

The New Federalism

By Jonathan Taplin

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Forty years ago, in the wake of a disastrous election defeat, the conservative movement began to build a philosophical base for its assault on entrenched Democratic power. And for forty years in the face of that assault, Democrats continued to run on the philosophy that elected Lyndon Johnson. Their inability to understand the profound changes in American life has left the party bereft of a governing principle that speaks to current day America. And yet, in the fog of their increasingly familiar position as the loyal opposition, looms a clear political philosophy that would unite the progressives of the Democratic coalition with the libertarian and fiscally conservative parts of the Republican Party in clear opposition to the Neo-Conservative and Evangelical wings of the hard right Republican ruling clique. Call it The New Federalism and its basic credo is one that every CEO knows: “devolve power”. The Federal Government under the Bush Administration will continue to grow both in size and in willingness to dictate policy and lifestyle to citizens and local politicians alike. The coalition of Democrats and Centrist Republicans must resist the increasing power of the Federal Government.

As America sails blithely towards the greatest economic and spiritual crisis of a generation, the Republican coalition of George Bush, Tom Delay and Bill Frist is unwilling to even acknowledge the real predicament that will confront their next administration. America is living beyond her means, spending more than she is earning. Both our government and our people are on a global credit card binge, dependant on the

“kindness of strangers” to not call in the loans. The day of negative real interest rates is over and the Japanese and Chinese who hold more than \$1 trillion of US debt will soon have domestic needs for their large pool of savings (for their aging populations) and the cost of our twin deficits (budget and current account) will rise dramatically. As Stephen Roach, Chief Economist of Morgan Stanley wrote recently, “In my view, the US economy is an accident waiting to happen. That’s the message to be taken from a record shortfall in national saving, a record current-account deficit, record levels of household indebtedness, a record deficiency of personal saving, and outsize government budget deficits.” But the crisis is not just economic, but spiritual as well; for the fact that modern secular consumer society, embodied by the classic bumper sticker: “When you die, the one with the most toys wins” has redefined the meaning of a worthwhile life. The consumption of material goods as a way to define ourselves has left the average family with no savings, high levels of stress and a gnawing sense that the whole American culture is on the wrong track.

Perhaps that is why so many of us (Republican and Democrat alike) were drawn during the Ronald Reagan eulogies to the image from our Country’s Pilgrim heritage: America as John Winthrop’s “City On a Hill.” The notion that somehow our country had a unique mission in the world was always part of Reagan’s optimistic spirit, but as Michael Ignatieff wrote in the New York Times Magazine, “The eyes of the world these past months would not have been on Winthrop’s city upon a hill, but instead on a hooded figure standing on a box in a prison cell.” The central fact of American life for the next few years will be the argument over America’s mission in the world. On one side will be the Republicans following the banner of The Bush Doctrine: the notion that our mission

is to be the World's Cop, intervening unilaterally where we chose. And one of the reasons we need this preemptive power is that we have 4% of the world's population, but we use 25% of the world's energy. We cannot afford to lose control of Middle East oil, even while we admit our wastefulness.

On the other side of the argument will be the Democrats and the fiscally conservative Republicans who believe that if we learned to live less wastefully, we would have less dependence on Mid East Oil and could have spent the \$500 billion we will pour into Iraq in the next five years on improving our public education and healthcare systems. It very well may be that some Democrats will emerge as the real heirs of John Winthrop and the founders of our nation. These lines spoken by Winthrop to the 700 colonists give a sense of their mission: "We must be willing to abridge ourselves of our superfluities, for the supply of each others' necessities." Winthrop, a lawyer by trade who worked in the London financial "City", was fleeing the decadence and inequality of English commercial culture and English "high Church" Anglican religion. He believed the secret of America would be that each man and each woman could live a simpler less wasteful life and the commons would benefit. And for the first 350 years of our country's history, we followed Winthrop's dictum and did build our city upon a hill. With both thrift and efficiency.

But as Stephen Roach points out, all of that has changed, "American households have refused to live within their means, as those means are delineated by what they earn on their jobs." To make up the difference, they have borrowed from their houses or run up credit card debt, most of which is variable rate debt about to increase. But to make matters worse, we now have a President who has the same philosophy, "I will borrow my

way out of trouble.” As interest rates start rising, all of these borrowings that both the citizens and the government has been living off of, will get more expensive.

The political dimension to taking on the coming economic and spiritual crisis is complex. One would traditionally think that the Republican Party would understand these issues of fiscal management and cultural calamity, but as George Bush’s Convention acceptance speech made clear, this is not your father’s Republican Party. Party stalwarts like former Reagan Commerce Secretary Pete Peterson who’s book “Running On Empty” clearly lays out the peril of our current profligacy are completely ignored in the White House, while former Christian Coalition head Ralph Reed can get a phone call through to Bush on the first try.

