A Theory of Atomistic Federalism for Melanesia

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Abstract
Ethnic fractionalization has challenged the performance of Melanesian states since independence. In a game of transgression against or loyalty to the state, ethnically-homogenous groups have repeatedly opted to transgress and enforce a Nash equilibrium that yields impotence for the Melanesian state – a result consistent with the classic prisoner’s dilemma. For the Melanesian state to thrive, political interaction must support a Nash equilibrium where the payoff from cooperation for all groups is higher than the payoff from transgression. Raising the payoff from cooperation requires a system of federalism appropriate to uniquely high levels of ethnic fractionalization in Melanesia. Theory suggests an atomistic system that devolves constitutional power to dozens or hundreds of ethnically-homogenous groups that have achieved their own internal cooperative equilibria through historical evolution. A federal system where each geographic jurisdiction matches the boundary of one historically discrete ethnic group preserves the power of traditional leadership and gives it a stake in the preservation of constitutional provisions. Support of a federal constitution by traditional leaders allows the state to import over time the legitimacy already enjoyed by traditional institutions. This type of atomistic federal system will enable previously unfeasible land registration and reduce the probability of future secessionist crises. Plans to devolve power to existing provinces, such as that proposed for the Solomon Islands, will prolong failure of the Melanesian state because provincial constructs enjoy no more legitimacy than central government constructs inherited from colonial administrations.
The Seeds of Melanesian Federalism

Federalism plays an active role in Melanesian political history, thought, and institutions. In Papua New Guinea, the Solomon Islands, Fiji, and Vanuatu where levels of kin-based ethnic fragmentation are high, federalism in theory offers an efficient way to balance the need for centralized state function with strong demand for self-determination among heterogeneous communities. While concepts of federalism and decentralization have been actively applied in Melanesia, there exists no federal constitution in the region that formalizes and protects the limited sovereignty of states or provinces. At independence, all four countries inherited unitary systems where the creation and dissolution of provincial government institutions occur through acts of parliament. The utility of government architecture endowed by colonial administrations is under severe scrutiny as violence and slow economic growth erode the strength of Melanesian states. The dual overthrow in 2000 of the Chaundry government by George Speight in Fiji and of the Ulafa’alu government by the Malaita Eagle Force in the Solomon Islands, a mutiny by members of the Papua New Guinea Defence Force in 2002, and the rebellion and kidnapping of the president and acting prime minister by the Vanuatu Mobile Force in 1996 underscore the fragility of all states in the region. For Melanesia, federalism can in theory reduce the distraction of ethnic conflict within national government by devolving power to regional and local institutions (Henderson 2003). If such institutions exercise more legitimacy and generate public goods more efficiently, then the state can better coordinate policy and maintain national unity as a federal incarnation.

Federalism was first institutionalized in independent Melanesia by Papua New Guinea. In 1977, the National Assembly of Papua New Guinea passed the Organic Law on Provincial Government which enabled the creation of nineteen provincial governments to which the state transferred administrative functions. Fear of secession, especially by communities in the North Solomons, partially motivated this devolution of power to provincial governments (Hinchliffe 1980). Provincial governments retained their own elected assembly and premier. In 1995, though, the central government dissolved the power of provincial governments. The only part of the country to retain any autonomy is Bougainville due to arrangements to end the recent civil war (Reilly and Phillpot 2002).

In Vanuatu, locally-elected councils in Tanna and Santo were supposed to negotiate constitutional transfer of power to regional governments with a nationally-elected assembly before independence. Political upheaval prevented this event, but chapter thirteen of the constitution directs the central government to legislate provisions for local government (Ghai 1988). There are currently six provinces and a new Decentralization Review Commission recently submitted a report on how Parliament can better structure the relationship between central government and local administrative bodies (Decentralization Review Commission 2001). The constitution mandates an official role for traditional chiefs in regional government. In practice, chiefs are expected to oversee dispute resolution and preserve social order at a local level (Miles 1993).

