Federalism has evolved throughout American history. At different points in time, the balance and boundaries between the national and state government have changed substantially. In the twentieth century, the federal government's role expanded dramatically, and it continues to grow in the twenty-first century. During the years 1789-1945, dual federalism describes federalism's nature for the first 150 years of the American republic, roughly 1789 through World War II. The Constitution outlined provisions for two types of government in the United States, national and state. For the most part, the federal government dealt with national defense, foreign policy, and fostering commerce, whereas the states dealt with local matters, economic regulation, and criminal law. This type of federalism is also called Layer-Cake Federalism because, like a layer cake, the states' and the national governments each had their distinct areas of responsibility, and the different levels rarely overlapped.

Part of the disputes that led to the Civil War (1861–1865) concerning federalism. Many Southerners felt that state governments alone had the right to make crucial decisions, such as whether slavery should be legal. Advocates of States' Rights believed that the individual state governments had power over the federal government because the states had ratified the Constitution to create the federal government in the first place. Most Southern states eventually seceded from the Union because they felt that secession was the only way to protect their rights. However, Abraham Lincoln and many Northerners held that the Union could not be dissolved. The Union victory solidified the federal government's power over the states and ended the debate over states' rights. The Fourteenth Amendment, ratified a few years after the Civil War in 1868, includes three key clauses, limiting state power and protecting citizens' fundamental rights: The Privileges And Immunities Clause declares that no state can deny any citizen the privileges and immunities of American citizenship. The Due Process Clause limits states’ abilities to deprive

citizens of their legal rights. The Equal Protection Clause declares that all people get equal protection of the laws.

The economy became a national, industrial economy, and the federal government was much better equipped than the states to deal with this change. For much of the nineteenth century, the government pursued a hands-off, laissez-faire economic policy, but it began to take a more robust regulatory role in the early twentieth century. Because of its vast economy and extensive trading networks, the United States emerged as a global economic power. The federal government assumed a more significant economic role as American businesses and states began trading abroad heavily. Although these events played out over many decades, they reached their high points during the presidency of Franklin Roosevelt (1933–1945). The Great Depression, brought about by the stock market crash in 1929, was one of the most severe economic downturns in American history. Many businesses failed, roughly one-third of the population was out of work, and poverty was widespread. In response, Roosevelt implemented the New Deal, a series of programs and policies that attempted to revive the economy and prevent further depression. The New Deal included increased banking and commerce regulation and programs to alleviate poverty, including the formation of the Works Progress Administration and a social security plan. The national government had to grow dramatically to implement these programs, which consequently took power away from the states.

Since the 1970s, political leaders and scholars of the New Federalism school have argued that the national government has grown too powerful and should be given back to the states. Although the national government remains extremely important, state governments have regained some power. Richard Nixon began supporting New Federalism during his presidency (1969–1974), and every president since Nixon has continued to support the return of some

powers to state and local governments. Although political leaders disagree on the details, most support the general principle of giving power to the states. New Federalism has taken concrete form in a variety of policies. New Federalists have argued for specific limits on federal power, as well as Devolution, a policy of giving states power and responsibility for some programs. For example, the 1996 welfare reforms gave states the ability to spend federal dollars as they saw fit. Supporters claim that local and state governments can be more effective because they understand the state's circumstances. They argue that a one-size-fits-all program imposed by Washington cannot function as effectively.

Federalism's benefits are that it can encourage political participation, give states an incentive to engage in policy innovation, and accommodate diverse viewpoints across the country. The disadvantages are that it can set off a race to the bottom among states, cause cross-state economic and social disparities, and obstruct federal efforts to address national problems. New Federalism appeals to many people because of its emphasis on local and state governments. Many Americans feel that the national government has become too intrusive and unaccountable. These people champion state and local government as closer to the people and thus more accountable. However, Americans often want a single seat of power for some tasks. Competing local and state governments can cause more problems than they solve, especially during emergencies. For example, the terrible hurricanes of 2005 led Louisiana, Mississippi, and Alabama residents to demand a better, more unified national response.