

Part 4

Federalism, Confederalism and
Consociationalism

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8. Confederalism. A Review of Recent Literature

Introduction

One of the traditional typologies on polity distinguishes three main classes of governance, namely, unitary state, federation and confederation. Such a division is still widely used today. Despite the fact that such a classification has granted confederalism an equal footing in terms of polity with federalism and unitarianism, students of governments have paid little attention to the study of this subject over the past few decades. The educated public tends to regard confederalism as some obsolete form of governance, which has little relevance to the contemporary world.¹ Though we do find abundant literature on the experience and historical development of the previous confederations, the Confederation of the USA and the Swiss Confederation being the favourite subjects, for studies of confederalism at a theoretical level little has been done. Apart from the serious works by Madison and Calhoun in the 19th century, there have been few publications in this field in this century, particularly after World War Two.

Concluding from his research on confederalism, Lister testifies to the fact that “though the term (confederation) is widely used by political scientists and by writers generally to refer to a loose form of political association, as if it were something too well known to require definition or further study, the reverse is true”.² Moreover, confederation as a form of governance has acquired a negative reputation. The general negative reaction against it is formulated in the criticism that this loose structure of government can no longer offer a feasible solution to contemporary political demands, that it should be washed aside and ignored by the tide of history. The bad reputation acquired by confederalism may be traced back to the vast improvement in the central governance of the United States when the 1787 constitution replaced the Articles of Confederation. Hamilton and Madison, two centuries ago in the *Federalist*, made the first severe critique of confederalism. Before the Confederation of the United States was replaced by a federal government, Hamilton wrote of “the imbecility of our (present) govern-

ment”, and termed it “a system so radically vicious and unsound” that “an entire change in its leading figures and characters” is required. He similarly bombarded the Swiss and Dutch confederations with criticism and contempt. He dismissed summarily the fact that both had existed in relative stability for several centuries, and the Dutch confederation even at one stage emerged as Great Power. The attack on confederalism was so vitriolic that “after all this time it has still not recovered from it”.³

However, as a few contemporary historians and political scientists concluded through their studies, the accuracy of the criticism of confederalism by the early federalists is questionable.⁴ And recently (i.e. after the 80s) we have witnessed a renewed interest in confederalism. A number of political scientists share the consensus on the necessity to re-evaluate and study confederalism against the contemporary setting. Several books published in the last few years are all, in a way, responding to this awakening awareness, though they try to establish the theory of confederalism and to link it up to the contemporary world in different approaches. In his book, *Unions of States: the Theory and Practice of Confederations*, Murray Forsyth adopts a historical approach to the study of confederalism. By looking into the practice of government in the four historical confederations, namely the Swiss Confederation, the Dutch Confederation, the German Confederation and the Confederation of the United States, he presents the similarities and difference in their experience. He also traces back the history of political ideas and identifies the lines of ‘the theory of union’ (which means confederalism) present in the political thinking of some great thinkers, from Pufendorf to Kant, Madison to Calhoun, and Seydel to Huber. Frederick Lister analyses the confederal governance from a more functional and structural perspective in *The European Union, the United Nation and the Revival of Confederal Governance*. Placing confederal arrangements in the federal tradition, Daniel Elazar conceives them, in his latest book *Constitutionalizing Globalization: the Postmodern Revival of Confederal Arrangements*, as the future of globalisation.

From the titles of these books we can see clearly the perceived relevance and importance of confederalism to our contemporary world. The arguments of these authors are twofold. First, confederalism, the theory of confederation,⁵ has significant implications for the integration of the existing nation-states. It can help us to comprehend phenomena such as the European Union and the United Nations. Second, confederalism can serve as a model for the creation of peaceful co-existence in a particular situation charged with ethnic tension. To establish such a theory of confederation, the clarification of some generally confused concepts, such as confederation and federation, is warranted.

