path”
behavior. For that, we must look at other cases, whose bargaining problems bore some
fundamental resemblance to Russia’s, but which differed in one or more key aspects. The
capsule presentations that follow are not meant to be definitive accounts of the cases
invoked, but are meant rather to provide an additional indicator of the plausibility and
usefulness of the bargaining framework developed here. More importantly, perhaps, by
recasting these cases in the same bargaining framework, new questions about the
emergence of these earlier political systems should emerge to drive further research.

**Ukraine: The Federal Road Not Taken**

Within the Soviet system, the union republic of Ukraine was organized
analogously to the Russian Federation. Ukraine at the end of Soviet rule consisted of
twenty-five oblasts, relieving it of the burden of constitutional asymmetries that
confronted Russia at the moment of transition. Ukraine In many ways, however, Ukraine represented a more divided polity than Russia, as a consequence of its tumultuous history in the twentieth century. The Western provinces of Ukraine had been divided during the inter-War period among Romania (Bukovina), Czechoslovakia (Transcarpathia) and Poland (Galicia, Volhynia, and other territories). These provinces were not incorporated into Soviet Ukraine until 1944, and during the period of their separation from Eastern Ukraine were subjected to a range of different political and religious systems with lasting effects to the present day. The influence of the Catholic Church in Eastern Ukraine, for instance, is probably greater than in any of the post-Soviet states outside the Baltics.

In addition to these different historical trajectories within Ukraine, the Ukrainian state in 1991 also contained the Crimean peninsula. Crimea was home to the Soviet Black Sea Fleet, and its largely Russian population had been governed as an autonomous republic within the Russian republic until the expulsion and deportation of the Tatar ethnic group in 1944. It was subsequently transferred to the Ukrainian republic by Nikita Khrushchev (himself a former head of the Ukrainian Communist Party) in 1954.

Thus, at the moment of independence, Ukraine was “a territorial space inhabited by people who were not yet a nation administered by bureaucrats who did not yet comprise a state” (Motyl and Krawchenko 1997). More crucially for the project of statebuilding, the territorial space of the new Ukrainian state was potentially fragmented: a “European” East, a “Russified” West (including the coal-rich Donbass), and restive Crimea in the South. Why has Ukraine emerged far more unitary in its state structure than Russia?

To begin to answer this question, it is useful to deploy the bargaining framework outlined above. In essence, President Kravchuk’s first “offer” to regional elites was to
constitute Ukraine purely as a unitary state. Initially, this faced resistance from Crimea, where activists pressed for a referendum on re-association with Russia, and independent local elections. Kravchuk responded with an offer to transfer extensive autonomy to Crimea, granting it the status of an autonomous republic within Ukraine (Solchanyk 1994). Over the course of negotiations, however, Kravchuk backtracked on some of the central provisions of his initial offer, and the Crimean parliament responded in June 1992 by declaring independence, subject to an August referendum. Over the next two months, Ukrainian and Crimean authorities engaged in a tense standoff over the degree of autonomy to be granted to Crimea, with both sides ultimately accepting an ambiguous compromise that defused the current crisis.

In 1995, Ukraine permitted presidential elections to be held in Crimea, and they were won by a pro-Russian separatist, Yuri Meshkov. In August of that year, Crimea’s capital, Sevastopol, declared itself to be a Russian city, finally provoking a response from the Ukrainian Rada. In September, newly elected Ukrainian President Leonid Kuchma stripped Meshkov of many of his powers, and appointed a pro-Kiev premier to run the Crimean government. After Crimean legislators failed to bring their laws into conformity with Ukrainian law, the Crimea was placed under direct rule from Kiev on March 17, 1996. The brief experiment with autonomy was summarily ended, Meshkov was fired, and the Crimean “constitution” passed in 1992 was annulled.

The extinguishing of the autonomy movement on the Crimean peninsula removed a significant roadblock to the passage of a new Ukrainian constitution in May 1996. That constitution eschews any references to federalism, declaring instead that the territorial structure of Ukraine is “based on the principles of unity and indivisibility of the state territory.” Nevertheless, the constitution does devote a full Chapter (Chap 10) to the
“Autonomous Republic of Crimea.” Unlike the republics in the Russian Federation, however, the autonomy of the Crimean government is sharply curtailed and there is no pretense of sovereignty attached to the status.\textsuperscript{41}

Why were Crimean separatists unable to forge some sort of coordinated bargaining position with representatives of other provinces and force the Ukrainian government to propose a less centralized and unitary state structure? Even a cursory examination of the bargaining environment in post-Soviet Ukraine suggests several reasons.

