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Aetolians, Europeans and Canadians: A Comparative analysis of federations

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Abstract: In the present essay we begin with a short presentation of the Aetolian proto-federation and compare its structure and institutions with two modern ones, that of Canada and that of the European Union. We will then make an evaluation of the three federations according to two sets of criteria. a) Democratisation, which contains four sub-criteria: “isonomia” (equality in front of the law) “isokratia” (political equality), “isegoria” (equality to propose initiatives) and “isopoliteia” (single citizenship, the transfer of the political rights of a citizen of a state, when he moves to another within the federation) b) Cohesion, which comprises the following four sub-criteria : i) monetary union, ii) fiscal union and federal budget iii) federal regulation and the basic economic freedoms, of goods and services, capital and labour and iv) common external and defence policy. The results of the evaluation show that according to the criterion of democratisation, the Aetolian ranks first and the EU last, while according to cohesion, the Aetolian ranks first and the EU last, while according to cohesion, the Aetolian and Canadian rank as about equal while the EU again lags behind.

Keywords: Federations, democratization, cohesion, Aetolian Federation, Canada, EU

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Introduction

Federalism tends to be understood as a phenomenon of the modern world, since federal states seem to be able to address better complex issues such as economic

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advantages arising out of monetary, economic and in some cases, fiscal unions, while preserving the cultural identity of population groups and bringing decision making on some issues closer to the citizens' concerns. Currently, more than 25 states globally have a federal type of political structure, among them states with great geographic and population magnitude such as the US, Canada, Russia, India, Germany, Argentina, Australia etc. It is widely recognised that federations have their origins in Greek antiquity (Mackil, 2013, 1) its most well-known examples being the Boeotian, Achaean and Aetolian "Koina".¹

What we want to show first, is that ancient Greek proto-federations are more than alliances, leagues or religious amphictyonies, all of which existed in parallel in classical Greece. Caspari (1917), Mackil (2013) and Economou, Kyriazis and Metaxas (2014-REPEc) have attested at least approximately 18 cases of ancient Greek federations, of which the Boeotian, the Aetolian and the Achaean cases were in all probability the most advanced and well-organised. So, we choose to analyse in this essay the Aetolian federation as one of those three cases, where safer results, based on ancient sources (see Polybius, *Histories* and Livy, *History of Rome*) and modern literature can be traced.

What is new in our essay, as far as we know, is the comparative presentation of three federal states, the Aetolian proto-federation with the two modern ones, the Canadian and that of the European Union, and for the evaluation we propose using two criteria, democratisation and cohesion, which again consist of a set of sub-criteria. Using these criteria, we will attempt a ranking of these federations in order to see if, by their institutional functioning, we can utilize some policies to be used as benchmarks for developing current political and economic institutions for the European Union (EU) in its steps towards becoming a true federal state. In section two we will briefly analyse the political and economic background of the Aetolian federation, while in section three, we will present briefly the criteria, followed by a presentation in comparative form of the three federations, In the fourth section, we will proceed to the evaluation and ranking of the three federations according to these criteria and end with our conclusions.

¹ We translate the ancient Greek word "koina", (which literally means, "the common", in the sense of having a common share as part of a political union) as federations, following many historians, such as MacKil (2013).

The main political and economic institutions of the Aetolian federation²

The Aetolian federation was established during the first half of the 4th century, (in existence by 371 BC) with its primary purpose being defense against the rise of Thebes, but mainly against Macedon of Philip II (reigned 359-336 BC, Larsen, 1952; Grainger, 1999). The two main political institutions of the federation were the popular federal *Assembly* of citizens (similar in concept to that of the famous Athenian popular assembly of free male citizens), where every citizen from each city-state that comprised the federation could participate in each of the gatherings of citizens and had the right to vote on a variety of issues. At least two gatherings a year took place, one in the capital of the federation Thermos (which was the “centre” of the administration offices, the place where the assembly took place and a part of the place was used to host ritual festivals, as a sanctuary. The other meeting of the assembly took place in one of the other cities of the federation. (see Mitsos (1947; Larsen, 1952; Mackil, 2013).