Federalism in Fiji occurs at the nexus between implementation of state policy and the sovereignty of traditional leaders. There are fourteen provinces divided into four divisions for purposes of public administration. The central government’s Fijian Affairs Board oversees the activities of provincial councils that supervise policy related to native Fijians. Because provincial administration rests upon a network of turaga-ni-koro that represent individual villages, and since the Fijian Affairs Board refers certain matters to the Great Council of Chiefs, traditional decision makers exercise critical power in provincial government (UNESCAP 1999). This power illustrated itself during the 2000 coup when chiefs from Ra, Ba, and Radroga (provinces that comprise western Viti Levu) threatened to secede if George Speight’s takeover was permanent (Sydney Morning Herald 2000). Kasper (2001) advocates a system of “competitive federalism” to overcome Fijian government dysfunctions. A system of “autonomous local governments that exploit local loyalties and local knowledge” would “help with the decentralised discovery of diverse solutions to the many conflicts that have accumulated at the central government level.” Fiji’s pre-colonial system of confederated villages known as matanitu sets a cultural and institutional precedent for success of such a federal system.

Federal government structure most directly applies to conversation about constitutional reform in the Solomon Islands. The concept of federal government was popular even before the 1978 constitution and was an idea reinforced by a decentralized colonial administration. Establishing the architecture of a federal system, though, was seen as an exercise to complete after adoption of the constitution (Ghai 1988). The task was never completed. The Constitutional Review Committee of 1987 formally recommended adoption of a federal system. Proponents argued that a federal system would dilute political support for secession and better distribute government resources in a geographically equitable
fashion. In the midst of recent violence and the 2000 coup, demand for federal government under a new constitution has grown even stronger, especially among those from Guadalcanal (Kabutaulaka 2002). To support the constitutional reform process currently underway, the State Government Task Force has proposed endowing each of the nine provinces statehood within a Solomon Islands federal system. Each state would have its own parliament and constitution (The Centre for Democratic Institutions 2002).

The commentary above reveals that federalism and decentralized government are active principles of public administration in Melanesia. Constitutional federalism is illuminated as a viable alternative to the unitary system inherited at independence, especially in the Solomon Islands and Papua New Guinea. In a race to decentralize control, though, there is an absence of debate on which institutions to devolve power. Most assume that currently-defined provinces should be the sovereign units of a federal system. In most cases, provincial boundaries were inherited from colonial administrations and generated by random definitions of geographical proximity. Given this observation, how can federalized provincial governments exercise any more legitimacy than unitary national governments when the former is as much a relic of colonial rule as the latter? This paper argues for a federal system in Melanesia built upon constitutional delegation of power to large numbers of village or ethnically-homogenous groups. Intermediate levels of government such as provinces, divisions, or regions enjoy no more legitimacy than the state. Institutions that exercise legitimacy in Melanesia exist at the village level. If the state is to gain a productive foothold in Melanesian society, then it must build its legitimacy on that already enjoyed by traditional leaders. Implementation of atomistic federalism in Melanesia presents challenges, but the scheme enables effective strategies for controlling secession, motivating registration of communally-owned land, and enhancing a “virtuous cycle” of political cooperation between ethnic groups.

**Game Theory and State Legitimacy in Melanesia**

Weingast (1997) models determination of political leadership as a game played by the sovereign and two groups of citizens. In order to prohibit the exercise of despotic power by the sovereign, each citizen group must prefer collusion with the other group to challenge despotic transgression over alliance with the sovereign to benefit from transgression against the other group. Successful collusion requires infinitely-repeated interaction between the two citizen groups (i.e., they will always be in proximity to each other) and a device that coordinates consensus on the boundaries of power for the sovereign. In modern democratic states, this device is a constitution with which compliance is in the sovereign’s best interest. Under a scenario of Weingast collusion, preservation of the device is paramount over preservation of the sovereign in choices made by the citizenry. This arrangement insures limitations on government and constrains leadership change to processes that are socially desirable (e.g., prescheduled elections, impeachments by legislative assemblies).

