



The centralization of politics in America

John LaPlante
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Earlier this year, USA Today reported that “In a historic first, Uncle Sam has supplanted sales, property and income taxes as the biggest source of revenue for state and local governments.” That’s just the latest development in the nationalization of politics.

Federal grants, the paper reported, increased 15 percent in the first quarter over the previous year. Other major sources of revenue declined: Income taxes fell by 11 percent, and property, sales and other taxes all declined by 2 percent.

Minnesota, like most states, used new federal money (specifically, \$2.1 billion) to help patch its budget deficit, combining it with the political equivalent of rubber bands, gum, and a prayer.

Given their dependence on federal handouts, maybe we should ask: Why should states matter?

In the language made famous by U.S. Supreme Court Justice Louis D. Brandeis, states are laboratories of democracy. When one state (Wisconsin) tries welfare reform, the others can watch and learn some lessons. The same is true of health care reform (Massachusetts), and many other policy areas. Through small-scale experiments, the nation gets the opportunity to see what works and what doesn’t. And that’s a good thing for developing sound policy.

At the national level, it’s a rare program that gets repealed as ineffective or simply ineffective. But if one state enacts an ineffective policy, there’s a simple way to make sure the rest of the country isn’t afflicted by it: States don’t follow the example.

Leaving significant policy questions to the states has another benefit: It can help defuse conflict. During the 1960s and early 1970s, the abortion debate proceeded on a state-by-state basis. But in 1973, the U.S. Supreme Court effectively removed states from the debates. Since it’s an all-or-nothing matter now, the debate has become much more strident.

Leaving a significant role for states also promote financial soundness. All states (save Vermont) have a balanced-budget requirement. It’s true that such provisions do not totally remove the possibility of a financial meltdown (witness California). But these requirements do serve as a brake that the national government does not have.

But the powers and prerogatives of states are under assault. Economic legislation and legal decisions of the New Deal greatly expanded the scope of the national government vis-à-vis the states. To make matters worse, the moral legitimacy of state powers took a hit during the 1950s and 1960s, when advocates of segregation used “States’ Rights” claims to defend the indefensible.

The most significant threat to state power, however, is the money that the national government is giving states. State-federal relations are governed by the Golden Rule: He who has the gold makes the rules. We can see this most obviously in transportation. The federal government imposes an 18-cents-a-gallon tax on motorists. Using that leverage, Congress has usurped the power of legislatures over seat-belt laws, the drinking age and speed limits. More recently, the recent federal stimulus package forced states to alter their rules on unemployment insurance, welfare programs, and other efforts.

While a strong role for states promotes fiscal soundness, the increasing dominance of Washington, D.C., has promoted out-of-control spending. Ironically, it also promotes irresponsible state budgets. When Congress concludes that it needs to “do something” about state budget deficits (namely, send in the cash), it discourages states from making hard but necessary decisions to match tax revenues with desired public spending. After all, when money comes from someone else’s voters, state politicians do what comes naturally: Give away the store. So the more that Congress bails out states, the more it enables states in making unsustainable choices.

What’s behind the nationalization trend? Start with the commonsense observation that some problems are common to states, and sometimes literally cross state lines. Air pollution that flows from a factory in one state to the air in another state is a good example.

Add in the arrogance of Congress, which has been quite willing to extend its reach. Throw in political actors who prefer national rules to state ones. Businesses that operate in many states prefer one national set of regulators to many state ones. Interest groups also prefer to fight one battle than 50. And some concerns that prompt laws in the first place, such as air pollution, seem on the surface (and sometimes in reality) to call for a national approach.

What’s the solution? Texas Gov. Rick Perry, a Republican, trumpets the Tenth Amendment, which reads “The 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.”

If the Tenth Amendment were to become more than a dead letter, states would be able to use interstate compacts to retain some of their powers while still addressing cross-border issues. But the power of “free” money is strong, which is why Texas (and every other state) ended up taking the federal stimulus handouts anyway.

As far as I can tell, American politics will continue to become more and more decentralized, which is a pity. Then again, politics is often pitiable.