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The Institutional Responses of Nation-States to Multiple Identities and Regional Imbalances: A Comparative Study of Spain, Belgium, and Canada

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Abstract. This paper examines how multinational democracies manage the dual challenge of cultural diversity and regional economic imbalance through a comparative analysis of Spain, Belgium, and Canada. This study highlights the interplay between symbolic recognition and fiscal balance, drawing on theories of the state–nation model, multicultural citizenship, consociational democracy, and internal colonialism. Spain has largely decentralized administrative power to its autonomous regions under the guiding principle of café para todos, but has refused to recognize the identities of its autonomous ethnic groups. The ensuing financial disputes have exacerbated political tensions. Belgium stabilized its persistently divided society through the safeguards of the Agreement, but the persistent demographic and economic gaps between Flanders and Wallonia compounded the need for institutional adjustments. Canada offers a more flexible federal model; while its equalization of transfers remains controversial, its asymmetry achieved through identity recognition and negotiation has eased separatism in Quebec. The comparative results suggest that successful multiethnic societies must balance symbolic recognition and fair fiscal arrangements, design asymmetric federations to be dynamically adaptable and adjustable, and ensure the political integration of regional actors.

Keywords: Multinational state, comparative politics, asymmetrical federalism, fiscal federalism, cultural diversity

1. Introduction

Many contemporary democracies face the dual challenge of managing internal cultural diversity and addressing persistent regional economic or political imbalances. Contrary to the classical nation–state model, which assumes congruence between state boundaries and a single national culture in the French "nation–state" tradition, countries such as Spain, Belgium, and Canada embody the multinational state reality [1]. These polities must accommodate strong sub-state identities alongside a shared state identity while navigating disparities in wealth and political influence between regions. The objective here is to compare institutional responses and distill lessons that can guide other multinational states in designing systems to balance unity and diversity while maintaining stability. Adopting a most-similar systems perspective, the analysis draws on constitutional, legal, and policy documents and authoritative economic statistics to evaluate how institutional choices shape identity recognition, centre–region relations, and the management of material inequalities.

2. Theoretical framework

According to the state–nation model, a theoretical alternative is offered to homogenising nation-state thinking [1]. It emphasises inclusive institutional design—such as asymmetrical federalism, recognition of multiple official languages, and the political integration of regional parties—that enables citizens to sustain dual identities without forcing assimilation or separation. Kymlicka's theory of multicultural citizenship complements this by distinguishing immigrant minorities from "national minorities" with historic territories, arguing that the latter may require enduring collective rights—self-government, language protection, and control over culture—to secure equal citizenship in practice [2]. As Lijphart argues, a procedural toolkit for divided societies—elite power-sharing, community autonomy, proportional representation, and minority veto rights—can stabilise governance but risks entrenching boundaries without integrative incentives [3]. Hechter links regional nationalism to perceived economic exploitation by a dominant core, underscoring that symbolic recognition must be joined to equitable development and transparent redistribution [4]. Together, these lenses foreground the dual identity–economy problem that animates the cases below.

3. Case studies

Historically, Spain was formed by merging several kingdoms, including Castile, Aragon, and Navarre; therefore, there is a firm language, culture, as well as national identities among these areas. In response to historical claims of different regions, Spain formed a highly decentralized unitary state during its democratic transition. The 1978 Constitution recognises "nationalities and regions" within an "indivisible" Spain, granting autonomous communities such as Catalonia and the Basque Country their own parliaments, executives, and co-official languages [5-7]. Although the 1978 Constitution created one of the most decentralised systems in Europe, granting extensive legislative and administrative powers to autonomous communities, it stopped short of recognising any sub-state entity as a "nation." Catalonia and the Basque Country thus hold significant competencies but lack full symbolic validation of their distinct identities. This imbalance—broad powers without corresponding recognition—has repeatedly surfaced in political crises, most visibly in the 2010 Constitutional Court ruling and the 2017 unilateral referendum; this fragility is closely linked to Spain's asymmetrical model of autonomy [8]. The tension becomes sharper when viewed through an economic lens: perceptions of fiscal extraction, combined with the sense of cultural distinctiveness, have allowed questions of redistribution and identity to reinforce each other. Catalonia's fiscal deficit and the debate over inter-regional transfers are not only about money; they are framed as evidence of structural inequality and insufficient respect for self-government, making fiscal policy an arena for identity politics. Economically, it is one of Spain's most dynamic regions: in 2023 its GDP per capita reached approximately €37,200, roughly 20% above the national average of €30,970, and its economy generated about one-fifth of Spain's total output (€292.5 billion), growing by 2.6% [9,10]. Yet this prosperity feeds into a contentious fiscal debate. Catalonia's net fiscal outflow—estimated at around 7–10% of regional GDP—has long been a political flashpoint. In 2021, for example, it contributed roughly 19.2% of central government revenues while receiving only 13.6% of spending, leaving a net deficit equal to 9.6% of its GDP [11]. Pro-independence actors frame these figures not as ordinary solidarity, but as evidence of structural extraction: a productive "nation" subsidising others without due recognition. The argument gains traction

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precisely because symbolic validation has been thin. When a community perceives itself as culturally distinct and politically under-recognised, fiscal transfers are easily politicised. What might elsewhere be seen as routine redistribution becomes, in such a context, a perceived confirmation of second-class status. Thus, Catalonia's economic weight and fiscal balance sheets have become more than numbers; they are powerful identity markers, intensifying calls for greater autonomy or even independence.