The second political body was the federation’s *Council*, (in Greek, *συνέδριον*) where the issues to be discussed in the Assembly were settled (by the Councilors) and through which, the members of the next year’s “government” were elected. Members of the federal Council were elected in their city-states by their compatriots by local city-state assemblies, through direct democracy procedures. (see Livy Hist. 35. 34. 2-4; 36. 28. 8.). The highest official from this government group was the *strategos*, literally meaning the general, who was both the supreme military commander who combined also the office of “head of state”, to use modern terminology. So, by this short description it is evident that the Aetolian federation used a mixed political system with elements of both direct (the Assembly of citizens) and indirect democracy (the Council). This democratically elected government council under the head of the *strategos* performed the daily running of the state and very often had to decide on a variety of very crucial state issues such as foreign policy, taxation, overall public spending etc.

To run the economy of the state the Aetolian federation was based mainly on the crucial role of the *seven tamiai*. Each of the seven *tamiai* was responsible for

² For the political and economic institutions of the Aetolian federation see a detailed analysis by Economou, Kyriazis and Metaxas (2014) and the references therein.

supervising and implementing economic policy in each of the seven provinces of the Aetolian federation. Thus, except for the political head of every province of the federation (like today's Governor of the federal 50 states in the USA) called *voularhos*, there were seven economic administrators. (Rzepka, 1999; Scholten, 2000). Actually, there was a "chief" federal *tamias* (one of the seven members) that could be more or less equated to a modern finance minister.

In coordination with the council of the other six *tamiai*, they were responsible for the economic management of each of the seven regions and the federation as a whole, whereas they also acted as the keepers of the federal treasury and served as monetary officials for the federal coinage (De Laix, 1973, pp. 65-75) as well as implementing public policy such as funding military expenditure (mainly paying the federal army, see Rzepka, 1999).

We also know from inscriptions that the federation had established the right of citizens of one member city-state to own property in another member city-state, (called "enkteseis"). This again presupposes mobility of capital in order to buy and sell property, which is a further indication for the probable existence of banks.

Concerning economic transactions, the federation used a parallel system of circulation of both local (minted in city-states) and federal coins (Noe, 1962; Crawford, 1985). This means that the federation was a monetary union, (resembling to some extent to today's "eurozone") Although there is no specific information on banking in the federation we can speculate that the federation was using banks as banking activities were widespread in the Greek world from the mid-fifth century (Cohen, 1997). Due to scant information concerning other elements of fiscal policy, Economou, Kyriazis, and Metaxas (2014) offer some proposals based on hypotheses retrieved by the functioning of the Athenian democracy's economy (probably one of the most advanced of the time, Halkos and Kyriazis, 2010).

We may ascertain the existence of a federal budget which comprised custom duties from imports and exports, contributions by the city-states, lending by federal banks, private citizens, even women (Mackil, 2013, p. 271-272) and military booty (plundering) during successful war campaigns, *liturgies* where wealthy men in Athens and possibly in other Greek city-states too, were responsible for subsidizing some state fiscal policies such as theatrical plays, maintenance of public buildings, maintenance costs of warships (Kyriazis, 2009) and even athletic installations (Kyriazis and Economou, 2013).

Thus, it can be deduced that the Aetolian federation functioned under a series of institutions that certainly can be regarded crucial for a federal type of political entity. As we have seen, the actual daily running of the federation was entrusted to four main officials, the General (in Greek, Strategos), the hipparch (cavalry commander), the “public secretary” and the tamias (Exchequer, or finance minister).

The Aetolians implemented democracy, both direct and indirect, their state was organized on separate provincial levels as well, where both regional political and economic magistrates ran provincial policies, whereas the existence of a common federal army, common currency and federal budget to run state expenses were seen to be of major importance.

Democratisation and cohesion

a) Democratisation

In today’s world the issue of how democratic so called democratic states (whether federal or not) are, gains again in importance, in view, for example, of rising undemocratic behaviour of some governments, rising dissatisfaction with the functioning of democracy, political instability, euroscepticism, the rise of extremist parties etc.³

According to the Freedom Houses report for 2013⁴, democracy has retreated for the eighth consecutive year: in 54 countries, democracy has decreased as against 40 countries in which it has advanced. To evaluate democratisation, eg. how democratic a federation is, we propose four criteria used in ancient classic democracies, out of which the first three apply to all types of democracy, while the fourth is specific to federations.

