I. Reviewing the Chapter

Chapter Focus

The central purpose of this chapter is to introduce you to some of the complexities of government in the United States caused by the adoption of a federal system—that is, one in which both the national and state governments have powers independent of one another. You should also note how the nature and the effects of U.S. federalism have changed throughout U.S. history and continue to change to this day. After reading and reviewing the material in this chapter, you should be able to do each of the following:

1. Explain the difference between federal and centralized systems of government, and give examples of each.
2. Show how competing political interests at the Constitutional Convention led to the adoption of a federal system, but one that was not clearly defined.
3. Outline the ways in which the courts interpreted national and state powers and how the doctrine of dual federalism came to be moot.
4. State why federal grants-in-aid to the states have been politically popular, and cite what have proved to be the pitfalls of such grants.
5. Distinguish between categorical grants and block grants or general revenue sharing.
6. Explain why, despite repeated attempts to reverse the trend, categorical grants have continued to grow more rapidly than block grants.
7. Distinguish between mandates and conditions of aid with respect to federal grant programs to states and localities.
9. Discuss if or to what extent federal grants to the states have succeeded in creating uniform national policies comparable to those of centralized governments.

Study Outline

I. Governmental Structure
   A. Federalism: good or bad? (see CHAPTER BOX)
      1. Definition: political system with local governmental units, in addition to national one, that can make final decisions
2. Examples of federal governments: protected by both constitution and habit
3. Examples of unitary and confederal governments
4. National government largely does not govern individuals directly but gets
   states to do so in keeping with national policy

B. Views on federalism
   1. Negative views: “blocked” programs, protected powers, and prevented pro-
      gress
   2. Positive views: combines strength, flexibility, and liberty

C. Increased political activity
   1. Most obvious effect of federalism: facilitates mobilization of political activ-
      ity
   2. Federalism lowers the cost of political organization at the local level

II. The Founding
   A. A bold, new plan to protect personal liberty
      1. Founders believed that neither national nor state government would have
         authority over the other
      2. Power derived from the people
      3. New plan had no historical precedent
      4. Tenth Amendment was added as an afterthought, to define the power of
         states
   B. Elastic language in Article I: necessary and proper
      1. Precise definitions of powers politically impossible because of competing
         interests (e.g., commerce)
      2. Hence vague language—“necessary and proper”
      3. Hamilton’s view: national supremacy because Constitution supreme law
      4. Jefferson’s view: states’ rights with people ultimate sovereign

III. The Evolving Meaning of Federalism
   A. The Supreme Court speaks
      1. Hamiltonian position espoused by Marshall
      2. *McCulloch v. Maryland* settled two questions
         a. Could Congress charter a national bank? (yes, because “necessary and
            proper”)
         b. Could states tax such a bank? (no, because national powers supreme)
      3. Later battles
         a. Federal government cannot tax state bank
         b. Nullification doctrine led to Civil War: states void federal laws they
            deem in conflict with Constitution
   B. Nullification
      1. Ability of states to void federal law
      2. Civil War settles against doctrine
   C. Dual federalism
      1. Both national and state governments supreme in their own spheres
      2. Interstate versus intrastate commerce
         a. Congress could regulate interstate commerce
         b. States could regulate intrastate commerce
         c. Supreme Court makes less distinction between interstate and intrastate
            commerce—more federal regulation
         d. Recent Supreme Court decision restores authority to states

IV. The Division of Powers: Federal-State Relations (see CHAPTER BOX)
   A. State authority
1. Over police
2. Over public schools
3. Over use of land

B. Public/Congress are local-minded and preserve local government
C. Federal courts and fiscal federalism weaken local control

