

NATIONAL REVIEW ONLINE

Federalism Death Watch: State Dependency on Federal Dollars

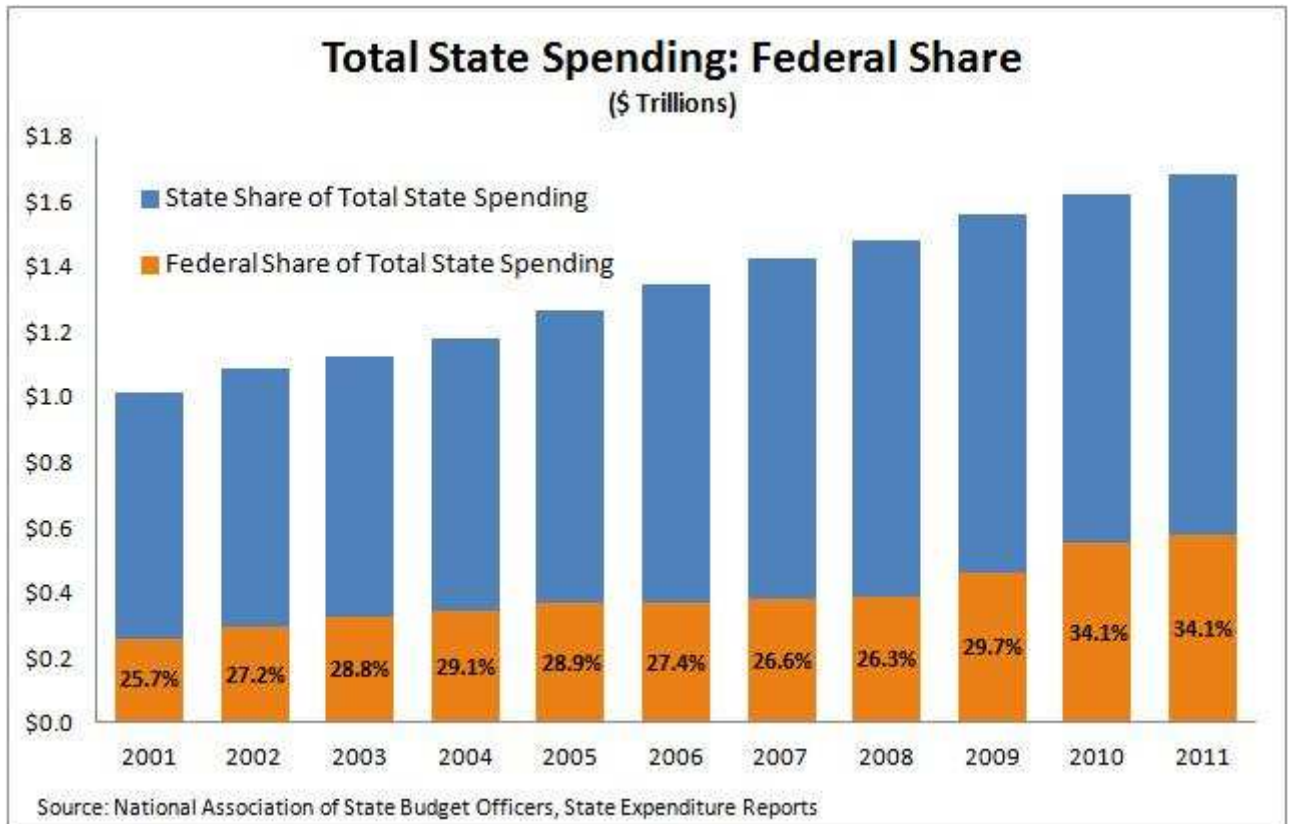
By [Veronique de Rugy](#)

January 24, 2012 12:50 P.M.

Libertarians and free-market advocates have a particular attachment to the concept of federalism. If states can differentiate themselves on the basis of taxes, spending, and regulation, or even social policies, that gives Americans more leeway in deciding the rules under which we live. If we're dissatisfied with the policies of the state we live in, we can register our discontent by voting with our feet and moving to another jurisdiction. In theory, this competition for residents helps keep lawmakers in check, giving them an incentive to keep taxes and other intrusions modest.

While this is great as a concept, that's all it is — a concept. No matter where you live, you are subjected to Washington's tax bite, which has grown so big that differences in state tax rates don't mean as much as they used to. Also, the federal government is pouring billions of dollars each year in the states' coffers. But this money isn't free; it comes with many strings attached. In the end, the relationship between states and the federal government is that of a wealthy parent who gives \$20 to his kid and then forces him to buy \$50 worth of clothes. So much for independence.

The Cato Institute's Tad DeHaven has [a great chart](#) that makes this point by showing the share of state spending paid for with federal dollars:



He writes:

State officials have become addicted to federal subsidies because they allow them to spend money taken from taxpayers across the country instead of having to ask their voters to pony up the funds. As the following charts shows, total state spending continued to increase during the economic downturn because the federal government picked up the slack. Note that the federal share of total state spending went from 25.7 percent in 2001 to 34.1 percent in 2011.

This is more evidence that federalism is slowly (or not so slowly) dying in America.