

# MANCUR OLSON, COLLECTIVE ACTION AND THE DESIGN OF A FEDERAL STATE: THE CASE OF UKRAINE

**Peter Ordeshook\***  
Caltech

***Abstract:** Even if we ignore the consequences of Russia's intervention into Ukraine's internal affairs, Ukraine confronts some seemingly insurmountable problems in transitioning to a stable and prosperous state. Having inherited a top down and largely corrupt political structure, there are those who see decentralization in some form as a partial solution. Here, though, we argue that decentralization, even if crafted on the European Union template of subsidiarity, can introduce problems of collective action that would further undermine the country's viability. To avoid exacerbating the problems of collective action occasioned by Ukraine's fractured political economic system, decentralization must proceed with an understanding of how those problems are treated in successful federal states.*

***Key words:** Decentralization; Federalism; Subsidiarity.*

In 1965 Mancur Olson, taking a page from contemporary economic theory, set out the theoretical basis for an all-encompassing analysis of collective action in the social sciences with an impact that went far beyond the things that fell at the time under the domain of political economy. The impact of *Logic of Collective Action* was felt not only among those who worked at the interface of economics and politics, but extended into the very core of the disciplines of political science and sociology and included such seemingly diverse subjects as revolution, political party organization, labor union policies, the imperatives for government regulation, differences in the organizational capabilities of small versus large groups, and interest group mobilization. Needless to say, it is beyond the scope of this essay to survey Olson's work and the scholarship built upon it. But what we can do is see what implications his work has for a contemporary and especially vexing matter, that of Ukraine's political development in light of Russia's current aggression and sponsorship of separatists

---

\* Peter Ordeshook, Caltech; email: ordeshook@hss.caltech.edu

with the apparent objective of dismembering the country. More specifically, we argue here that calls for Ukraine to decentralize its governance and, among other things, give its Eastern regions greater autonomy, can exacerbate the problems of collective action that Olson highlighted. While there are those who sincerely believe that some version of decentralization – presumably as a form of federalism - can ameliorate the East-West divide that plagues Ukraine’s politics, unless that decentralization is crafted with an understanding of how democratic federal states avoid the centripetal forces that act within them, mere decentralization can only facilitate Vladimir Putin’s goal of rendering Ukraine a failed state. Our argument here is that decentralization along either the lines outlined by Putin (i.e., political autonomy for the country’s Eastern regions) or limited to applications of the notions of subsidiarity as practiced in the EU will necessarily further fragment Ukraine’s fragile political system and exacerbate the collective action problems that undermine its transition to a stable democracy. And just as Olson showed that there is no one universal way to overcome the problems of collective action, we argue here that the solution for Ukraine does not reside in simple expedients but rather in a careful crafting of its political institutions.

It might seem, of course, that Olson’s treatment of collective action is far removed from the issues that plague Ukraine’s political development. Relying primarily on a series of examples as opposed to a fully formed mathematical analysis, Olson argued that some of the classical sources of market failure as set forth in economic theory had broader application than had heretofore been given to them. But in making his arguments, Olson focused on one particular thing that exacerbated collective action problems – the number of the relevant actors – with the seemingly logical proposition that the greater that number then, *ceteris paribus*, the more difficult it is to sustain efficient collective action. At first glance, Ukraine’s problems seem divorced from this parameter, where the two most apparent problems are corruption and its East-West divide. There is little disagreement that corruption – an arguably inherited property of Ukraine’s Soviet past – pervades the country’s political-economic system and renders both political and economic development problematical at best. The second problem, and the one most widely reported today given Putin’s aggression, is a geographically correlated schism that separates those with a Ukrainian identity versus those who feel a closer affinity to Russia.