The clarification of concepts and the theory of confederation are useful in the discussion on the peaceful settlement of the Georgian-Abkhazian conflict. Plagued by severe armed conflict, the Georgians and Abkhaz have arrived, today,

at the point of reflecting upon a peaceful solution, which will end the antagonism and address the refugee problem properly. In the process of confidence building, various proposals have been put forward by scholars from both sides. Some Georgian scholars, on the one hand, perceive a federal solution to the reconstruction of the country; some Abkhaz scholars, on the other hand, consider that a confederal solution is more realistic for resolving the conflict.

The endeavour of this paper is to synthesise some recent research and studies carried out on confederalism, in comparison with federalism. We start by first looking at the definitions given by some political scientists. Then a brief historical account of confederations and their practice will be given. This account is a summary of the much more extensive study carried out by Forsyth. Following the review on these confederations, we will look at the features and the inner structure of confederal governance as analysed and formulated by Lister. As we shall see from the text, a clear understanding of confederal governance is made possible only through comparing it with federal governance and intergovernmental organisations (IGOs). Finally, a summary of why and how the authors perceive confederalism as relevant to the contemporary world will be made. According to these scientists, confederalism offers the prospect of peaceful co-existence as a response to the global integration and the resolution of ethnic tension.

Definitions

Unitarian polity is usually subdivided into the centralised unitarianism and the decentralised unitarianism. The contemporary People's Republic of China and France are illustrations of the centralised unitary state whereas Japan practises decentralised unitarianism. Federation and confederation, in contrast with unitary states, organise the state(s) in a compound way. A federation is a unified state comprising at least two federal units (states, republics, cantons, or *Länder*). The fields of government are divided between the member states and the federal government on a "constitutionally entrenched basis".⁶ A confederation, the other type of compound polity, cannot, however, be considered as a unified state as such. It should, rather, be termed as a 'union of states', a term considered to be most appropriate by Forsyth when he conducted his extensive studies on confederation in the early 80s. According to Forsyth, confederation is "a union that falls short of a complete fusion or incorporation in which one or all the members lose their identity as states".⁷ Moreover, it does not refer to the 'personal union', another type of union of states, such as the case of England and Scotland in 1707 when the kings of the two monarchies agreed to unite under the rule of one king.

Confederation is a union that is specifically 'federal' in its nature. By 'federal' is meant that "it is based on a *foedus* or treaty between states, and not on a purely one-sided assertion of will". It also means that "the union established by the *foedus* or treaty is represented not simply by a single person, but by some form of assembly, congress, diet or council of the states that create the union".⁸

The definition of confederation given by Elazar is probably too general, but he does pinpoint the main purposes and features of confederation. Confederation, he maintains, is "a common government" formed when "several pre-existing polities (have) joined together... for strictly limited purposes, usually foreign affairs and defence, and more recently economics". Such a common government "remains dependent upon its constituent polities in critical ways and must work through them".⁹ But Elazar places confederation as one sub-type of federal arrangements. He does so because in its broadest sense, federalism "involves *the linkage* of individuals, groups and polities in lasting but limited union, in such a way as to provide for the energetic pursuit of common ends while maintaining the respective integrities of all parties"¹⁰ (my own italics). Forsyth also uses the term 'federal union' interchangeably with confederation in his book. However, the term "federalism" in contemporary political science is also used in a narrow sense. In this more narrow sense, federalism equals federation, referring to the prototype set up in the United States in 1789 and the situation in a number of other countries. A federation, defined concisely by King, is "an institutional arrangement, taking the form of a sovereign state, and distinguished from other such states solely by the fact that its central government incorporates regional units in its decision procedure on some constitutionally entrenched basis."¹¹ A federation is, thus, this specific organisational form of a sovereign state that corresponds to the federal principle. Being 'federal' in its broad sense means, first the governmental organisation is based on some legally binding treaty or constitution; second, the operation of such governmental organisation adheres to the principle of 'diversity within unity'. It is in this broad sense that we say confederation and federation are both federal in nature.¹² In the remainder of this paper we will use federalism only in its narrow sense in order to avoid unnecessary confusion.