V. Fiscal Federalism
A. Grants-in-aid
1. Grants show how political realities modify legal authority
2. Began before the Constitution with “land grant colleges,” various cash grants to states
3. Dramatically increased in scope in the twentieth century
4. Were attractive for various reasons
   a. Federal budget surpluses (nineteenth century)
   b. Federal income tax became a flexible tool
   c. Federal control of money supply meant national government could print more money
   d. “Free” money for state officials
5. Required broad congressional coalitions
B. Meeting national needs: 1960s shift in grants-in-aid
1. From what states demanded
2. To what federal officials found important as national needs
C. The intergovernmental lobby
1. Hundreds of state and local officials lobby in Washington
2. Purpose: to get more federal money with fewer strings
D. Categorical grants versus block grants
1. Categorical grants for specific purposes; often require local matching funds
2. Block grants are for more general purposes, better liked by recipients, fewer strings

VI. The Slowdown in “Free” Money
A. Reagan tried to cut grants to states
1. Local projects should be funded by local sources
2. Governments were doing too much
B. Reagan had only limited success
1. Slowdown, no massive cutback
2. States find new ways to raise money
C. Republican majorities in Congress since 1994 and Clinton shifted some welfare programs—particularly AFCD—to states
1. New effort called devolution
2. Congress, not president, leading the effort

VII. Federal aid and federal control
A. Mandates
1. Federal rules that states or localities must obey, whether receiving aid or not
2. Administrative and financial problems often result
3. Impact of mandates and congressional response
B. Conditions of aid
1. Attached to grants states receive voluntarily
2. Conditions range from specific to general
3. Divergent views of states and federal government on costs, benefits
   Example: Rehabilitation Act of 1973
C. Rivalry among the states: distributional formulas in block grants
   1. Increased competition a result of increased dependency
   2. Snowbelt (Frostbelt) versus Sunbelt states
   3. Difficulty telling where funds spent
   4. Census takes on monumental importance
D. Federalism and Public Policy
   1. Diversity in local policies produced
   2. Increases difficulty in running programs

VIII. Evaluating Federalism
A. Federal/state officials must bargain
   1. Formerly favored local interests
   2. Federal needs dominated in 1960s
B. Presidents have tried to reverse “national trend”
   1. Nixon’s “New Federalism”
   2. Reagan’s attempt to consolidate categorical grants
C. Need to allocate federal and state functions more clearly
   1. Reagan’s doomed plan on welfare responsibility
   2. Future sorting out of federal “marble cake” unlikely

Key Terms Match

Match the following terms and descriptions.

a. Article VI  1. ____ A provision of the Constitution that makes the laws
              and treaties of the federal government the “supreme
              law of the land.”
b. block grants  2. ____ A form of federal regulation used to reduce local
                control over local government service through fed-  
               eral grants.
c. categorical grants  3. ____ A federal grant for a specific purpose, often with
                accompanying conditions and/or requiring a local
                match.
d. conditions of aid  4. ____ A system in which sovereignty is wholly in the
                hands of the national government.
e. confederation system  5. ____ A system in which the state governments are sovereign
                and the national government may do only what
                the states permit.
f. devolution  6. ____ A system in which sovereignty is shared between
               the national and the state governments.
g. dual federalism  7. ____ A grant that could be used for a variety of purposes, usually with few
               accompanying restrictions.
h. federal system  8. ____ The clause that stipulates that powers not delegated
               to the United States are reserved to the states or to
               the people.
### Federalism

| l. mandates | 9. ____ | A Supreme Court decision embodying the principle of implied powers of the national government. |
| m. *McCulloch v. Maryland* | 10. ____ | Federal rules that states must follow if they choose to receive their federal grants with which the rules are associated. |
| n. nullification | 11. ____ | The doctrine espoused by Calhoun that states could hold certain national policies invalid within their boundaries. |
| o. Tenth Amendment | 12. ____ | The doctrine that both state and national governments are supreme in their respective spheres. |
| p. unitary system | 13. ____ | An interest group made up of mayors, governors, and other state and local officials who depend on federal funds. |
| | 14. ____ | An effort to shift responsibility for a wide range of domestic programs from Washington to the states. |
| | 15. ____ | Federal funds provided to states and localities. |
| | 16. ____ | Federal rules that states must follow, whether they receive federal grants or not. |

### Did You Think That…?

A number of misconceptions are listed below. You should be able to refute each statement in the space provided, referring to information or argumentation contained in this chapter. Sample answers appear at the end of the *Study Guide*.

