Give People a Vote That Counts, and They Will Vote for Fiscal Responsibility

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Abstract: If the continued fiscal recklessness by the U. S. federal government is the threat most economists think it is, why don't voters vote for politicians who will restore the fiscal responsibility that characterized the federal budget for over 140 years after the ratification of the U.S. Constitution? The answer public choice economists give is that voting by itself is not an effective means of imposing responsibility on government, particularly the federal government. But that answer assumes that the voting is limited to voting with our ballots. There is another more effective way of voting, and that is voting with our feet. Unfortunately, the latter type of voting has become less effective as the political power to tax and spend has become centralized in the federal government. This paper explains why constitutional reform that radically decentralizes the power to tax would significantly increase the political impact of voting with our feet and become a strong force for fiscal responsibility.

1 Introduction

Voting by the governed is obviously an essential feature of a political process constrained by "the consent of the governed", a constraint on government stated in the Declaration of Independence and which guided the founders at the Constitutional Convention in 1787. The founders made clear, however, that more than voting is needed if there is to be reasonable hope that government will use its coercive powers responsibly. Those constraints put substantive restrictions on what the federal government can do no matter how many voted for it to be done, and procedural requirements that dispersed the power over three different branches of government and the states.[1] The purpose was for the executive, legislative and judicial branches of the federal government to limit themselves by making it possible for the decisions of each branch to be negated or modified by decisions in the other two branches. Indeed, the only federal representatives that voters could elect directly were members of the U.S. House of Representatives, with senators being chosen by their state legislatures until the 17th Amendment allowed voters to elect them directly in 1913. The President and Vice President have never been elected directly by popular vote but by electors chosen by the states as specified in Article II, Section 1 of the Constitution. This process was altered somewhat by Amendment 12 in 1804, which is referred to as the Electoral College even though that term is not found in the Constitution.[2] Federal judicial appointments are made by the president subject to the advice and consent of the Senate. Terms such as "the tyranny of the majority" and "the violence of majority faction" were commonly used by John Adams, James Madison and Alexander Hamilton and other founders to justify their unwillingness to rely solely on voters to limit irresponsible government actions.

The recently developed subdivision of economics known as public choice has expanded our understanding of the reasons for the reluctance to depend solely on voting to restrain government decisions. Two troublesome problems result from the fact that as the size of the electorate increases the less likely any one vote will determine the election's outcome. The first is that voters have little motivation to become informed on political issues and candidates because there is only the tiniest probability that an individual vote will have any effect on the decisions being

[1] See Wandred, K. (2019).

[2] A group of electors was referred to as a college at the time.

made. Voters may know, for example, that maintaining air quality is more important to them and their families than saving a nickel a gallon on gasoline. But the decision each makes on where to buy gasoline is 100 percent decisive and their decision on which political candidate to vote for has effectively no influence on what environmental policies are enacted. So, we can expect voters to be far more informed on where to get the cheapest gasoline than on which candidates' policy proposals are more effective at reducing air pollution. This explains why the evidence is overwhelming that most voters have little information about candidates position on the issues and even less on the issues themselves, which they refer to as rational voter ignorance. See Somin (2016). This ignorance makes it easy for politicians to convince large numbers of voters that, for example, social injustice can be reduced by spending more money on new and existing government programs, subsidies and transfers, that already comprise well over 60 percent of the federal budget. As this is being written, well over a year before the next presidential election in November 2020, aspiring presidential candidates are promising unprecedented increases in federal spending for a host of noble sounding policies that, of course, can be funded by increasing taxes on the rich. Seldom do these politicians say anything about increasing the federal debt and passing it on to those yet unborn.[3]

Even uninformed voters aren't always completely naïve about such promises. Most surely suspect that the middle class will pay for much of the additional government spending and some may make the connection between the

[3] This doesn't mean that these candidates are unconcerned about the dangers of excessive federal debt. For example, Elizabeth Warren (2019) is concerned that private debt is likely to lead to a recession or worse and that she will address the problem by canceling student loan debt, reducing the cost of household debt, and mobilizing the industrial base with a 2 trillion dollar investment in her Green Manufacturing Plan. She never mentions government debt as a problem even though all her recommendations would directly increase the federal debt except for those that increase the cost of doing business, which will likely indirectly increase the federal debt. Fairness compels me to point out that few politicians in Washington from either party seem concerned about the increasing federal debt. See Davidson and Hilsenath (2019).