On the Democratic side of the aisle, the Party has a proven record of cutting deficits and spurring growth. On the cultural side the Democrats are finding some odd new allies and the recent skirmish in the Senate over the Defense of Marriage Act is yet another example of the willingness of Democrats to unite with the Libertarian Wing of the Republicans to defeat the hard right agenda of the Bush Administration. But now is the time for the Democratic Party to reach farther across outmoded ideological barriers to reimagine a Progressive alternative to the Neo-conservative attempt to centralize the power of a nanny state in Washington D.C. As the Federal Government under Bush I and II continues to grow it’s power, a prairie revolt in the heartland of both conservative/libertarian bastions like the Cato Institute and progressive think tanks like the Open Society Institute are saying that the notion of Devolution of power away from Washington is the wave of the future. In California this philosophy is a living reality

where Democrats and a libertarian Republican Governor have united to pass stringent auto emissions laws and fund Stem Cell research despite the federal ban backed by Bush's evangelicals. This is The New Federalism battle.

The basic economic problem we will face in the next few years is that the Federal system no longer works correctly. The States are without sufficient taxing power to provide basic services for their people, as every single state government is in a fiscal crisis. Because the strength of the Democrats resides in the State Houses of the largest states that have the greatest budget crisis, the Democratic Party needs to return to its roots and reexamine the philosophy of its founder Thomas Jefferson. Jefferson said, "The true theory of our Constitution is that the states are independent as to everything within themselves, and united as to everything respecting foreign nations." Since most of the concerns of citizens are local matters: Schools, Police, Housing, Power & Water, Public Transportation, and Health Care, these should be funded at the local level. Even though the Federal Government provides block grants to the States for these concerns, much of the tax revenue gets wasted in the Federal Bureaucracy. The New Federalist solution is to change the tax structure. Federal taxes should be radically cut, so that State taxes could rise to pay for the real needs of citizens. This would have two effects. The States would have sufficient taxing authority to pay for decent services, health care and infrastructure. Therefore local property taxes would not be hijacked by state governments and could remain at the county level to fund schools and local infrastructure. The Federal Government would have to drastically shrink the departments of Education, Agriculture, Health and Human Services, Housing and Urban Development, Commerce, Transportation and Labor. However, the Federal taxes could more than adequately fund

the needs of the Departments of Defense, State, Treasury, Veterans Affairs and Homeland Security as well as its Social Security and Medicare benefits.

Although the negative progressive reaction to the words “States Rights” was formed during the Civil Rights era, citizen uninterested in living in Tom Delay World, should look to the heartening developments where Democratic state legislators and regulators are taking on corporate power in ways the Bush administration is unwilling to do. Whether it is the California Auto Emissions law (passed in the face of massive corporate lobbying by oil and auto companies) or the actions of New York Attorney General Spitzer against Wall Street abuses; the states are asserting their right to create a just society for their citizens. And surprisingly the Supreme Court has backed this assertion of State Sovereignty in three recent cases. For a state like California, the world’s 6th largest economy, the ability to set national standards for auto emissions, appliance efficiency, clean air and water goes with its market power. What auto company would refuse to sell cars in California? Ironically we will see Tom Delay and his conservative allies reverse their 100 year long States Rights crusade and try to use Federal Law to force California to adhere to their anti-regulatory bias. Ultimately the citizens of the “Blue States” have a right to live with clean air, efficient automobiles, good schools, honest corporations and universal health care. Their desire to build a sustainable civilization is not a new quest.

Questions of what creates a lasting civilization have been with us for centuries. Around 300 BC, the philosopher Epicurus came to some conclusions about what made life worth living. Aside from the obvious (food, clothing, shelter), man needed three things: the company of good friends, the freedom and autonomy to enjoy meaningful

work, and the willingness to live an examined life with a core faith or philosophy.

Epicurus's argument is just as true today: "If we have money without friends, freedom and an analyzed life, we will never be truly happy. And if we have them, but are missing the fortune, we will never be unhappy." Marketing notions have replaced this philosophy that happiness flows from simpler things in recent years. As Alain de Botton points out, we may have forgotten these basic needs of the soul, but contemporary advertising has not. The advertising for the Hummer plays to our longing for a freedom we do not have. The Michelob Beer ad plays to our need for a company of brilliant friends we may not know. And the ad of the woman bathing serenely in her Kohler Tub speaks to our desire for the inner calm that perhaps only a life of faith or philosophy might bring us.