*History*¹³

Four confederations have existed that are considered to be prototypes. They are the old Swiss Confederation, from the late mediaeval period until 1789; the renewed Swiss Confederation, from 1815 to 1848; the United Provinces of the Netherlands, from 1579 to 1795; the German Bund, from 1815 to 1866; the American Confederation, from 1781 to 1789; and the United States of America,

Confederalism. A Review of Recent Literature

from 1789 to the civil war. There are many similarities between these confederations as well as differences.

One of the reasons for the formation of these confederations, however different in time and space, has been primarily the concern of security or defence. In the case of the old Swiss Confederation and the United Provinces of the Netherlands, the establishment of both confederations aimed at fending off the House of Habsburg. The construction of the German Bund aimed at allying powers against the influence of French Revolutionary ideologies while the formation of the Confederation of the USA was to unify forces in the struggle against the imperial power, Britain. In the creation of all the confederations, a succession of treaties, or *foedus*, signed by the member states, lay the constitutional basis for the confederations. All the constitutional pacts of the confederations state clearly that the purpose of union is for common security and defensive purposes.¹⁴

It is also stated explicitly in the constitutional treaties of these four confederations that the alliance formed on the basis of the treaty (treaties) was not a sovereign state, but a union of states where the member states remain the sovereign entities. Joining the confederation on the basis of treaty does not deprive a state of its statehood. The member states retain the right to withdraw from the confederate union. It is this feature that distinguishes confederalism from other forms of governance. It is also this feature of the confederation that received much criticism from the early federalists. The early federalists considered the confederation so weak and loose a form of governance that unity was difficult to obtain, and that the union was permanently in danger of break-up.

However, such criticism may prove to be unfounded in the face of historical facts: none of the four confederations was actually broken up from within, that is, none of them ended because of secession and separatism on the part of the member states. Both the Old Swiss Confederation and the United Provinces of the Netherlands were dissolved under pressure from the French in 1789. The Swiss, after the short period of the restored Confederation, eventually 'graduated' to a federation with the new Constitution in 1848. The Netherlands, being the most sophisticated confederation, had integrated to such an extent that, after the French pressure was lifted, it moved into a unitary state after 1795. The German Bund, which was a monarchical union whose aim was to check the radical political principles of the French and American Revolutions, and to protect and uphold the monarchical principles of government, came to an end with the civil war of 1866. There was consequently a revision of the federal pact. The war was fought between Prussia, on the one hand, and other states under the leadership of Austria, on the other. But the cause of the war was not an attempt to secede on the part of Prussia; rather, it aimed at achieving a more united German State. The failure of the Confederation of the USA was largely due to the lack of financial power of the Congress and shortage of money after the Independence war.

The vast territory and inefficient communication were, in Forsyth's view, other causes of its dissolution. In any case, in a confederation, "the question was never: union or disintegration? It was simple: a tight union or a loose one?"¹⁵

Moreover, in the confederal laws of the four confederations, provisions for the internal arbitration of disputes are of the utmost importance. That is to say, the settlement of internal conflicts and maintenance of unity are usually achieved through legal negotiation rather than with force. In case of conflicts between the member states, the assembly of delegates from the various governments normally carries out the function of a mediator and arbitrator, and the procedure of resolving the conflicts should always favour a peaceful settlement. Although we do not find any elaborate and well-established institution within the four confederations in the arbitrary procedure, we do witness in the case of the Old Swiss Confederation the arbitral procedures being employed over a hundred times in dealing with internal disputes and not without considerable success. Given the great heterogeneity of the member states, on the one hand, and their limited common need, on the other, this loose form of governance has managed to combine diversity within unity without endangering the individuality of its members. The division that tends to run across the member states' boundaries should not be seen as a negation of union, but rather the very life of the Union. The loose form of confederal governance should not be regarded as its weakness, but rather its greater capacity to accommodate heterogeneity.

