

## Who Benefits from a Constitutional Convention?

There are many valid concerns about the proposed U.S. Constitutional convention, a well-funded effort to fundamentally alter the Constitution by having 34 states petition Congress to call such a convention. South Carolina is targeted to be the 34<sup>th</sup> state, according to the sponsors' website (<https://conventionofstates.com>). Legislation to call a convention was considered in the South Carolina General Assembly in 2020 and is certain to be on the agenda next year, backed by abundant funding.

The central goal of the Convention of States supporters is to greatly “limit the power and jurisdiction of the federal government” and to send most governing authority to the states. As an economist, I have some serious concerns about calling such a convention. Last time it happened, in 1787, they trashed the Articles of Confederation and gave us a brand new constitution instead. That new constitution recognized that we needed to speak with a single voice to the rest of the world and expanded the powers of the central government to make that happen. The proposals that are being offered by supporters would reverse that process and reduce us to a fractious coalition of 50 states. And we have seen during the pandemic how effective that is! Americans are no longer welcome as tourists in Europe, and foreigners are reluctant to visit a nation that seems unable to exert central control over public health measures.

Three major economic issues are at stake in such a convention. Convention backers are particularly anxious to emasculate the economic role of the federal government in regulation, stabilization, and trade policy.

Corporations would not necessarily benefit from trading “one-stop shopping” for lobbying in 50 state capitals to weigh in on regulations. Those regulations include health and safety, environmental, consumer protection, banking, and interstate commerce protections that benefit households and minorities as well as business firms. Just ask the trucking industry about the advantages of dealing with a single regulatory agency instead of a maze of regulations in the 50 states. The environment, labor markets, and multinational corporations all cross state and national boundaries, and business firms would have to devote a lot of resources to dealing with regulatory diversity. If we want clean air, clean water, consumer product safety, pension guarantees, food safety and inspection, and banking regulation to protect households and small businesses, we need the federal government to set and enforce national standards rather than relying on underfunded and sometimes easily co-opted state regulatory agencies.

One economist described the federal government as “an insurance company with an army.” We often are unaware of how much we rely on the federal government as our insurance company to come to the rescue in emergencies—not just earthquakes, wildfires and hurricanes but also recessions and financial crises. Constrained by balanced budget requirements, states turn to the federal government as the insurer of last resort. From the Great Depression to disaster relief, financial crises and the pandemic, the federal government is our “backup generator” when we experience power failure at the state and local level. In a recession, the Federal Reserve and the US Treasury can stabilize economic activity. Federal programs such as Social Security and unemployment insurance not only help families weather crises but also provide consumer income to stabilize the economy.

Finally, the federal government plays an important role in international trade, especially in our agricultural and manufacturing sectors. Already Some U.S. agricultural products cannot be exported to

the EU because Roundup, which is banned in the EU, is used in their production. Other environmental and health and safety issues have affected exports to other major markets, especially China. Imagine how much more challenging it would be if that regulatory authority was delegated to the fifty states. Trade also depends on negotiations, now handled by the federal government. Dispersing that role to the 50 states would greatly weaken our negotiating power that is based on our importance as a large source of products and an affluent consumer market.

We need to focus on how to make our shared, if imperfect, national government work more effectively in those three areas of economic policy that impact the lives of every American household. A constitutional convention could undermine the power that we can exert as a single wealthy, prosperous nation by shifting regulatory authority, trade policy, and response to national emergencies to states, which are not equipped to take on those responsibilities.

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