

also increases the opportunities for government to be responsive to demands for policies. Moreover, it is possible for the diversity of opinion within the country to be reflected in different public policies among the states. Different economic interests are concentrated in different states, and the federal system ensures that each state can establish a power base to promote its interests. By handling most disputes over policy at the state and local level, federalism also reduces decision making and conflict at the national level.

Conversely, diverse state policies and the large number of local governments also create some impediments to democracy. Since the states differ in the resources they devote to services like public education, the quality of such services varies greatly from one state to another. Diversity in policy can also discourage states from providing services that would otherwise be available—states are deterred from providing generous benefits to those in need when benefits attract poor people from states with lower benefits. Federalism may have a negative effect on democracy when local interests are able to thwart national majority support of certain policies, and having so many governments makes it difficult for many Americans to know which government is responsible for certain functions.

While the national government has grown in scope relative to state governments, it has not done so at the expense of state governments. The latter continue to carry out all the functions they have typically performed. The national government has instead grown as it has taken on new responsibilities viewed as important by the public.

## CHAPTER OUTLINE

### I. DEFINING FEDERALISM

- A. A system of *organizing governments*.
  - 1. **Federalism** is a way of organizing a nation so that two or more levels of government have formal authority over the same area and people.
  - 2. Only 11 (out of approximately 190 nations of the world) have federal systems.
  - 3. Most governments in the world today have **unitary governments**, in which all power resides in the central government.
  - 4. In a **confederation**, the national government is weak and most or all of the power is in the hands of its components.
  - 5. The workings of the American system are sometimes called “**intergovernmental relations**,” which refers to interactions among national, state, and local governments.
- B. Why federalism is important.
  - 1. The federal system *decentralizes our politics*.
  - 2. Federalism *decentralizes our policies*.

### II. THE CONSTITUTIONAL BASIS OF FEDERALISM

- A. The word “*federalism*” is not mentioned in the Constitution.
- B. Eighteenth-century Americans had little experience in thinking of themselves as Americans first and state citizens second.

- C. The **division of power**.
1. The writers of the Constitution carefully *defined the powers of state and national governments* [see Table 3.2].
  2. Although favoring a stronger national government, states were retained as vital components of government.
  3. The **supremacy clause** deals with the question of which government should prevail in disputes between the states and the national government; Article VI states that three items are the *supreme law of the land*:
    - a. The Constitution
    - b. Laws of the national government (when consistent with the Constitution)
    - c. Treaties (which can only be made by the national government)
  4. Judges in every state were specifically bound by the Constitution.
  5. Questions remain concerning the boundaries of the national government's powers.
    - a. The national government can only operate *within its appropriate sphere* and cannot usurp the states' powers.
    - b. The **Tenth Amendment** states that "*powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people.*"
    - c. There have been variations in the Court's interpretation of the Tenth Amendment.
- D. Establishing **national supremacy**.
1. Four key events have largely settled the issue of how national and state powers are related: the *McCulloch v. Maryland* case, the Supreme Court's interpretation of the Commerce Clause, the Civil War, and the civil rights movement.
  2. **McCulloch v. Maryland** (1819) first brought the issue of *state versus national power* before the Supreme Court.
    - a. In this case, the Supreme Court ruled that *national policies take precedence over state policies*: Chief Justice John Marshall wrote that, "the government of the United States, though limited in its power, is supreme within its sphere of action."
    - b. The Court also ruled that the Constitution gives Congress certain **implied powers** (based on the provision granting Congress the power to "make all laws necessary and proper for carrying into execution the foregoing powers") that go beyond the **enumerated powers** specifically listed in Article I, Section 8.
  3. **Gibbons v. Ogden** (1824) defined commerce very broadly to encompass virtually every form of commercial activity. In recent years the Supreme Court has scrutinized the use of the commerce power with a skeptical eye.
  4. The **Civil War** (1861–1865) settled militarily the issue that *McCulloch* had enunciated constitutionally.
  5. The **civil rights movement**—a century after the Civil War, the policy issue was *equality*.
    - a. In 1954, the Supreme Court held that school segregation was unconstitutional (**Brown v. Board of Education**).
    - b. The conflict between states and the national government over equality issues was *decided in favor of the national government*: throughout the 1960s, the federal government enacted laws and policies to end segregation in schools, housing, public accommodations, voting, and jobs.

- E. Federalism involves more than the relationships between the national government and state and local governments: Article IV of the Constitution outlines certain *obligations that each state has to every other state*.
1. **Full faith and credit:** States are required to give full faith and credit to the public acts, records, and civil judicial proceedings of every other state.
  2. **Extradition:** States are required to return a person charged with a crime in another state to that state for trial or imprisonment.
  3. **Privileges and immunities of citizens:** Citizens of each state receive all the privileges and immunities of any other state in which they happen to be.