First, Crimean separatism, rather than serving as a catalyst for provincial coordination against the center, instead served to trigger provincial opposition to Crimean separatism. Looming behind all discussions of Crimean autonomy rose the shadow of the Russian Federation. As Motyl and Krawchenko note, “[Crimea’s] successful secession would still depend far more on Russia’s willingness to absorb it—and thereby set a precedent for its own dismemberment—than on Ukraine’s incapacity to prevent it.” (Motyl and Krawchenko 1997, p. 260).

Russia, while not eager to absorb Crimea, did little to allay fears of Ukrainian elites that it sought to limit Ukraine’s newly-won sovereignty. On July 9, 1992, even as the Crimean parliament was voting to indefinitely postpone its independence referendum, the Russian parliament voted to declare the 1954 transfer of Crimea to Ukraine to be “without force of law.” (Solchanyk 1994). The decision was quickly denounced by Yeltsin, but it came against a backdrop of Russian intransigence over the division of the Black Sea Fleet, based in Sevastopol. Even more troubling to Ukrainian elites, Russian

\textsuperscript{41} For instance, the prime minister of the Crimean government is appointed by the Crimean legislature “with the consent of the President of Ukraine.” In addition, in areas of jurisdictional authority, the Crimean government is reduced essentially to an implementing branch for decisions taken in Ukraine.
authorities occasionally expressed “concern” of the rights of Russian-speaking minorities in the Eastern parts of Ukraine. Given the fact that voters in every province of Ukraine, east and west, had overwhelmingly supported the 1991 referendum on Ukrainian independence, it was clearly important to draw the line between supporting a federal system within Ukraine and surrendering integral parts of the new state back to Russia. The Russian role in Crimea and the Donbass made it impossible for elites in the west (where independence was particularly popular) to coordinate with activists in the south or east.

Nevertheless, several groups in Donbass and Transcarpathia began in 1991 to agitate for a federal solution in Ukraine. These rumblings at the grassroots failed to be reflected in any coordination at the level of regional leaders. In part, unlike Russia, Ukraine lacked the institutional stratification that could facilitate inter-provincial coordination on demands for devolution. With the exception of the Crimea, which coordinated more with Russian officials than neighboring Ukrainian leaders, there was no provincial hierarchy to defend. Even the unicameral legislature deprived regional elites of a provincial chamber where federal bargains might be struck.

Instead, lines of communication remained highly centralized, and the Ukrainian president controlled most key channels of information. In a unitary system of government, presidential discretion vis a vis regional policy is greatly enhanced. Ad hoc privileges, fiscal and otherwise, were easy enough to distribute in Ukraine’s unreformed economic and political system. Unable to bargain collectively with the center, and

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42 The independence referendum also carried in Crimea, where it received a narrow majority.

43 For instance, as noted in the Russian case, during periods of hyper-inflation as experience in Ukraine, the timing of transfer payments from is a critical as the amount of such payments. In addition, Ukraine, like Russia, suffered from a massive non-payments crisis. Under such circumstances, the right to accept tax payments in kind rather than in cash can be extremely valuable.
unable to comprehensively track the flow of fiscal and other policy benefits, regional leaders could offer little resistance to the predations of the center.

There is, however, an alternative explanation of the Ukrainian outcome. Successive presidents may have cultivated their respective “machines” based in specific regions. In this case, the Ukrainian case would emerge as one in which information about center-provincial bargaining remained asymmetric, but the center colluded with a cluster of regional elites rather than playing on the threat of dismemberment to keep them atomized. In this case, we would expect to see a consistent pattern of privileged regions enjoying the fruits of redistribution from the remaining provinces. Further research into the political economy of post-independence Ukraine could help clarify which scenario better captures the dynamic of center-periphery bargaining that has produced a constitutional structure with little power devolved to the provincial level.

**India: The Weakness of the Princely States**

After the First World War, as Britain began to move toward greater home rule in India, the subcontinent represented a more even more fragmented and asymmetrically organized polity than either Russia or Ukraine. The British provinces of India were directly ruled by the Crown. However, they coexisted alongside more than 500 Indian States (or Princely States) whose maharajas, darbars, chiefs and princes enjoyed substantial sovereignty in return for acknowledging the “paramountcy” of British rule. These States comprised just under half the territory of pre-partition India, and just under a quarter of its population.