In more complete terms, Weingast collusion can be illustrated as a simultaneous-move game between two agents A and B (see Table 1 below where in each cell, agent A’s payoff is listed first and agent B’s payoff is listed second). The choice for each agent is between transgression against and loyalty to an implicit (e.g., a set of social norms) or explicit (e.g., a constitution) social contract. If both agents are loyal the payoff to each is $L$, if both agents transgress the payoff to each is $T$, and if choices are asymmetric, the agent that transgresses earns $M$ while the agent that remains loyal earns $V$. In theory, payoffs represent social surplus that expresses itself in terms of tangible (e.g., output from production) and intangible (e.g., psychological morale) goods. In Weingast’s framework, the choice by one agent to be disloyal implies alliance with a corrupt state to steal resources from and victimize the agent that remains loyal. This implies a classic prisoner’s dilemma where $M > L > T > V$ and the Nash equilibrium occurs where both agents choose to transgress. Weingast collusion occurs if both agents choose loyalty on a repeated basis in spite of a higher payoff from transgression (i.e., $M > L$). This can only occur if the social contract coordinates a belief between agents that the benefit of repeated loyalty over time (i.e., the present value of $L - T$ received each period ad infinitum) is greater than a one-time payoff $M - L$ from transgression. Expectation of loyalty to the social contract by both agents makes initiation of a corrupt alliance with one agent by a state leader irrational because the contract forces the leader from power when knowledge of an attempted bribe is made public.
Table 1 – Social Contract Game between Agents A and B.

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<th>Agent B transgresses against social contract.</th>
<th>Agent B is loyal to social contract.</th>
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<td>Agent B transgresses</td>
<td>(T, T)</td>
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<td>against social contract.</td>
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<td>Agent B is loyal</td>
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There is evidence that kastom successfully coordinated a Weingast collusion in pre-colonial Melanesia that placed endogenous limits on the actions of leaders at the village level. Kastom refers to a code of social norms in a Melanesian community that governs relationships, land use, and sharing and transfer of resources. These norms can be fluid from village to village and often adapt to environmental changes over time (Hviding 1996, pp. 79-130). Individuals earned leadership status in Melanesian society through simultaneous exercise of charisma and fulfillment of obligations defined by kastom. For example, in northern Vanuatu, while a higher rank in the social hierarchy allowed easier access to a leadership position, the loyalty of villagers was not guaranteed. “To exercise authority, a man needed to establish and maintain his personal legitimacy as a leader, rather than rely on his structural legitimacy as a member of the graded society,” which was done in part through “performance of lavish and powerful kinship rituals” (Bolton 1998). This case exemplifies the general tendency in Melanesia for village leaders to earn their position through merit rather than assume it through inheritance. Leaders retained their position only if they continually meet expectations of their followers and exceeded the capacity of those competing for the position (Dinnen 1998). Much like a constitution can cement a Weingast collusion between citizen groups that forces elected officials to avoid illegal behavior, kastom in Melanesia solidifies a social contract between villagers that compels traditional authority to abide by social norms that reinforce group solidarity and support a communal ethic in the distribution of resources. Although much less stable and sophisticated, incessant competition for leadership status in Melanesian groups can generate the same incentive to actualize popular will that elections do.

For the state to exercise legitimacy within a country, allegiance to processes that determine state leadership and compliance with laws promulgated by such leadership must, through time, achieve the status of social norms (Diamond and Lipset 2001). Because the stability of citizen group payoffs that achieve Weingast collusion is not guaranteed, a constitution that is promulgated does not automatically define a new set of social norms, especially in Melanesia. In terms of Table 1, changes in L – T and M – L (or a wedge between expected and actual values) can shift loyalty from a rational to an irrational choice. For example, after eleven months of negotiation with Prime Minister Michael Somare, the citizens of Bougainville agreed to become a province of Papua New Guinea in 1975 and surrender to the authority of the new country’s constitution. The Panguna copper mine generated revenues for the PNG state, the Bougainville provincial government, and the Nasioi landowners. By 1989, a critical mass of Bougainvillean agreed that the share of benefits from the mine enjoyed by the province and landholders was dramatically less than was historically promised, and in response, defected from Weingast collusion with the rest of the country, declared independence, and denied benefits of the Panguna mine to former partners under the PNG constitution (Joint Standing Committee 1997).