steady stream of budget deficits and the increasing federal debt that is being shifted to future generations. But this brings us to the second problem resulting from the miniscule probability that one vote will determine the outcome of an election. Many voters have been convinced that voting for candidates who favor expanding compassionate sounding government programs and spending will help society's victims and punish their victimizers is the moral thing to do. These voters realize that voting for social justice is 100 percent certain to give them a surge of sanctimonious satisfaction which swamps any concerns they may have about the cost, the unintended consequences or the past failures of federal programs and promises. Those voting for such programs will have no sense of responsibility for unfortunate effects of their votes or the costly failures of the programs voted for, even if they are vaguely aware of such possibilities. Their intentions are pure and noble and, anyway, an individual vote is only slightly more likely to determine what programs are enacted than a wish upon a star.[4]

Of course, lots of voters criticize government spending as excessive and express concern about federal debt, yet most would resist any move to reduce programs that benefit them and be quite happy when they are expanded. Why shouldn't conservatives feel good about voting for politicians who promise to expand government spending that benefits them when they know they will have to continue paying for the government spending progressive voters like. Lately politicians who in the past at least promised to reduce the federal budget deficit, have largely dropped even the pretense of being fiscally conservative. Politicians in both parties know that once voters identify with a party or candidate they feel good about voting for, they are not strongly influenced by the particular policies

[4] Because of the miniscule probability of a vote determining an election's outcome voters are primarily motivated by the expressive satisfaction they receive from supporting a political outcome instead of by the instrumental satisfaction from expecting their vote to determine the outcome they want. Public choice economists refer to this as expressive voting.

their favored candidate supports.[5] With neither Republican nor Democratic politicians interested in reducing federal spending, expressive voters with very different political preferences can be thought of as two herds of lemmings voting to continue stampeding toward the same fiscal abyss with little awareness or sense of responsibility for the disaster that lies ahead.

Voting is only part of the problem, however. Many of the prevailing mores and understanding that empowered the Constitution's ability to prevent government from going beyond reasonable limits have eroded over the years as more problems, real or imagined, are seen to justify government action. Critical to the Constitution's ability to limit government was not only requiring a reasonable level of agreement by the three branches of the federal government to exercise power, but also distributing much fiscal responsibility over state and local governments. For the first 140 plus years of the United States the federal government's peace-time tax receipts and expenditures were less than state and local tax receipts and expenditures, with federal spending never greater than 3.5 percent of GDP. Furthermore, the federal government did not engage in deficit spending except during wartime and sometimes during economic downturns, and even during downturns the deficits were due to reductions in tax receipts, not additional expenditures to pump up the economy. Indeed, after the Civil War the federal budget was in surplus from 1866 to 1893 with the debt incurred during the war almost eliminated.

This fiscal responsibility of the federal government started to break down during the progressive era beginning in the late 19th century as public opinion began slowly shifting in favor of federal government taking on more activities. It

[5] Based on numerous studies Mason (2018, pp.20-21) states "[m]ore often than not, citizens do not choose which party to support based on policy opinion; they alter their policy opinion according to which party they support." Of course, this is consistent with rationally ignorant voters not knowing much about what policies their favored candidates will support if elected, or what the effect of those policies will be if enacted.

didn't start breaking down in earnest, however, until the 1930s (the federal government still taxed and spent less than state and local governments in the early 1930s) when the power to tax and spend began shifting noticeably to the federal government. This obviously changed during World War II, and though federal taxing and spending declined after the war it has never since fallen below state and local levels. For reasons that will become clear in this paper, the increased concentration in taxation and spending in the federal government created incentives for more taxing, spending and waste at all levels of government. Rationally ignorant and expressive voters do not explain all this increased concentration, but the concentration does exacerbate the problems of such voting. The purpose of this paper is to consider an admittedly radical constitutional reform that would fundamentally change political incentives in ways that greatly increase the ability of voters to impose fiscal discipline on all levels of government. And by voters, I mean those who vote both with their ballots and with their feet.