Without denying the relevance of symbols, ethnic identities, the differential histories of Eastern and Western Ukraine and the debilitating consequences of corruption, let me nudge the reader toward Olson’s perspectives by noting a personal experience when first moving to California many years ago. At that time my wife and I decided it was time to buy a new car. So we drove to “Automobile Row” in Glendale. At the first dealership we were immediately ‘accosted’ on the sales lot by, as would be appropriate given the city’s ethnic make-up, a salesman who had recently arrived

from Armenia. The young man was a trainee whose purpose was to identify potential customers who were more than merely window-shopping. After learning that we were serious about buying a car, we were handed off to his senior colleague, whose job was to convince us that he could offer a deal better than anything else to be found on the planet. But he too was only an intermediary in a well-designed process. After nailing down the specific car we wanted and that only price and financing stood in the way of a sale, this salesman, a Pakistani, handed us off once again – this time to the dealership’s finance manager who would do whatever it took to seal the deal and have us sign on the dotted line. This person, as we learned during the negotiations, was from a province of India he held dear to his heart. Now you might ask what’s the relevance of all of this to Ukraine and collective action theory? Consider then that my example focuses on three men who, some might think, ‘ought’ to be mortal enemies – a Christian (Armenian), a Muslim (Pakistani) and a Hindu (Indian) – but who in Glendale California were teamed up to sell cars. And they did so quite effectively -- we did buy a car that day. The relevance to Ukraine and the paradigm from which Olson’s work stems, is that my little story underscores how individual self-interest (in this case a strictly economic self-interest) can in the right context dominate other potentially disruptive social and symbolic issues, including the historically deadly ones of language, ethnicity and religion that would otherwise preclude cooperation and the realization of mutually beneficial outcomes. It is also important to keep in mind that we also see here but a small piece of a vast coordinated economic nexus. To say we bought a car greatly simplifies what actually occurred: The title to our old car as a trade-in was transferred, sales taxes and registration fees to state and local governments were paid, interest rates negotiated and financing arranged. In other words, a complex array of potential collective action problems were resolved “automatically” wherein the one among the dealership’s sales personnel was only the most evident coordinated act.

If we are to believe what we’re told, Ukraine is divided into two halves – one that because of language, ethnicity and historical experience looks to Russia and the other that, for the same reasons looks westward toward integration into the European Union. One side calls the other fascists and Nazis, while the other labels their domestic antagonists communists or Putin stooges. One lesson to be learned from the car dealership, however, is that these words and labels are simply a manifestation of the fact that Ukraine has a fractured and imperfectly functioning economy. On one side we see an industrial half that must rely on energy imported from and subsidized by Russia to keep enterprises operating that are otherwise too inefficient to render their output competitive on world markets. The other side, in contrast, is far less industrial and must rely instead on sunflower seeds, sugar beets and tourists. Then, of course, there is, or rather was, Crimea with its largely one-dimensional economy – a

Russian naval base housing an outdated and rusting navy. There was little by way of economic integration of the sort that makes it worthwhile to work toward a mutually profitable end as in the case of the Catholic, Muslim and Hindu at the car dealership.

Ukraine's problems, however, are not unique. The divisions that plague it, until Putin's aggression, parallel those of Canada, which prospers with two languages that, unlike Ukrainian and Russian, are not mutually intelligible (and where, more problematical still, language correlates with religion). The country must balance the interests of a resource-rich west against those of its most politically dominant province, Ontario, whose wealth derives largely from banking and industry. Both the west and Ontario contrast sharply with the maritime provinces that rely on fishing (and to a lesser extent, tourism). It may be that Canada has seen its share of separatist movements, but those movements have been directed more at extracting policy concessions from the center within an existing political structure than with actually posing as a serious threat to the country's viability. One might still argue, of course, that Canada does not have Ukraine's premier problem of an authoritarian-led militarily aggressive Russia. But keep in mind that Canada borders a country that, from time to time throughout the 19<sup>th</sup> century, has had its sights on Canada's territory and from which there is no escape, geographically or economically.

