



BASICSPLAINER - FEDERALISM

In the United States, **federalism** refers to the constitutional division between the national government and the state governments. In general, the term can refer to any governmental system in which local units retain power to make independent, final decisions about some matters.¹

One implication of this division of power is that both the state governments and the federal government can be said in some sense to be **sovereign**, that is, to possess fundamental governmental authority. The federal courts have recognized the sovereignty of the states in numerous key cases. In one such case, the Supreme Court explained its reasoning by stating that “a healthy balance of power between the States and the Federal Government will reduce the risk of tyranny and abuse from either front.”²

The lower-level division of power between the state governments and the local governments (cities, counties, school districts, and so on) does not work the same way. Cities do not retain sovereignty of their own. They are “creatures of the states” and may be altered or destroyed, pursuant to state rules.³

Congress (that is, the national government) possesses various **enumerated** (that is, specified) powers, many of them listed in Article I, Section 8 of the Constitution. These include the power to regulate interstate commerce, to tax and spend money to promote the general welfare, and to establish and maintain defense forces. Importantly, Congress may also enforce constitutional provisions that guarantee individual rights and liberties, such as the **14th Amendment**, which prohibits states from

denying equal protection under the laws. State governments retain those **plenary powers** that the Constitution does not delegate to Congress.

The reality of federalism is not one of neat legalistic separation, however. Congress has enacted countless policies and programs that operate through many levels of government. **Medicaid**, the health insurance program for low-income people, jointly funded and administered by state and national governments, is the largest and most expensive current example. Fully 16.5 percent of the federal budget goes to grants to states and local governments.⁴

State and local government organization varies, but almost all states have bicameral legislatures,⁵ all have governors, and all have independent judicial systems. Almost all cities have single-chamber city councils. Some cities have elected mayors while others have appointed professional managers that handle day-to-day administration.

Some scholars argue that federalism makes the U.S. system more democratic, allowing for many venues in which citizens’ voices are heard. States may also act as “**laboratories of democracy**,” testing out policies and programs that other states – and the national government – may wish to adopt.⁶ Finally, some say that decentralization of policy results in more efficient administration.

Federalism’s critics contend that state and local governments can violate individual rights, and that duplication of policy-making entities makes public policy less efficient. Competition between states and local governments for business investment may also have negative effects.

¹ For a discussion of the definitions, origins, and measurement of federalism, see William Riker, “Federalism,” in Fred Greenstein and Nelson Polsby, *Handbook of Political Science*, (New York: Addison-Wesley Publishing Co., 1975), Volume 5, pp. 93-172.

² *Gregory v. Ashcroft* 501 U.S. 452 (1991).

³ The term “creatures of the states” comes from John Dillon, *Municipal Corporations* (1872).

⁴ As of 2019. *Budget of the United States Government, Fiscal Year 2020*, Historical Tables, Table 12.1, <https://www.whitehouse.gov/omb/historical-tables/>.

⁵ The exception is Nebraska, which has a one-house legislature.

⁶ The term “laboratories of democracy” comes from Supreme Court Justice Louis Brandeis’s dissent in *New State Ice Company v. Liebmann* 285 U.S. 262 (1932).