The institutional setting of the four confederations has much in common. In their confederal laws, the division of power is made. Generally, an assembly of delegates from the member states forms the confederal government. The General Assembly (*Diet* in the Swiss confederation, *Generaliteit* in the United Provinces of Netherlands, *Bundestag* in the German Bund, and the *Congress* in the Confederation of the USA) has exclusive power in foreign affairs and defence. The General Assembly has the right to dispatch and receive embassies, to conclude treaties, as well as to declare war. Some other powers, such as the power to regulate trade, unify coinage and that relating to religion, are also assigned to the General Assembly, though the real scope of activities and division of power differs from one confederation to another. Delegates, different in number from the member states, meet in the General Assembly at regular intervals. There are generally two procedures of voting to reach a decision: for important decisions, usually concerning declarations of war and peace, and the amendment of Articles of the confederal treaties, the veto-right voting system is adopted. Otherwise, a simple majority vote would be sufficient as, for instance, in making a decision concerning the subject territories (the subject territories were the territories conquered by the confederation, and would not become member of the confederation, but remain subordinate to the confederation). The member states are responsible for the implementation of the decisions made by the General

Confederalism. A Review of Recent Literature

Assembly, and for the exercising of their exclusive powers within their territories as assigned by the confederal treaties. The quota payment they submit makes up the funding for the General Assembly.¹⁶

These four confederations are all “collective security” unions. But such a union offers not only the guarantee of security but also the possibilities of greater social, economic and political integration. At the zenith of the Swiss Confederation and the United Provinces of the Netherlands, both unions had actually changed from their previous defensive position to an offensive one. Both confederal unions emerged on the international stage as a great power that aroused respect and fear from other countries. This, in turn, enhanced their sense of unity. The transformation of the four confederations into either federations (in the cases of the Swiss confederation, Germany and USA) or a centralised ‘unitary’ state (in the case of the Netherlands) is not mere coincidence. It is made possible through their earlier experience of the political union, which gave birth to the emergence of a new people on the same land.

The Theoretical Formulation of the Features of Confederal Governance

Although Forsyth conducts his studies on confederalism diachronically, he tries to differentiate confederalism from other forms of governance. He points out that the notion of state and interstate/intrastate relations are essential to an understanding of confederalism. As he sees it, confederal governance represents “the intermediary stage between the interstate and intrastate worlds”.¹⁷ On the spectrum bounded at the one end by the normal interstate relations, and by the normal intrastate relations at the other, confederal union occupies the middle ground. It is the ‘half-way house’ between the two ends. In Lister’s studies on confederalism, we find this view more clearly illustrated. Conducting his studies on confederalism from a more structuralistic perspective, Lister compares confederal governance with intergovernmental organisations (IGOs) and federal governance at length, and comes out with a 15-point analysis of the features of confederal governance.¹⁸ Elazar has identified four major differences between confederation and federation. In this paper, we shall try to make a selective and analytical comparison between IGOs, confederation and federation, noting their similarities as well as differences.

First, these three types of governance are all established upon some basic written law. But their basic written laws differ as far as their scopes are concerned. The basic law in the formation of an IGO is usually some treaty-type agreement adopted by its member states. The agreement can not be regarded as a constitu-

tion for communities of people in the member states in any sense. In both federation and confederation, the constitution is originally a pact between member states. However, in the federation, the status of the constitution as a pact between member states generally disappears over the years while the treaty relationship among the member states of a confederation remains. Furthermore, the federal constitution is enforceable throughout the federation whereas the common law in a confederation governs only limited areas of general concern (common security and defence, or some economic sphere), and leaves most matters of law to the constituent polities.