The four criteria are “isonomia” (equality in front of the law), “isegoria” (equality to propose initiatives), “isokratia” (equality of political rights) and “isopoliteia” (single citizenship, freedom to transfer political rights from one federal

³ For example, the non-democratic behaviour of the Turkish government of Erdogan which went so far as to prohibit twitter in March 2014 (a clear violation of the freedom of speech), instability in the Ukraine, authoritarian practices in the Russian federation, the rise of right wing parties in France, Greece, the Netherlands, Norway, Hungary, Finland, etc.

⁴ See, <http://www.freedomhouse.org/article/freedom-world-2013-middle-east-gains-provoke-intensified-repression#.U24E-3Z7TxU>, Retrieved, May 10, 2014.

constituting state to another).

Isonomia preceded democracy in ancient Greece, having been already present in some city-states by the 7th century BC, before the first attested democracies (end of the 6th century, Athens 510-507 BC).⁵

Isegoria was regarded as the cornerstone of ancient Greek direct democracy. Under this, any citizen could propose before the citizens' Assembly, the supreme decision making body, a decree or law on any issue, ranging from alliances, declaration of war (foreign policy) to currency and economic issues.⁶

The Assembly then voted, and if the proposals garnered a majority of votes, it became law. In modern democracies isegoria takes the form of popular initiatives leading, if they unite a sufficient number of signatures, to obligatory referendums with binding outcomes (Cronin, 1999; Matsuoka, 2005).

Isokrateia means equality of political rights, eg., the right to vote and to be elected in all state positions. Isokrateia was achieved in all democracies gradually, since in the beginning voting rights were linked to wealth and gender criteria. Athenians achieved full equality of political rights by the 460's, while women only after World War I and in some cases, as in Switzerland, after World War II. For the present purpose, we extend the criterion of isokrateia to denote the citizens' involvement in choosing/electing state officials at all levels and all positions of the federation. In our new definition, isokrateia is also a procedural criterion denoting electoral procedures, for example, is the head of state elected or not?

Isopoliteia, (single citizenship), applying to federations means that a citizen of one member-state (city-state in ancient Greece) has full political rights at the member-state level if he moves from one member-state of the federation to another. This applied to the ancient federations, (Mackil, 2013) to most modern ones like the USA,

⁵ Legal equality of citizens is regarded as being self-evident in modern democracies, but it is not. The Greek constitution for example distinguishes in an article "on ministers responsibilities" legal rights of ministers, which are different from those of ordinary citizens. Under this ministers are exempted from persecution in some cases, for which ordinary citizens are not.

⁶ Examples are Themistocles Naval Law of 482 BC, under which the Athenians decided to use the proceedings of the Lavrion silver mines to finance the construction of 200 trireme warships during two years, on which victory at the naval battle of Salamis in 480 BC against the Persians depended (Kyriazis and Zouboulakis, 2004) and Nicophon's monetary law of 375 BC on the circulation of parallel currencies (Engen, 2005; Ober, 2008; Kyriazis, 2012).

Canada, Switzerland, etc., but not to the European Union. A Portuguese citizen who establishes himself in Germany does not automatically acquire the right to vote in German federal level elections, eg., for the Chancellor and the Bundestag, although he acquires this right for local, city-level elections after residing for a certain length of time.

b) Cohesion

While democratisation covers the political set-up of federations, cohesion addresses mainly economic issues. We propose four sub-criteria under cohesion: a) Monetary union b) Fiscal union and the size of the federal budget c) Regulation and the existence of a common market d) common external and defence policy. Common external and defence policy is of course also a political issue, but we consider it under cohesion because in democratisation we have included criteria which concern the working of democracy. Also, as shown in the following tables, the existence or not of common defence has a substantial economic effect on the federal budget. Up to the 20th century, defence spending was the main expenditure item on the federal level, as we have estimated for the Aetolian federation.⁷

Due to space limitations, we present the institutional framework of the three federations in Table 1, and our findings and evaluation in Table 2. Table 1 presents a general overview of a series of institutional settlements of the Greek proto-federation in comparison to Canada and the EU, which we consider as to be of major importance in order for a political entity to be characterized as a federation. It shows that the Greek proto-federation had established an institutional framework of values and principles (such as political democratic structures, a regime of equal political rights, common foreign policy, common currency and common federal justice). All cases present democratic political structures, provide for the safeguarding of political rights and justice. Except Canada, which has one federal currency, the Canadian dollar, the other two cases possess a “mixed” system of usage of both local and federal coins. When it comes to the EU, the euro, which is under the aegis of the European Union Central Bank (ECB) cannot be considered yet a “federal currency”. It is in usage only by the 18 *Eurozone* member-states.