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44 The account here of the Indian States is elliptic at best, and drawn from a more detailed treatment in a monograph currently being written. I rely heavily here on three excellent accounts of the Indian States and the new Indian state: Copland (1997), Phadnis (1968) and Menon (1956).
The States’ rulers fashioned their powers and relationship with the Crown purely bilaterally, and until the second decade of the twentieth century, the British colonial authorities went out of their way to discourage communication and coordination among the States and their rulers. While the Crown ceased its policy of absorbing the Indian States as a reward to loyal princes after the Mutiny of 1857, it was fairly efficient at the sort of bilateral cooptation one would expect to find when the lesser bargainers were atomized and the bargaining was not open (i.e., information was highly asymmetric).

In the wake of the First World War, however, the nationalist movement among the Hindu population in the British provinces began to gather steam. One response by colonial authorities was to fashion the princes into a more cohesive political force, to serve in essence as a counterweight to the restive provinces. By 1921, the British government had presided over the creation of a new consultative body, the Chamber of Princes, intended to be the first step toward integrating the princes into a malleable, loyal, but powerful political force. As one contemporary put it, the princes had gone from onlookers to “steady goalkeepers in the great Indian game.” (Copland 1997, p. 44). Put within the bargaining framework, the British, confronted by an increasingly “unionized” India (thanks to the work of the Congress), sought to create their own Princely “union.”

Assembling the princes into a single body was far from simple. Large, medium and small states began with radically different deals with the Crown, and with substantially different powers to bargain without the help of the other princes. Consequently, large states like Hyderabad and Mysore were distinctly unenthusiastic about the creation of the Council, preferring instead to rely on their direct ties with the

45 While the Chamber was a deliberative rather than bargaining assembly, my assumption here, consistent with the model presented earlier, is that any effective collective body makes collective bargaining more feasible by simplifying ex ante coordination problems and ex post enforcement.
British viceroy. At the other extreme, 327 of the smallest states had no representation at all in the Chamber, while 127 small states were represented by just 12 deputies.

The Chamber of Princes was, it turned out, the first step in what became Britain’s plan for federation in India. The federal plan was developed in the early 1930s, and envisioned a federation under British dominion, consisting of British India on one hand, and the States on the other. This asymmetric union of States and Provinces (reminiscent in many ways of the basic asymmetrical scheme found in Russia) became the heart of the British India Act of 1935.

The new federation was conditional, however, on its acceptance by at States representing at least half the population of the States as a whole, and commanding at least half the seats in the proposed Upper Chamber. The struggle to win accession of individual states went on until 1939 before it was abandoned with the onset of war. Ultimately, the several of the largest states—particularly Hyderabad and Bikaner—resisted the plan because they felt it did not offer sufficient imperial guarantees of their sovereignty. The British struggled to refashion the terms of the offer to win the approval of a bare majority, and as they struggled to sell the Princes on the idea that federation offered “the most efficacious, if not the only, means of defending themselves’ in the face of the developing ‘threat’ from Congress.” (cited in “Copland 1997). But before any counter-proposals could be considered, Britain was at war, and the plan for federation was shelved.

As it turned out, the failure of the British to win the approval of the princes for the proposed federation—itself largely a failure of collective action among the
princes—doomed the princes less than a decade later.\textsuperscript{46} The collapse of the federation plan meant that the Princely States on the eve on Indian independence were still atomized (in sharp contrast to the Russian republics at the moment of the Soviet collapse). Any impetus to band together after the war seems to have been lost on the princes themselves, who apparently surveyed the post-War domestic horizon and saw no immediate threat to their survival (Copland 1997 p. 226-27). This left them vulnerable to being isolated and neutralized by India’s new leaders over a remarkably brief period.

One of the first, and strongest divisions to emerge among the princes was between large and small states, as it became increasingly clear that the post-Colonial Indian Union would only accommodate states with relatively large populations. Many smaller states scrambled to find regional unions in games of musical chairs that left many rulers with no place to sit. Then, rather than exploit the widening rift between the Hindu Congress and Muslim League, the princes allowed themselves to be drawn into this divisive struggle as well.\textsuperscript{47} Finally, the ruler of Bhopal made an ill-prepared bid to convince the States’ representatives to boycott the 1947 Constituent Assembly. When a delegation of nationalist princes broke ranks and met separately with Nehru, any hopes that the Princes could transform solidarity into a set of credible guarantees to preserve their monarchial order essentially vanished. Nehru’s deputies worked with the outgoing viceroy, Mountbatten, to secure the accession of the princes individually to the new Indian State. And then, lacking the coordination they required to enforce these bilateral deals, they

\textsuperscript{46} Copland (1997, p. 279) comes to a similar conclusion: “The princes missed a golden opportunity to entrench themselves constitutionally by accepting the offer made to them in 1939 to join the all-India federation.”

