

Chapter Three

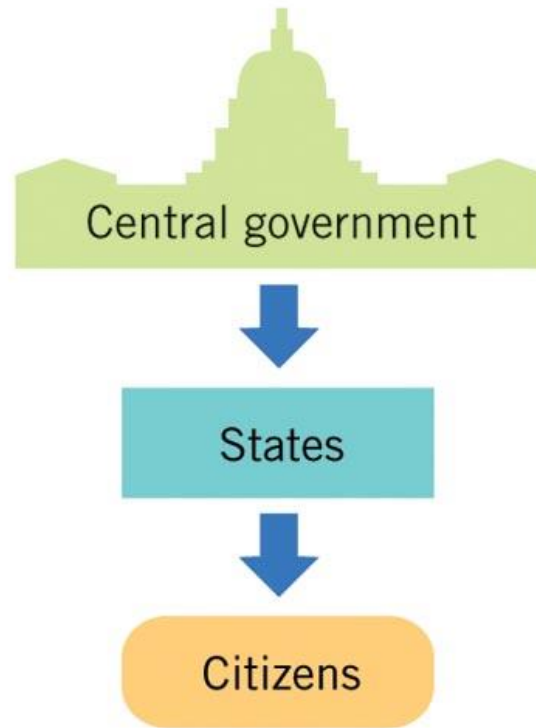
Federalism

Governmental Structure

- **Federalism:** a political system where local government units can make final decisions regarding some governmental activities and whose existence is protected
- **Unitary System:** local governments are subservient to the national government

Figure 3.1: Lines of Power in Three Systems of Government

UNITARY SYSTEM



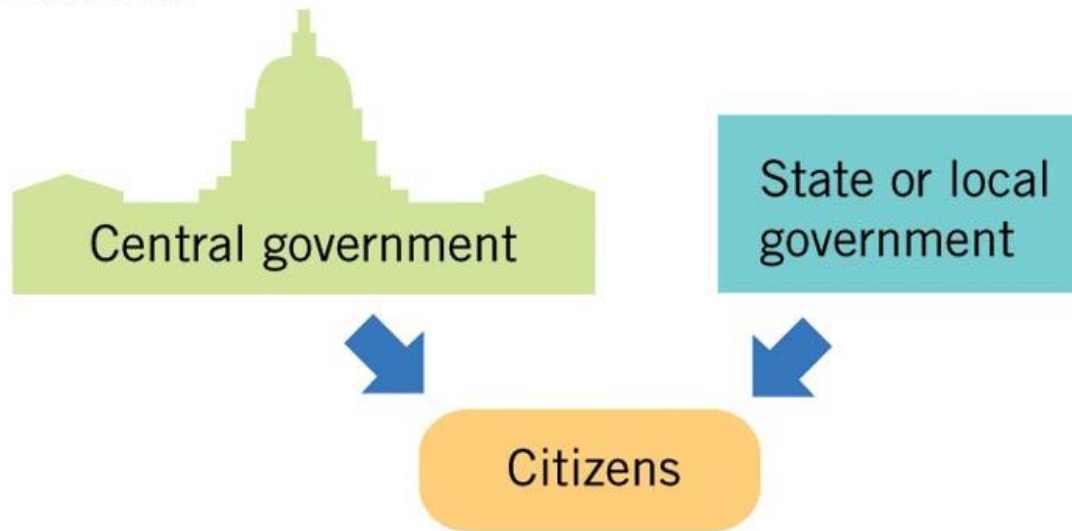
Power centralized.

State or regional governments derive authority from central government.

Examples: United Kingdom, France.