⁷ Davids and t' Hart (2012) have estimated defence spending for the United Provinces (Dutch Republic, a federation of the 17th century) as 87% of the federal budget for 1641.

Table 1: A comparative analysis of the institutional framework of the Aetolian federation in relation to Canada and the EU.

| State | Member states/provinces | Capital | Main institutional organs intended for taking political decision and executive power | Regime of equal political rights (“isopoliteia”) | Common Foreign and Defence Policy | Local and federal coins | Federal justice |
|---|-------------------------|-----------|--|--|---|---------------------------------|--|
| Aetolian Federation | ? | Thermos | Local Assemblies (Ecclesiae) + Federal Assembly (Thermika and Panaetolika) Federal Council and Apoklitoi Strategos (General) [Hipparch , Public Secreraty, 7 Tamiai] 7 Boularchs and 7Epilektarchs | ▼ | ▼ | LC+FC | ▼ |
| Canada | 10 provinces | Ottawa | Queen (not elected) and her representative, (Governor General) House of Commons (308 elected members) Senate (105 appointed members) | ▼ | ▼ | FC Canadian Central Bank | ▼ Federal Court Federal Court of Appeal. |
| EU | 28* | Brussels* | European Parliament Council of Ministers European Summit (heads of state and governments) European Commission | - | * CFSP <i>EU Battlegroups</i> | (LC+FC) (ECB) | ▼ Court of Justice of the EU |
| Explanations: | | | | | | | |
| (LC + FC) : LC = local coin ; FC = federal coin | | | | | | | |
| ▼ : institution in force | | | | | | | |
| * : institution in development | | | | | | | |

Source: Interactive analysis based on the findings of Caspari (1917), Mitsos (1947), Larsen (1952), Granger (1999), Scholten (2000), Economou, Kyriazis and Metaxas (2014) for the Aetolian federation and the EU, and Belanger (2007) for Canada.

Finally, the Greek federation and Canada may be regarded as superior to the EU as far as foreign policy and defence issues are concerned. The Aetolian federation introduced common administration, common and parallel currencies, common defense and external policy in practice (thus, going further than today’s EU with its Common Foreign and Security Policy (CFSP) and the “tools” of achieving this, the *Eurocorps* and the *EU Battlegroups*), federal court of justice, and “isopoliteia” (eg. a

citizen of a city-state having citizen's rights in the other city-states, a situation that does not exist in the EU at present).

Table 2 shows that, concerning democratisation, the Aetolian federation fulfilled all four criteria, applying direct democracy at all federal levels. Concerning Canada, at the federal level only three referendums have taken place in Canada since 1867, while several have been held at the provincial level. British Columbia is the only province, since 1995, to have adopted both citizens' initiatives and the recall⁸ procedure, in the Recall and Initiative Act. (Bill, 36). There are over seventy separate provinces across Canada which provide the opportunity for citizens to participate directly in the legislative process at the municipal level (Mendelsohn and Parkin, 2005).

Furthermore, an interesting experiment has taken place recently in two Canadian provinces, British Columbia and Ontario, in which citizens' assemblies were created to deliberate and propose on the issue of electoral reform, whose members were randomly chosen, a clear analogy again to the working of Greek city-states' democracy, where most magistrates (even the "eponymos archon", or "president" of the Athenian democracy) were chosen by random election.

Although in the end the Assembly's proposal for a mixed electoral system was defeated at the referendums, it still was an interesting and progressive simulation of the working of deliberative democracy. Similar experiments took have taken place in New Zealand, where the proposal by the assembly was adopted (le Duc, 2011).

We consider the citizens' assemblies in these cases, as preparatory bodies which bring the issue to be decided by referenda, as having similarities with the "Councils" (the Greek "Voulai" or "Boulai") of both ancient Greek city-states and federations. Taking the above into consideration, we evaluate the criterion of "isegoria" for Canada as "limited".