Second, these three forms of governance differ greatly in their *raison d'être*. IGOs are formed to perform functions which focus on the spheres where governmental activities regularly cross national boundaries. These functions are never of overriding importance. In a world where interdependency becomes the norm, the IGOs provide some functional convenience for trans-national co-operation. As a functional convenience, an IGO does not touch upon the sovereignty of its member states. The success of an IGO depends on the co-ordination between governments, not on the popular support of the people in its member states. By contrast, a federation comes into existence with the purpose of creating "a more perfect state". Therefore, the formation of a federation involves fundamental change at two levels. On the first level, a group of states are replaced by a new federal-type state, a new sovereign people is formed through the integration on the second level. As a result, a single nation-state emerges out of this process. According to the constitution of the United States, the federation is first and foremost concerned with the preservation of individual liberty. One major innovation of the American federation is the belief that sovereignty belongs to the people. The federal and regional governments themselves are not sovereign.¹⁹ They have only the responsibility to exercise the power entrusted to them by the people. Therefore, both the federal and regional governments must be in direct contact with the people and their legitimacy depends on the popular support of their voters and constituencies. A confederation presupposes its *raison d'être* of primary importance such as a powerful common security need or economic interest. Like the IGO, a confederation does not change the status of its member states. Sovereignty rests with the member states since the emphasis of the confederation is more on the preservation of the local liberty of its constituent polities. The confederal government must reach the people only or predominantly through its member states. The success of a confederation depends more on the governments of the member states than on the popular support of the people. It is in this sense that Elazar considers that confederation has more limited ends than federation.

Third, determined by their different *raison d'être*, both IGOs and confederations have minimalist mandates while the mandates of a federation can seldom

be described as minimalist. By minimalist mandate is meant that the mandates of both IGOs and confederation have the capacity to make decisions that bind the member states only in the clearly confined functions. The implementation and execution of the common decisions are largely responsibilities of the member states. As both federation and confederation adhere to the federal principle 'diversity within unity' and contain primarily two levels of government, the division of power and function are very much the same in both cases. Primary functions are usually assigned to the federal and confederal government respectively. The primary function in the sphere of security usually includes foreign affairs, war and peace, military integration or co-ordination. And in the sphere of economy the federal or confederal government is normally responsible for the regulation of external trade and internal commerce, standardisation of such things as weights and measures, and the establishment of common or single markets. Control over social, educational, public health, and cultural activities, i.e., those that impinge most directly on the daily life of individuals, usually fall within the competence of the regional governments in a federation and the member states in a confederation.

Fourth, decision-making organs in both IGOs and confederation are the joint councils composed of delegates from the member states. The joint councils meet at regular intervals and operate according to mutually agreed procedures. In the federation, the bicameral system containing two chambers constitutes the main decision-making organ. The lower chamber is composed of directly elected representatives while the composition and organisation of the upper chamber differs from one federation to the other. IGOs and confederations are usually financed by the member states – each member state makes an assessment of its financial ability and contributes its quota accordingly. Due to the financial restraint, a member state that enjoys hegemony in the union can use its financial power as a bargaining chip to influence the course of common decision. In a federation, both the federal and regional governments have their direct or indirect taxes. However, the central government has usually control over the main sources of taxation. The independent financial capacity of the federal government has enabled it to make federal bargains. Therefore, despite the power division between the two levels of government in a federation, we do witness in practice the federal government exerting influence in the sphere of regional government with the aid of federal bargains. The "majority rule" decision-making system is adopted in IGOs and most federations. In a confederation, both "majority rule" and "veto" systems are used, as mentioned earlier. The "veto" system is mostly exercised when the decision concerns the unity of the confederation, for example, defence and security matters, whilst a simple majority vote can be effective regarding some less important decisions.

One thing we need to bear in mind is that the theory and practice of confederalism is evolutionary in nature. As Forsyth has pointed out, the nature of each confederation is a function of (1) the nature of the general interstate relations of the era in which it is formed; and (2) the nature of states in the area where it happens to be located.²⁰ The nature and potential of confederal governance inevitably change in response to these two changing variables. Therefore, the practice of confederal governance today will depart greatly from the four prototypes as modern confederation reflects the complex interstate and intrastate relations of today.