Belgium presents a negotiated passage from unitary to federal rule under the pressure of linguistic division. Constitutional reforms between 1970 and 1993 devolved authority to territorial regions (Flanders, Wallonia, Brussels-Capital) and language-based communities, embedding consociational rules in national decision-making: cabinets must include Flemish and Francophone parties, key legislation requires cross-community consent, and proportionality shapes public appointments [3, 12, 13]. These arrangements provide institutional guarantees against domination while preserving a shared state. Disparities in local economic development, however, continually test solidarity. In 2024, GDP per capita in purchasing power standards was €47,300 in Flanders compared with €33,400 in Wallonia; post-pandemic growth in 2021 was 8.4% in Flanders and 4.8% in Wallonia, with the north maintaining its lead thereafter [14]. Redistribution through social security and tax systems partly compensates: in 2019, Flanders' net contribution was €6.2 billion (about €900 per resident), while Wallonia received €7.1 billion (about €1,900 per resident) [7,15]. While these transfers stabilise the federation, they fuel periodic demands for recalibration or a looser "confederal" bargain in Flanders. This multifaceted division based on ethnicity, language, ideology, identity politics, and economic policy has put the Belgian central government at risk of institutionalized division for a long time. From 1945 to 2020, Belgium has been without a cabinet four times for more than 100 days, and each time the period has been getting longer. Belgium thus shows how consociational safeguards can maintain peace yet institutionalise cleavages if combined with persistent performance gaps.

Canada offers a federal model that combines formal provincial equality with informal asymmetry tailored to Quebec's distinct society. Since the 1960s Quiet Revolution, bilingualism has been institutionalised through the Official Languages Act, while Quebec has secured distinctive authority in culture and immigration [2,7]. Asymmetry is visible in the Quebec Pension Plan and in specific federal–provincial immigration agreements that diverge from arrangements elsewhere. By contrast with Spain, two sovereignty referendums (1980, 1995) were narrowly defeated, while attempts to constitutionalise Quebec's "distinct society" status failed, leaving recognition largely political rather than legal [6,7]. Materially, Quebec's GDP per capita—about CAD 50,000—remains 15–20% below the Canadian average of roughly CAD 60,000; it is the largest recipient of equalization: CAD 14.0 billion in 2023–2024, or about CAD 1,550 per resident [16,17]. Equalization is often described as one of the foundations of Canadian federalism, as it allows provinces to provide roughly similar levels of public services. Yet critics counter that the system risks breeding dependence and distorting local policy choices. Canada's record shows that asymmetry works best when it is treated as negotiable and combined with transparent fiscal arrangements and meaningful participation in national institutions—together, these measures help defuse separatist pressures while keeping the federation intact.

4. Comparative analysis & policy implications

Across cases, three findings stand out. First, symbolic recognition and material equity must advance together. Where constitutional language is cautious, as in Spain, robust, intelligible fiscal compacts can offset legitimacy deficits; where redistribution is substantial, as in Belgium, it must be linked to convergence goals to avoid permanent creditor–debtor identities. Second, asymmetry should be purposeful and revisitable. Canada shows how targeted, negotiated deviations from uniformity—on pensions, immigration, or culture—can honour a distinct society without constitutionalising hierarchy, provided arrangements are periodically reviewed and embedded in broad coalitions. Third, political integration matters. Allowing regional parties meaningful stakes in national decision-making, and using proportional electoral rules or intergovernmental forums to keep them engaged, reduces the risk of parallel political spheres and the spiral of mutual alienation that bedevils polarised multinational settings.

The policy experience summarized in this article is not limited to theoretical considerations but also has policy implications for the governance of other multiethnic democracies. Constitutions should recognize the diverse identities of ethnic minorities in language that is neither purely symbolic nor extremist, and grant subnational units autonomy in some areas (such as education, culture, and taxation) while retaining core state functions. Interregional transfers should include performance benchmarks rather than permanent subsidies to demonstrate that redistribution seeks convergence rather than inequality. Fiscal federalism should also combine equalization with growth incentives, be linked to measurable outcomes such as service quality or employment, and continuously improve to adapt to the current environment. These fiscal arrangements must also be highly transparent and embedded in strong, fair accountability mechanisms to maintain legitimacy. For example, regular and easily understandable fiscal reports, such as Catalonia's publicly debated balance sheet or Belgium's detailed interregional transfer data, can dispel concerns about redistribution. Special arrangements, such as the tailor-made agreement reached between Canada and Quebec, should be regularly reviewed and updated by broad consensus to ensure that they are adapted to the changing economic and political environment [7,16,17].

5. Conclusion

The cases of Spain, Belgium, and Canada suggest that the governance of multinational states depends less on rigid constitutional blueprints than on finding a workable balance between recognition and fairness. In Spain, the failure to fully acknowledge distinct identities has transformed fiscal disputes into struggles over belonging. Belgium's elaborate power-sharing mechanisms have secured stability but at the cost of reinforcing internal divisions. Canada, by contrast, shows how negotiated asymmetry paired with transparent fiscal arrangements can ease separatist pressures while sustaining unity. First, recognition must go beyond symbols but stop short of constitutional maximalism, and it should be paired with transparent fiscal arrangements that are clearly fair. Second, redistribution should be tied to growth and measurable improvements, not dependency. Third, asymmetry needs to remain open to revision and be accompanied by genuine involvement of regional actors in national decision-making. Governing a multinational state is less a single constitutional bargain than a continuing process of adaptation. When transparency, equity, and flexibility are built into this process, diversity can serve as a foundation of resilience rather than a source of fragmentation.

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