2 Reverse Revenue Sharing

I refer to my proposal as "reverse revenue sharing" which is basically the same as I discussed in Lee (1985) without the emphasis on voting that I highlight here. Under this proposal *all tax revenue is raised within the states and each state is required to transfer the same percentage of its tax revenue to the federal government*. The percentage would have to be determined at a constitutional level, but no state would be able to have its percentage reduced without the percentage for all states being reduced the same amount. A reasonable percentage would be in the range of 35 to 40 percent, which was about the percent of total government tax revenue the federal government raised during the first 140 plus years after the ratification of the U. S. Constitution.[6]

An obvious advantage of reverse revenue sharing is that it would increase the competition between the states, motivating them to tax more efficiently and do a better job providing services that their citizens value at lower cost than they do now. True, states already face competition with freedom for people to vote with their feet by choosing to move to a state they believe would provide them a better economic climate. The problem is that this competition is now seriously attenuated by the fact that no matter where people and businesses move within the United States, they carry the largest portion of their tax burden with them—their federal tax burden. As I shall be explaining, a less obvious advantage of reverse revenue sharing is that it would motivate state governments and the federal government, in response to the information communicated through votes (both with ballots and feet), to do a much better job providing citizens with the government services they most value at far less cost than they do now.[7] I distinguish only between state and federal government and largely ignore local government and their taxes, although local taxing and spending decisions are important. I assume that states can structure the fiscal relationships between state and local government as they choose in response to the additional competition for residents and tax bases.

Voting with our ballots is important, with the caveats discussed in section 1. As opposed to voting with ballots, however, when we vote with our feet our

[6] The one exception to the prohibition of federal taxation concerns wars. But for federal taxation to be used to finance a war it would have to be declared by both branches of Congress, as now stated (but routinely ignored) in Article I, Section 8, Clause 11. What is now referred to as the commerce clause (Article I, Section 8, Clause 3) would prevent states from imposing tariffs on, or otherwise restrict, the importation of commercial goods and services from other states. In addition to Lee (1985) another article by Clark and Lee (2018) make use of some of the same arguments discussed here for the purpose of focusing attention on tax reform.

[7] There are some parallels between my discussion and that of Tiebout (1956). Tiebout considers local governments and argues that they are very sensitive to citizen's preferences. He doesn't consider, however, any fundamental change in the location of taxation as I do with reverse revenue sharing, which is critical to the efficiencies I discuss.

individual decisions are 100 percent decisive. That overcomes the two distortions when voting with our ballots—rational voter ignorance and expressive voting. Since we are sure to get what we vote for when voting with our feet, the motivation is strong to become informed on the likely consequences of our votes. Obviously, mistakes will be made, but when they are state politicians will see people correcting those mistakes by taking their taxable efforts and assets elsewhere. These politicians will also notice that influencing the decisions of those voters with emotional rhetoric is not nearly as effective as it is with those voting with their ballots.

Reverse revenue sharing not only motivates more responsible and informed voting by increasing the instrumental payoff to voting with our feet, it also dramatically alters the incentives for politicians at the federal and state levels of government to respond to the information transmitted by that voting to make more socially responsible taxing and spending decisions. As the next section shows, politicians at the federal level will become more responsible by doing less. In section 4 we see that reverse revenue sharing may result in state politicians doing more, but whether they do more or less they will do it in ways that are far more creative and fiscally responsible than they are doing now. As my title promises, give people a vote that counts and they will vote for fiscal responsibility, and politicians are far more likely to provide it.

3 More Fiscal Responsibility at the Federal Level START

Under reverse revenue sharing, the federal government would be motivated to restrict its spending to the efficient provision of those services which are most appropriately provided by a central government. There would be a strong incentive to avoid using federal money to help pay for services best provided by state and local governments or left to private provision. With the federal government dependent on a fixed percentage of the tax revenue the states raise, Congress would recognize the folly of providing federal money to help state governments pay for such things as bike paths, community swimming pools, public schools, street repairs, light-rail systems and diversity bureaucracies. If states don't think such things are worth financing with their own taxes, then why should the federal government pay for them. Of course, many things are worth states spending money on, often in conjunction with local governments, such as education, police and fire protection, and highways. Under reverse revenue sharing the federal government would not be motivated to provide financial assistance for such things since doing so would reduce the amount states raised in taxes, thus reducing the federal government's only source of revenue.

The federal government would be motivated to efficiently provide genuine public goods that providing nation-wide benefits and therefore not in the interest of any one state or consortium of states to finance. Such public goods would enhance the countries general productivity which *would be the most effective way for the federal government to increase its revenue.* The opposite side of this coin would be strong federal resistance to maintaining, much less expanding, the host of income transfers programs that are the fastest-growing components of the federal budget, and a major source of reduced economic efficiency.