The stability of Weingast collusion is best insured when the state can (and is willing) to lower the payoffs from transgression and/or increase the payoff from cooperation. When a constitution is promulgated for a new state, state leaders are held in check through coordination between citizen groups via Weingast collusion. Over time, stability of collusion bears an elite of professional politicians that rely on constitutional process to sustain and legitimize their power. While members of this constitutional elite compete with each other in elections, they collectively coordinate a strategy that enhances their own incumbency and raises political barriers to entry for new rivals. Victory in the current election is not the only goal; maximizing the probability of victory in future elections is also an objective independent of loss in a current election (Wohlgemuth 2000). Thus, with enough time, leadership in a newly formed state that is tempted to bribe transgression by agent A or B and undermine the social contract is replaced by an organic constitutional elite that sees enforcement of Weingast collusion between agents A and B as its best strategy. Policy is used to punish transgression and lower the payoff of transgression by P and/or reward loyalty by raising the payoff to cooperation by R. If the combination of P and R is strong enough so that L + R > M – P (see Table 2 below), then loyalty is the preferred choice and Weingast collusion becomes the Nash equilibrium.
Table 2 – Manipulation of Payoffs by a Constitutional Elite

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<tr>
<td>Agent B transgresses</td>
<td>( (T, T) )</td>
<td>( (M - P, V) )</td>
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<tr>
<td>against social contract.</td>
<td></td>
<td></td>
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<tr>
<td>Agent B is loyal</td>
<td>( (V, M - P) )</td>
<td>( (L + R, L + R) )</td>
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Constitutional elites have achieved this condition in the United States and Europe through two different policies. Historically, the U.S. federal government has relied on punishment (i.e., manipulation of \( P \)) to dissuade secession by errant states. Threatened or actual secession was always countered with military repression. Republican President Abraham Lincoln’s choice of a vice president from the Democratic Party (i.e., Andrew Johnson) in the election of 1864 most visibly demonstrated agreement between constitutional elites to preserve the social contract of union in the United States. Defeat of southern separatists implied a \( P \) large enough to dissuade any future notions of secession. Unlike the federal government in Washington, D.C., Brussels has no power to coerce loyalty of member states to the E.U. In contrast, the E.U.’s social contract is sustained through explicit and implicit transfers between members (i.e., manipulation of \( R \)). Poorer countries on the periphery of the E.U. receive fiscal transfers from wealthier members as a bribe to enter and remain in the union. The economic gain from free flow of labor, capital, goods, and services enjoyed by each E.U. member generates measurable opportunity cost of exit from the union. Constitutional elites in Brussels insure survival of the union through a slow and incremental evolution established by consensus. This insures that \( R \) is large enough to make secession a sub-optimal choice.

Constitutional elites in Melanesia have raised \( P \) and \( R \), but not enough to sustain Weingast collusion. For example, in an effort to reverse sentiments in Bougainville and raise the cost of transgression against the PNG constitution, elites in Port Moresby ordered the PNG Defence Force to stage a blockade around the island between 1990 and 1994 (Joint Standing Committee 1997). The blockade was ineffective and only strengthened the resolve of Bougainville separatists. In another example, constitutional elites in the Solomon Islands sought to bribe warring factions of Malaita and Guadalcanal for loyalty to the notion of state. The Townsville Peace Agreement of 2000 guaranteed development projects on both islands and Parliament commissioned the Draft Report on State Government in 2001 to placate demands for decentralized government (Kabutaulaka 2002). These initiatives were not strong enough to prevent further instability and Australian military intervention in 2003.