Figure 3.1: Lines of Power in Three Systems of Government

FEDERAL SYSTEM



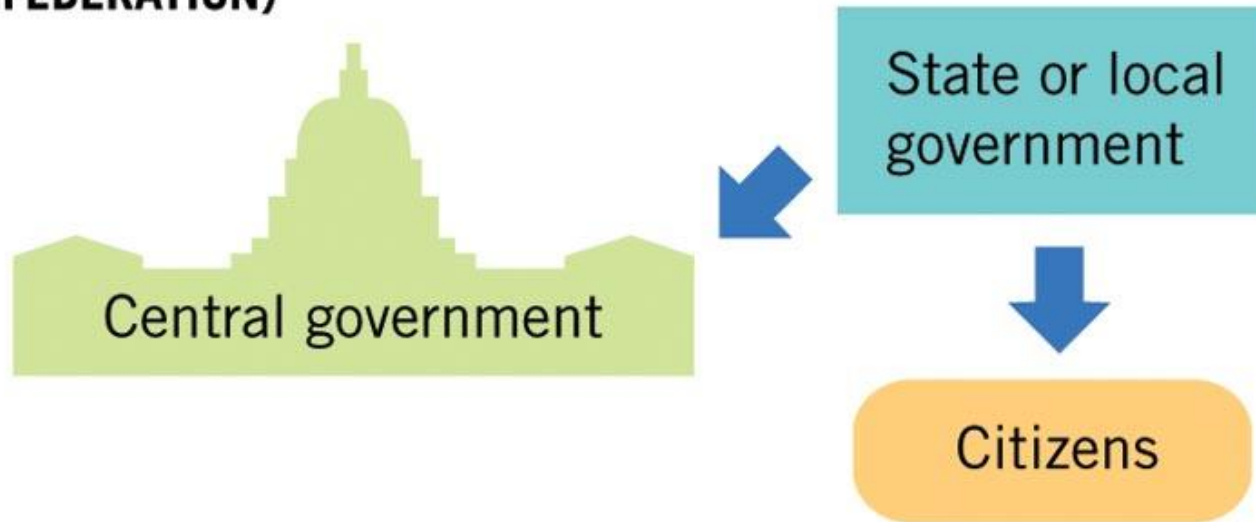
Power divided between central and state or local governments. Both the government and constituent governments act directly upon the citizens.

Both must agree to constitutional change.

Examples: Canada, United States since adoption of Constitution.

Figure 3.1: Lines of Power in Three Systems of Government

CONFEDERAL SYSTEM (or CONFEDERATION)



Power held by independent states.
Central government is a creature of the constituent governments.
Example: United States under the Articles of Confederation.

Positives and Negatives of Federalism

- Negative view: Federalism blocks progress and protects powerful local interests
- Positive view: Federalism contributes to governmental strength, political flexibility, and fosters individual liberty
 - Federalist #10: small political units allow all relevant interests to be heard
 - Federalism increases political activity

Federalism: A Bold New Plan

- No historical precedent
- Tenth Amendment was added as an afterthought to clarify the limits of the national government's power
- Elastic language in Article I: Necessary and Proper Clause expands federal power

McCulloch v. Maryland

- Could Congress charter a national bank?
Yes, even though this power is not explicitly in the Constitution (Necessary and Proper Clause)
- Could states tax the national bank? No, because “the power to tax is the power to destroy”

Federalism Over Time

- **Dual federalism:** Both national and state governments are supreme in their own spheres, which should be kept separate
- Hard to make distinctions between state and federal spheres; distinctions between them were blurred
- But Supreme Court has strengthened states' rights in several recent cases