\textsuperscript{47} This was a particularly acute problem in States, like Bhopal, where Muslims ruled over non-Muslim populations.
watched almost helplessly as the new Indian government integrated their territories into the new body politic.\textsuperscript{48}

\textit{Other Post-Colonial Cases}

The record of imperial endings presents a wealth of other cases of transitional statebuilding in which weakened central governments bargained with territorial elites. Cast within this bargaining framework and contrasted with other cases, fresh questions emerge from these cases. While I lack the space here to provide any real detail on additional cases, I would like to suggest how some of these other cases might be framed.

In South America, Portugese and Spanish empires developed side-by-side. Yet when the European powers were expelled, the Brazil remained a single country, while the Spanish colonies were transformed into seventeen different countries. This striking outcome invites a close examination of the bargaining among provincial elites in these two imperial outposts.\textsuperscript{49} Within Brazil, later in the nineteenth century, a lasting asymmetrical pattern was established in which the federal government was essentially captured by two rich southern provinces, Minas Gerias and Sao Paulo. This “politics of the governors” is puzzling given the bargaining framework developed here, since it poses the question of the why federal government was unable to exploit the differences among these two key alliance partners and the vast territories of the north to gain greater leverage for itself.

\textsuperscript{48} Of course some states, like Hyderabad, were less helpless than others (Menon 1956, pp. 314-389).

\textsuperscript{49} For a useful overview of this puzzle, see (Carvalho 1982). The most common explanation for this divergent outcome points to the transfer of the Portuguese crown to Brazil in 1807, and impact of that experience on the forging of a more unified elite in Brazil. Carvalho adds to this the impact of the Portuguese system of centralized colonial education on forging a more unified elite. A useful extension of this analysis, therefore, would be to trace the effect of elite fragmentation of homogeneity on the bargaining dynamics between center and provinces.
The early American Union, by contrast, offers an example of a weak central government that was able to exploit differences among the strongest provinces. Conflicts among states over western land claims led to the passage of the land ordinances that culminated in the Northwest Ordinance. As the larger states abandoned their claims to the west, the central government simultaneously gained the power to define new states. In addition, simmering border conflict between neighbors, and lingering tensions between large and small states paved the way for the radically strengthened central government constituted in 1787—a government that could save the states from themselves.50

In Lieu of Conclusions

This paper has not attempted to offer prescriptions for constitutional “design.” Instead, it has sought to portray how state structures after radical transitions may be the product of the transitional environment more than any deliberate design. By implication, the analysis suggests that even when an optimal constitutional design is on the agenda, participants may be unable to agree on it ex ante, or enforce it ex post.

In the Russian case, for instance, differences in the status of provinces at the moment of transition created a natural “bargaining unit” that successfully defended group privileges for several years. At the same time, this association was largely an accident of history rather than common interest, and ultimately fell victim to the central government’s “divide and rule” cooptation strategies. With fewer resources available to fuel this bilateral bargaining approach, the center may soon be confronting new, more cohesive bargaining coalitions.

50 On early American border conflicts and the Western land cessions, see Onuf (1983). The centrality of the Northwest Ordinance is echoed by North (1990).
In the Ukrainian and Indian cases, by contrast, federal solutions that could have preserved special privileges of historically distinct regions were not realized, in large part because of the incapacity of subnational units to overcome obstacles to collective action and the mitigate information asymmetries. Without passing judgement over whether the resulting outcomes were “better” or “worse” for the states in question, the analysis demonstrates the importance of studying not just the bargains between the central and provincial elites, but the bargaining between and among them as well.
Bargaining “moves”

1) P begins with assumptions about the existence of a bargaining unit (m), makes offer of fiscal benefits/policy autonomy \( X_t = \{x_{1,t}, \ldots, x_{n,t}\} \)

2) Governors (G) accept or reject offers individually, revealing evidence of possible coordination.

3) President assess viability of governing with acquiescing provinces alone, revises prior assumptions about coordination, and reformulates new offer, \( X_{t+1} \).
**Figure 2**

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<td>“Constitutional Norms”</td>
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<td>Atomized Provinces</td>
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