

# Preface

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Belgium, Bosnia and Herzegovina, Canada, China, Germany, India, Indonesia, the Philippines, Russia, Spain and Switzerland constitute a diverse set of countries with an important characteristic in common: each contains within its boundaries a significant, territorially-based group of people who are, or who consider themselves to be, distinct and different in ethnicity, in language, in religion, and/or in history (ancient or recent) from most of the population. Indeed, contrary to the common view that the most natural nation state is a unified and homogeneous entity, such ‘fragmented’ countries are found worldwide, thus heterogeneity, not homogeneity, is the general rule in most nation states.

These countries have another common feature: they have, to some extent, used the tools and strategies of an intergovernmental (decentralized) society to maintain both national cohesion and an effective state. To do so, to greater or lesser degrees, their intergovernmental systems, be they federal or unitary systems, exhibit some degree of asymmetry in the way in which they treat different regions.

Some potentially fragmented countries have—often through a prolonged historical process, sometimes including civil war—reached an equilibrium in which their political, fiscal and institutional structure balances the diverse forces and sustains an effective nation. The ‘effectiveness’ of a nation in this context relates not only to how efficiently and equitably public services are provided, but also to how a country’s public finances are structured in order to hold a fragmented nation state together.

How asymmetry in intergovernmental and regional fiscal structure can become an important tool for national cohesion has risen to the forefront of public policy analysis in some countries torn by civil conflicts, for example, Bosnia and Herzegovina and, as this book goes to print, Iraq and Sudan (Darfur). However, the question resonates much more widely in a world in which even such well-established nations as the United Kingdom have been attempting to grapple with forces of fragmentation as globalization interacts with a renewed sense of regional pluralism by decentralizing as one way to accommodate ethnic, religious, cultural and income diversity.

The question of whether the right degree and kind of ‘asymmetric fiscal

fragmentation' can not only accommodate subsidiarity, but can also serve as a vehicle for national cohesion, is one of the great policy issues of our time. This book examines this question through a series of case studies. Even though only history can provide a definitive answer for any particular country, the cases studied here offer many lessons, and some warnings, to those who would follow this path. They also cast new light on some fundamental issues about the relationship between 'state' and 'nation' that deserve much closer attention by scholars of both fiscal federalism and political economy.

This book reflects multiple contributions by many people in addition to those who are listed as contributors. Recognizing that we will surely miss naming all who contributed, we wish to especially acknowledge our colleagues Ehtisham Ahmad, Junaid Ahmad, Giorgio Brosio, Amadou Cisse, Lual Deng, Wolf Linder, Jennie Litvack, Endre Stiansen, Victor Vergara, Dana Weist and Serdar Yilmaz. A special acknowledgement also goes both to our manuscript editor, Alice S. Faintich, and to her team of Cindy Stock (desktopping), Bernice Eisen (indexing) and Shirley Ratliff (proofreading), who together made the manuscript flow as a readable whole. We also wish to thank Alan Sturmer and the Edward Elgar staff. Finally, we would like to acknowledge the financial support from the Canadian International Development Agency trust fund that is administered by the World Bank Institute.

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