1. “Most governments in the world today have both national and state governments, as in the United States.”

   __________________________________________________________
   __________________________________________________________
   __________________________________________________________

2. “The powers of the national and state governments were clearly established in the Constitution.”

   __________________________________________________________
   __________________________________________________________
   __________________________________________________________

3. “Our national government spends most of its time governing individual citizens.”

   __________________________________________________________
   __________________________________________________________
   __________________________________________________________

5. “The nature of federalism has remained consistent throughout U.S. history.”

6. “Since the 1970s, more federal aid to the states has become unrestricted rather than having strings attached.”

Data Check

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

1. What was the purpose for which the percentage of federal grant money increased most between 1960 and 2000?

2. What were the two categories in which the percentage of federal grant money declined?

Table 3.1: Federal Aid to State and Local Governments, 1955–2000

3. In what year did federal aid peak, both as a percentage of all federal outlays and as a percentage of state and local budgets?

4. What happened to the dollar amount of federal aid and federal aid as a percentage of all federal outlays and as a percentage of state and local budgets after 1995?
II. Practicing for Exams

**True/False.** Read each statement carefully. Mark true statements $T$. If any part of the statement is false, mark it $F$, and write in the space provided a concise explanation of why the statement is false.

_____ 1. The United States, Canada, and France are examples of federal governments.

_____ 2. Federalism was intended by the Founders to operate as a protection for personal liberty.

_____ 3. In *McCulloch v. Maryland*, the Supreme Court concluded that chartering a bank was within the powers of Congress.

_____ 4. The wording of the Constitution regarding the federal government’s right to make laws is purposely vague and elastic.

_____ 5. The doctrine of nullification held that a state, within its boundaries, could refuse to enforce a federal law that exceeded the national government’s authority.

_____ 6. The Founders themselves had a hard time agreeing on what was meant by federalism.

_____ 7. The federal government sometimes finds that the political limitations on its exercise of power over the states are greater than the constitutional limitations.

_____ 8. The concept of dual federalism grew out of a debate on the issue of bank charters.

_____ 9. Today, most commerce is regulated at the state level.
10. The most important attraction of federal grants-in-aid has been federal budget surpluses.

11. The term “block grant” is often used as a synonym for “revenue sharing.”

12. The dollar amount of federal aid to states and localities increased throughout the 1980s and 1990s.

13. Matching requirements are most common with categorical grants.

14. Mandates are conditions attached to the receipt of a specific federal grant.

15. Conditions of aid are binding on local governments only when they receive federal monies for the projects in question.

16. An example of a condition of aid is seen in the passage of a law forbidding discrimination of handicapped people in any program receiving federal aid.

17. Block grants are allocated by formula.

18. Under recent allocation formulas the federal census has become essentially irrelevant in determining states’ shares.

19. Though the federal government pays for most of the interstate highway programs, local officials decide where those highways go.

20. The recent strengthening of party ties has tended to favor local over national interests regarding matters of federal funding.
Multiple Choice. Circle the letter of the response that best answers the question or completes the statement.

1. In the United States such programs as the interstate highway system and services to the unemployed are considered:
   a. state functions that operate without any involvement on the part of the federal government.
   b. federal functions, although state governments pay some of the costs.
   c. state functions, although the federal government seeks to regulate them.
   d. federal functions that operate without any involvement on the part of state governments.

2. One important feature of a federal system such as that of the United States is that:
   a. in matters of national concern—military spending, for example—state and local governments will make governing difficult.
   b. the cost of organized political activity will be higher than in a unitary system.
   c. most local programs such as welfare and taxation will be funded and regulated at the national level.
   d. different political groups pursuing different political purposes will come to power.

3. Ukraine, formerly one of the Soviet republics, had its own local unit of government. Yet the former Soviet Union was not considered a federal system. This is because, in the Soviet Union:
   a. local governments were not legally independent of the central government.
   b. local government officials were not elected democratically.
   c. the central government did not have a constitution.
   d. central government officials were appointed by local governments.