Modern Application of Confederalism

As our studies into the recent literature on confederalism reveals, all the authors examined share an optimism about the bright prospect that a revived confederalism could offer.²¹ They all give detailed account of how confederalism can initiate integration on regional and global levels. To cope with the increasing economic interdependency of our age, existing nation-states might adopt confederal arrangements in their economic co-operation. The application of confederalism in this case works like some centripetal forces – it sets off a process of social and economic integration. According to these authors, phenomenon like the EU integration best illustrates the revival of the confederal arrangements. The new confederation, however, differs from the old type in that it is usually formed not only for common security purposes but also economic ones. The initial purpose of the European integration was to prevent war between France and Germany. Although the evolution of the integrating process has not brought about ‘a federal Europe’ as some of its original designers envisaged, its success in the economic sphere is so far reaching that the EU has become a key player in global economy. All these authors have analysed the structure of the EU in details and underpinned the confederal features of it. As they perceived it, the EU is, in its essence, an economic confederation with, nevertheless, some federal elements. It has its inheritance from the historical confederal experience and, at the same time, its new characteristics as a response to the contemporary setting. But as the aim of this short paper is to provide an introductory synthesis of confederalism, an elaborate analysis of the new confederation, the EU, will be beyond its scope.

The other possible application of confederal arrangements, as suggested by these authors, is to some multi-ethnic countries threatened with break-up. Unfortunately, we can not find any concrete proposal made by these authors as to how such application should work. The lack of clarity might be explained by the fact that there has existed no such case in history that an existing multi-ethnic state threatened with break-up moved into a confederation. Nevertheless, as revealed

Confederalism. A Review of Recent Literature

by the Abkhaz proposal of a confederal arrangement in the Georgia/Abkhazian conflict, in a multiethnic country where there are great disparities between the ethnic groups in terms of population, territory and economic power, a confederal structure might be of particular attraction in the eyes of the minority groups. Regarding such a proposal, a possible strong argument against it might follow the old criticism on confederalism: that confederal structure is too loose to guarantee unity as member states in a confederation retain the right to secede; that such a proposal would serve as a stepping stone for easier separation in future. Admittedly, confederal structure is indeed more vulnerable to internal conflicts given the fact that the member states usually obtain the constitutional right to secede from the union. But as all secessionist movements, wherever and whenever they occur, are very often highly charged with mass emotion. There is always a readiness to resort to force lurking in the background, leaving all the legal and political rational in vain. Even a unitary state or a federation cannot be void of the threat of secession although the constitution prohibits secession.

For a confederation to work in a multi-ethnic country threatened with break-up, in my opinion, two conditions should be met, an objective one and subjective one. The objective condition provides a confederation its *raison d'être* whereas the subjective condition works as the driving force and the binding force of the confederation. The formation of a confederation presupposes some common interest of primary importance to all the member states. Such common interests can be defensive needs against common enemy or economic interdependency. The presence of the common interest, stressed by these authors, is very vital for the unity of the confederation. However, the success of a confederation depends more importantly on the subjective condition. To the extent that confederalism can accommodate heterogeneity in peace and initiate integration, it relies much on the “will to confederate”, a will shared by all ethnic groups and their politicians. The will to confederate means the attitude of tolerance and the willingness to co-operate. Tolerance and understanding will halt the use of force. The settlement of conflicts will resort to legal arbitration. Without such will, however perfect confederalism (or any political structure, indeed!) may sound in theory, it will not work in reality.

Notes

¹ When conducting his studies on confederal governance in the late 1980s, Lister observed that little attention had been paid to the subject. He found only one book, namely, *Unions of State*, written by Forsyth in 1981, and barely a dozen political science publications directly related to confederalism in the whole of the 20th century. (Frederick K. Lister, *The European Union, the United Nations, and the Revival of Confederal Governance*, Westport, Greenwood Press, 1996, Preface).

² Ibid, Preface.