Impotence of the Melanesian state is caused by weak or non-existent links between the state and institutions that already exercise legitimacy in Melanesian life. Their legitimacy is a natural product of Weingast collusion sustained through kastom in Melanesian sub-groups. Because the U.S. Constitution is a byproduct of consensus between separate British colonies established during the first European settlement of North America, it was endowed with legitimacy already enjoyed by the former colonies. In similar fashion, because the European Union evolved in incremental stages and motivated voluntary surrender of sovereignty, the “European state” naturally absorbed the legitimacy exercised by member governments. Melanesian states inherited power, structure, and the process of lawmaking but no natural legitimacy from colonial governments (Larmour 2002). As a foreign regime, colonial administrations did not know how to enable Weingast collusion at a country level nor did they have a long-term stake in doing so. Successful redesign of the Melanesian state requires dilution of this mismatch and a graft of the state with traditional institutions so that legitimacy is effectively shared.

Botswana offers an example of what Melanesian countries might be able to achieve. Tribes define the traditional form of social organization in Botswana. Historically, they were headed by chiefs whose status was hereditary. Alongside a chief was the kglota which was an assembly of men who discussed issues of collective interest to the tribe. A tradition of criticism through the kglota motivated chiefs to align decisions with tribal consensus. “While chiefs were not compelled to accept the advice given to them by their tribe, by in large, they did; for if individuals or groups were not satisfied with their leader, tradition encouraged them to leave the tribe and form another of their own” (Alfaro et al. 2003). Like kastom in Melanesia, tradition and power of the kglota established stable Weingast collusion within each tribe.

Like Melanesia, Botswana inherited a Westminster system when independence was granted by Britain, but the constitution explicitly mentions each tribe by name as a national institution. The
constitution provides for a Council of Chiefs that advises government on issue of tribal and customary concern. Although the system of government is unitary instead of federal, the boundaries of administrative districts match tribal boundaries traditionally recognized before declaration of the British protectorate. Within these districts, traditional authority wields measurable influence. Government ministers and members of parliament attend frequent kglota and resulting discussions shape policy decisions made by the cabinet. Customary courts, which rely on traditional protocols to resolve conflict, oversee seventy-eight percent of all litigation in the country; magistrate courts play a smaller more targeted role (Adamolekun and Morgan 1999). A seamless integration of tribal institutions with constitutional structure allows the state of Botswana to import legitimacy of chiefs and the kglota and to define allegiance to its democratic process as a social norm. Endowed with this legitimacy, the government of Botswana has enabled a fourteen percent average annual growth rate in real gross domestic product since independence (the highest in the world) and achieved a corruption rank by Transparency International that is better than France and Italy (Alfaro et al. 2003).

The hypothesis of state failure in Melanesia (e.g., Henderson 2003) caused by political illegitimacy is supported by game theory. The Melanesian state has not been able to fuse its authority inherited from colonial administration with stable Weingast collusion that kastom cements in village and traditional kinship groups. Because corruption and illegal behavior by state officials generates few if any consequences, allegiance to and maintenance of law is not a social norm in Melanesia. In many cases, state institutions are seen as a source of resources to harvest in service of kastom and for the benefit of fellow wantoks (i.e., kin to whom individuals have a customary obligation). The Nash equilibrium choice is transgression instead of loyalty. In theory, what conditions need to be satisfied for allegiance to state institutions to be a social norm? Arce M. (1994) answers this question clearly: “The conclusion is that if a society wants to create a social norm that rules out unilateral deviation and allows for unilateral cooperation in a prisoner’s dilemma-type paradox, then the institutions in society must encourage coalition-building. They must therefore differ substantially from equilibrium actions that encourage individual action only or sub coalition deviations.” Participatory government must formalize the power of traditional leadership so that state institutions are not seen as a competitor. When the notion of threat is gone, traditional actors are more willing to cooperate with state-led initiatives. In Botswana, for example, tribes voluntarily surrendered all communally-exclusive mineral rights to the state after the government convinced them that this was best for national development (Alfaro et al. 2003). Because village groups currently see constitutional elites as a threat, such surrender seems inconceivable in Melanesia. Evolution of a stable cooperative equilibrium, though, remains theoretically possible in spite of the predominance of self-interested behavior (Sethi 1996). The Melanesian state must redesign itself so that legitimacy is seeded through organic institutions instead of imported through colonial institutions.

