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Power to the States

By Matt A. Mayer

There are not many issues today on which the right and the left agree. With the election of Donald Trump to the White House and Republican control of both the U.S. House of Representatives and the U.S. Senate, the left is warming up to the idea of competitive federalism, which the right has long-embraced though, sadly, rarely implemented. Based on the Tenth Amendment of the U.S. Constitution, competitive federalism is the idea that the power and money on key policy issues should reside in the fifty laboratories of competition (i.e., the states), not the one-size-fits-all federal government.

When states have the freedom to compete on policy issues, every state moves to experiment, innovate and reform. The freedom to compete allows each state to design policies to fit the unique demographic challenges it faces and to cater to its particular constituents' wishes. Because most states are constrained by balanced budget requirements, unlike the federal government that can deficit spend recklessly, states must balance policy costs with the ability of its taxpayers to cover those costs.

Critically, competitive federalism allows us to figure out what works and what doesn't, as each state takes action and continually seeks to reform by nixing failing efforts and adopting successful approaches from other states. This iterative process lifts all boats, as states that fail to reform are spurred to act or risk losing citizens and businesses to more competitive states. In our one-size-fits-all system dominated by federal action, people really can't vote with their feet, which leaves citizens mired in mediocrity.

As President Trump and the Republican-led Congress have spent the last year-and-a-half dismantling large elements of the Obama administration's eight years of work, a growing chorus among the left is calling for state-level action. With full control over states such as California and New York, the left now realizes it can get more done via governors and state legislatures than in Washington, D.C. Should Republicans maintain control of Congress after the mid-term elections, the left's interest in competitive federalism will rise.

The right should embrace this new-found appreciation for competitive federalism by the left and finally seek bipartisan ways to devolve the power and money on key programs to the states. The last major burst of competitive federalism occurred in the 1990s when President Bill Clinton signed major welfare reform legislation that gave greater power to the states to institute reforms. Wisconsin Gov. Tommy Thompson and Michigan Gov. John Engler led the way. The reforms instituted by America's fifty laboratories of competition drove millions

off the welfare rolls and, more importantly, restored people's dignity and got them back on the pathway to prosperity.

Issues ripe for using competitive federalism include transportation, Medicaid and disaster response. On transportation, the federal highway system is built. Why not eliminate the federal gas tax and devolve the power over certain transportation issues to the states. Each state then can decide how best to maintain and to expand its transportation system and the best way to pay for that system.

Similarly, on Medicaid, let's cut federal taxes by the amount used to fund Medicaid currently and allow every state to determine who to cover, what to cover and how to cover their citizens. Each state would be forced to make tough decisions, institute major reforms and figure out how to fund its Medicaid program. States could no longer push for gold-plated systems knowing that their systems would be subsidized by the other states via federal spending.

Finally, on disaster response, historical data tells us with fairly high confidence which state will suffer from which types of disasters. We know Iowa will get floods, Florida will have hurricanes and Maine will experience blizzards. Let's use that data to push the power and the money to the states to manage their predictable disasters. By creating simple disaster funds in each state via block grants based upon actuarial data, we can get the federal government out of routine yearly disasters and focused on preparing and responding to the truly major disasters that impact the nation.

Americans love competition. It is in our DNA. Competition made America great. By leveraging competitive federalism, it can make America even greater. It is time our fifty governors put their hands up instead of out and demand the chance to prove themselves on a variety of policy issues.

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