Well over 60 percent of the federal budget consists of money taken from some people in taxes and transferred to others. It is often the case that the direction of the transfers go back and forth between the same groups of people, leaving all of them worse off than if they could give up their transfers in return for not having to pay the taxes to finance the transfers to the others. The taxes to finance transfers invariably cost more than the revenue raised because of the deadweight loss (or excess burden) of taxation. This deadweight loss has been estimated to cost the economy in the range of $.30 to $.50 every time the federal government collects an additional dollar in tax revenue.[8] This deadweight loss is the result of distortions created by the tax that motivate people to make investment and consumption decisions that create less value than decisions they would have without the tax. And this doesn't include the rent-seeking costs that are spent to get and/or qualify for transfers, which can result in no net gain even for successful rent-seekers.[9] Also, the transfers are commonly used to finance activities that produce less wealth than would have been produced if the money had remained in the private sector and spent in response to market prices not distorted by political taxes and transfers. For example, consider federal transfers such as those paying farmers for growing cotton in the desert; that subsidize firms to produce corn-based ethanol which does nothing to reduce global warming; that bail out companies that are too big to fail, thus making them even bigger the next time they fail; or that create dependency by the poor on government transfers by reducing the amount they receive if they make an effort to work their way out of poverty.

These transfers and subsidies are almost always the result of the rent-seeking by organized interest groups that is especially effective at the federal level. Federal politicians are now ideally positioned to make exchanges with interest groups with both capturing benefits (political contributions for politicians and subsidies and transfers for interest groups) by spreading the costs thinly over the entire population. Under reverse revenue sharing, federal politicians would no longer see advantage in reducing the general economic productivity with special-interest subsidies and transfers when the only means of increasing federal revenue is by increasing productivity, not reducing it. They would also lose their enthusiasm for claiming with a straight face that they can lower the cost of healthcare, college

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[8] Browning, Edgar K., *Stealing from Each Other: How the Welfare State Robs Americans of Money and Spirit* (Westport, Connecticut: Praeger, 2008).
[9] See Tullock (1975) for an explanation and examples.

tuition, green energy, electric cars or bullet trains by increasing the subsidizes they receive.

4 Providing Better State Services at Lower Costs

Reverse revenue sharing would also create incentives for state governments to spend more selectively and efficiently. First, the need for state governments to raise more than a dollar to spend a dollar in their state would serve as a serious constraint on funding such projects as mass transit systems that cannot cover their operating costs, metropolitan highway systems to alleviate traffic congestion without also imposing highway tolls, building sports coliseums and stadiums for rich owners of profession sports teams with taxpayer dollars, and funding public schools directly rather than through educational vouchers.

With all taxation taking place at the state level, wasteful spending in response to special-interest influence would put a state at a noticeable disadvantage in the competition with other states. When, as is currently the case, most of the tax revenue is raised by the federal government, differences in tax burdens between the states are less important in deciding where to live and do business than they would be if the entire tax burden were determined at the state level. Taxes in the states would probably increase under reverse revenue sharing because they would be paying for state and federal spending, but the overall tax burden would surely decrease because all tax revenue would be raised and spent in a far more competitive environment than is currently the case.[10]

Not all state and local projects that are wasteful now would be eliminated or even scaled back under reverse revenue sharing because they would be provided at lower costs. One way the cost of state services can be reduced is through tax

[10] Currently the federal government's transfers to the states serve to suppress the tax competition between states below what it would otherwise be. These transfers often come with mandates or incentives for the states to maintain or increase their own tax revenue. One can reasonably think of this arrangement as a tax cartel between the federal and state governments that makes it easier for all levels of government to squeeze more money out of taxpayers.

reform that lowers the deadweight loss of raising tax revenue to pay for those services. Few state tax systems are as convoluted or do more to distort economic decisions as the federal tax system, but they could still be significantly improved by the incentive of reverse revenue sharing. The problem with improving current tax codes is not lack of knowing how to do it. Any moderately intelligent seventh grader could come up with a better tax structure than those most states currently have. A broad base with low marginal tax rates is a good general rule, but one advantage of reverse revenue sharing is that each state is left to work out their own tax reforms given their situations and the feedback they receive from the competition between states.

State taxes and expenditures would automatically be improved once reverse revenue sharing reformed the federal tax system in the most effective way—by abolishing it. Without the federal tax, state taxpayers would be unable to reduce taxable federal taxes by some percentage of their state and local taxes. This federal tax break artificially lowers the cost for states to fund more projects by increasing taxes. Consider trash collection, tennis courts, golf courses, swimming pools, and parks provided and paid for by local taxes. And education shouldn't be overlooked. Better K-12 education at lower social costs cannot be achieved by allowing taxpayers to shift part of their state's education cost to taxpayers in other states. Without this tax distortion, public schools would face more competition from private schools and the political ability of educational unions to resist school choice would be greatly weakened. The incentive for all state governments to increase the quality and lower the cost of all the services they provide increases as the competition they face from other states increases.