It would of course be foolhardy to make too much of the parallels between Ukraine and Canada. Among other things Ukraine suffers from a level of political economic corruption that Canada never experienced and that saps its economy to such an extent that it renders foreign investment and the resulting economic integration problematic at best. Minimally, though, whatever parallels exist should yield the conclusion that stability and prosperity are not goals that are theoretically out of Ukraine's reach. There is, though, a subsidiary problem that plagues the country – the absence of a Ukrainian James Madison who might formulate political institutions to ameliorate the dysfunctional politics that arise in a dysfunctional or conflicted economy. Nevertheless, if there is a solution to Ukraine's problems it must, in fact, reside in its political institutional design. Economies cannot be transformed quickly, though sometimes thinking in unconventional ways might help. I refer here to a suggestion I made nearly a decade ago that might have solved Ukraine's "Crimean dilemma" by fundamentally changing the peninsula's economic base. Specifically, and more seriously than it might seem at first glance, I suggested inviting the "boys from Vegas" in to build casinos of the sort they've erected in both Macau and the Nevada desert. Unlike the slimy micro casinos that populate Moscow where one suspects that if you win too much, you're destined for the emergency room at one of Moscow's dilapidated hospitals, I'm speaking of those multi-billion dollar edifices that, individually, could employ an entire cluster of Ukrainian villages. Such investments on the part of casino entrepreneurs would not have merely been billions poured into the region soon to

disappear into the pockets of a few. As the Chinese now well know and as the state of Nevada learned decades ago, the billions invested yield a total transformation of an economy with profound political consequences. Imagine, if you might, an economy that had become independent of Russia's Black Sea fleet, but depended instead on the cash flow of tourists at the gaming tables, at countless restaurants and in tens of thousands of hotel rooms. What do you think would have been the incentive, then, for Crimea's Russophile population to welcome a Russian invasion if it meant shuttering those casinos, restaurants and hotels and the unemployment of all who worked there?

Unfortunately, Crimea was probably unique within Ukraine as offering a ready means to altering economic, and thereafter political, incentives so quickly and easily. Somehow mega casinos are unlikely to be much of an attraction next to a Donetsk steel factory, a Kharkiv munitions and tank works, or a Dnipropetrovsk coal mine. Moreover, Ukraine generally will most likely not be deemed a haven for profitable outside investment, at least as long as Herr Putin is around – and Putin gives no sign of wanting to mimic the American Cincinnatus, George Washington, by walking away from power. So if there is a “solution” to Ukraine's domestic dysfunction – if there is a way to transform people's incentives and private motives - it must be found in the realm of the political; specifically, in the realm of the country's political institutional design.

If the comparison of Ukraine to Canada seems stretched to some, consider another – that between Ukraine and the United States as it existed immediately after the American Revolution where the national government, if we can call it that, was the one dictated by the Articles of Confederation. What was soon apparent to the likes of Washington, Madison, Adams and Hamilton was that under the Articles, the problems of collective action that Olson addressed were writ large. As John Adams stated the problem, “The colonies had grown up under conditions so different, there was so great a variety of religions, they were composed of so many different nations, their customs, manners, habits had so little resemblance, and their intercourse had been so rare, and their knowledge of each other so imperfect, that to unite them in the same principles in theory and the same system of action, was certainly a difficult enterprise” (as recounted in Ellis, 2015, p. 13). But under the Articles, the national government had no taxing authority save that given to it under unanimity rule by the individual states, no authority to maintain a national defense, no authority to establish a national currency to the exclusion of a multitude of local specie, and no authority to regulate interstate trade. In many respects, then, the Articles mimicked Putin's decentralization schemes for Ukraine. We should not be surprised, then, that one of the critical (but today, under-appreciated) parts of the Constitution drafted in 1787 was Article 1, Section 8, which gave to the Congress the authority to “coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and

Measures.” Quite directly, then, the national government was given the authority to determine what constituted a pound, a bushel and a quart and thereby resolve a vexing collective action problem whereby each state (or even each village) defined these measures to its own benefit and where collective action across political units was otherwise an impossibility. Indeed, as much as anything, the drafting and ratification of the US Constitution and the formation of a *federal* republic was explicitly seen as an attempt to solve a vast array of collective action problems occasioned by a fragmented polity and economy.

