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A Call for Fiscal Federalism

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Guest post from Tad DeHaven with the Cato Institute

Tea partiers take note: at the forefront of any effort to reduce the size of the federal government should be the devolvement of federal programs to the states. Achieving this may seem like mission impossible given the [states' addiction to federal money](#). However, there are signs that the idea of returning the relationship between the federal government and the states to that which the Founders prescribed is starting to gain some currency.

On Friday, the president of the Utah Senate and the speaker of the Utah House of Representatives [penned an op-ed](#) in the *Washington Post* calling for the federal government to begin the devolution process. The authors want the states to have the right to opt out of federal programs and allow the states to keep the taxes their residents send to Washington to fund them. The states would then be free to fund and manage the programs as they see fit.

The authors call their idea a “modest experiment,” and indeed, it is hardly radical. The 10th amendment to the Constitution is clear:

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.

From the op-ed:

Let's select a few programs — say, education, transportation and Medicaid — that are managed mostly by Utah's government, but with significant federal dollars and a plethora of onerous federal interventions and regulations.

Let Utah take over these programs entirely. But let us keep in our state the portion of federal taxes Utah residents pay for these programs. The amount would not be difficult to determine. Rather than send this money through the federal bureaucracy, we would retain it and would take full responsibility for education, transportation and Medicaid — minus all federal oversight and regulation.

Such a notion terrifies proponents of big government because state budgets are generally constrained by balanced budget requirements, debt inhibitions, and the inability to print money. States are also more limited in how much they can abuse taxpayers for the simple reason that citizens can move to a friendlier environment. Indeed, one of the beautiful aspects of returning to fiscal federalism is that it would strengthen this competition that \$600 billion in annual federal subsidies has somewhat neutered.

See this essay for more on [fiscal federalism](#) and this Cato Policy Analysis on the problems with [federal subsidies to state and local governments](#).

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