4. The cost of political participation to the average American citizen is less than that to the average French citizen because, in the United States:
   a. there are more small political constituencies than in France.
   b. the media give greater coverage to political protest than in France.
   c. fewer citizens become involved in political causes than in France.
   d. political participation is both protected and encouraged by the Constitution.

5. The government in the South during the Civil War was called a “Confederacy.” A true confederacy differs from the federalist system of the United States in that it:
   a. grants more sovereignty to the individual states.
   b. permits state governments to do only what the central government allows.
   c. is legally and politically independent of any other government.
   d. gives local units of government a specially protected existence.

6. The standard used to determine when the national government may exercise powers not specifically mentioned in the Constitution is:
   a. “necessary and proper.”
   b. “preferred freedoms.”
   c. “clear and present.”
   d. “mutual noninterference.”
7. Which of the following statements about the federal system adopted at the Constitu-
tional Convention is accurate?
   a. It had been tried without success in other countries.
   b. It was adopted as an alternative to a confederate system, in which local gov-
   ernments are granted a specially protected existence.
   c. It granted supreme authority to neither national nor state government.
   d. It specifically reserved powers not delegated to the United States by the Consti-
tution to the states.

8. Today’s federalist system in the United States, in which the power of the central
government is stronger than ever before, would be most likely to please:
   a. Thomas Jefferson.
   b. James Madison.
   c. Alexander Hamilton.
   d. Patrick Henry.

9. The Civil War settled one part of the issue of national supremacy versus states’
rights, namely that:
   a. state governments are supreme over the national government.
   b. the national government derives its sovereignty from the states.
   c. the national government derives its sovereignty from the people.
   d. the national government derives its sovereignty from both the people and the
   states.

10. In his interpretation of national and states’ powers, Chief Justice John Marshall was
most akin to:
    a. Thomas Jefferson.
    b. Alexander Hamilton.
    c. Patrick Henry.
    d. James Madison.

Maryland (1819) was to:
    a. place limits on the constitutional powers granted to Congress by refusing
McCulloch’s appeal.
    b. give greater power to the states in taxing agents of the federal government, in-
cluding banks.
    c. protect newspaper editors who publish stories critical of the federal govern-
ment.
    d. confirm the supremacy of the federal government in the exercise of the constitu-
tional powers granted to Congress.

12. After the Civil War the debate about the meaning of federalism focused on the
     clause of the Constitution.
    a. defense
    b. tax
    c. currency
    d. commerce
13. The doctrine of nullification refers to:
   a. the power of Congress to veto state laws that violate the Constitution.
   b. the claimed authority of the states to declare a federal law void for violating the Constitution.
   c. the power of the president to veto state laws for violating the Constitution.
   d. the authority of the president to dissolve Congress and to call for new elections.

14. The doctrine of dual federalism grew out of a protracted debate on the subject of:
   a. commerce.
   b. banking.
   c. manufacturing.
   d. welfare.

15. All but which of the following are reasons grant-in-aid systems grew rapidly throughout the twentieth century?
   a. The federal government could shift taxation to states.
   b. The federal government had the money to spend.
   c. The federal government could print money when it needed it.
   d. It was politically wise for states to get money from the federal government rather than by raising their own taxes.

16. The use of federal money to finance state-run programs is called:
   a. dual federalism.
   b. residual funding.
   c. mandating.
   d. the grant-in-aid system.

17. According to your text, the grant-in-aid system grew rapidly because it helped state and local officials resolve a dilemma. This dilemma was how to:
   a. get federal money into state hands without violating the Constitution.
   b. limit federal taxation power without reducing aid to states.
   c. increase federal taxation power without violating the Constitution.
   d. shift financial control of state programs to the federal government without violating states’ rights.

18. A major shift in the focus of federal grant-in-aid programs took place in the 1960s. This shift was toward:
   a. meeting the demands of individual states and cities.
   b. requiring states to fund national programs.
   c. meeting national needs such as reducing pollution.
   d. requiring states to share their revenues with other states.