As any student of Ukrainian politics will appreciate, the preceding sentence uses a word that, in the past at least, sent chills through the spine of nearly every member of Ukraine’s political and intellectual elite – *Federal* (and the implied concept of federalism). That reaction derived from a fear that merely raising the subject of federalism was a covert yet intended invitation to separatism. Of course, given Russia’s invasion and support of a separatist militia, one no longer needs that word to raise this specter, so there is no longer a reason to avoid it. Moreover, making a connection between federalism and separatism is, as I argue here, occasioned by an imperfect, one can even say Soviet, view of what federalism means, the incentives a federal state seeks to engender and how only in a properly designed federal state we can overcome the problems of collective action that otherwise plague fragmented states. In the Soviet world or as the word might be used today in Russia, federalism means little more than the devolution of power. There, if one gives someone below you in the official hierarchy of power the authority to fire those below them (or, if you want in its extreme historical version, to banish or kill them), you nevertheless retain the authority (and means) to fire (or banish or kill) those to whom you’ve devolved power. Ultimate power remains at the top and the glue that holds a Soviet-style federation together is the fear of sanction from above (a sanction that, during Soviet times, was implemented through the Communist Party). If, on the other hand, one begins to speak of a true devolution of power to the point where local and regional elites no longer fear sanction from above, then it seems that you’ve opened the door to the possibility that those elites will begin acting as if they were independent agents, with unknown consequences (which, of course, is precisely what happened once the USSR’s Communist Party was effectively dissolved). The safest course, then, seems to be to keep a tight reign on the chain of command and to abide by a political system wherein offices such as regional governors are appointed from above, and where those governors’ powers can be exercise only in consultation with the powers at the center.

The European notion of federalism as practiced at least by the European Union and encapsulated by the word *subsidiarity* does not help much in offering an alternative solution to Ukraine’s collective action dilemmas. Subsidiarity dictates that the level of government best equipped to handle an issue ought to have control

of that issue, where the meaning of “best equipped” is dictated largely by purely economic measures – the scope of externalities and economies of scale. Thus, while control of the currency is viewed as best done in Brussels, at the other extreme there is little reason to centralize control of, say, household garbage and trash services. It is the local government that is deemed best able to decide whether trash pick up ought to be once a week or twice a week, depending on specific circumstances; but it would be economically disastrous to allow each locality (or each bank within each locality) the authority to print money. Here again, though, we see a quasi-Soviet view of “federalism” wherein a national government largely decides who controls what. Of course, politics and nationalism often confound a pure application of the notion of subsidiarity, as when France objects to other members of the EU deciding on the color and shape of their wine bottles out of fear - horror upon horrors – that the wine so marketed would be indistinguishable from its French counterpart except for the part of the label that reads “made in \_\_\_”. But with such issues aside, the notion of subsidiarity and the resulting definitions and conceptualizations of federalism are, in fact, derived from a naive (i.e., politically contentless) notion as to what federalism seeks to accomplish and how it functions. The goal here and measures of success are formulated strictly in economic terms as the search for maximal efficiency, measured in the usual economic ways.

There is, of course, nothing wrong with using decentralized institutional forms in the pursuit of economic efficiency. Decentralization is, after all, the essence of the free market wherein it's McDonald's – indeed, its individual franchises - that decides how many hamburgers to cook as opposed to some 5-year plan set by bureaucrats in Washington. Even when production of some commodity is centralized, what is actually produced is generally the consequence of a host of decentralized market decisions. There is no division of Toyota in Tokyo that determines how many red versus blue cars to manufacture; rather, its annual output on this dimension is determined by the orders sent by tens of thousands of individual and wholly independent dealerships. So why should Lviv decide how many police per capita are proper for Donetsk, or why should Kharkiv have a voice in the allocation of public spaces within Khmelnytsky? The argument I am about to make, though, is that subsidiarity and the quest for economic efficiency are only a part of the character of a true efficiently functioning federal state. Indeed, my argument is that this limited focus ignores the lessons that ought to have been learned from Olson's analyses and that if we maintain that narrow focus, then federalism as a solution to anything is doomed to fail.