- ³ Ibid, pp. 26-32.
- ⁴ When Elazar studied the Articles of Confederation, he reached the conclusion that the authors of the *Federalist* were engaged in a “polemic” against them, and that this “behooves us to question the accuracy of what they did”. (Daniel Elazar, ‘Confederation and Federal Liberty’, in: *Publius*, 12 (4), 1982, pp. 1-2. See also Lister, op. cit., pp. 28-29.
- ⁵ Other names for confederalism are the theory of confederal governance, used by Lister, and the theory of confederal arrangements, as Elazar terms it.
- ⁶ P. King, *Federalism and Federation*, London, Croom Helm Ltd., 1982, p. 77.
- ⁷ M. Forsyth, *Union of States: the Theory and Practice of Confederation*, New York: Leicester University Press, 1981, p. 1.
- ⁸ Ibid.
- ⁹ Daniel Elazar, *Federal Systems of the World: a Handbook of Federal, Confederal and Autonomy Arrangements* (2nd edition), Essex: Longman Group Ltd., 1994, p. xvi.
- ¹⁰ Ibid.
- ¹¹ P. King, *Federalism and Federation*, op. cit., p. 77.
- ¹² Forsyth has called attention to the necessity for differentiating between the broad and narrow sense of federalism in order to avoid ambiguity. (Forsyth, op. cit., pp. 2-10) Lister further provides a clear distinction between federalism in a broad sense and in a narrow sense. In its broad sense, federalism is “an umbrella concept that covers all situations in which ultimate governmental powers are shared between two or more levels”. It means basically ‘association’, ‘consociation’, ‘reciprocity’ and ‘mutuality’. In its narrow sense, federalism is used as federation. (Lister, op. cit., p. 18)
- ¹³ This part is based on the historical review of the practice of confederal governance by Forsyth, op. cit., pp. 17-72.
- ¹⁴ In the first agreement of the Old Swiss Confederation signed by its three forest communities of Uri, Schwyz and Unterwalden in 1291, it was clearly stated that the members of the alliance (the confederation) should assist one another “against all and singular who shall intend violence, molestation or injury against them or any of them in persons and goods by contriving any ill whatsoever.” Similarly, the emphasis on common defence and security was made clearly in the constitutional type document of the other confederations.
- ¹⁵ Forsyth, op. cit., p. 38.
- ¹⁶ As an exception, the General Assembly of the United Provinces of the Netherlands had its own independent revenue income. The two most important independent sources of federal funds were the taxes on the subject territories governed by the generality, and convey and licensing fees levied on merchant ships. The second source was devoted to the upkeep of the navy. Although the independent revenue was far from sufficient for the General Assembly, that it still relied largely on the quota payment from the member states, the significance of the independent federal funds should not be overlooked in relation to the later development of the confederation.
- ¹⁷ Forsyth, op. cit., p. 7.
- ¹⁸ The following is a summary of Lister’s and Elazar’s analysis and comparison. (Lister, op. cit., pp. 32-47; Daniel Elazar, *Constitutionalizing Globalisation: the Postmodern Revival of Confederal Arrangements*, p. 10, pp. 69-85). For Lister’s list of 15 points, see his Appendix.
- ¹⁹ Abraham Lincoln’s famous phrase “government of the people, by the people and for the people” well expresses the essence of federal governance.
- ²⁰ Forsyth, op. cit., pp. 10-16
- ²¹ Lister has suggested four major applications of confederalism to the modern world (Lister, op. cit. p. 49):
- 1 Some groups of small states and mini-states may wish to form confederal-type unions in order to enhance their economic clout. By placing themselves in a position to come for-

Confederalism. A Review of Recent Literature

ward with mutually agreed positions on specific issues, they would maximise their bargaining power with larger and more powerful entities.

- 2 Some multi-ethnic states threatened with break-up may wish to experiment with confederal institutions in the hope that they might provide a viable alternative to dissolving all ties.
- 3 Groups of contiguous states, large or small, may contemplate the formation of confederal ties with a view to optimising the benefits to be derived from an increasing interdependent world economy. Such groups might also utilise such ties to enhance their collective security in an increasingly dangerous world.
- 4 Finally, the world community as a whole, in light of the great dangers that appear to lie ahead, will surely be focusing on how it can deal effectively with those dangers. In this wider context, the confederal model also warrants careful consideration

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