Today, each state competes against other states by rent-seeking for the federal government to spend more money on goods, services and jobs in their state than their citizens pay in federal taxes. This attempt by states to freeride off the tax payments of other states is a clear example of negative-sum competition. It requires using labor and resources to capture existing wealth instead of increasing wealth. Even when a state wins the competition, it typically receives money for projects that cost more than they are worth to its taxpayers. But that doesn't eliminate a state's enthusiasm for entering such negative-sum competition. Taxpayers realize that they will be paying the same amount in federal taxes regardless of how much they get back. If Atlanta, for example, had not received federal spending for a downtown light-rail streetcar that has done more to motivate jokes than to provide useful transportation, some other city would be having all the laughs with a freeride on federal taxes paid by Georgians.

This negative-sum rent seeking between states to get back as much of their federal tax dollars as possible even if it is for state projects that are worth less than they cost, would quickly be reduced and probably ceased entirely. The federal politicians would realize that funding state projects would lose them votes because they would be less valuable to their constituents than the general public goods they could no longer provide. *Therefore, the states would bring their former rent seekers home to engage in far more socially productive ways to freeride on the other states.* That's right, reverse revenue sharing would create strong incentive for states to benefit by freeriding on other states, but do so in a positive-sum competition that actually results in all states becoming better off by producing more valuable goods and services that satisfy a wide variety of preferences at low costs.

With the federal government providing public goods primarily benefiting all states, as discussed in Section 3, each state would have an incentive to reduce its contribution to the funding of those goods since that would have little effect on the general benefits provided and each would benefit from the entire reduction in its contribution. The only way a state can achieve such a freeride under reverse revenue sharing, however, would be by reducing expenditures on wasteful state services and fund those services that are worth more than they cost as efficiently as possible, thus reducing both the tax revenue being raised and the amount sent to the federal government. We can expect more privatization of services, more school choice, less union influence on the pay and perks of state employees augmented with kickbacks to state politicians, to name a few cost-saving possibilities that state and local politicians will find far more appealing than they do now.[11]

5 Would Reverse Revenue Sharing Starve Government?

Given the fiscal irresponsibility that characterizes our current political arrangement, any change that increases the fiscal responsibility of political decisions will be seen by political activists as "starving" government. Once large numbers of people have learned to see governments at every level, particularly at the federal level, as the means of providing them benefits at the expense of others, any suggestion for internalizing these negative externalities will be widely resisted as unjust and unacceptable. Internalizing negative political externalities is another way of describing reverse revenue sharing.

But this explains why reverse revenue sharing would not reduce the amount of wealth available to accomplish desirable and noble objectives. Quite the contrary, given the incentives to leave more resources in the private sector and eliminate many of the externalities that create government waste, there would be

[11] But if all states did this successfully, it might seem that they would all become worse off as the federal government received less money from the states and had to reduce the quantity and/or quality of the public goods it provides. This is unlikely since the concern assumes that all states become more productive at producing goods and services that people in the states value. But this implies that the states, and the country, are becoming both more productive and wealthier. There is no reason why the increased productivity would not be enhancing the federal government's ability to produce public goods with less money. Also, the states are getting wealthier and that could increase the demand for more of the goods and services they are currently providing and for positive provision of some that were not being provided before. A more productive and wealthy state is probably a state in which more state taxes to provide more goods and services are consistent with efficiency, which mean more money for the federal government. But even if there is a persistent shortage of federally provided public goods, this could be addressed with a broad and effective demand to increase the percentage of state taxes going to the federal government.

more wealth produced and better use made of that wealth. Despite the impression so many people have, reducing the size of government is not the same thing as reducing desirable things for which politicians excel at taking credit for when their policies are counterproductive as is often the case.