**Atomistic Federalism and the Melanesian State**

Constitutional decentralization is a concept with wide political acceptance in the region. There is a danger, though, that the concept’s popularity will generate unrealistic expectations and motivate implementation of willy-nilly federal systems that do not guarantee legitimacy. For example, poor institutional design in the Solomon Islands could degrade the quality of public services and diminish the prospect of effective government (Wainwright 2003). The mechanics of a federal system would work well in the Solomon Islands, but devolution of power does not guarantee dilution of ethnic tension (Otter 2002). An unbalanced federal system in Papua New Guinea could exacerbate the wedge between local groups and the state on the distribution of proceeds from natural resources extraction (Matthew 2000). For a federal system to effectively coordinate the intricacies of devolved power, the federal government must gain legitimacy as the manager of national interests. For this to happen, traditional institutions that already exercise political legitimacy must not see the state as a threat to their power.

There is a temptation to make provinces the sovereign units of a federal system (e.g., The Centre for Democratic Institutions 2002), but in many ways, provinces suffer the same legitimacy deficit that plagues central governments in Melanesia. For example, while there is more social homogeneity in Bougainville than in Papua New Guinea, the provincial or separatist government of Bougainville is a construct separate from traditional institutions that have historically governed the activity of smaller village groups on the island. Matthew (2000) observes: “Neither, moreover, can Bougainville meaningfully be characterized as a nation-state ‘in-waiting.’ For, as we have seen, its population possesses nothing like the ethno cultural coherence of, say, ‘Bengali’ Bangladesh. Given the region’s massive diversity, establishing any sort of community title on the part of ‘Bougainvilleans’ is highly problematic.” Breakaway of the Nasiöi area from Francis Ona’s leadership in 1994 exemplifies a lack of unity even during the
secessionist conflict with Port Moresby (Joint Standing Committee 1997). In the Solomon Islands, loyalty to province can be as weak as loyalty to the national state. Political identity emanates from an individual’s village affiliation and judgment of policy rests upon the interpretation of impact on fellow wantoks. This explains efforts of smaller regional groups to establish their own provinces such as the breakaway of Rellena and Bellona islands from the Central Islands group, Ulawa from Makira, and Sikaiana from Malaita (Nanau 2002). With no foundation in traditional institutions or geographical boundaries, provincial governments in a federal system simply become another layer of the Melanesian state that constitutional elites populate and through which they wield ineffective power. Federalism will only work in Melanesia if the system’s sovereign units administratively harness the Weingast collusion insured by traditional village entities.

Theory suggests atomistic federalism as an optimal model of decentralization for the Melanesian state. Social groups that possess a system of traditional leadership to which members express a natural loyalty, share and manage an identifiable territory of land under rules of customary tenure, and demonstrate an active sense of ethnic homogeneity are the sovereign units of such a system to which power is devolved and limited sovereignty is constitutionally protected. Because Melanesia has the world’s highest level of ethno-linguistic fragmentation, the ratio of population to sovereign units would be dramatically low in Melanesia when compared to other federal systems in operation around the world. For example, the ratio of population-to-languages in Africa is approximately 380,000 compared to approximately 5900 for the region defined by Fiji, New Caledonia, Papua New Guinea, Solomon Islands, and Vanuatu (Kimenyi 1998, Reilly 2003). Panizza (1999) predicts and supports empirically a positive relationship between ethnic fractionalization and a country’s optimal level of government decentralization.

A high number of sovereign units in a Melanesian federal system may at first seem risky and unmanageable, but if Melanesia is a global outlier in terms of ethnic diversity, then it makes sense that a federal system unique to countries in the region would also be an outlier if ethnic diversity is a factor in the efficient design of government structure. Lackluster performance of constitutional structures inherited at independence invites consideration of more heterodox concepts of political power distribution.