19. An example of an intergovernmental lobby would be a lobby composed of:
   a. local police chiefs.
   b. local gas station owners.
   c. gun enthusiasts.
   d. oil company executives.
20. Members of the intergovernmental lobby are chiefly concerned with obtaining:
   a. political appointments.
   b. constitutional amendments.
   c. federal funds.
   d. equal rights.

21. The requirement that a state or locality match federal money is most common with:
   a. categorical grants.
   b. land grants.
   c. block grants.
   d. revenue sharing.

22. A block grant is essentially a:
   a. grant that benefits a single local unit, or block.
   b. group of categorical or project grants.
   c. reverse grant-in-aid where money flows from states back to the federal government.
   d. project grant with tighter restrictions.

23. Block grants were designed to remedy a common criticism of categorical grants, namely:
   a. their lack of specificity.
   b. the lack of condition under which such grants were made.
   c. the difficulty of adapting categorical grants to local needs.
   d. their discriminatory nature—decisions are too often based on politics.

24. According to your text, both revenue sharing and block grants have enjoyed only marginal success, in part because:
   a. the federal government steadily increased the number of strings attached to such grants.
   b. money from categorical grants shrunk so low as to make these other grants essential.
   c. these grants were based on local priorities rather than on the needs of the nation as a whole.
   d. these grants discouraged federal control over how the money was to be used.

25. The difference between a mandate and a condition of aid is that:
   a. with a mandate the federal government tells a state government what it must do if it wants grant money.
   b. a mandate applies to a block grant; a condition of aid applies to a categorical grant.
   c. a mandate applies to a categorical grant; a condition of aid applies to a block grant.
   d. with a mandate it makes no difference who is paying the costs of a program.

26. In order for states to qualify for certain federal highway funds, they must allow drivers to make a legal right-hand turn after stopping at a red light. This requirement by the federal government is known as a:
   a. mandate.
   b. quid pro quo order.
   c. condition of aid.
   d. pro bono requirement.
27. Which of the following statements about the requirement that buses and subway cars accommodate wheelchairs is correct?
   a. It was instituted by the Rehabilitation Act of 1973.
   b. It provoked heated congressional debate.
   c. It turned out to be reasonably cost effective.
   d. It was the result of a bureaucratic interpretation of the law.

28. Tensions in the federal system most commonly arise from:
   a. the failures of local and state government.
   b. the arrogance of federal officials.
   c. competing demands on federal versus local officials.
   d. the increasingly local orientation of Congress.

29. Reagan’s 1981 proposal for more clearly sorting out national from state and local responsibilities was unsuccessful largely because it would have:
   a. turned the responsibility for education over to the national government.
   b. made welfare a purely local matter.
   c. ended the kinds of ambiguity on which courts thrive.
   d. created huge federal budget deficits.

30. The efforts of Republicans in Congress after 1994 to transfer to the states many federal programs was referred to as:
   a. centralization.
   b. mandate.
   c. institutionalization.
   d. devolution.

**Essay.** Practice writing extended answers to the following questions. These test your ability to integrate and express the ideas that you have been studying in this chapter.

1. How do the objectives of the Founders in writing the Constitution (see Chapter 2) relate to the institution of federalism in theory, that is, in the thinking and political values of the Founders?

2. Given the changes that have occurred in federalism in practice in the past two centuries, does federalism today still serve the purposes for which it was designed?

3. What might be some of the consequences if a new constitutional convention were held at which it was decided to dispense with the two-layer system of government and move to a unitary state? What might be some of the advantages and disadvantages?

4. Cite the two fundamental questions that the Supreme Court answered in handing down its decision in *McCulloch v. Maryland*, and explain the impact this decision had on the development of the federal system.

5. Explain the difference between categorical grants and block grants, giving examples of each.
IV. Research and Resources

Suggested Readings


Resources on the World Wide Web

State and local government: www.statelocal.gov
Supreme Court decisions: www.findlaw.com/casecode.supreme.html
Information on state governments: www.csg.org
National Governors’ Association: www.nga.org