Consider the noble objective of reducing poverty. The most effective way to reduce poverty has always been by producing more wealth, not transferring existing wealth from the rich to the poor. With this in mind, it is important to acknowledge that government can play an important role in poverty reduction by establishing an environment in which markets can flourish by doing such things as protecting private property, enforcing the rules of voluntary exchange, establishing means of adjudicating disputes, providing basic infrastructure, securing our borders against military invasion and protecting citizens again domestic predators. Doing those things are far more effective at 1) providing the poor with the incentives and opportunities to improve their economic wellbeing with productive efforts, while also 2) enhancing their sense of purpose and dignity, which is seldom achieved by receiving an unearned monthly check from a government agency. Does anyone who understands that consumption comes before production only in the dictionary really believe that poverty would be less in America today if the federal government had started the War On Poverty in 1870 with the same percentage of GDP being send to the poor as was the case beginning in 1964, with the same stipulation that recipient payments would be significantly reduced by those who took the initiative to improve their own economic (not to mention their psychological) wellbeing by engaging in productive effort?[12]

[12] Even if welfare programs are doing more to reduce poverty in American than increase it, there are serious concerns as to how sustainable they are. See https://www.nytimes.com/roomfordebate/2015/07/30/the-next-50-years-for-medicare-and-medicaid/medicare-and-medicaid-are-unsustainable-without-quick-action
See also Autor (2011).

People tend to forget that public welfare crowds out private charities that would otherwise be helping the poor.[13] As Milton Friedman pointed out, "the heyday of laissez-faire, the middle and late nineteenth century in Britain and the United States, saw an extraordinary proliferation of private eleemosynary organizations and institutions."[14] And private charities do a better job motivating recipients to appreciate the help they receive, and feel an obligation to make the best of it to help themselves, than does the promise of a steady check from an impersonal government bureaucracy.

There are other areas where the federal government has important responsibilities, such as providing national defense and controlling pollution that extends over several states, but which could be done better and at less cost if political arrangements provided the government decision makers with strong incentives to consider the cost effectiveness of their efforts. Reverse revenue sharing would provide such incentives. It would also give the federal government strong incentives to quit spending on many of the things that governments shouldn't be doing, or which would be better done by the states.

6 Conclusion

Clearly moving to a fiscal arrangement such as reverse revenue sharing would be controversial. People have made decisions that make sense only under the assumption that the federal government will continue to maintain spending on existing programs at current or increasing levels. People notice immediately when they are no longer receiving "free" or subsidized goods and services they have come to expect. It takes them longer to recognize that they are paying less in taxes to pay for "free" and subsidized goods for others. Eventually, however, it would be

[13] See Schansberg, (1996). See also Tanner (2003).
[14] See Friedman (2002, p. 190).

noticed under reverse revenue sharing that the payoff from producing more wealth through productive market activity has increased and the payoff from capturing existing wealth through wasteful political activity has decreased.

I don't deny that a transition to reverse revenue sharing would create social conflict. But neither can it be denied that the current path of federal fiscal recklessness and identity politics is increasingly pitting more groups against each other in negative-sum political competition that is elevating the level of political and social conflict. The inevitable result of trying to continue our delusionary fiscal policy will be increasingly hateful clashes between interest groups and social justice advocates as government starts defaulting on promises that have become seen as righteously deserved entitlements.

I recognized my proposal is a radical one and will be dismissed by many as too radical to be taken seriously. Yet, I present it with far more seriousness than should be given to political promises that government will soon get serious about fiscally responsibility. This is not because I believe reverse revenue sharing is the only, or even best, possible proposal for effective fiscal reform. For one thing it doesn't address important concerns, such as the federal government resorting to regulations to force state and local government to finance spending programs or having the Federal Reserve buy treasury bonds to continue finance existing level of federal spending, although it's not clear why anyone would buy treasury bonds from a government without the power to tax. Other proposals for motivating more responsible fiscal policy at the federal and state levels, or suggestions for improving reverse revenue sharing will hopefully be made and would be welcome.

There are three reasons for taking the arguments for reverse revenue sharing seriously even though they call for radical departures from political and fiscal arrangements now widely considered to be reasonable. First, the arguments highlight and force consideration of fundamental distortions in current fiscal arrangements that will soon have to be addressed if a fiscal collapse is to be avoided. Second, our Constitution served us well for over 140 years and could continue to do so if somehow we can start restoring the political norms of acceptable government responsibilities that existed through the 19th century and into the 20th. Third, politicians from both major parties could help restore those political norms by immediately acknowledging their fiscal recklessness and uniting in efforts to make responsible policy adjustments before a fiscal crisis can no longer be denied or avoided. But this is unlikely to happen. So I have put forth my argument for reverse revenue sharing in the same spirit that motivated Milton Friedman (1982, pp. xiii-xiv) to express what he saw as a basic function of academics:

> There is enormous inertia—a tyranny of the status quo—in private and especially government arrangements. Only a crisis—actual or perceived—produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable.

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