The first clue that decentralization alone is doomed comes not from academic arguments but from the fact that one of the strongest advocates for decentralization in Ukraine is someone who fails to view Ukraine as a legitimate sovereign state and explicitly seeks its dissolution – Vladimir Putin. For him, decentralization is the

route to Ukraine's ultimate demise and its absorption in a reconstituted Russian empire. Indeed, Putin is correct with respect to the ultimate consequences of a naïve decentralization of political economic matters that further fragments its political-economic structures or leaves in place whatever fragmentation currently exists, since it introduces precisely the problems of collective action that Olson addressed. Absent either a central mechanism of control (Russia's model) or a system of incentives whereby individuals, acting in their self-interest, implicitly coordinate to achieve desired collective ends (the democratic model), an instability that Russia is only too eager to take advantage of must necessarily follow.

Decentralization with subsidiarity cannot by itself solve any of Ukraine's problems. We need to keep in mind that whatever value the concept of subsidiarity has in the formulation of public policy within the EU occurs in the context of well developed political and economic institutions that, like the US Constitution, are explicitly designed or have evolved to resolve the collective action dilemmas that decentralization by itself occasions. To appreciate this fact, let us then look more closely at the nature of Ukraine's democracy and, in particular, its political parties. Anyone familiar with parties there knows, of course, that they are given that label only as a courtesy and instead are best thought of as coalitions of clans – clans of oligarchs. They are the mechanism whereby varied economic interests vie for control of the center for the simple reason that the primary purpose of the center is to disburse favors – monopoly rights, physical protection and legal cover. But to sustain a winning (majority) coalition, those parties must still mobilize voters. Yanukovich with his Putin-sponsored schemers might have sought to short-circuit this process by outright theft in 2004, but no one can win a national election by theft alone. And in Ukraine, the easiest way to mobilize voters is to pit one set of economic interests against the other, which necessarily entails pitting the interests of Eastern against Western Ukraine, with each side demonizing the other by using such pejoratives as Nazi, fascist and communist. In other words, political parties in Ukraine do little in the way of ameliorating conflict – indeed, they organize specifically to foment it.

No democracy can function in such an environment wherein the game of politics becomes a zero-sum contest, especially when a powerful and aggressive neighbor finds it in its interest to do whatever it can to ensure that the game remains zero-sum. Instead, the country evolves into what Ukraine became under Yanukovich – an authoritarian gangster state whereby the clans of the winning coalition use their position to serve a single purpose; namely, that of raping society. One should not, I might add, cast moralistic stones here since part of the motive for the rape is the understanding that if one's opponents win, they will most likely do the same at your expense. To further illustrate the dysfunctional nature of Ukraine's party system, consider the often-heard lament that the system produces few new faces. Tymoshenko,



along with Yanukovich are personalities whose national political roots can be traced back to the late 90s. The one arguably new face, Valerie Klitschko, gained national prominence not by rising up through some party or political hierarchy, but rather in the boxing ring, while the current president, Petro Poroshenko, gained prominence through chocolate. Political competition, then, is not a contest among parties, but among personalities and the heads of clans.

As Olson's analysis of the problems of collective action makes clear, neither decentralization alone, nor the rational application of the notion of subsidiarity can control this competition. If there is one lesson to be learned from even successful federations it is that one can never wholly banish the struggle among levels of government and the interests that reside within them for control. Regional governments will seek to tax things the national government prefers to reserve exclusively as part of its tax base – and vice versa. The national government will try to regulate economic activity that local and regional authorities view as a violation of the principles of subsidiarity. Regional governments may cater to ethnic majorities or minorities in ways the national government see as violations of basic principles of human rights, while the national government and its courts will promulgate policies pertaining to rights that regional governments deem unwise at best and wholly destabilizing at worst. And, getting to the core of most sources of wealth, all levels of government will deem the control of natural resources as falling within their exclusive domain. In other words, in even the most smoothly functioning democratic state, there is an ongoing debate over authority with the federal “contract” constantly subject to negotiation and renegotiation. No document and no assignment of prerogatives can ever be deemed permanent and an end to discussion. Decentralization or some scheme of subsidiarity cannot by itself engender a stable and efficient federal state. In Olson's terms, stability and efficiency are the public goods that decentralized action cannot achieve. If that were possible, then politics could be banished altogether or made irrelevant by some well-crafted lawyer-written contract. But then, of course, comes the question of who interprets and enforces the terms of the contract? So, to put matters differently, although “the essential characteristic of a federal system is a division of powers between [at least] two levels of government ...,” since conflict is inevitable “... what a federal system need[s] for successful operation is some means for resolving conflict between the two levels” (Lutz, 1988: 64-5). It is difficult if not impossible to see how subsidiarity, even if rationally applied, would have any bearing on the incentives for corruption that currently permeate Ukrainian society.