### III. INTERGOVERNMENTAL RELATIONS TODAY

- A. From dual to cooperative federalism.
1. **Dual federalism** (“*layer cake federalism*”): a form of federalism in which states and the national government each remain supreme within their own spheres.
  2. **Cooperative federalism** (“*marble cake federalism*”): a form of federalism with mingled responsibilities and blurred distinctions between the levels of government.
  3. The American federal system leaned toward dual federalism before the national government began to assert its dominance.
- C. **Devolution:** transferring responsibility for policies from the federal government to state and local governments.
1. Republicans aimed to restrict the scope of the national government and return responsibility for policies to the states after gaining Congress in 1994.
  2. Since the mid-1990s Republicans have adopted a pragmatic approach to federalism.
- B. **Fiscal federalism** is the pattern of spending, taxing, and providing grants in the federal system.
1. Fiscal federalism is the cornerstone of the national government’s relations with state and local governments.
  2. **Grants-in-aid** are the main instrument the national government uses for *both aiding and influencing* states and localities.
  3. Federal aid to states and localities amounted to approximately \$306 billion in 2001, despite cutbacks during the Reagan administration.
- C. There are two major types of federal aid for states and localities: categorical grants and block grants.
1. **Categorical grants** (the main source of federal aid) can be used only for *specific purposes, or categories*.
    - a. State and local agencies can obtain categorical grants only by applying for them and by meeting certain qualifications.
    - b. Categorical grants come with numerous “strings” (rules and requirements) attached, such as nondiscrimination provisions and punitive **cross-over sanctions** and **cross-cutting requirements** that reduce or deny federal funds if certain local or state laws are not passed or if federal guidelines are not met.
    - c. There are two types of categorical grants:
      - (1) **Project grants:** the most common type of categorical grant; awarded on the basis of *competitive applications* (such as grants to university professors from the National Science Foundation).

- (2) **Formula grants:** distributed according to a formula; states and local governments automatically receive funds based on a formula developed from factors such as population, per capita income, or percentage of rural population (such as Medicare, Aid for Families with Dependent Children, and public housing).
- 2. **Block grants** are used to support broad programs in areas like community development and social services.
  - a. In response to complaints about the cumbersome paperwork and restrictive federal requirements attached to categorical grants, Congress established block grants to support broad programs.
  - b. States have discretion in deciding how to spend the money.
- D. On the whole, federal grant distribution follows the principle of *universalism*—that is, something for everybody, even though some money goes where it is not really needed.
- E. There are some occasions when states would prefer *not* to receive some federal aid—such as when Congress extends a program that is administered by the states and only partly funded by the national government, also known as an **underfunded mandate**. This means that the states have to budget more funds for the project in order to receive federal grant money.
- F. Of even greater concern to states are **unfunded mandates**. These require state and local governments to spend money to comply with laws such as the Clean Air Act of 1970 and the Americans with Disabilities Act of 1990 with no financial help from the federal government that enacted the laws. In addition, federal courts create unfunded mandates for states regarding school desegregation, prison construction, and other policies. In 1995, Congress passed a law that will make it more difficult for Congress to impose new unfunded mandates.

#### IV. UNDERSTANDING FEDERALISM

- A. By decentralizing the political system, federalism was *designed to contribute to the limited form of democracy* supported by the founders.
- B. Advantages for democracy.
  - 1. Different levels of government provide more opportunities for participation in politics.
  - 2. Additional levels of government contribute to democracy by increasing access to government.
  - 3. Two levels of government increase the opportunities for government to be responsive to the demands for policies.
  - 4. A party that loses strength at the national level can rebuild and groom leaders at the state and local levels.
  - 5. It is possible for the diversity of opinion within the country to be reflected in different public policies among the different states.
  - 6. By handling most disputes over policy at the state and local level, federalism reduces decision making and conflict at the national level.
- C. Disadvantages for democracy.
  - 1. The quality of services like education is heavily dependent on the state in which the service is provided; states differ greatly in the resources they can devote to public services.

2. Diversity in policy can discourage states from providing services that would otherwise be available because poor people may be attracted from states with lower benefits.
  3. Federalism may have a negative effect on democracy when local interests are able to impede national majority support of certain policies.
  4. The vast number of local governments makes it difficult for many Americans to know which government is responsible for certain functions.
- D. Federalism and the scope of the national government.
1. As the United States changed from an agricultural to an industrial nation, new problems arose and with them new demands for governmental action.
  2. Most problems or policies required the authority and resources of the national government.
  3. The national government's share of expenditures has grown rapidly since 1929; today it spends about 20 percent of the GDP, while state and local governments spend about 12 percent today.
  4. The growth of the national government has not supplanted the states.

## KEY TERMS AND CONCEPTS

**Block grants:** broad program grants given more or less automatically to states and communities, which exercise discretion in how the money is spent.

**Categorical grants:** grants that can be used only for specific purposes or categories of state and local spending.

**Cooperative federalism:** where state and the national government responsibilities are mingled and blurred like a marble cake; powers and policies are shared.

**Devolution:** transferring responsibility for policies from the federal government to state and local governments.

**Dual federalism:** where states and the national government each remain supreme within their own spheres of power, much like a layer cake.

**Elastic clause:** the statement in the Constitution which says that Congress has the power to make all laws necessary and proper for carrying out its duties.

**Enumerated powers:** powers of Congress found in Article I, Section 8 of the Constitution.

**Extradition:** the Constitution requires each state to return a person charged with a crime in another state to that state for trial or imprisonment.

**Federalism:** a system of shared power between two or more levels of government.

**Fiscal federalism:** the pattern of spending, taxing, and providing grants in the federal system.

**Formula grants:** a type of categorical grant where states and local governments do not apply for a grant but are given funds on the basis of a formula.

**Full faith and credit:** Article IV of the Constitution requires states to provide reciprocity toward other states' public acts, records, and civil judicial proceedings.