Atomistic federalism in Melanesia applies a more general concept of ethnic federalism advocated by Kimenyi (1998) for Africa. In a country with pronounced ethnic diversity, the value any individual places on a public good will vary considerably and closely correlate with the individual’s ethnic identity. Decentralization of public good production to ethnically-defined institutions of government can generate a more efficient match between the supply and demand of local public goods (Gilbert and Picard 1996). Kimenyi (1998) observes that traditional kinship and village groups behave, in many ways, like any other voluntary club and organization. Over time, such groups learn how to efficiently manage the preferences of their members through enforcement of social norms, organization of inputs for production, provision of social insurance, and generation of psychic goods such as entertainment, collegiality, and pride. These are the same types of social benefits the state tries to produce, but because traditional institutions enjoy the advantages from centuries of “learning by doing,” they can typically produce localized benefits more efficiently than the state (Roback 1991). Traditional groups also occupy identifiable parcels of land which make delineation of geographic political boundaries a less subjective exercise. The strongest argument Kimenyi (1998) makes for ethnically-based jurisdictions in a federal system is their ability to solve the same game theory coordination problem identified by Weingast (1997): “… there are various factors that unite members of a tribe that facilitate solving prisoner’s dilemma problems such that cooperative outcomes are achieved. Consequently, there is a strong case for defining boundaries of local units along ethnic lines. For such units to be efficient in meeting the preferences of their populations, they must possess a fair degree of autonomy.” In theory, ethnic delineation insures the legitimacy and efficacy of jurisdictional governments and establishes a solid foundation upon which a national political identity can emerge and the legitimacy of a federal state can evolve. As illustrated earlier, this approach enabled an effective national strategy for the state of Botswana.

As hypothesized above, village groups in Melanesia can provide an economic safety net and social order – two public goods often assumed to be the burden of the state. Gibson et al. (1998) documents the propensity of wealthier households in an urban Papua New Guinea village to allocate money and resources to poorer households in the village. The transfers are large enough to shrink the income gap between rich and poor households in a measurable way. Pitts (2001) observes that village courts in Papua New Guinea can effectively enforce local elements of law and order. Instead of relying on imprisonment as a punishment mechanism, village courts emphasize “restorative justice” that requires a criminal and his family to compensate victims and their families through traditional means, often through
gift exchange. Devolution of power to village groups allows the state to shift some of the burden of public good production to traditional institutions that are already producing them with no subsidy from the national treasury. This enables the state to more quickly establish its legitimacy and frees resources for economic development.

Atomistic federalism in Melanesia implies the existence of dozens if not hundreds of jurisdictions that are members of a federal system. A federal constitution would define and protect limited sovereignty for these jurisdictions much like the tenth amendment of the United States Constitution. While an atomistic system helps the Melanesian state best graft its legitimacy to that already enjoyed by traditional institutions, the task of defining ethnic jurisdictions, determining citizenship for each jurisdiction, and demarcating geographical boundaries is a barrier to implementation. Before colonial control, traditional warfare was constant, and territorial boundaries between communal groups remained fluid. With no system of written contracts and claims to fall back upon in Melanesia (with the exception of Fiji), the process of demarcation for constitutional purposes will require sophistication, patience, and a keen ability to invoke traditional methods of conflict resolution. As they do now, enterprising individuals will seek to manipulate the process of demarcation for individual gain (Lea 2001). False claims of citizenship in an existing group or declaration of independent ethnic groups and communal land ownership that cannot be historically validated will be common elements of a strategy to game the system (Lea 2002). The process of demarcation mimics the process required for land registration. Historically, traditional groups have opposed, sometimes violently, efforts to register communal land because registration was interpreted as a first step in a state policy of confiscation (Lea 2001). If, however, demarcation explicitly achieves constitutional protection of the sovereignty of traditional institutions and their management of customary land, then rural dwellers have a strong incentive to help instead hinder the process of boundary determination. Geographic delineation of communal ownership better motivates economic activity linked to land, preserves the ability of traditional land management to meet basic consumption needs of village members, and contributes positively to economic development (Nari 2000).