The EU, on the other hand, having no provision for initiatives whose results are legally binding and no provisions for the transfer of full political rights from one

⁸ The *recall* procedure is inspired by the ancient Greek "ostracism". Under it, an elected official may not lose his post before the expiration of this term of office if he/she has not lost the confidence and trust of the citizens who have elected him. The procedure is similar to the initiative, with the collection of a minimum of signatures (usually 8 to 10% of voters) which lead to a binding vote with binding results. Recall is practiced in some USA states, Switzerland, Uruguay etc.

state to the other, fulfils only two of the four democratisation criteria.⁹

In our extended definition of procedural isokrateia, the Aetolian federation ranks first, since all state posts were filled by elections, including the General. Canada, where the members of the Senate and the heads of state are not elected but appointed, ranks lower. The EU/EMU where up to now the President, the President of the Commission, the members of the Councils of Ministers etc. are not elected, would rank a distant third.¹⁰ Thus, we denote this in table 2 as “in part”, meaning that EU citizens have equal political rights when voting for the European Parliament elections, but no political rights concerning the non-elected EU officials.

Table 2: A comparative analysis between the Aetolian federation, Canada and the EU concerning the two main institutional criteria (democratization and cohesion)

| Criteria | | | | |
|---------------------------|---|--|--------------------------------------|---|
| <i>i) Democratisation</i> | | | | |
| Federation | “Isonomia” (equality in front of the law) | “Isegoria” (equality to propose initiatives) | “Isokrateia” (political equality) | “Isopoliteia” (transfer of political rights of a citizen from state to state) |
| Aetolian Federation | yes | yes | yes, | yes |
| Canada | yes | limited | Yes, in part | yes |
| EU | yes | No | Only in part | no |
| <i>ii) Cohesion</i> | | | | |
| | Monetary Union | FU and budget | Common market and regulation | Common external and Defense Policy |
| Aetolian Federation | yes | yes | yes | yes |
| Canada | yes | Yes | yes | yes |
| EU | Yes (18 members of the EMU) | Very low budget | yes | no |

⁹ The Lisbon Treaty provides for the first time the possibility of initiatives at European level, if one million signatures are gathered. But the outcome of the vote is not legally binding.

¹⁰ In fact, only the members of the European Parliament (EP) are elected, but its powers are still limited, although increasing. For example, the EP shares the legislative power with the Council of Ministers. We are of course aware, that in the case of Canada, we simplify, because we do not take into account the actual responsibilities of elected versus not elected bodies, with non-elected having less responsibilities in decision making. The issue could be refined by attributing “political” weights to each body.

Furthermore, as can be seen from Table 2, the Aetolian federation had a monetary union (federal coins), a type of fiscal union (FU), meaning own resources for the federal budget and a big federal budget due to common defense, although extant sources do not allow us to give exact numbers.¹¹ Canada fulfills also all four criteria for cohesion. The Canadian federal budget fluctuates from a maximum of 25% of GDP in 1985, to 15,4% in 2013, while the EU budget is about only 1% of total EU GDP, and 20.8% of GDP for the USA for 2013.

However, the EU (in this case the European Economic and Monetary Union states, the so-called “eurozone” members) fulfills only two. There is, as yet, no fiscal union at European level, and the federal budget, at about 1% of total EU GDP is very small. Furthermore, there is, as yet, no European external and defence policy.¹²

Conclusions

The idea of a voluntary participation in a federal political entity as a means of promoting prosperity in each national member, is analyzed by Musgrave (1961, 1988), Pauly (1973, 1998), and Oates (1998), known as *economic federalism* and it seems that this theory can explain the motives of the creation of the EU (the former EEC) in 1957 and its gradual expansion as for example, that of 2004, where 10 new members from eastern Europe voluntarily decided to become members of the EU, thus acting similarly to what the Greek Aetolian region city-states decided to do 2400 years ago, by forming a federation.

In a similar way of thinking, de Figuereido and Weingast (2005) argued that two basic principles must exist for federal institutions to emerge: a) There must be gains by the participation in a federation b) these gains cannot be found in an alternative institutional and political form of organization.