If even a well-crafted decentralization that details the terms of subsidiarity as it is intended to be practiced is inadequate, how does one go about designing a federal state and, in particular, come to grips with the societal cleavages that beset Ukraine today? How does one structure incentives so that the prisoners' dilemma of public

goods supply is averted and people find it in their self interest to achieve the desired level of collective action?

One corollary to Olson's analysis is that there is no universal solution to the problems of collective action. As he documented in *The Logic of Collective Action*, in some instances the solution is to implement a system of explicit private incentives, as when labor unions offer various insurance programs to members only. In other cases, as with Lenin's authoritarian organization of the Communist Party, it may entail a form of decentralization in which the problem of large collectivities is averted by an integrated pyramidal hierarchy whereby individuals at one level are monitored by those above them in the hierarchy, who are monitored by those above them and so on and so forth. A democratic federation must find a different solution whereby we establish incentives for political elites at different levels of government to find and implement solutions to common problems, including that of fighting corruption. Moving, then, to the more political realm of institutional design, the approach most often discussed is for Kyiv to give up direct control of regional and local offices, including governorships, and to fill those offices by direct election. Such suggestions, though, immediately confront a number of serious objections. What guarantee is there, for instance, that politicians who are less corrupt than Yanukovich will emerge victorious in elections? Indeed, what if a Yanukovich clone wins in some district by taking advantage of the cleavages and conflicts that currently disrupt Ukrainian politics and campaigning successfully on a platform of secession? This is, after all, the path taken by Putin in Crimea with his phony election there.

In fact, I agree with such objections, since doing little more than allowing appointed offices to be filled by direct election is once again a 'reform' that assumes a naïve view of democracy and of federal democracy in particular. To see what I mean here, let's consider another feature of post-Soviet electoral design; namely, holding elections for parliament, president, and all other offices at different times. The most often cited reason for doing so is the view that if multiple offices are being filled simultaneously – say president and parliament – “we cannot infer what voters want.” Elections, however, are not intended to determine what voters want. If learning that is your goal, conduct a public opinion poll. Instead, elections serve a simple purpose in a democracy – to give the sovereign, the people, “an opportunity to throw the bums out.”

So suppose we move to the opposite extreme wherein all publicly filled offices are voted on at the same time, in which case a voter's ballot may no longer be single sheet of paper but perhaps a multi-page booklet. Here the objection is that voters will become confused in the cacophony of multiple election campaigns all deluging the media simultaneously. How can a thoughtful voter sort through the noise and cast an

informed vote? Doesn't running each election separately allow voters to focus on that specific contest and thereby encourage a more informed vote?

The answers we give to such questions depend on what we want our elections to accomplish, and in fact, choosing the optimal or best candidate is only one possible goal. Another is to use elections to encourage stability, compromise, and cooperation across levels of government – in other words, to have elections and the incentives they engender solve the problem of elite collective action. To see what we mean here, consider the following perhaps fictitious story about the Democratic Party candidate for judge in New York City in the 1930s. Not being a professional campaigner for public office, the judge takes his campaign funds and brings them to party headquarters, intending that the party conduct his campaign for him. After writing his check he waits a week, two weeks, three weeks and then four weeks but never sees a single billboard, bumper sticker or campaign button advocating his candidacy. Fearing that the party has simply absconded with his money he returns to party headquarters whereupon the chairman of the party takes the judge to the southern tip of Manhattan to where the Staten Island ferry docks. As the ferry pulls in, the chairman points to the swirl of gum wrappers, banana peels and general trash being pulled in by the ferry's wake, and tells the judge "the name of your ferry is Franklin Delano Roosevelt." The lesson here is that if Roosevelt wins, and especially if he wins big, then his "coattails" will carry to victory all the candidates of his party for lesser office. There is, though, a flip side to this story; namely, Roosevelt wins only if the members of his party down to the level of candidates for local judge facilitate his campaign, including using their financial resources to ensure his victory. In other words, Roosevelt and the judge are in a symbiotic relationship wherein each is dependent on the other.