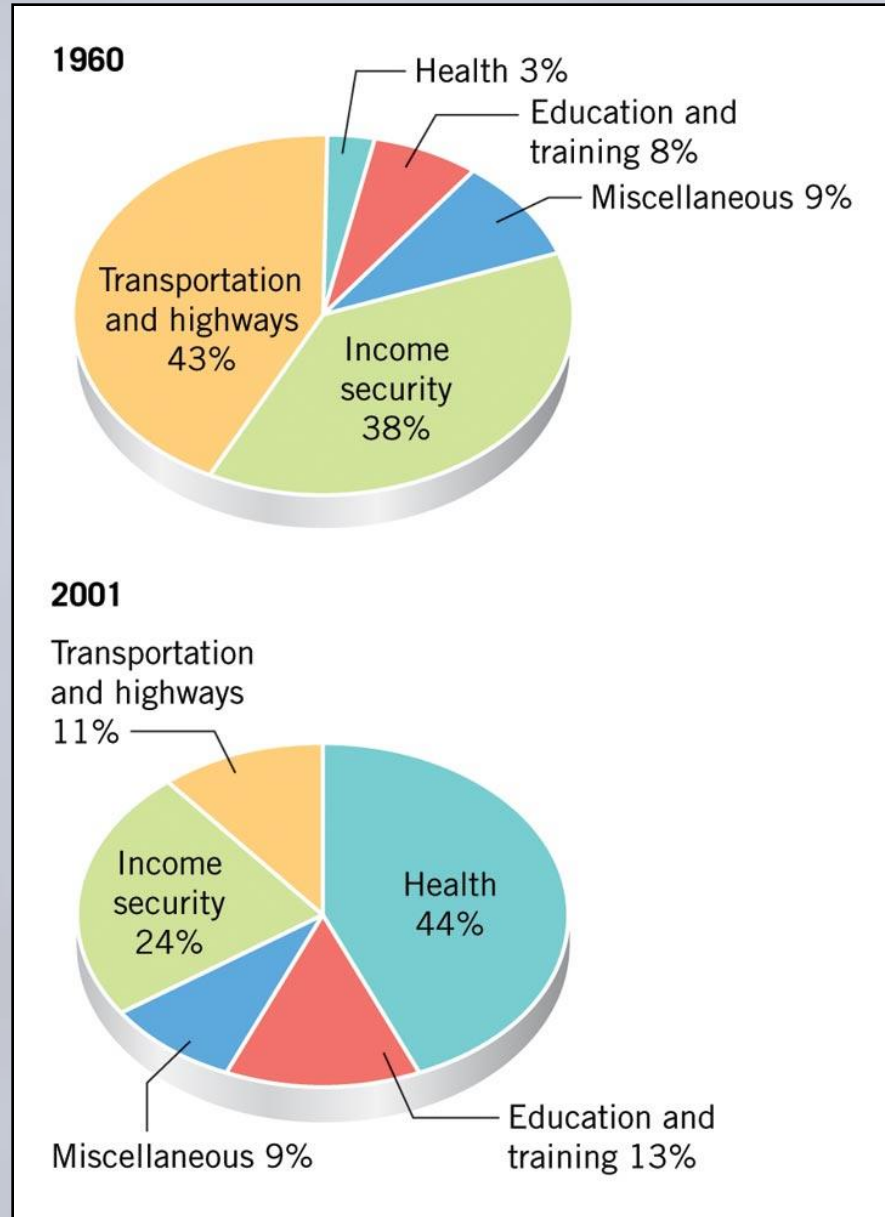
Grants in Aid

- Dramatically increased in scope in 20th century
- Grants were attractive to state officials for various reasons
- Required broad congressional coalitions with wide dispersion of funds, because every state had incentive to seek grant money