While atomistic federalism introduces a new scale of decentralization, the dozens or hundreds of jurisdictions it creates can lower the probability of secession. The smallness of jurisdictions makes unilateral secession by one jurisdiction rationally unfeasible. The average jurisdiction will not have the critical mass of population necessary for its survival as an independent state and neither will it have the size to be taken seriously by outside powers like Australia and New Zealand. In order for secession to be feasible, jurisdictions will need to form a coalition against the state. Coalition stability, though, is threatened by defection of jurisdictions who accept bribes from the state for loyalty just as occurred during the Bougainville crisis in Papua New Guinea. If constitutional protection of traditional sovereignty is strong and guaranteed, then incentives to join a secessionist coalition are weak. A jurisdiction that joins a coalition risks loyalty to a secessionist state that cannot guarantee its autonomy as well as the established federal system. Since all Melanesian states are plagued by latent secessionist efforts, any institutional changes that insulate states from this threat enhance long-term stability and lower the political risk associated with countries in the region.

CONCLUSION

Ethnic fractionalization has handicapped the performance of Melanesian states since independence. From colonial administrations they inherited unitary systems of government that stunt production of appropriate public goods, subsidize constitutional elites that enjoy no legitimacy, and position traditional institutions as political competitors rather than partners. In a game of transgression against or loyalty to the state, traditional groups have repeatedly opted to transgress and enforce a Nash equilibrium that yields impotence for the Melanesian state. Negative dynamics in unitary states in Africa revealed by Kimenyi (1998) also apply to the experience in Melanesia: “Members of a particular tribe consider themselves different from those of other groups and have an interest in increasing the welfare of their members relative to that of other tribes. … Consequently, a tendency exists for tribal groups to compete for the control of the instruments of transfer because such control assures the controlling group a consistent flow of transfers.” In many ways, the Melanesian state has become an open access resource from which groups compete to harvest foreign aid money, natural resource rents, and tax revenues for short-lived gain. Interaction between groups via the state mirrors a one-shot game that renders results consistent with the classic prisoner’s dilemma.

For the Melanesian state to thrive, political interaction must support a Nash equilibrium where the payoff from cooperation for all groups is higher than the payoff from transgression. Raising the payoff from cooperation requires a system of federalism appropriate to uniquely high levels of ethnic
fractionalization found in Melanesian countries. Theory suggests an atomistic system that devolves constitutional power to dozens or hundreds of ethnic groups that have achieved their own internal cooperative equilibria through historical evolution. Traditional leadership enjoys unquestioned legitimacy because it accedes to the restrictions and obligations placed upon it by social norms enshrined in kastom. A federal system where each geographic jurisdiction matches the boundary of one historically discrete ethnic group preserves the power of traditional leadership and gives it a stake in the preservation of constitutional provisions. A shift of emphasis to constitutional preservation signals movement of Nash equilibrium away strategies of transgression. Support of a federal constitution by village leaders allows the state to import over time the legitimacy enjoyed by traditional institutions.

Theoretical justification for a radically decentralized federalist model in Melanesia is offered here – the country-by-country mechanics of constitutional implementation are not. Admittedly, the realities of practice always fall short of the purity of theory, but application with no theoretical grounding generates dysfunctional institutions and policy. Consensus is growing that federal systems of government are more appropriate for the Melanesian context. In the race to consider constitutional reform, though, there seems to be no attention to the question of legitimacy. A federal system that devolves power to existing provinces will inspire temporary confidence, but the impotence of the Melanesian state will again reveal itself as the incentive of traditional groups to compete instead of cooperate with each other through the state will not have changed. For the Melanesian state to survive and command loyalty, game theory requires a constitution that protects and harnesses the legitimacy of discrete and heterogeneous traditional institutions. Since ethnic identity is so highly atomized in Melanesia, a federal system that institutionalizes limited sovereignty for a dramatically large number of jurisdictions presents a logical way to meet this requirement.

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