If we ask now as to what engenders that co-dependent relationship, the answer is evident – both candidates share the same party label. The average voter will, most likely, know little to nothing about candidates for judge *except* their party label (since that will be printed on the ballot). So in the absence of any other information, if a voter prefers Roosevelt, he most likely will vote for other members of his party. In other words, party labels become much like consumer brand names. The success of McDonald's as an international corporation, for instance, derives from a virtual iron-clad guarantee that the food served at any randomly selected franchise meets some minimal standards of quality and that the franchise itself conforms to some uniform standards of cleanliness. One may not know the owner of a specific franchise, but the label "McDonald's" removes uncertainty as to what one will experience there. Or consider a bottle of Coca Cola. In this case, one cannot know the bottle's precise contents – it is one of the most highly protected commercial secrets in the world. But one does know that regardless of that bottle's

origin, the manufacture of it and its contents was carefully monitored for quality by the parent corporation. In other words, McDonald's and Coca Cola, as well as every other major international brand, protect their brand labels for the simple reason that absent detailed information about contents or processes of manufacture, people use brand labels as a short cut to deciding whether or not to buy a specific item and anything that damages a brand label damages the corporation and its individual parts. Thus, a scandal at one hamburger franchise or bottling plant is to be guarded against, with all other franchises and plants eager to see the brand strongly defended. So it is with party labels in a viable democracy.

Consider the current problems President Obama is having with the implementation of his new health care law. Regardless of what they truly believe, few Democrats will attack that law directly since it is so closely associated with Obama and, by association, with their jointly shared party label. Similarly, while Bill Clinton was embroiled in his Monica Lewinsky sex scandal during his presidency, few Democrats attacked him if only because doing so besmirched the party label they shared with him. All of this, of course, might seem at first glance to be a feature of democratic process that we might prefer to avoid – politicians protecting politicians simply because they share the same party label. But rest assured, this is a two edged sword since, if there is more than one party (and we are, presumably, planning on something for Ukraine other than a Putin-style autocracy), there will be others from other parties eager to offer their critiques. Politicians, then, will have an incentive to do what they can to make certain their party doesn't nominate to office those who might embarrass them and otherwise denigrate their jointly held label. Several years ago, for instance, a radical right wing anti-Semitic and racist candidate, David Duke, went to the second round of a runoff election for governor in the southern American state of Louisiana. Republicans across the country were appalled. As much as they might like to have their party control that state's governorship, they didn't want to control it with that kind of politician because their implicit association with him via the party label could only damage their chances in other elections outside of the state. Similarly, when local or regional party members hold a convention to, say, nominate a candidate for some higher office, the relevance of personal loyalties or even corrupt monetary side payments will diminish to the extent that there's someone the party might nominate who is likely to be an especially strong candidate.

The important thing to note here is that the symbiotic relationship engendered by party labels is that it operates both horizontally and vertically so that, say, the governors of one region are less likely to openly conflict with the governor of a different region if they share the same label, while at the same time mayors of cities within a region must learn to cooperate with members of their party above and below them in the political hierarchy. In other words, the partisan labels voters use in making electoral

choices force politicians across the political spectrum to cooperate and coordinate and act as a natural brake against the centripetal forces of decentralization. Thus, just as Olson taught us that there are a variety of solutions to the problem of collective action and that many of the things we might not have associated with that problem, such as union-sponsored insurance programs or Lenin's hierarchically organized Communist Party, the fully integrated political party is but another solution to the problem of collective action in a federal state or states that encourage decentralization along the lines suggested by the notion of subsidiarity.

So how do we encourage the emergence of quality parties and party labels in a democracy that coordinate political elites to act in concert? We have, in fact, already supplied part of the answer to this question; namely, simultaneous elections. The more offices there are to be filled in any one trip to the polls – the more complex the ballot – the more voters will rely on party labels in making their choices. And the more voters come to rely on those labels, the greater is the incentive to make their brand names meaningful. This nexus of reinforcing incentives, in turn, encourages an integrated and meaningful political party system – a party system that establishes a system of private incentives whereby political elites at all levels, from the national government in Kyiv, to regional governments to the small villages that populate Ukraine's countryside to coordinate and cooperate.