Categorical Grants v. Revenue Sharing

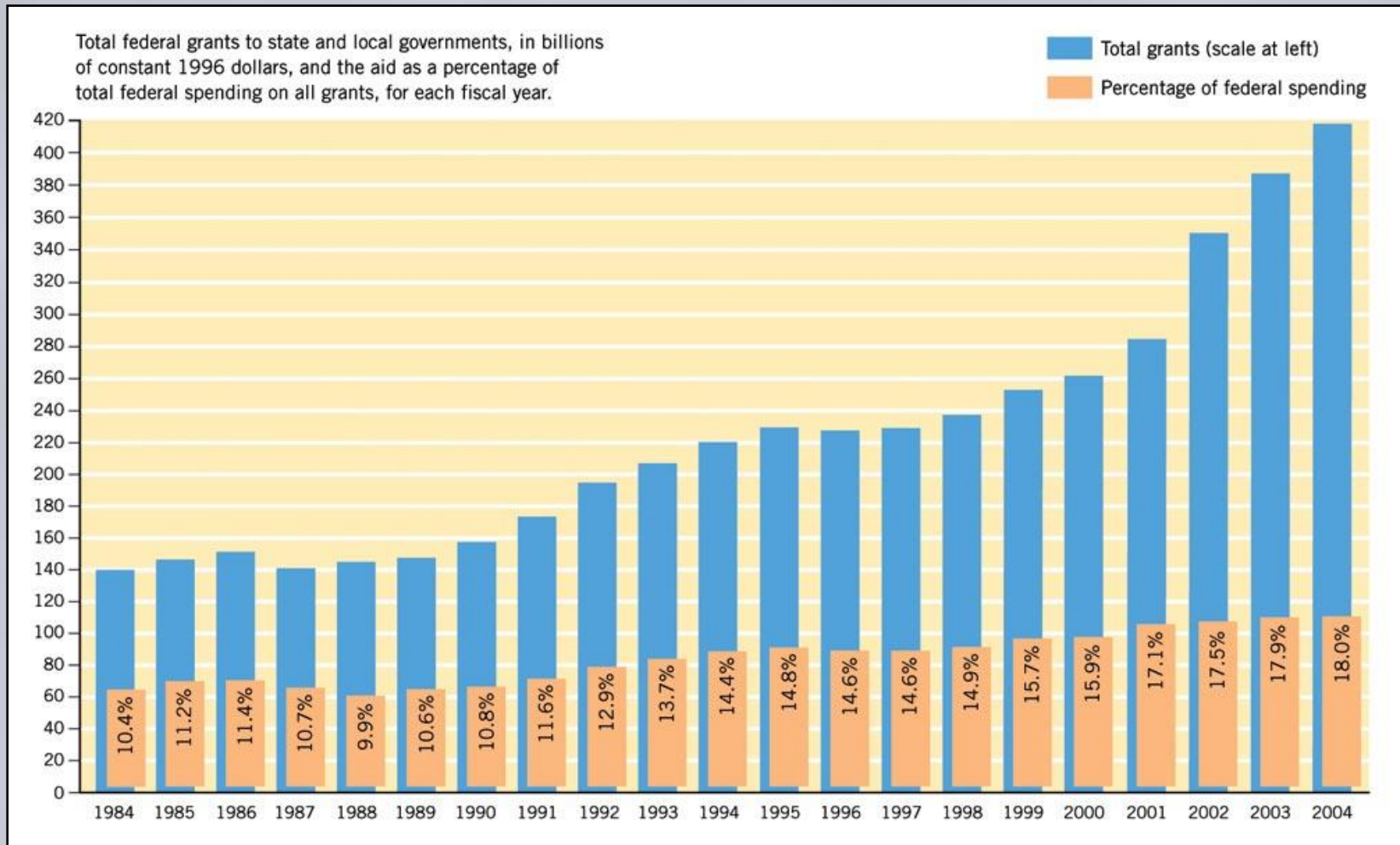
- **Categorical grants** for specific purposes defined by federal law; often require local matching funds
- **Block grants** (sometimes called special revenue sharing or broad-based aid) devoted to general purposes with few restrictions—states preferred block to categorical grants
- **Revenue sharing** (sometimes called general revenue sharing) requires no matching funds and can be spent on almost any governmental purpose

Figure 3.2: The Changing Purpose of Federal Grants to State and Local Governments



Budget of the U.S. Government, Fiscal Year 2005, table 12.2.

Figure 3.3: Federal Grants to State and Local Governments, 1984-2004



Budget of the U.S. Government, Fiscal Year 2002, Historical Tables, table 6.1, and Budget of the U.S. Government, Fiscal Year 2005, table 12.1.

Federal Aid and Federal Control

- **Conditions of aid:** tell state governments what they must do if they wish to receive grant money
- **Mandates:** federal rules that states or localities must obey, generally have little or nothing to do with federal aid

Devolution

- Devolution initiatives returned program management to the states, with some federal guidelines, but there is no guarantee of federal support
- Block grants fund entitlements

The Devolution Revolution

- Devolution proponents harbor a deep-seated ideological mistrust of federal government and believe that state governments are more responsive to the people
- Deficit politics encouraged devolution
- Devolution is supported by public opinion, but the strength of that support is uncertain

Congress and Federalism

- Members of Congress represent conflicting constituencies
- The erosion of parties increases political competition
- Americans differ in the extent to which we like federal versus local decisions