Contrast Epicurus' vision of the ideal society with that of Aldous Huxley's science fiction masterpiece, *Brave New World*, where a darker corporate vision of an appropriate governing philosophy for America, reigns. It is a world where the ultimate god of materialism, Henry Ford, is worshipped and where the daily dispensation of the drug Soma keeps the popular mood elevated and rebellion quiet. The "examined life" is unknown. Genetic engineering is used extensively and all marketing aspects of the society are keyed towards keeping the population consuming items they don't need. In a world where the State and the Corporation are perfectly aligned, the movies have morphed into "the Feelies", where the additional sensations of touch and smell have been added to create a life-like entertainment experience that has a near addictive power for the population. Even young teenagers are encouraged to be sexually promiscuous to keep their minds off the deeper questions of life and art. As Mustapha Mond, the World Controller states, "You've got to choose between happiness and what people used to call

art. We've sacrificed the art." Today, as consumer advertising for Zoloft and Viagra compete for space with "How to Make Love Like a Porn Star", we can wonder if we really have to wait 400 more years for Huxley's vision to manifest itself.

American's ought to be able to have a choice between these two very different ideas of where a culture's power resides. For the Republicans, power resides in the size of the military budget and in putting a strong Federal government in service to big business and social conservatives. The New Federalists believe that power flows from the more open cultural and trade strength of the country. Our creative knowledge economy can be the source of our strength if only hostile resistance in foreign capitals does not confront it. We recall the magic era of the 80's and 90's where the ideas of freedom flowed throughout the world, not from a gun but from a music tape. Today every American corporation selling abroad suddenly has a new issue to deal with: anti-Americanism. The combative tone of the Bush Administration is causing pain throughout the international commercial system. The effects on the American consumer products companies have been powerful. International boycotts of Coca Cola, McDonalds, Marlboro, Ford, Procter and Gamble have caused dropping international sales at just the point when the American market is static. Retail consultant Lawrence McNaughton was quoted as saying "If you hate America, it's real easy to hate Coke or McDonald's. The two primary criteria for determining risk would be if you're in business internationally and you're a cultural icon." Boeing, which must compete with the European Aerobus Consortium, has lost several important contracts.

For American movie and musical artists the effects are even more demoralizing. These artists have lived for the last 40 years, confident that their words, images and

music could charm the rest of the world. The “software” of America has been our most powerful export. The images and sounds were often complex and nuanced and they borrowed from every culture that came to our shores. And now that image of America has been replaced by the smirking faces of George W. Bush, Dick Cheney and Donald Rumsfeld as ten-foot high puppets at anti-American rallies around the globe. What Bush and his associates didn’t understand was that the Berlin Wall came down not because Reagan was any smarter or tougher than Gorbachev. Bruce Springsteen, George Lucas and Marvin Gaye had broken through the wall years before. America was an idea of freedom and individuality. And Gorbachev was smart enough to know a wall wasn’t going to keep his people from the world they were seeing on MTV Europe. He let it fall without a fight.

But the problem caused by the Republican insistence on pre-emptive strikes against foreign governments is mirrored by their pre-emptive strikes against state laws that don’t square with their notions of Christian morality or Laissez Faire economics. It could be that we really do live in two countries, Red and Blue, but as economist Richard Florida has pointed out, our increasingly knowledge and creative oriented economy depends on three elements for growth: Talent, Technology and Tolerance. Those regions of the country like Austin, Silicon Valley, Boston, New York, Miami and Los Angeles that are at the heart of the American knowledge economy are filled with diverse and tolerant populations that are the core of creative enterprise. So if Alabama wants to ban the teaching of Evolution, the sales of vibrators and tell all their high school students that abstinence is the only sexual option; so be it. Creative people will eventually flee Alabama for more tolerant climes. If Kansas wants to cut spending for kid’s schools to

reward the business class, then so be it. But the industries of our future need smart kids, and business capital will flow to regions of creativity and high knowledge quotients, away from regions captured by social conservatives. Democrats should realize that by adopting the New Federalist platform of devolving power to local governments, they would attract both the support of the creative class of worker, but also the business managers who understand that their power in the world market rests on the creativity of their work force.

From within this coalition the task of tackling the burden of our over-consuming, under-saving economy could come to the forefront of the national dialogue. This would be a citizen's movement of simple living that would go on irrespective of which party is in power. It would tap into the power of local experimentation to find solutions to the urgent problems of education, conservation and a crumbling infrastructure. It would harness the creative power of the digital revolution to increase the efficiency of local government and business. But beyond the power of local governments to find solutions, the devolution revolution might begin to heal some of the cultural wounds that pitted people of faith against each other. Whether we morally think its right to live a simpler life or whether "The Market" forces the discipline upon us, we are going to have to get less wasteful. Our challenge is to rebuild this city upon a hill with a notion of Stewardship, which is embedded in almost every religion. It is an ecumenical movement embracing Christianity, Buddhism, Judaism, Islam, Hinduism and all the other spiritual practices in the world. The notion is simple. We are here for a reason; to be Stewards of our culture and our planet and in that sense we must walk as lightly on the earth as the Native American who found this place. Years after Winthrop asked his followers, "to do justly,

to love mercy, to walk humbly with out God”, the Quakers started singing a hymn that could be our anthem:

Tis a gift to be simple,
Tis a gift to be free.
Tis a gift to come down
Where we ought to be.