But there is even more that can and must be done. Regardless of whether one uses the word decentralization, subsidiarity or federalism, attention normally focuses on national institutions – on deciding whether the political system is to be parliamentary or presidential, on the election laws to fill national office and on the policy jurisdictions that are to be awarded to local and regional governments. But there are also regional charters and constitutions, and if the number and timing of elections is important, then so are these other democratic charters since in them will be decided what offices are to be filled by election versus appointment and when those elections are to be held. Those charters, moreover, will dictate when and what form special elected sub-offices will be formed such as school committees, environmental regulatory boards, and licensing agencies. Those charters may also dictate when local issues can be put on a ballot for direct resolution by voters or even in the case of referenda, whether and when voters themselves can put things on a ballot. And finally, those charters may decide when voters can petition for the recall of an elected official. In this way local and regional governmental forms will become a part of the state's overall institutional design. But perhaps more importantly, the design and construction can be decided by regional authorities with minimal guidance from the center – the courts in particular – wherein regional governments can implement governmental forms that are best suited to their needs, provided only that they meet some universally standards of democratic practice.

The subsidiary implication of this argument is that decentralization, etc can (and should) entail more than merely allowing for regional election of governors. The regions themselves can then decide on the powers of a governor, of regional legislatures and on how those elections are to be conducted.

Here now we can tackle an issue that is especially sensitive in Ukraine, that of language. To this point it is implicitly assumed that what is to be the state's "official" language is something to be decided at the national level. But now let's suppose that individual governments are allowed to designate their own "official" language and suppose, in particular, that a majority of the population of region X speaks Russian. We might be tempted to assume, then, that Russian will be designated its official language. On the other hand, suppose there is a competitive party system in that region, wherein initially at least, both parties advocate having Russian be the official language. But rather than merely say "a competitive party system", suppose in particular that there are but two major parties. How unreasonable would it be to suppose that one of those two parties might see the potential electoral advantage of attracting a good share of the Ukrainian speakers in the region by adopting a more accommodating stance on the issue of language so as to open the door to two official languages? We shouldn't moreover, discount the possibility in the competition for votes that politicians might not find inventive ways of approaching this issue. For example, what of the politician that advocates a regional charter (or amendment to an existing one) that guarantees people due process under the law, which can then be interpreted to require that any legal proceedings be conducted in a language all relevant persons understand? It does not take a great deal of imagination to see how the "problem of language" is thereby solved.

The question that remains is how to engender a competitive party system wherein politicians have an incentive to cast a wide net in seeking votes and where, as in the example, a potentially disruptive issue is resolved without conflict. The answer, once again, lies in the details of institutional design. This is neither the time nor the place to go into an extended discourse on those details (see Filippov, et al, 2004). The main point of this essay is to note that once we accept Mancur Olson's assessment of the problems of collective action, the mere decentralization of political authority in a state such as Ukraine does not resolve that state's problems. Indeed, a blind decentralization without, via creative institutional design, taking full account of the problems of collective action in decentralized social processes can not merely make things worse but can also lead to the realization of Vladimir Putin's goal of Ukraine's utter dissolution.

## REFERENCES

- Ellis, Joseph J. (2015). *The Quartet: Orchestrating the Second American Revolution, 1783-1789*. N.Y. Knopf.
- Filippov, Misha, Peter Ordeshook and Olga Shvetsova. (2004). *Designing Federalism: A Theory of Self-sustaining Federal Institutions*. Cambridge: Cambridge Univ. Press.
- Lutz, Donald. (1988). *The Origins of American Constitutionalism*. Baton Rouge: Louisiana State University Press.

Citations referring to this article should include the following information:

- Ordeshook, Peter. (2015). Mancur Olson, collective action and the design of a federal state: The case of Ukraine. In: *Decyzje 24* (December), pp. 155-169, Kaminski Marek M., ed., Warsaw: Kozminski Academy.