**Federalism and the Political-Economic System**

Americans have long revered the framers of the constitution for devising the nation's system of federalism. It is easy to forget, however, that federalism was not concocted as a sacred principle but as a scheme to keep a young nation from spinning apart. Federalism represented a compromise between those who advocated centralized government and those who opposed reducing the power of state governments. The constitution affected this compromise by reserving certain powers to the states, by delegating certain power to the national government, and by lodging residual powers in the states. Thus, federalism was an attempt to balance competing tensions and find a strategy that could accommodate all 13 original states without putting the entire nation at social, economic, or military risk.

For over a century, the national government was concerned with internal or infrastructural development, common currency, shipping, and distribution of land to the states and persons. These were issues beyond the reach of individual states and all had to do with the cultivation of commerce. It was good to build canals and to explore and survey conquered territory because it encouraged national strength and wealth.  
  
Absent from national government policies and programs until the late nineteenth and early twentieth century were laws directly regulating the conduct of individuals, including fictitious persons called corporations. This kind of power, which was given the name police power, was exercised almost solely by the states. While the relative weight of power shifted to the national government during the twentieth century, fundamental policies regulating the conduct of American citizens and corporate persons are still made by state governments.  
  
Property laws, corporate laws, morality laws, marriage and divorce laws, compulsory education laws, contract laws, occupational profession laws, motor vehicle laws, and criminal laws remain largely the domain of state powers. Certainly states have had the power to promote commerce, and they have generously used that power, but the overwhelmingly important function of state governments in the US has been the regulation of conduct.

Today, American federalism is a complicated system of government. From the vantage point of the lower-status population, the perennial battle between the federal and state government for dominance in the system has more often than not been a mask for the more important battle of whether there is going to be an expansion or contraction of the social-service state. Democratic administrations have sought to centralize authority in Washington and use that authority to expand domestic programs. Republican administrations seek to devolve authority to states in hopes that the social service system will contract. In times of liberal dominance, Washington tends to become the main arena for fighting over welfare benefits. In conservative times, the states grow in importance.  
  
Because of the many complexities of contemporary intergovernmental federalism, it is no easy matter to sort out patterns of bias in the system. Nevertheless, there are two areas where biases seem quite apparent; those affecting racial minorities and those affecting lower-status people generally. For example, stated-centered dual federalism has generally worked to the disadvantage of racial minorities and the poor, while nation-centered intergovernmental federalism has worked to some degree to their benefit.  
  
Regarding minorities, most civil rights advances were initiated by the federal government. As for the poor, dual federalism was biased against the interests of lower and lower-middle income people generally, and this bias was at least partially reversed by the intergovernmental system. Expansion of the federal government facilitated the creation of interest groups to represent lower-status classes and various federal programs brought them tangible financial assistance such as subsidized loans making it possible to buy homes that they otherwise could not have purchased.  
  
Given some of the results of nationally-dominated intergovernmental federalism, it should not be surprising that attempts to cut back on the federal government have been biased against the same categories of people that dual federalism was biased against. Analysis of federalism's political economy offers potentially important political lessons illustrating that who runs the federal government is an important factor in determining how the biases of federalism are played out.