We have proposed the set of the two criteria, democratisation and cohesion in order to evaluate the stability and durability of federations. It should not be forgotten, that in the recent past some federations have broken down, such as the Soviet Union,

¹¹ In Economou, Kyriazis and Metaxas (under review) we have attempted to analyse these issues. See also Mackil (2013, chapter 5).

¹² Halkos and Kyriazis (2006) have proposed the benchmark of “Optimal tax area” to analyse this. For the European external and defense policy see Metaxas and Economou (2012).

Yugoslavia and Czechoslovakia after 1989, while others are relatively “young”, such as India (established in 1947, linked to India’s independence) and the EU/EMU, which emerged only in 2002.¹³

Other federations have been more successful and long standing: the Aetolian for over two and a half centuries; another important ancient federation, the Achaean¹⁴ (neighbouring the Aetolian federation), for about 250 years as well, the Swiss (from the original three cantons of 1291, Schwyz, Uri and Unterwalden) till now (with a few interruptions) for over seven centuries, the USA (from 1776 or 1784) for over two centuries, Canada (from 1867) for about 150 years, Germany (since 1870 with interruptions), the United Kingdom (from 1707)¹⁵ for three centuries.

We expect federations strong in both criteria to be more stable and durable. Democratisation is a measure of the perception of citizens as to how legitimate a federation is. A federation where democracy works well both with regard to its officials being democratically elected and citizens participating in decision-making (through the possibility of initiatives and referenda) is likely to be considered more legitimate in the minds of its citizens. A federation lacking these creates a legitimacy gap. Citizens perceive that decisions in which they are not involved are imposed on them. We suggest that this is a current problem with the EU/EMU and that it could explain in part the rise of “euroscepticism”.

Cohesion is a measure of the degree of integration of a federation. Higher cohesion, eg. the fulfillment of all four sub-criteria, leads to higher integration, and this again could lead to a sense among the citizens of a community of interest, even a sense of common destiny, reaching towards the supreme democratic ideal of “homonoia” (same-mindedness, concord) according to Aristotle (Aristotle, *Politics* 1264 a 36-37).

¹³ We do not consider the predecessor of the EU/EMU, the European Common Market, established with the Treaty of Rome of 1957, as a federation.

¹⁴ According to Mackil (2013, 63), the Achaean federation was established sometime during the end of the fifth century BC, and is certainly attested by 389 BC.

¹⁵ We consider the United Kingdom of England, Scotland and today’s Northern Ireland as a federation due to the existence of local parliaments etc. Weingast (1995) considers England for a short period before and after the English Civil war of 1642-51, as a federation due to its weak central authority and the autonomy that separate regions had concerning economic activity without limitations by the center of the state, the capital, London.

On the other hand, the perception of citizens of constituent states that they are being imposed with harmful regulation by distant non-elected bureaucrats or politicians undermines this ideal. This again seems to be happening in many European member-states, especially, but not only, those where memoranda have been introduced after 2010. (Greece, Portugal, Ireland, Cyprus). Here again, we want to underline that the issue is not only if the memoranda were necessary (we believe that they were) or well-structured (we believe that in many aspects they were not), but the perception of citizens towards them.

Many citizens in southern Europe have the impression that the EU/EMU is responsible for the imposition of unnecessary harsh austerity measures, about which they had no say, that decreased their individual incomes and prosperity.¹⁶

Thus, especially for the EU/EMU, we think it absolutely necessary to introduce more democratization at the European level, (the direct election of officials for all main positions, such as the crucial position for the President of the European Union, and the right of initiatives and referenda with binding legal results) and policy measures that would increase cohesion, eg., an increase of the means of the European budget to finance European level economic policies and reorientation of economic policy away from austerity and towards more growth and employment-enhancing policies.

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¹⁶ The IMF itself, as well as the other members of the so called “troika” (IMF, European Commission and European Central Bank) has accepted that it terribly mis-estimated the so called fiscal (negative) multiplier for the austerity package for Greece. They estimated it as being at about -1, while ex-post it was nearer -2, which led to a much deeper recession and unemployment than estimated. Since the beginning of the depression in 2008, Greece’s GDP has been reduced by 25% and unemployment has reached almost 28% by the end of 2013.

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