



# In Search of a Federal Philippines...

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# UNITARY

concentration of  
nearly all  
authorities in  
central  
government

# FEDERAL

division of  
authorities  
between central  
government and  
sub-national units

# Political Structure of Federal System

Federal

State

Local

- Each state has its own constitution
- Federal constitution is supreme

- Each subnational unit has its own legislature, executive and judiciary

# No Pure Types



UNITARY

FEDERAL

- Determination and distribution of authorities between central government and subnational units vary from one country to another

- Unique historical antecedents inform discrete issues and challenges



- Type of federalism  
adapted to socio-political  
and cultural milieu

Federalism is  
response to "Big  
Government"!

Federalism prevents  
confiscatory and  
predatory powers of  
central government

Federalism prevents  
government  
overreach...

# Business needs seamless economy

Business does not  
need fractured or  
fragmented regulatory  
regimes

Business desires ease  
in lobbying thru  
centralized federal  
structures

Business needs  
harmonization and  
standardization of  
regulatory regimes:  
ASEAN Economic  
Community



# Types of Federalism

Dual

Cooperative

Collaborative

dual federalism =  
separate or discrete  
jurisdictions

cooperative  
federalism = shared  
jurisdictions

collaborative federalism  
= federal government and  
subnational units enter  
bargaining arenas and  
problem-solving in  
concurrent policy areas

# Federal System in the US

US federal government has  
jurisdiction over fiscal and  
monetary policies

- US federal system allows for *laissez-faire* compared to other federal systems

- Uniform federal corporate tax across all federal units in the US



- Varying state and local taxes like income, sales, inheritance, property in US federal system

- 50 federal states in the US can independently undertake economic agreements with other countries or have separate trade delegations
- Some states have locally minted currencies or community currencies pegged lower than the US dollar

# Areas of Federal Regulation in the US

- Foreign Policy
- National Security
- Declaration of War
- Counter-terrorism
- Environmental Protection and Preservation
- Labor/Employment Standards

# Areas of Federal Regulation in the US

- International Trade
- Fiscal and Monetary Policies
- Anti-Trust Policies
- Food and Drug Standards
- Consumer Product Safety
- Pollution Standards
- Air Transport Safety

# Public Services in US Federal System

- Deregulated public utilities like water and energy
- Subnational units responsible for state highways, bridges and other infrastructure

# Public Services in US Federal System

- Inter-state highways under federal jurisdiction
- Civil aviation regulated
- Telcos deregulated

# Areas of Subnational Jurisdiction in the US

- Interstate commerce
- Education
- Tax and other incentives for foreign investors
- Gun licensing

# Areas of Shared Jurisdiction in the US Federal System

- Charter banks and corporations
- Bank regulation
- Borrow money from domestic and international markets
- Penal laws like death penalty



# Federal System in Australia

Australia is the most highly  
centralized among federal  
systems

No complete jurisdictional  
disentanglement in Australia as  
subject areas overlap like  
environment, education,  
transport

Federal systems need "self enforcing mechanisms" to prevent encroachment of central government on subnational units

Subnational units need  
"constitutionally guaranteed  
and clearly delineated scope  
of authority" to prevent  
creeping central government  
encroachment

Federal regulatory powers  
should be devolved so the  
subnational units can compete  
among themselves

Sub national units should have "hard budget constraints" so they can receive financial assistance or grants in aid from central government. This prevents "richer" subnational units from perceiving that they are continually subsidizing economically poor subnational units.

Dual, Cooperative and Collaborative federalism are really types of coordination between central government and sub national units



# Federal System in Germany

German federalism relies  
on decisions of the  
subnational units  
(Länders)

The 16 states have power  
of veto thru the Upper  
House (Bundesrat)

No decision can be made  
by the federal  
government without the  
approval of its  
subnational units

German capitalism also  
labelled “Unitary  
Federalism”

16 states rely on Federal  
Parliament on  
taxation but have the  
autonomy to borrow  
subject to the Stability Pact  
of the EU

Länders have high level of  
cooperation but low level  
of competition

Federal Government gives  
general supplementary  
grants and financial aid for  
investments as part of  
equalization schemes



Germany employs EU style of welfare state: all age pensions, medical insurance, child support, unemployment insurance

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Nearly 100% of  
companies in Germany  
are SMEs

Every Länd has its own  
energy and climate  
policy subject only to the  
legislation of the Federal  
Parliament

- Telecommunication is under Federal Regulation
- Water supply and wastewater disposal under municipal control

# Summing up...

# Perceived Benefits of Federalism

- Protection against “Imperial Capital”
- Diffusion of power
- Increased citizen participation
- Greater efficiency

# Perceived Benefits of Federalism

- Better conflict management
- Replication of innovation in law and policy
- Containment of risks



# Perceived Disadvantages of Federalism

- Increases inequalities among subnational units
- “Race to the bottom” to attract foreign and local investments

# Perceived Disadvantages of Federalism

- Capability of subnational units to block federal actions
- In case of shared jurisdictions, difficulty in pinpointing accountabilities/responsibilities

# Counterarguments

- Federal grants in aid (US) address inequalities among states
- Cooperative federalism allows for constructive competition among subnational units

# Counterarguments

- Challenge to federal actions by subnational units a hallmark of democracy
- Shared jurisdictions may lead to greater cooperation

# Federal Philippines...

## ¿Quo Vadis?